

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

## 2015/16 SECOND QUARTER REPORT OF THE 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 (Act 108 of 1996) read with Rule 124(b) and Rule 131 of the Mpumalanga Provincial Legislature to oversee the performance of the Mpumalanga Tourism and Parks Agency (MTPA) thereafter referred to as "the entity" and hold it accountable through various measures.

The consideration and scrutiny of the Second Quarterly Performance Report for 2015/2016 of the entity is the tool the Committee uses to determine whether the entity has proper plans and programmes to realise its strategic objectives and ultimately to deliver basic services to the citizens of Mpumalanga. Furthermore, the Committee seek to determine how the entity has utilised its allocated capital resources and how it has performed in terms of achieving planned targets for the 2<sup>nd</sup> quarter of the 2015/16 financial year.

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 2015/2016 second quarter.

### 2. METHOD OF WORK

The Honourable Speaker of the Legislature referred the 2015/16 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.

The Committee met with the entity on 03 December 2015 to deliberate on the entity's Second Quarter Performance. Subsequently, the Committee considered its draft Committee Report on the 17 January 2016.

### 3. ANALYSIS OF THE SECOND QUARTER REPORT

#### 3.1. BUDGET ANALYSIS

The entity received a budget of R 336 436 000 for the 2015/16 financial year in terms of the Appropriation Act 2015/16. For the 2<sup>nd</sup> quarter, it managed to spend R169 781 000, which is 50% spending on the allocated budget.

#### 3.2. PROGRAMMES AND SUB-PROGRAMMES

The Committee deliberated on the performance of the entity for each programme as follows:

##### 3.2.1. PROGRAMME 1: BOARD SECRETARIAT

The programme is responsible for ensuring governance and provides support services to the MTPA Board.

**The Committee made the following observations on Programme 1:**

##### a) Spending Pattern

The programme had a budget allocation of R4 389 000.00 and spent R2 644 000.00 which is 60% spending. The entity overspent by 10% on this programme.

##### Spending per Economic Classification

Table 1: Spending per Economic Classification

Classification	Annual Budget R'000	Actual Expenditure R'000	Expenditure %
Compensation of Employees	483	600	124
Compensation of the Board	1 613	1 154	71.5
Goods and Services	2 043	889	44
Programme Cost	250	0	0
<b>Total</b>	<b>4 389</b>	<b>2 644</b>	<b>60</b>

The Committee noted that the entity spent 124% on Compensation of Employees and 71% on Compensation of the Board. The entity attributed the over-expenditure on Compensation of Employees, Compensation of the board and Goods and Services to unbudgeted cost of

employees, additional/special meetings held and payment of unbudgeted investigations respectively.

The Committee enquired on the cause of the high expenditure on the above-mentioned items. The entity reported the following:

- Budgeting on Compensation of Employees was based on existing warm bodies. Subsequent to the budgeting process, there was a need to fill critical positions such as that of the Company Secretary;
- The entity will do budget shifting from other programmes through virement by the end of the year to cover the shortfall on the programme.
- The entity reported that the investigations that were not known during budgeting relates to:
  - i. Rhino horn theft
  - ii. Allegations of mismanagement against certain executives
  - iii. Employees' placement post restructuring.

The Committee raised a concern that the entity should have known about these cases during budgeting, as they are not new cases.

- To remedy the situation, the entity reported that spending on Goods and Services will be cut down for a cushion on the over expenditure.

### **3.2.2. PROGRAMME 2: EXECUTIVE OFFICE**

The Programme is responsible for overseeing specialist functions within the Executive Office.

**The Committee made the following observations on Programme 2:**

#### **a) Spending Pattern**

The programme was allocated a budget of **R36 132 000**. The expenditure for the second quarter was **R18 800 000** or 52% of the allocated budget.

#### **Spending per Economic Classification**

Table 2 below outlines the spending per Economic Classification for Programme 2:

Table 2: Spending per Economic Classification

Classification	Annual Budget R 000	Actual Expenditure R 000	Expenditure %
Compensation of Employees	13 996	10 207	72.9
EPWP Compensation	2 538	825	32.5
EPIP Compensation	2 134	0	0
Goods and Services	10 661	4 584	43
Programme Cost	6 630	3 184	48
Payment for Capital Assets	173	0	0
<b>Total</b>	<b>36 132</b>	<b>18 800</b>	<b>52</b>

The entity reported the following concerning the spending per Economic Classification:

- i. The low spending on EPWP Compensation was caused by the delay on some projects at some reserves due to extended consultations with claimant communities.
- ii. The budget for EPIP Compensation and Payment for Capital Assets was utilised but the expenses were allocated to wrong accounts. In addition, the entity reported that this was corrected during the third quarter.

#### **b) Programme Performance**

Programme 2 achieved 63% (12 out of 19) of its targets in the 2<sup>nd</sup> quarter of the 2015/16 financial year.

##### **i. 510 EPIP Permanent jobs**

The Committee noted that the entity failed to create 510 EPIP permanent equivalent jobs. The entity reported that non-achievement of the target was as a result of business plans that have not received approval from the Department of Environmental Affairs (DEA). Furthermore, the entity reported that two projects have since been approved and will commence during the 4<sup>th</sup> quarter. The entity reported that the DEA will be engaged continuously for approval of the remaining business plans to commence with implementation.

##### **ii. Security Strategy**

Even though the Committee had previously emphasized and the House made a Resolution that the entity needs to finalize the security strategy as a matter of urgency, the Committee noted that the security was not been developed. The entity reported that the strategy was completed and will be considered for approval by the Board at its next meeting.

### 3.2.3. PROGRAMME 3: OFFICE OF THE CFO

The responsibility of this programme is to ensure that financial services are provided to the entity.

**The Committee made the following observations on Programme 3:**

#### a) Spending Pattern

The programme was allocated a budget of **R37 735 000**. The expenditure for the quarter was **R14 296 000** or 38% of the allocated budget. The programme failed to reach the benchmark of 50% by 12%.

#### Economic Classification:

Table 3 below outlines the spending per Economic Classification for the Programme:

**Table 3: Spending per Economic Classification**

<b>Classification</b>	<b>Annual Budget R'000</b>	<b>Actual Expenditure R'000</b>	<b>Expenditure %</b>
Compensation of Employees	11 418	4 753	42
Goods and Services	23 328	9 381	40
Programme Cost	390	162	42
Payment for Capital Assets	2 600	0	0
<b>Total</b>	<b>37 735</b>	<b>14 296</b>	<b>38</b>

The entity reported that the budget for Payment of Capital Assets will be utilized in the 3<sup>rd</sup> and 4<sup>th</sup> quarter as the entity is awaiting delivery of the assets.

#### b) Programme Performance

Programme 3 has achieved 86% (6 out of 7) of its targets in the 2nd quarter of the 2015/16 financial year.

#### i. Payroll Verification Report

The Committee noted that the entity failed to compile one (1) Payroll Verification report during the quarter. The entity reported that due to human resources capacity challenges within the CFO's office, the entity was not able to deploy officials to conduct the payroll verification. In addition, the entity reported that Provincial Treasury was approached to assist and have committed to conduct the exercise in the 4<sup>th</sup> quarter.

## ii. Clean Audit

The Committee enquired on what steps the entity was taking to ensure that it receives a clean audit in the 2015/16 financial year. The entity reported that an accelerated audit action plan addressing the audit queries raised by the Auditor General, which is monitored, by the Internal Audit and Audit Committee on a quarterly basis. In addition, the entity reported that the internal audit section was reviewing internal controls, policies and procedures of the entity.

### 3.2.4. PROGRAMME 4: CORPORATE SERVICES

The programme's mandate is to provide effective and efficient management and business support.

The Committee made the following observations on Programme 4:

#### a) Spending Pattern

The programme had a budget allocation of **R28 604 000** and spent **R14 707 000** which is 51% of the allocated budget.

### Economic Classification

Table 4 below outlines the spending per Economic Classification:

**Table 4: Spending per Economic Classification**

Classification	Budget R'000	Actual Expenditure R'000	Expenditure %
Compensation of Employees	13 658	6 384	47
Goods and Services	5 040	2 512	50
Programme Cost	8 018	3 562	44
Payment for Capital Assets	1 888	2 249	119
<b>Total</b>	<b>28 604</b>	<b>14 707</b>	<b>51</b>

The Committee noted that the entity over spent by 69% on Payment for Capital Assets. The entity reported that this spending was influenced by erroneous inclusion of expenditure amount on infrastructure upgrade against ICT capital assets but this was rectified. To remedy this situation,

the entity reported that internal control measures that include monthly review of reconciliations and control accounts will be implemented.

#### **b) Programme Performance**

The programme achieved 77% or 17 of the 22 planned targets in this quarter.

##### **i. Organogram**

The Committee enquired on whether the review of the entity's Organogram will address challenges relating to non-availability of budget to fill the critical vacant posts. The entity reported that the process of reviewing the organogram is not related to budget. However, when the review is completed, the entity will request budget for filling of critical posts.

##### **ii. HR Policies**

The Committee enquired on what were the challenges encountered by the entity; that prohibited it from not reviewing HR policies. The entity reported that the challenges encountered were related to the Human Resources capacity required to assist with the policy review processes. Furthermore, the entity reported that HR policy review process was in progress and that consultation process was completed in the Labour Management Forum and will be presented for approval by the Board during its next meeting.

##### **iii. Revenue Collection System**

The Committee noted that the entity failed to implement the revenue collection system at Manyeleti, Loskop and Songimvelo. The entity reported that the revenue collection system is still being piloted at Blyde Bourke's Luck Potholes and upon successful implementation; it will be rolled out to other Reserves.

### **3.2.5. PROGRAMME 5: TOURISM**

The mandate of this programme is to foster, promote and sustainably develop and market tourism.

**The Committee made the following observations on Programme 5:**

#### **a) Spending Pattern**

The programme was allocated **R29 738 000** and managed to spend **R14 365 000** or 48% of the allocated budget.

#### Economic classification:

Table 5 below outlines the spending per Economic Classification:

**Table 5: Spending per Economic Classification**

Classification	Budget R'000	Actual Expenditure R'000	Expenditure %
Compensation of Employees	18 252	8 789	48
Goods and Services	1 000	1 154	115
Programme Cost	10 486	4 420	42
<b>Total</b>	<b>29 738</b>	<b>14 363</b>	<b>48</b>

The entity reported that the overspending on the budget for Goods and Services was caused by misallocation of budget commitments and that it has since been corrected in the 3<sup>rd</sup> quarter.

#### b) Program Performance

The entity managed to achieve 85% (29 of the 34) planned targets for the quarter. The entity reported that the unachieved targets relating to *extended consultations with External Stakeholders* will be achieved in the 4th quarter of the financial year.

#### 3.2.6. PROGRAMME 6: BIODIVERSITY CONSERVATION

The programme is responsible for management and conservation of biodiversity and eco-system within the province.

**The Committee made the following observations on Programme 6:**

#### a) Spending Pattern

The programme had a budget allocation of **R199 837 000** and spent **R104 963 000** which is 53% spending on the budget allocation for this programme.

#### Economic classification:

Table 6 below outlines the spending per Economic Classification:



**Table 6: Spending per Economic Classification**

<b>Classification</b>	<b>Annual Budget R'000</b>	<b>Actual Expenditure R'000</b>	<b>Expenditure %</b>
Compensation of Employees	178 370	93 676	53
Goods and Services	12 726	9 002	71
Programme Cost	8 742	2 290	26
<b>Total</b>	<b>199 837</b>	<b>104 969</b>	<b>53</b>

The entity reported that the overspending on Goods and Services was due to seasonal activities within the programme. During the 3rd and 4th quarter, spending on Goods and Services will reduce due to seasonality of activities in the programme.

### **b) Programme Performance**

The programme achieved 74% (25 of the 34) of the planned targets.

#### **i. Measures in place to ensure achievement of targets**

The entity reported that the following measures will be put in place to ensure that the non-achieved targets are achieved in subsequent quarters:

- Conduct more inspection to assess compliance with the applicable legislation in the 3rd quarter;
- Conduct surveys on fish for Pongola River;
- Conduct game capture.

## **4. FINDINGS**

After considering the 2015/16 Second Quarter Report of the entity, the Committee made the following findings:

- 4.1. The Committee notes with serious concern the misallocation of expenditure on Programmes 2 and 5.
- 4.2. The entity attained 76% of planned targets and spent 50% of the allocated budget.
- 4.3. The entity is struggling to properly budget for some programmes. As a result, the entity is over spending on most of the programmes.
- 4.4. Human Resource capacity challenge was reported to be the reason why the entity failed to produce the Payroll Verification report and review HR policies.

## 5. RECOMMENDATIONS

The Committee recommended the following:

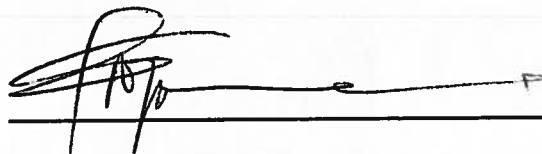
- 5.1. The entity to implement internal controls that will ensure that allocation of expenditure is properly authorised before it is allocated against budgeted amounts. In addition, the CFO must conduct monthly reviews of correct allocation of expenditure to correct accounts.
- 5.2. The entity to properly align spending with the achievement of targets to ensure that there is value for money on the activities of the entity.
- 5.3. The Department of Economic Development and Tourism must provide support to the entity in finance related matters. Furthermore, the entity must ensure that the budget is properly distributed on all the Programmes and that spending is monitored to avoid over expenditure on programmes.
- 5.4. The entity must finalise the placement of staff in the reviewed organogram and ensure that employees that are placed are well capacitated to perform their duties.

## 6. CONCLUSION

The Chairperson takes this opportunity to thank the Members of the Portfolio Committee for their active participation and constructive contributions during the deliberations on the Mpumalanga Tourism and Parks Agency's' Second Quarter Performance Report for the 2015/16 financial year.

In addition, the Chairperson extends a word of thanks to the Acting CEO and senior management officials 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 March 2016**.



**HON. PS NGOMANA (MPL)**

08/03/2016

**DATE**

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