

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

**THIRD QUARTERLY PERFORMANCE REPORT OF PROVINCIAL TREASURY FOR
2015/16 (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 (Act 108 of 1996) read with Rule 131 of the Mpumalanga Provincial Legislature to oversee the performance of Provincial Treasury and hold it accountable through various measures.

The consideration and scrutiny of the Third Quarterly Performance Report for 2015/16 of Provincial Treasury is the tool used by the Committee to determine whether Provincial Treasury has proper plans and programmes to realise its strategic objectives as reflected in its Annual Performance Plan (APP) for 2015/16.

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 Provincial Treasury's budget for the 2015/16 financial year.

2. METHOD OF WORK

The Honourable Speaker of the Legislature referred the Third Quarterly Performance Report for 2015/16 to the Committee for deliberations and report back to the House, in accordance with Rule 218 and Rule 131 of the Rules and Orders of the Mpumalanga Provincial Legislature.

The Research Section compiled a research analysis on the overall performance of Provincial Treasury for the third quarter (October - December 2015) compared to the strategic objectives as reflected in the APP for the 2015/16 financial year. The Committee wanted to determine whether Provincial Treasury executed its mandate in terms of its APP and if there was value for money. The research analysis was circulated to the Committee prior to the meeting with Provincial Treasury. The Committee met with Provincial Treasury on 17 March 2016 to deliberate on Provincial Treasury's Third Quarterly Performance Report for 2015/16. The Committee considered the draft Committee Report on the Third Quarterly Performance Report for 2015/16 Vote 03 on 20 April 2016.

3. STRATEGIC GOALS AND OBJECTIVES

Provincial Treasury has the following Strategic Outcome Oriented Goals for the 2015/16 financial year:

- Provide prompt, continuous, effective and efficient administrative support to all line functions in departments.
- Provide quality advice and support on Provincial and Municipal Fiscal Policy, Budget and Expenditure Management and economic impact of provincial public policy and expenditure; and Infrastructure Coordination.
- Monitor and support the implementation of Transversal Systems, Information Technology Services, Assets, Liabilities, Public Private Partnerships and Provincial Supply Chain Management to Votes, public entities and municipalities to achieve full compliance to applicable legislative frameworks in the next five years.
- Ensure efficient and effective financial and corporate governance in the province in line with legislation by 2020.

4. OVERVIEW BY THE MEC FOR FINANCE, ECONOMIC DEVELOPMENT AND TOURISM, HON SE KHOLWANE

The MEC thanked the committee for its ongoing guidance, support and oversight; especially in terms of the tools successfully used by Provincial Treasury that must find a way of ensuring that Provincial Treasury shares with other departments and public entities on how to deal best with particular matters.

Provincial Treasury wants to improve in terms of the Portfolio of Evidence (POE); and to ensure that it is at all times in existence and available in all departments and public entities. Provincial Treasury needs to continue to improve on its oversight role and its support to all departments and public entities. As long as other departments and public entities do not receive clean audits Provincial Treasury's work is not done.

The MEC reported that the permanent Board for MTPA was introduced earlier on the day of 17 March 2016; and it is envisaged that this is the first step to stabilise the public entity.

5. OBSERVATIONS AND COMMENTS

The Head Official (HO) of Provincial Treasury made a presentation to the committee on the Third Quarterly Performance Report for 2015/16. The HO focussed mainly on the challenges as highlighted in the research analysis on Provincial Treasury's Third Quarterly Performance Report for the 2015/16 financial year.

6. ANALYSIS OF THE THIRD QUARTERLY PERFORMANCE REPORT FOR 2015/16

6.1. SUMMARY OF THE THIRD QUARTERLY PERFORMANCE REPORT FOR 2015/16

The Third Quarter Performance report for Provincial Treasury is aligned to the 2015/16 APP as submitted to the Legislature.

Provincial Treasury managed to achieve 90% (37 out of 41 planned targets) for the third quarter of the 2015/16 financial year. The total adjusted budget allocation for the 2015/16 financial year is R278 243 000.00 and 70.6% of this allocated budget was spent which is 4.4% below the 75% National Treasury benchmark.

The spending pattern per programme indicates some fluctuations; with Programme 3: Assets and Liabilities Management being the highest in expenditure at 73% but not exceeding the set benchmark, while Programme 2: Sustainable Resource Management is the lowest in expenditure at 65.8%.

There was a decline in the achievement of targets in the third quarter which was recorded under Programmes 3 and 4; the non-achievement of targets was mostly attributed to limited capacity within Provincial Treasury. Page 5 of the Third Quarter Report indicates that the department might have miscalculated the number of achieved Performance Indicators and Planned Targets.

The Committee noted the following:

- i. Provincial Treasury uses systems and tools to ensure that it improve its performance in the last quarter of the 2015/16 financial year, the following were reported:
 - a. Provincial Treasury is strictly adhering to the implementation of the APP for 2015/16. Achievement of targets are monitored on a monthly basis through the implementation of the operational plan and then on a quarterly basis.
 - b. Corrective measures are put in place to ensure achievement of targets that were not achieved during a previous period.
 - c. POE supporting achievements is monitored on a monthly basis by the Planning unit.
 - d. The first nine months POE was reviewed by the managers of the Management Committee (MANCO) on 4 February 2016.
 - e. A report is submitted to the Executive Authority on areas of non-achievement.
 - f. The Internal Audit unit as well as the Audit Committee review the performance of Provincial Treasury.
 - g. In cases where the Audit Committee is not satisfied with issues, there is an escalation mechanism in place where the Audit Committee escalates matters to the Executive Authority. The performance report is presented to the Executive Authority for its oversight responsibility and guidance.

Provincial Treasury confirmed that they share best practices and successful tools used by them with all departments in the PMC in order to improve on the overall provincial audit outcomes. It was noted that the performance information function has been shifted from Provincial Treasury to the Office of the Premier by the Department of Monitoring and Evaluation in the Presidency. However, Provincial Treasury continues to assist in this regard because overall it still has a vested interest in the performance of departments and public entities.

- ii. The total adjusted budget allocation for the 2015/16 financial year is R278 243 000.00 and 70.6% of this allocated budget was spent which is 4.4% below the 75% National Treasury benchmark. In order to ensure that it does not under-achieve at the end of the 2015/16 financial year Provincial Treasury implemented the following measures::
- a. The monitoring of performance is ensured through the departmental Management Committee and the Supply Chain Management Committees that are ensuring that Provincial Treasury achieve its planned outputs.
 - b. Provincial Treasury has Bid Evaluation and Bid Adjudication committees that strive to ensure full compliance with the legislation and ensures that all outputs are achieved.
 - c. The Committees have scheduled dates which enforce that meetings take place as planned on a bi-weekly basis.
 - d. In cases where there are urgent bids that are required to be concluded, the Committees have been convened as such.

Future Improvements to enhance performance during 2016/17:

- a. All senior managers and Bid Committee members which have not attended the training during 2015/16 will be sent to training on Supply Chain Management at the School of Government (Palama) during 2016/17.
 - b. The appointment of the Committee during March of each year prior to the commencement of a new financial year; and this review is already taking place.
 - c. Specifications to be prepared much earlier preferably before the start of the financial year. MANCO has already been briefed and work is underway.
 - d. Specifications to be subjected to the scrutiny and guidance of MANCO prior to submission to the Bid specification Committee. Next MANCO meeting is on 17 March 2016.
- iii. In order to ensure that Provincial Treasury does not underspend on its budget at the end of the financial year the following has been implemented:

- a. All Supply Chain Management bid committees that are entrusted with the responsibility to implement the department procurement plan; and to ensure that all budgeted projects are implemented as per the supply chain management regulations have been established.
 - b. The MANCO Committee and EXCO Committee (chaired by the Executive Authority) review the spending and ensure that all budgeted projects in the procurement plan are implemented as per the plan in order to avoid the underspending during the financial year 2015/16. However, due to cost containment, some savings were realized, especially under travel and subsistence allowance that were spent at a level lower than budgeted for.
- iv. The committee expressed concern on the underspending of the allocated budget. It was indicated that the underspending is mainly on Information Technology related services where savings were; and certain IT equipment which could not be delivered on time. Provincial Treasury agreed that there is room for improvement on procurement from overseas companies. They will conclude supply chain processes much earlier taking into account past experience as far as procurement from overseas is concerned. The following was reported:
- o IT service providers are mostly non responsive to smaller tenders.
 - o Planning around spending on the training budget will be improved. This was one of the areas that can still be improved.
 - o Improvements in timeous finalization of SMS assessments.
 - o In as much as areas of improvement are indicated some of the underspending emanates from savings that were realised from the staff verification systems software which was acquired at R930 000.00 instead of the budgeted R5 700 000.00.
 - o Partnerships with other organs of state – Provincial Treasury has partnered with the Department of Home Affairs and Gauteng Treasury and generated savings as indicated in the afore-mentioned paragraph.

Future Improvements to be implemented during 2016/17:

- a. The SBD 3.2 form will be included in the procurement process for all IT related procurement to cater for deviations on the exchange rate.
- b. The appointment of the Committee during March of each year prior to the commencement of a new financial year to start the process of procurement in the first month of the financial year.
- c. Specifications to be prepared much earlier preferably before the start of the financial year to finalise appointment within the first six months of the year to ensure delivery timely.
- v. Provincial Treasury conceded that it miscalculated the number of achieved Performance Indicators and Planned Targets on Page 5 of the Third Quarter Report. The corrections were made and the amended report was submitted to the committee.

6.2. ANALYSIS PER PROGRAMME

PROGRAMME 1: ADMINISTRATION

Programme purpose and budget expenditure

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

Programme 1 achieved 100% of its targets for the third quarter of the 2015/16 financial year. This programme had seven planned targets and achieved all targets as outlined on the department's third quarter performance report.

Expenditure analysis

Programme R'000	Main budget 2015/16	Adjusted budget	Expenditure	Over/Under expenditure %
Administration	74 688	78 949	56 859	72.0%

The budget for Programme 1 has increased by R4 261 000.00 during the budget adjustment. This programme has a total adjusted budget of R78 949 000.00 for the 2015/16 financial year and has spent 72% of the budget in the third quarter which is 3% below the National Treasury benchmark of 75%.

Economic Classification

Programme R'000	Adjusted budget 2015/16	Expenditure	Over/Under expenditure %
Compensation of Employees	46 388	34 383	74.1%
Goods and Services	29 067	20 270	69.7%
Total transfer for subsidies	329	314	95.4%
Payment for Capital Assets	3 165	1 892	59.8%
TOTAL	78 949	56 859	72.0%

This programme has spent 74.1% of the budget allocated to Compensation of Employees, 69.7% on Goods and Services, 95.4% on Transfers and Subsidies and 59.8% on Payment for Capital Assets. No reason was indicated for the overspending on Transfers and Subsidies in the third quarterly report.

Provincial Treasury indicated that the underspending on Compensation of Employees is due to outstanding performance bonuses for six Senior Managers. On Goods and Services the underspending is mainly on the audit fees allocated for the system audit and advert marketing for the tabling of the main budget. It was also indicated that the underspending on Payment for Capital Assets is mainly budget reprioritised during the adjustment budget for the procurement of computer equipment for training rooms.

The Committee noted the following on Programme 1:

- i. Provincial Treasury alluded to the budget reprioritisation in this programme and explained that this is entrusted with the support to all departmental stakeholders; and during the adjustment budget the budget for payments for Capital Assets was added to procure additional computer hardware for officials and to re-furnish the training rooms.
- ii. The Transfers and Subsidies realised an overspending in this programme due to inadequate budgeting for FASSET as funds were shifted during adjustment budget. It was indicated by DPSA that Provincial Treasury no longer needs to pay for PSETA. However, the letter was incorrectly interpreted since FASSET is part of the SETA and still had to be paid.

Provincial Treasury has made payments for leave gratuity for two officials from the revenue section that were dismissed due to wrongdoing. It was noted that the overspending will be covered by savings realised in the Compensation of Employees' line item; in particular from natural attrition.

The committee wanted clarity on why the budgeting for Subsidies and Transfers are problematic in all departments and that most cite the reason for under or overspending on Subsidies and Transfers due to personnel who retired, resigned or passed away. Provincial Treasury acknowledged that there is room for improvement in the budgeting for Subsidies and Transfers in all departments; specifically when it comes to budgeting for personnel who retire. Departments are supposed to know when personnel will retire and must budget for the leave gratuity accumulated over the years. The difficult category to plan for is the personnel who resign, were dismissed or passed away because it is not foreseeable; and budgeting in this regard can only be estimated.

PROGRAMME 2: SUSTAINABLE RESOURCE MANAGEMENT

Programme purpose and budget expenditure

This programme exists to promote optimal and effective provincial resource allocation and utilization, efficient provincial budget management, accurate financial reporting on provincial revenue generation and maximization, provide quality and accurate socio-economic research reports to inform the provincial and municipal planning and budget processes, promote efficient planning, implementation and management of infrastructure by provincial departments and municipalities, and provide technical support to delegated municipalities on the implementation of the MFMA.

Programme 2 has achieved 100% of its targets for the third quarter of the 2015/16 financial year. This programme had 12 planned targets as outlined on the APP and has achieved all targets successfully.

Expenditure analysis

Programme R'000	Main budget 2015/16	Adjusted budget	Expenditure	Over/Under expenditure %
Sustainable resource management	63 074	52 155	34 318	65.8%

The budget for Programme 2 has decreased by R10 919 000.00 during the budget adjustment. This programme has a total adjusted budget of R52 155 000.00 for the 2015/16 financial year and has spent 65.8% of the budget in the third quarter which is 9.2% below the National Treasury benchmark of 75%.

Economic Classification

Programme R'000	Adjusted budget 2015/16	Expenditure	Over/Under expenditure %
Compensation of Employees	38 060	27 107	71.2%
Goods and Services	11 062	4 149	37.5%
Total transfer for subsidies	3 033	3 051	100.6%
Payment for Capital Assets	-	-	-
Payment for Financial Assets	-	11	-
TOTAL	52 155	34 318	65.8%

Programme 2 spent 71.2% of the allocated budget for Compensation of Employees, 37.5% on Goods and Services 100.6% on Transfer for Subsidies and R11 000.00 was spent on Payment for Financial Assets which was not budgeted for. It was indicated that the underspending on Goods and Services was mainly on the revenue strategy project which was not carried out as planned. Provincial Treasury mentioned in the first quarter report that this project was planned for the second quarter. It was further indicated that overspending on Transfers and Subsidies is due to leave gratuity for one official who resigned after the adjustment budget was concluded.

The Committee noted the following on Programme 2:

- i. The committee wanted clarity on the challenges caused by the delays on the commencement of special projects; especially the revenue strategy project.

Provincial Treasury reported that it took an informed decision not to proceed with the tender on the revenue enhancement strategy. The budget was reprioritized and the funds used to purchase computer assets for the Departments of Health and Community, Safety, Security and Liaison to assist with revenue enhancement. Officials in the Revenue Units in these departments do not have the necessary equipment to perform their daily duties effectively. This has a negative impact on the departments' capacity to

record and bill transactions relating to revenue on time. These two departments are the main contributors to own revenue generation; hence, the focus of the revenue enhancement project is biased towards them.

- ii. The committee wanted clarity on the spending on Payment for Financial Assets; and whether it will not result in unauthorised expenditure during the period.

It was noted that the Payment for Financial Assets relate to irrecoverable debts to ex-employees that have left the department through resignation and deaths.

The amounts are minimal and the savings from Compensation of Employees will cover the over- expenditure that is reported in this line item.

- iii. In order to address inefficiencies with regard to budget spending Provincial Treasury is monitoring the implementation of the procurement plan as part of budget efficiencies. The equipment bought for the Revenue Enhancement project will be delivered and paid before year-end which will result in spending as planned.
- iv. In order to ensure that this programme does not underspent at the end of the financial year the programme manager has monthly financial reviews with all the sections in the programme to ensure that spending is in line with the approved procurement plan. All key projects are monitored for implementation. MANCO monitors the progress, an In Year Monitoring report is presented to the MANCO as well as EXCO and the Audit Committee on a quarterly basis.

The afore-mentioned process is relevant to all four programmes in Provincial Treasury's budget; in order to ensure that none of the programmes in the budget underspent at the end of the financial year.

PROGRAMME 3: ASSETS AND LIABILITIES MANAGEMENT

Programme purpose and budget expenditure

This programme is responsible for the monitoring and support on Assets, Liabilities, Provincial Supply Chain management, Public Private Partnerships, Transversal Systems as well as the provisioning of Information Technology Services to departments, public entities and in the Mpumalanga Province.

Programme 3 has achieved 90% of its targets for the third quarter of the 2015/16 financial year. This programme had ten planned targets and achieved nine as outlined on the department's third quarter performance report.

Sub-programme: Provincial Supply Chain Management failed to monitor 12 Votes, 21 Municipalities, and four Public Entities on the Supply Chain Management Framework. Failure to achieve this planned target was attributed to an additional mandate of the Central Supplier Database (CSD) which was introduced during August 2015 which required the unit's attention.

Expenditure analysis

Programme R'000	Main budget 2015/16	Adjusted budget	Expenditure	Over/Under expenditure %
Assets and Liabilities Management	115 076	115 783	84 483	73.0%

The budget for Programme 3 has increased by R707 000.00 during the adjustment budget. This programme has a total adjusted budget of R115 783 000.00 for the 2015/16 financial year and has spent 73% of the budget in the third quarter which is 2% below the National Treasury benchmark of 75%.

Economic Classification

Programme R'000	Adjusted budget 2015/16	Expenditure	Over/Under expenditure %
Compensation of Employees	48 636	35 652	73.3%
Goods and Services	62 443	47 799	76.5%
Total transfer for subsidies	4	4	100.0%
Payment for Capital Assets	4 700	1 028	21.9%
TOTAL	115 783	84 483	73.0%

Provincial Treasury spent 73.3% of its allocated budget for Compensation of Employees, 76.5% on Goods and Services, 100% on Transfers and Subsidies and 21% on Payment for Capital Assets. It was indicated that although the spending on Transfers and Subsidies is very high it is according to plan and will be monitored to avoid over-expenditure. On Payment for Capital Assets, the spending is due to budget being reprioritised during the adjustment budget for the procurement of additional switches and WI-Fi solution at head office.

The Committee noted the following on Programme 3:

- i. This programme indicated an overspending on Goods and Services prior to the adjustment budget since the Information Technology unit had insufficient budget. Through a process of re-prioritisation the budget was increased in order to ensure that Goods and Services for the programme will not overspend at year end.
- ii. The slow spending on Payment for Capital Assets is caused mainly by the price increase and the delivery of the Information Technology equipment that is procured outside the country (overseas). Provincial Treasury is currently exploring (sourcing) other service providers that have similar equipment within the country. The long term plan is to ensure that all IT related equipment are procured in the beginning of the financial year as there are possible changes in prices and delay in delivery.

It was noted that the kind of IT equipment procured relates to the rotors and switches that are procured by Provincial Treasury on behalf of nine provincial departments to support the IT networks. Provincial Treasury conceded that they need to improve on the procurement of IT services in time.

- iii. It was noted that the likely impact of not monitoring departments, municipalities and public entities on the SCM framework will result in the irregular expenditure and deviation from the bid processes that drive government spending. It was reported that it will be achieved through capacity building and professionalising supply chain management.

PROGRAMME 4: FINANCIAL GOVERNANCE

Programme purpose and budget expenditure

This programme serves to facilitate, monitor, support and provides professional advice to ensure good governance in the Province.

Programme 4 has achieved 75% of its targets for the third quarter of the 2015/16 financial year. This programme had twelve planned targets and achieved nine as outlined on Provincial Treasury's third quarter performance report. Sub-programme: Norms and Standards failed to

follow up on MTPA's Human Resource Management (FMCMM) outstanding issues; failure to achieve was attributed to MTPA who failed to submit progress reports.

Sub-programme: Provincial Internal Audit failed to provide feedback reports on effectiveness of the Audit Committee for two public entities (MTPA and MGB) due to invitations to attend Audit Committee meetings not received from the two public entities. The sub-programme also failed to provide a report on a readiness of Quality Assurance Review due to limited capacity in the unit.

Expenditure analysis

Programme R'000	Main budget 2015/16	Adjusted budget	Expenditure	Over/Under expenditure %
Financial Governance	34 712	31 356	20 711	66.1%

The budget for Programme 4 decreased by R3 356 000.00 during the adjustment budget. This programme has a total adjusted budget of R31 356 000.00 for the 2015/16 financial year and has spent 66.1% of the budget in the third quarter which is 8.9% below the National Treasury benchmark of 75%.

Economic Classification

Programme R'000	Adjusted budget 2015/16	Expenditure	Over/Under expenditure %
Compensation of Employees	18 979	13 950	73.5%
Goods and Services	11 117	5 821	52.4%
Total transfer for subsidies	-	-	-
Payment for Capital Assets	1 260	940	74.6%
TOTAL	31 356	20 711	66.1%

Provincial Treasury spent 73.5% of its allocated budget for Compensation of Employees, 52.4% on Goods and Services and 74.6% on Payment for Capital Assets. It was indicated that underspending on Goods and Services is due to delays on commencement of the project preparation and audit of financial statement for NGOs and NPOs which were caused by late appointment of interns to assist with the preparation and auditing of the Annual Financial Statements for non-performing schools and the filling system at Emakhazeni Local Municipality.

The Committee noted the following on Programme 4:

- i. Provincial Treasury implemented various measures in order to enforce compliance to the public entities who failed to submit progress reports on time; including one on one meetings with CEOs that are not complying. Provincial Treasury has developed and implemented an escalation mechanism whereby matters are escalated to the Executive Authority in cases where departments, public entities and municipalities do not co-operate with submission of information / documents. It was confirmed that all outstanding documents required have been submitted.
- ii. Various steps were taken in order to ensure that Provincial Treasury is invited to attend meetings with the Audit Committee of MGB and MTPA. It was noted that letters were written to the CEOs of the two public entities to request them to ensure that Provincial Treasury is invited to these meetings. Administratively both CEOs have been engaged and the benefits from the initiative have been outlined to them. This is a value add provided by the Provincial Treasury and all institutions are encouraged to embrace the support. At this stage the matter has not been escalated to the Executive Authority; however, if there is no improvement, letters to the respective Boards will be written. The communique between Provincial Treasury and public entities forms part of the Portfolio of Evidence that is produced to the Auditor-General and EXCO as confirmation of the administrative effort in this regard.

It was explained that the main benefit of Provincial Treasury attending the audit committee meetings of public entities is to identify and resolve audit matters prior to the stage when the Auditor-General becomes involved. It was noted that as from 2016/17 Provincial Treasury will be allowed to enter into service level agreements with these entities to ensure that there can be an improvement in audit outcomes.

- iii. Provincial Treasury is currently experiencing difficulty to achieve its planned targets in this programme due to lack of capacity. It was reported that Provincial Treasury endeavoured to obtain capacity from other departments to be seconded to assist with achieving of targets. The indication is that departments also do not have adequate capacity in the internal audit units to second an official. Provincial Treasury issued Circular 2 of 2016: "Estimates of Compensation of Employees and Freeze on Personnel Expansion and Review of Vacancies". PMC Lekgotla (9 -11 February 2016) supported that a request should be made to the Executive Council Lekgotla for the

filling of the most critical posts on the basis of savings generated from the natural attrition. The resolutions of the recent EXCO Lekgotla (16 – 18 February 2016) were that the moratorium on the filling of vacant post will continue. Going forward, capacity will be sourced in order to address the capacity constraints that are experienced in-house.

- iv. It was noted that due to the vacancy rate of 50% in the Provincial Internal Audit Unit, not all targets will be achieved in this financial year. Savings were realized in the programme due to the fact that nine Sports and Culture bodies out of the total 27 indicated that they do not require support with the compilation and auditing of financial statements. The gap analysis that was performed indicated that the nine bodies did not need support for the compilation and auditing of financial statements, thus the projected saving.

7. FINDINGS

The following are the findings of the deliberations with Provincial Treasury:

- 7.1. The committee welcomed the fact that Provincial Treasury share best practices and successful tools used by them with all departments.
- 7.2. One of the main drivers for Provincial Treasury to underspend its budget is due to certain IT equipment which could not be delivered on time; and which is procured from overseas companies.
- 7.3. Sub-programme: Provincial Internal Audit failed to provide feedback reports on effectiveness of the Audit Committees for two public entities (MTPA and MGB) due to invitations to attend the Audit Committee meetings not received from the two public entities.
- 7.4. Provincial Treasury is currently experiencing difficulty to achieve its planned targets in Programme 4 due to lack of capacity. It was reported that, going forward, capacity will be sourced in order to address the capacity constraints experienced.

8. RECOMMENDATIONS

The Committee made the following recommendations:

- 8.1. Provincial Treasury must continue to share best practices and successful tools used by them with all departments in order to improve on the overall provincial audit outcomes.
- 8.2. Provincial Treasury must ensure that supply chain processes to procure certain IT equipment from overseas are procured much earlier in order to have timeous delivery of the IT equipment and to prevent under-expenditure on the budget.
- 8.3. In order for Sub-programme: Provincial Internal Audit to achieve its planned targets Provincial Treasury must step up its measures to ensure implementation of same. A progress report must be submitted indicating what the status is relevant to the attendance of the Audit Committee meetings of MTPA and MGB; and if the challenge still exists, what steps were taken to rectify the situation.
- 8.4. Provincial Treasury must submit a progress report indicating what steps were taken to source capacity to enable Programme 4 to implement its planned targets.

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

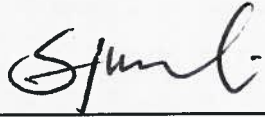
9. CONCLUSION

The Chairperson takes this opportunity to thank the Members of the Portfolio Committee for their active participation and constructive contributions during the deliberations on Provincial Treasury's Third Quarter Performance for the 2015/16 financial year.

In addition, the Chairperson extends a word of appreciation to the MEC for Finance; Economic Development and Tourism, Hon SE Kholwane, Head Official and her senior management team for availing themselves to deliberate on matters pertaining to Provincial Treasury.

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 in the implementation of all recommendations in this report should be forwarded to the Committee by 27 May 2016, unless stated otherwise, and thereafter on a quarterly basis.



HON PS NGOMANA (MPL)

20.04.2016
DATE

CHAIRPERSON:

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