

REPORT OF THE PORTFOLIO COMMITTEE ON EDUCATION; CULTURE, SPORT AND RECREATION ON THE 4TH QUARTERLY REPORT OF MPUMALANGA REGIONAL TRAINING TRUST (MRTT) 2014/15

1. INTRODUCTION

As stated in Rule 218 sub-rule (1) (2) and (3) of the Rules and Orders of the Mpumalanga Provincial Legislature, the provincial departments must table quarterly reports in the Legislature. The Member of the Executive Council responsible for a provincial department must table the quarterly report of the department or entity within its responsibility to the Speaker, within 30 calendar days after the end of a quarter.

The Portfolio Committee on Education; Culture, Sport and Recreation (the Committee) considered the 4th quarterly report of the Mpumalanga Regional Training Trust (MRTT) for the 2014/15 financial year, reporting period **January – March 2015**. The MRTT is an entity of the Department of Education, which reports to the Honourable MEC for Education through the MRTT Board of Directors.

Interaction with the department was to assess the department's performance for the quarter, in line with its 2014/15 Annual Performance Plan (APP), the 2014 Mpumalanga Appropriation Bill and the Adjusted Appropriation Bill, 2014.

2. METHOD OF WORK

The Honourable Speaker referred the 4th quarterly report of the Department of Education to the Committee for consideration and report back to the House.

On 21 July 2015 the Committee was briefed by the researcher on the 4th quarterly report of the department. The Committee interacted with the research analysis and resolved on the key concerns to be raised with the department during the deliberations, which were held on 30 July 2015. Questions from the analysis were sent to the department and the written responses thereto were submitted to the Legislature on 12 August 2015, together with the responses to the questions raised by the Committee during the deliberations. The Committee considered and adopted its report on 13 August 2015.

Invitations to the deliberations were issued to the Honourable MEC, CEO, MRTT Board and the senior management team of the entity. The Head of Department (HOD) represented the Honourable MEC in absentia at the meeting with the MRTT. The Provincial Treasury and the Office of the Auditor-General were invited to the meeting.

3. GENERAL OBSERVATIONS

- a. MRTT is mandated to develop the human resource base of the Province through the provision of experiential, practical, hospitality, tourism, entrepreneurship and life skills training. The main focus is to empower youth from primarily the disadvantaged communities, industry workers and government employees to participate in the broader economic sphere of the Province and beyond.
- b. Regarding tabling procedures, the 4th quarterly report was correctly tabled by the Honourable MEC on 30 April 2015, within 30 days after the end of the quarter.
- c. The entity complied with the National Treasury reporting format for quarterly reports; the report was neatly packaged and a clear font was used. The targets in the 4th quarterly report were aligned with the approved 2014/15 APP.
- d. The Board Chairperson led the MRTT delegation, accompanied by the acting CEO while the entity awaits the appointment of the new CEO. The HOD of the Department of Education represented the Hon MEC Mhaule in her absence, which was due to bereavement in her family.
- e. The entity improved its performance in the 4th quarter compared to the other three quarters of the 2014/15 financial year.
- f. The Provincial Treasury was present during the meeting with the MRTT on 30 July 2015. The entity has a good working relationship with the AG and was making every effort to address the findings of the AG and obtain a clean audit for 2014/15.
- g. The Committee appreciated the presentation of the 4th quarter performance by the MRTT and acknowledged its achievements for the quarter, although there were a number of unachieved targets and other governance and service delivery issues that need to be addressed. The Committee was satisfied that the entity will deal with these operational matters in due course.

- h. The Committee noted again that the reported expenditure per programme was not aligned with the actual income of the entity, which includes the equitable share portion and the revenue generated. The Committee has recommended before that the entity must consult with Provincial Treasury and Department of Education to align their financial reporting systems accordingly. In its progress report on the 3rd quarter House Resolutions, the entity confirmed that they had met with the Provincial Treasury and the Department of Education in March and April 2015. The challenge, however, was that the entity cannot plan for unconfirmed projects. It was resolved that the reporting on income generated from those projects would be done separately.
- i. The Committee commended the entity for complying with the Employment Equity Act, 1998 in that it currently meets the target of employing 2% people with disabilities.

4. REMARKS BY THE BOARD CHAIRPERSON

The Committee noted the following from the remarks made by the Chairperson of the Board:

- 4.1. The Board Chairperson, Ms F Mthembu appreciated the opportunity to appear once again before the Committee. She was grateful for the Committee's guidance and expressed her gratitude to the Honourable MEC and the department.
- 4.2. The new Board of Directors has been appointed with effect from 01 June 2015 and they have already attended an induction workshop on their roles and responsibilities.
- 4.3. The MEC appointed Mr Riaan Oosthuizen, the General Manager for programme 1 Hospitality and Tourism Academy, as acting CEO of the entity, due to the retirement of the former CEO, Mr ND Moropane during the 4th quarter.
- 4.4. The entity will submit quarterly dashboard reports as from the 1st quarter of the new financial year 2015/16.
- 4.5. The 2014/15 audit opinion from the Auditor-General would be submitted to the Board the day after the deliberations with the Committee, which was 31 July 2015.

5. OVERALL BUDGET EXPENDITURE

The table below reflects the 4th quarter expenditure of the MRTT per programme:

	Main Appropriation R'000	Quarter 4 Budget R'000	Quarter 4 Expenditure R'000	Under/Over Expenditure Quarter 3 R'000	% Quarter 3 Expenditure
Programme 1	17 591 547	4 397 887	4 709 669	311 782	(107%)
Programme 2	63 440 616	12 001 771	16 005 885	(4 004 114)	(133.4%)
Programme 3	19 147 247	8 645 196	8 464 055	181 141	97.9%
Total	100 179 410	25 044 854	29 179 609	(3 511 191)	(116.5%)

6. DELIBERATIONS ON THE PROGRAMME PERFORMANCE

The Committee interacted with the entity on the 4th quarterly report and made the following observations per programme:

PROGRAMME 1: HOTEL AND TOURISM ACADEMY

- a. Programme 1 achieved **15** of its planned **16** targets for the 4th quarter as outlined in the Annual Performance Plan, which is **93.7%**. There was also over achievement in various programme performance indicators.
- b. Comparatively, the performance of programme 1 has been consistent over all quarters in 2014/15 financial year, which the Committee commended. The entity had made a commitment that the Acting CEO will put measures in place to curb over expenditure on the programme 1 spending in future.
- c. Revenue generation in Food and Beverages Services was lower though, by the end of the 4th quarter. The entity planned to generate R 444 675 but could only generate **R 420 939, a variance of R23 736**. The entity indicates that this is due to the industrial action that took place during the 4th quarter from 16 - 30 March 2015.
- d. The acting CEO confirmed to the Committee that the entity does have a plan to recover income lost during the industrial action; it will be recovered during peak seasons and also by acquiring more projects to generate more income. The entity acknowledged to the Committee that classes were suspended for 10 days during the industrial action; the intervention is that the academic cycle will be extended for the same period to cover the lost time.

- e. **Expenditure analysis:** The programme 1 allocation for the year was R17 591 547.00 and the 4th quarterly budget was R4 397 887.00, of which **R4 709 669.00** was spent, which was over expenditure by **R 311 782.00**. The expenditure by economic classification for programme 1 HTA is reflected below:

Programme 1	4 th quarter budget	4 th quarter spent	% spent
HTA			
COE	2 561 455	2 963 013	115.7%
Goods and services	1 762 438	1 652 874	93.8%
Capital expenditure	73 994	93 782	126.7%
Total	4 397 887	4 709 669	107%

- a. Goods and services under spent by 6.2% reportedly due to seasonal changes in the hospitality industry.
- b. The entity over spent by 15.7% on compensation of employees and capital expenditure overspent by 26.7%. The overspending is recurring from the 3rd quarter. The over spending on compensation of employees was due to fixed term staff employed in projects after budget has been finalised. The overspending on capital expenditure was due to under spending in the 3rd quarter as a result of the lengthy process of finding suppliers that meet the requirements of our Supply Chain Policies and can deliver the specialist equipment used by the Hotel Industry. The capital expenditure was used to procure assets for the Academic sub-programme to ensure effective service delivery during the start of the academic year during 4th quarter.

PROGRAMME 2: TECHNICAL TRAINING OPERATIONS

This core programme aims to develop skills in technical and other areas, provide quality training through mobile units and provide work place experiential training.

- a. The entity achieved seven (7) out of ten (10) planned targets for the 4th quarter. The Committee's main concern with programme 2 in the 3rd quarter was the huge over expenditure (167%) that was reported, against the poor performance on planned quarterly targets (2 out of 10 translates to 20%). In the 4th quarter, the reported over spending dropped to 133.4% and the performance on targets increased to 70%.
- b. The main reason for poor performance on programme targets in quarter 3 was that the interested learners could not afford to pay tuition fees. However, the entity

reported that subsequent to the implementation of the Board's decision to lower the tuition fees, the enrolment had increased. The Committee commended the action taken by the Board to address this matter.

- c. **Expenditure analysis:** Overall expenditure on programme 2 was **R16 005 885.00** from a quarterly budget of R12 001 771.00, which is 133.4% over expenditure. The main cost drivers contributing to the overall over expenditure were **R7 553 046.00** (24.6%) on compensation of employees and **R8 413 427.00** (43.2%) on goods and services.

The expenditure by economic classification for programme 2 Technical Training Operations is reflected below:

Programme 2 Technical Training Operations	4 th quarter budget	4 th quarter spent	% spent
COE	6 060 039	7 553 046	124.6%
Goods and services	5 867 738	8 413 427	143.2%
Capital expenditure	73 994	39 412	53.3%
Total	12 001 771	16 005 885	133.4%

- d. The entity reported that the 24.6% over spending on compensation of employees was due to salary increases for fixed-term employees that were not envisaged. The other factor was the employees appointed for secured projects during the year, which were also not envisaged. The Committee observed that that the entity should use these projects that were not envisaged in the 2014/15 financial year as a baseline for the 2015/16 financial year, so as to be better prepared and plan accordingly. The secured projects referred to were:

- Sanitation Projects in Bohlabela
- National Youth Service
- Early Childhood Development Project
- Construction of RDP Houses in Mkhondo Local Municipality

- e. The reported reason for overspending on goods and services was due to renovations in preparation for re-accreditation of the Trade Test Centre, as well as workshops for EWSETA and MERSETA trades. These exceeded the planned budget as a result of changing requirements by the SETAs in order to renew accreditation. It had been noted during the 3rd quarter deliberations, that the entity had secured the re-

accreditation of the Trade Testing Centre on 12 March 2015. It was noted that moderation and assessment of the CRDP trained learners was still ongoing and the entity was fast tracking the process.

- f. The entity reported to the Committee that the underspending on capital expenditure in the 4th quarter was due to the over spending in the 3rd quarter, which was due to finalization of the acquisition of the learner registration system. As an intervention, the entity reported that variance reporting was introduced for discussion with different managers. In this way, written variance reports will be submitted monthly to Senior Management Committee, Audit Committee and the Board of Directors for taking decisions on the variances. The budget module will be installed in Pastel Accounting to control over spending.

Unachieved planned 4th quarter targets

- g. **RPL & Trade Testing:** The entity did not ensure that 15 candidates were assessed and trade tested as planned for the 4th quarter due to the process of renewing accreditation of the Trade Test Centre, which took longer than expected as a result of new requirements by the National Artisan Moderating Body. However, the entity reported on 30 July 2015 that the centre has been re-accredited and the entity has commenced the process of recruiting, assessing and trade testing learners.
- h. The following plan has been put in place as an intervention strategy for this target:
- Engaging the municipalities, government departments to refer their learners for RPL and Trade testing to the Trade Test Centres.
 - Tracing learners who were previously trained by the entity and have acquired experiential training to be assessed and trade tested.
- i. **Life Skills training:** The reason for not training 400 learners as planned was that the service provider had quoted an extremely high amount, which the entity could not afford. However, the entity informed the Committee that this training will be done in the next financial year 2015/16.
- j. **Private learners enrolment:** The entity could not meet its planned 4th target on the learners' enrolment on full qualification because the entity realised that most of the learners need short skills programmes so that they can acquire skills quickly and enter the job market, since most of them are from destitute and indigent communities.

Lack of infrastructure projects for practical experience in CRDP municipalities: The Committee pointed out that there were no infrastructure projects in the CRDP municipalities to allow learners to do their practical experience there. The entity reported to the Committee that they have embarked on doing renovations in various Schools, Hospitals, Churches and even houses in the CRDP Municipalities where there is no infrastructure, so as to give learners practical experience. Furthermore the entity has identified contractual work taking place in various Municipalities and placed learners under such contractors.

PROGRAMME 3: CORPORATE SERVICES

This programme provides administrative support, coordination of quality processes, and oversight role over financial function and sound marketing strategies by employees who contribute effectively.

- a. Programme 3 only achieved **24** performance indicators out of the planned **29** for the 4th quarter. This translates to **82.8%** performance on targets as compared to the 51.7% performance for the 3rd quarter.
- b. **Expenditure analysis:** The overall expenditure of programme 3 was **R8 464 055.00** from a quarterly budget of R8 645 196.00, which is **97.9%** expenditure of the quarterly budget. The **R181 141.00** variance was due to the under expenditure on compensation of employees.
- c. The expenditure by economic classification for programme 3 Corporate Services is reflected below:

Programme 3 Corporate Services	4 th quarter budget	4 th quarter spent	% spent
COE	5 613 256	5 293 703	94.3%
Goods and services	2 923 985	3 160 863	108.1%
Capital expenditure	107 955	9 489	8.8%
Total	8 645 196	8 464 055	97.9%

- d. Payments by economic classifications at the end of the 4th quarter reflected a 6.7% underspending on compensation of employees, an 8.1% overspending on goods and services and an acute **91.2% (R 98 466.00)** under spending on capital assets.
- e. The Committee engaged the entity on the expenditure trends and they reported that the over spending on goods and services was due to the following:

- Security services – Use of additional security to safeguard the entity's assets against the striking workers because the strike action turned violent;
 - ✓ Communication costs – VPN line connecting head office and the hotel school at Kanyamazane;
 - Professional fees – Instructions to attorneys on various matters, e.g. employee relations, litigations and interdicts regarding the industrial action;
 - Director's Fees – There were additional special meetings held to deal with the strike action by employees.
- f. The Committee raised a concern about the acute 91.2% underspending reported on capital assets in the 4th quarter. The entity informed the Committee that due to the moratorium on filling of vacant positions, the budget which had been set aside for purchase of office furniture, computer equipment could not be used.
- g. The Committee noted that the entity only visited one (1) out of the three (3) planned schools due to the reported industrial action by employees. The schools that were not visited were Khayalami Secondary School in Emakhazeni and Hlalanikahle Secondary School in Elibangeni.

8. FINDINGS

Emanating from the deliberations with MRTT on the 4th quarterly report for the 2014/15 financial year, the Committee made the following findings:

- 8.1. The entity improved its performance on planned targets in the 4th quarter, as compared to the 3rd quarter.
- 8.2. The financial reporting of the entity was still not complying with the Committee's 3rd quarter House Resolution. Although the entity met with the Department of Education and the Provincial Treasury regarding this matter, the 4th quarterly report still reflected considerable overspending on programmes 1 and 2 due to the additional income of the entity not being declared.
- 8.3. The entity introduced variance reporting, for discussion with different managers. In this way, written variance reports will be submitted monthly to Senior Management Committee, Audit Committee and the Board of Directors for taking decisions on the variances.

- 8.4. During the 3rd quarter, the entity had informed the Committee that their planning and budgeting processes had been improved by linking cash flows with budgets and expenditure trends.
- 8.5. The new Board of Directors has been appointed with effect from 01 June 2015 and they have already attended an induction workshop on their roles and responsibilities.
- 8.6. During the 3rd quarter the Committee had noted that the Board was taking steps to address the striking officials' violent behaviour and had recommended that the entity update the Committee on matters relating to the strike.
- 8.7. As a result of the moratorium imposed by the provincial administration on the filling of posts in February 2015, the entity reported that as 31 March 2015 the six (6) vacant posts were removed from the structure.
- 8.8. During the 3rd quarterly report deliberations, the entity had confirmed that it had an Employment Equity Plan.
- 8.9. During the 4th quarter, the skills programmes that were not accredited with SETA were Building and Civil Construction, which includes Brick-laying, Carpentry, Plastering and Painting.
- 8.10. There are no infrastructure projects in CRDP municipalities, for the purpose of learners doing their practical experience work.
- 8.11. Life skills training target was not met in the 4th quarter; the entity committed that the training would be done in the 2015/16 financial year.
- 8.12. The Committee noted that the judgment from the Labour Court regarding the application had been lodged on 18 March 2014 in relation to the litigation case of the fired employee had not yet been received since the 2nd quarter. The entity reported as at 30 July 2015 that the new date for the hearing had not yet been received.

9. RECOMMENDATIONS

Based on the above findings, the Committee recommended that MRTT must:

- 9.1. Maintain the good performance on planned targets during the new financial year 2015/16. The entity must also keep up the good work in submitting neat, concise documentation to the Committee on time.
- 9.2. Ensure that reporting on projects secured during the financial year is done separately, thus eliminating the perceived overspending. The entity must declare all income generated.
- 9.3. Submit a progress report as at 30 September 2015 on the impact of the variance reporting that was introduced at the end of the 4th quarter.
- 9.4. Submit a progress report as at 30 September 2015 on the impact of the improved planning and budgeting process, as indicated in the 3rd quarter.
- 9.5. Provide an update to the Committee on the orientation of the new Board, their term of office and profiles of the new Board members.
- 9.6. Submit a progress report as at 30 September 2015 on the plan to recover lost income and the lost teaching time during the industrial action that took place in the 4th quarter. Update the Committee on the outcomes of the industrial action and the current situation at the entity regarding labour relations.
- 9.7. Indicate the staffing challenges of the entity for the 2015/16 financial year; update the Committee on interventions to ensure adequate human capacity in the light of the current moratorium.
- 9.8. Provide a progress report to the Committee on the implementation of the Employment Equity Plan of the entity as at the end of the 4th quarter.
- 9.9. Submit a progress report as at 30 September 2015 on the status of the accreditation of Building and Civil Construction skills programme with SETA.
- 9.10. Indicate the plans of the entity to ensure that there are opportunities in CRDP municipalities for learners to do practical experience work for their courses. Submit progress report on inclusion of learners with disabilities in the recruiting process for courses in construction manufacturing and engineering.

- 9.11. Submit a progress report as at 30 September 2015 on the implementation of the Life Skills target.
- 9.11. Update the Committee on the outcome of the Labour Court judgement in relation to the fired employee; inform the Committee of the new date for the hearing and what the total cost of this litigation case amounted to.

10. CONCLUSION

The Chairperson thanked the Honourable Members for their valuable input in consideration of the 4th quarterly report of the Mpumalanga Regional Training Trust for the 2014/15 financial year. The Committee also acknowledged the assistance of its support staff.

The Committee acknowledged Honourable MEC Mhaule in absentia for strategic leadership given to the MRTT. The HOD of the Department of Education was also acknowledged for the operational support provided to the entity.

The Board Chairperson was appreciated for her commitment to MRTT as it continues its mission to skill the people of the Mpumalanga Province, especially the youth from historically disadvantaged backgrounds. The Committee acknowledged the former CEO, in absentia for his service to the MRTT over the years. The acting CEO and senior management were thanked for the presentation on the 4th quarter performance and providing the relevant information to the Committee.

Finally, the House is requested to adopt this Committee report with its recommendations. A progress report on the implementation of the House resolutions contained in this report must be submitted to the Legislature **by 30 September 2015**.



HON. SK MASHILO, MPL

**CHAIRPERSON: PORTFOLIO COMMITTEE ON
EDUCATION; CULTURE, SPORT AND RECREATION**

20/08/2015

DATE