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**MEMORANDUM
TO
MINISTER IN THE PRESIDENCY: PLANNING, MONITORING AND EVALUATION**

Subject: Responses to recommendations made by the Standing Committee on Finance

**From: P J Lehohla
Statistician-General**

Date: 7 April 2015

1. Subject: Responses to recommendations made by the Standing Committee on Finance

2. Purpose

The purpose of the memorandum is to provide a response on the recommendation made by the Standing Committee on Finance to be tabled in the National Assembly.

3. Parliament recommendations

3.1 Strategic plan and Annual performance plan on budget vote 13: Statistics South Africa

- The Statistician-General presented to the Committee recent statistical findings on themes such as the Work and Labour Force, Causes of Death, Household Service Delivery and Economic Growth. A major finding was the remarkable deskilling of Africans from 1994 to 2014. The Committee finds the statistics provided in this regard very disturbing and believes that the effects of this major deskilling will seriously undermine the country's NDP and other national goals and the consolidation of a non-racial, non-sexist democracy in this country. The Committee believes that these findings of Stats SA need to be discussed within the economic cluster parliamentary committees and will facilitate this. Other parliamentary committees also need to be briefed and the Committee Chairperson will raise this with the House Chairperson for Committees.

Stats SA's response:

Presentations to various portfolio committees are listed below:

- 3 June 2014 – Presentation on measuring poverty to NPC
- 3 September 2014 – Briefing to Portfolio Committee on Small Business Development
- 15 October 2014 – Strengthening Parliament oversight with statistical evidence
- 21 October 2014 – Standing Committee on Appropriation on the status and effectiveness of student funding in SA
- 22 October 2014 – Interaction with the Portfolio Committee on Cooperative Governance and Traditional Affairs
- 31 October 2014 – Waterberg District Municipality

3.2 Budgetary Review and Recommendation Report of the Standing Committee on Finance regarding the Performance of Statistics South Africa

3.2.1 Since the 2012/13 financial year, the Committee had expressed concern about the vacancy rate and efficacy of Stats SA's recruitment and talent retention strategy, and has stressed that it wants to see improvements in this regard. In its 2013 BRRR, the committee requested Stats SA to submit a strategy to the Committee on how it would source and retain the scarce skills it requires for optimal performance within 90 days of the adoption of the Committee BRRR by the House. This recommendation is reiterated and Stats SA is now required to do this by 1 February 2015.

Stats SA's response:

Recruitment and Talent management strategy

The core function of Stats SA, as outlined in the Statistics Act, Act No.6 of 1999, is to provide the government, the economy and society at large with information about the economic, demographic, social and environmental situation in the country, information that is partial and independent of external influence. To provide such statistics will require highly motivated, competent and skilled staff that is systematically trained in best practices of the statistical processes and operations.

In increasing and sustaining its quality, the organisation has adopted Talent Management strategy which aims to address the challenges of attracting high caliber individuals, developing high potential employees and retaining these employees within the organisation. The strategy provides for a platform for employees to consistently perform at their optimal standards that will assist the organisation to achieve its strategic objectives. The strategy is based on the following 5 key pillars: Recruitment and Resourcing, Training and Development, Performance Management, Career management and Succession Planning.

Developing a personnel pool to meet the ever changing market demands is inevitable. Stats SA's initiatives to increase the personnel pool and skills base will be achieved through the following:

a) HR planning

Compile a qualification and competency matrix for all jobs in the organisation. HR planning contributes toward organisational and individual growth.

b) Competency Assessment

Align individual competencies with organisational requirements. This will entail:

- Updating existing/developing new job descriptions and profiles based on the outcome of the qualification and competency matrix.
- Conducting an analysis of the organisational core competencies and scarce skills to determine the gap.
- Conducting an assessment of staff members' skills and competencies, taking into considerations the SMS competencies as developed by the DPSA. Assessment will commence with the Middle Management Service (MMS) and Senior Management Service (SMS).

c) Recruitment Plan

Stats SA developed a carefully structured recruitment plan which maps out the strategy for attracting and hiring the talented diverse pool and helps to ensure an applicant pool which includes women and underrepresented groups including individuals living with disabilities will be developed. Within the plan the following will be applicable as various strategies used to acquire the skills.

- *Recruitment of interns:* The organisation recruits students with good academic records to be trained and given the opportunity to put their theory into practice. A total of 253 interns have been trained by this organisation since 2009. Of the 253, at least 166 were appointed permanently. The organisation has expanded its approach in recruiting interns by conducting needs and skills gap analysis where critical and scarce skills areas are given more attention.
- *Recruitment of bursary students:* The organisation offers bursary for local studies and thereafter have these bursary holders in our internship program. A total of 51 students have been offered bursaries and most of them are currently employed permanently. The recruitment of bursary students is on-going.
- *Recruitment of Economists:* Economics is one area which has been identified as critical and the recruitment of these skills has not been easy. The organisation has recruited 12 Economist who are in a three year training programme. More Economists will be recruited this year to close skills gap.
- *Potential candidates:* The recruitment process allows the organisation to have a pool of candidates whose profiles match that of the job. These candidates who go through the interview process have potential to excel in the job but due to limited positions, they are put on the waiting list which is often visited as and when there is a need.
- *Use of recruitment agencies and head-hunting:* The use of recruitment agencies and or head-hunting is one of the interventions considered to be helpful by the organisation. Highly skilled and qualified people are targeted especially in areas where critical skills are considered to be scarce. More critical skills will be sourced through this method of recruitment.

specialized fields. Stats SA has made use of this opportunity by engaging universities to establish chairs in Official Statistics to advance research in the field of official statistics. These chairs are working with young graduates studying at universities by conducting research in the area of official statistics. These young graduates will become potential employees for the future as they would have already been exposed to the field of official statistics. Stats SA has already formalized relationships with the University of Stellenbosch, University of Cape Town, WITS and University of KwaZulu-Natal.

- *Inside Stats SA:* The training and development programme is aimed at enhancing the competencies (skills, knowledge and attitude) and qualifications of employees and include capacity development in both core and non-core areas of work. The training and development programme will focus and offer training in the following four streams: Process, Content, Soft Skills, Management and Leadership. The word stream indicates that courses and other training activities within a specific stream, are all aimed at enhancing the capacity of staff engaged in that dimension.

In order to understand the environment in which we operate and responding effectively to the needs of our users, we need subject matter specialists in the above fields to put the statistical information in the right perspective and scope. These experts will be expected to contribute to improving the quality of statistical information through researching, analyzing and interpreting statistical information produced. This will require that subject specific courses be developed to enhance knowledge, skills and competence of professional staff in areas of economic, social and population statistics. Stats SA plans to make use of international experts and using the services of retired professors in the relevant fields to assist with material and curriculum development and research.

A number of institutions already offer well-developed management and leadership programmes. Stats SA is collaborating with these institutions in offering management and leadership training. Stats SA aims however to customize its Leadership and Management development programme to also include "statistical leadership" which will not only include general management topics but the training will be focusing on the specific task of managing a statistical organisation. Statistical leadership skills are critical to ensure a sustained statistical system in South Africa.

In any organisation there are a number of additional skills that enhance professionalism and managerial skills in general. The aim of the training and development programme in Stats SA is to offer training and development courses across the statistical value chain which include offering training in the support areas such as IT training, Financial Management, Resource management, Communication etc. This training will enable the organisation to become more efficient and is central in becoming the preferred supplier of quality statistics. The training will be offered internally and externally through training workshops, seminars and conferences.

Financial Assistance: Stats SA will continue offering bursaries to employees to further their studies in relevant areas. The Scholarship program will continue until fully-fledged programs in official statistics have been established.

- 3.2.2 In the 2013 BRRR, Stats SA was requested to provide the Committee with a detailed report with regards to the R32 million spent on insurance. This report was to be submitted to the Committee within 90 days of the adoption of the committee's BRRR by the House. Stats SA is required to do this by 1 February 2015.

Stats SA's response:

R32 million spent on insurance:

The amount of R32 million is not for expenditure on insurance. It is for damages and losses on vehicles used mainly during Census 2011. The department did not take insurance for vehicles, however losses incurred through accidents could only be written off at year end where there are savings. There is no provision for budgeting for losses; hence losses of this nature are only written off at the end of the financial year subject to the availability of savings.

- 3.2.3 Although there are no major concerns regarding supply chain management, the Auditor-General alluded to the fact that there are some areas of concern that Stats SA is looking into and is fully aware of. Stats SA should provide the House with a detailed report regarding the investigation into the R35.7 million expenditure on goods and services incurred in 2011/12. This was one of the key issues raised in the 2013 BRRR, and a report in this regard was to be submitted within 90 days of the adoption of the committee's BRRR by the House. Stats SA is required to do this by 1 February 2015.

Stats SA's response:

Investigation into R35,7 million expenditure on goods and services:

The draft report was received from the Accountant-General's office and responded to.

To date no reply was received. Stats SA has not received a finalized report from the Office of the Accountant-General on the matter.

- 3.2.4 Stats SA should provide the House with a detailed report explaining the R6.7 million fruitless and wasteful expenditure incurred over the 2012/13 financial year and its plan to prevent such expenditure in the future. This report was to be submitted within 90 days of the adoption of the committee's 2013 BRRR by the House. In addition, Stats SA should provide the committee with a detailed plan and strategy of how it will ensure that it does not incur fruitless and wasteful expenditure as well as irregular expenditure in the current financial year.

Stats SA's response:

Fruitless and wasteful expenditure:

The value of fruitless and wasteful expenditure cases to be investigated as at the beginning of the financial year was R647 000. The value of new cases for the financial year is R6,710 million. Cases condoned amounted to R1,932 million, and a further R21 000 was transferred to receivables for recovery. Recommendations have been made and processes improved to address the root causes with a view of minimising future occurrences.

The value of the fruitless and wasteful expenditure in this year was mainly related to 10 cases pertaining to Census 2011 satellite offices that were subject to lease agreements but were unoccupied after census. The root cause was due to the fact that it was difficult to source satellite offices on shorter-term leases. The value of the fruitless and wasteful expenditure relating to these leases was R5,4 million. The balance of 119 fruitless and wasteful cases amounting to R1,2 million relates to "no shows" and late cancellations for travel and accommodation. As at 31 March 2015, all cases relating to the 2012/13 financial year have been concluded either by condonement or recovery.

The total value of fruitless and wasteful expenditure cases under investigation as at 31 March 2015 is R7, 469 million. Out of the total value, R7, 260 million relates to the 10 lease cases for the Census 2011 satellite offices. All the leases have now expired and this figure will not increase any further. The cases relating the Census 2011 satellite offices have been referred to Corporate Governance for further investigation. The number of "no shows" and late cancellations have decreased due to an awareness campaign which was conducted in the 2013/14 financial year.

Irregular expenditure:

The opening balance of irregular expenditure was R8,847 million. This was adjusted (reduced) by R51 000 in respect of cases that were found not to be irregular after thorough investigation. Irregular expenditure recorded during the year amounts to R139 000 and relates to non-compliance with SCM procedures. Irregular expenditure to the value of R1,786 million was condoned during the year. An amount of R860,24 was recovered. The balance for irregular expenditure at the close of the financial year was R7,148 million and these cases were investigated.

The value of irregular expenditure amounting to R6, 993 million in this year was mainly related to 3 foreign nationals who were incorrectly appointed on a permanent basis instead of on a contract basis. These cases were referred to the Minister's office for condonement during the tenure of the previous Minister. Of the balance of 4 cases, 1 case amounting to R5, 000 relating to the appointment of a foreign national without a work permit was referred to the Director-General of Home Affairs to condone, 1 case amounting to R30 000 relating to an employee over 65 years appointed without approval of the Minister or his delegate was referred

to the Minister's office for condonement and 2 cases valued at R120,000 have since been condoned.

A follow up on cases previously submitted to the Minister's office will be submitted for consideration by the new Minister.

A reminder will be sent to the Director-General of Home Affairs to request his consideration of our request to condone.

The Internal Control Component of the department has always identified internal control weaknesses. In instances where internal controls were compromised, corrective actions such disciplinary action/s and training are recommended for implementation by relevant line managers.

4. Recommendation

It is recommended that the Minister approve the response to the recommendation made by the Standing Committee on Finance, compiled for submission to Parliament.



P J Lehohla

Statistician-General

Date: 02/04/2015

Approved/or...

J T Radebe, MP

Minister in the Presidency: Planning, Monitoring and Evaluation

Date: