

Briefing to the Select Committee on Finance Limpopo Section 100 (1) (a) Intervention: Progress Report on Implementation

| Section 100 (1) (a) M&E Committee | 12 August 2015

Presentation Outline

- ▶ Background and Context
- ▶ General Observations
- ▶ Feedback: Assessment of Implementation of Cabinet Directives by Department:
 - Provincial Treasury
 - Education
 - Health
 - Public Works, Roads and Infrastructure
 - Transport
- ▶ Conclusion

Background and Context

- ▶ As part of the reporting requirements in the Cabinet Directives in the Memorandum of Agreement (MOA), the five departments report on quarterly basis to national government.
- ▶ On 07 July 2015, the 2nd Quarterly Report was received by National Treasury.
- ▶ The Monitoring and Evaluation (M&E) Committee considered the reports during a meeting held on Monday, 03 August 2015.
- ▶ Senior managers from the Limpopo Provincial Treasury; the Departments of Education; Health; Public Works, Roads and Infrastructure; as well as Transport, and senior managers from the Office of the Premier (OTP) led by the Acting Director-General of the Limpopo Administration, attended the meeting with the M&E Committee.
- ▶ its assessment, the Committee focused on:
 - a) Instances where progress has been made;
 - b) Corrective measures to be taken, on both the reporting and the performance issues;
 - c) Need for validation of reports and / or physical verification of reports within the province by the M&E Committee for oversight purposes (3rd Visit planned for October) ; and
 - d) Draw up a consolidated report for the Inter-Ministerial Committee in order to make sound recommendations to Cabinet;
- ▶ Upon review of the five reports, the Committee discussed issues, concerns, and observations with provincial officials (under the leadership of the Office of the Premier) on 03 August 2015.
- ▶ It is against this background that this presentation has been prepared for the Select Committee.

General Observations: Assessment of Implementation of Cabinet Directives

General Observations

- ▶ There is good co-operation and IGR relations between the provincial departments, the Monitoring and Evaluation Team (M&E committee members), as well as the national departments. However, a consolidated report (apart from departmental reports) was not received from the OTP.
- ▶ The following high-level summary can be provided:
- ▶ POSITIVES:
 - Significant progress has been made in 4 departments in respect of the Cabinet directives;
 - The Department of Health has improved from a disclaimer to unqualified audit opinion;
 - Fiscal position (as reported to the Select Committee by NT in June 2015) remains strong and fiscal risks are mild;
 - Critical posts are being filled, particularly in Provincial Treasury, Health, Education, & Roads/Transport; and
 - The Provincial Treasury is playing a much stronger role in addressing financial management failures in departments (e.g., section 18 action against the LDoE), and working closer with departments to pioneer innovative delivery programmes (e.g., Infrastructure Hub with the LDPW).
- ▶ However, there are challenges in the implementation of some Cabinet directives:
 - The LDoE continues to experience management challenges;
 - Litigation by third parties iro: allegations of irregularities in tender processes, continues;
 - Criminal and disciplinary processes of government are slow. Legal technicalities, procedural issues and management, etc. make it very difficult to reach finality on the issue of accountability;
 - Among the 5 departments there are some variances in the levels of senior management capacity due to slow progress of disciplinary cases of senior officials who have been suspended. Consequently, critical departments, such as Education and Public Works, as well as others, such as COGHSTA, Office of the Premier still have acting officials in place;

**Feedback:
Assessment of Implementation
of Cabinet Directives by
Department**

Provincial Treasury

The PT reports suggest a commendable accomplishment in the following areas –

- i. Key Appointments (Dir. 8);
- ii. Skills Audit (Except Education) (Dir. 3)
- iii. Contract Management review (Dir. 5);

Whilst other areas are also progressing well (Dir. 4, 7), there are however challenges which could pose risks to observable progress in areas such as –

- i. Financial Record-keeping in departments - AG disclaimer issue (Dir. 6);
- ii. Office of the CPO Procurement reforms, particularly in Education (Dir. 2);
- iii. DC cases of Heads of Departments and Senior Management (Education, PWR&I and CoGHSTA) – consequence management ((Dir. 1);
- iv. Forensic audits on pieces of land purchased by CoGHSTA – accountability (Dir. 9); and
- v. Management of litigation by third parties – irregular tenders (Dir. 10).

The National Treasury has, however, noted that actions are underway to address these challenges. These include the implementation of section 18 of the PFMA in Education; assistance from the CPO; the creation of a co-ordination structure in the Premier's Office to deal with DC issues: and National Treasury is directly assisting the province with forensic investigations.

Education

- *In overall, the Education reports suggest that all the Cabinet directives are in progress, with the exception of LOGIS (Dir. 1) not having started due to its roll-out dependency on Provincial Treasury.*
- *Directives 8 and 9 (textbook retrieval & review of contract and financial record) have been achieved; whilst Directives 5 & 14 (CoE, LTSMs & transfers to schools, as well as DC matters) have been partly achieved.*
- *Whilst the bulk directives areas are in SLOW progress, there is a SERIOUS NEED to:*
 - i. Accelerate transfer of completed education infrastructure to Public Works in line with Section 42 of the PFMA (Dir 6);
 - ii. Reconsider the deployment of officials without following legal and regulatory HR prescripts (Dir 2) – Skills audit issue;
 - iii. Reconsider the decentralization of the verification of invoices and actual payment to Districts, given the fact that LPT Instruction Note No. 01 of 2012 has not been rescinded – need to observe and enforce the limitations (i.e., 1 750 km) to avert excessive travelling, as was observed at the end of the last financial year (Dir. 3);
 - iv. Accelerate the process of putting in place a process to deal with historic legacy audit outcomes (assets, receivables and HR records) – resource MASTEC facility (Dir. 4);
 - v. Accelerate efforts to sustain the gains with respect to CoE (Analysis) in order to stabilize the LTSM as well as the Norms and Standards budgets (Dir. 5);
 - vi. Monitor closely the condition assessment and geo-spatial analysis - its delays and or failures will adversely affect the LDPWRI immovable asset verification and register conducted by Ernst and Young (Dir 7);

Education (Cont...)

- vii. Finalize and declare the post baskets of schools – a requirement of the Employment of Educators Act, to manage the COE budget for Programmer 2 more efficiently;
- viii. Section 16A(2)(a)(iii) enjoins principals with the management of use of LTSMs (Dir. 8). Therefore, principals should ensure the retention and retrieval of textbooks at the end of each school calendar year. Top-ups are dependent on the quantities of textbooks retrieved;
- ix. Critically translate the contract management project into tangible LDoE practices and operations (Dir 9);
- x. Finalise urgently NSNP and Scholar Transport tenders, noting that the Office of the CPO intends extending the Scholar Transport costing model to other provinces. So the perpetual extensions of current contracts could be irregular (Dir 10);
- xi. Deal with the exceptions from the STATS-SA physical headcount report as a matter of urgency. National Treasury and the DBE should intervene immediately (Dir. 11);
- xii. Need to consider second best candidates and / or explore head-hunting options following demands by the recommended candidates for the Physical Resources and IDMS Chief Directors posts for higher salary packages (Dir 12);
- xiii. Expedite the finalisation and approval of the Organisational structure of the LDoE in order to fill the key management positions with competent staff Dir. 13); and
- xiv Expedite the DC cases underway & provide report on why the officials implicated in NSNP and in irregular payments were re-instated without any charges on them (Dir. 14).

NB: the LDoE has been **disclaimed** because of among others, the quality of the AFS; failure to submit documents required for audit; assets (both movable and immovable); and irregular expenditure, including unauthorized, fruitless and wasteful expenditure.

Health

- ▶ The department's report reflects full achievement of seven (7) of the twelve (12) of their Directives;
- ▶ Most of the achieved Directives, are once-off projects;
- ▶ The main achievements related to Directives 1, 3 and 7 related to the operational effectiveness of the Provincial Health Information Management System (PHIS); the finalization of the Organizational structure;
- ▶ The department appears to also have been effective in addressing the prior years Audit findings, which led to the achievement of an ***unqualified audit opinion***;
- ▶ The department also addressed the capacity and appointments for critical posts, to ensure its functionality and accountability; as well as good progress made regarding the disciplinary processes.

Health (Cont...)

- ▶ Noting the partial achievement of the remaining five (5) Directives: (directives 2, 5, 8, 9, 11, and to some extent 12), the observation is that the critical area is procurement management;
- ▶ The national department is working with the province and the Office of the Chief Operating Officer to address the challenges related to the procurement reforms within the health sector as a whole;
- ▶ The litigation matter is expected to be concluded before the end of the financial year; and
- ▶ Limited funding challenges indicated, will be addressed with the Provincial Treasury during normal engagements of the budget process.

Recommendations/Actions being taken in Health:

- The provincial department should ensure the sustainability of the current improvements, which are highly reliant on the capacity of the leadership of the department especially in the financial management area in all its respects;
- The financial management systems put in place during the intervention must be continued with and / or improved, where applicable; and
- Current procurement reforms work underway, with the collaboration of the Chief Procurement Officer and the national Department of Health, to be fast tracked.

Public Works

▶ **Progress/achievements noted on the following directives:**

- Dir. 2 (Immovable Asset Register), as indicated by the AG report, has helped move the dept from disclaimer to unqualified;
- Dir. 3 & 4 (Building Capacity for technical skills), including partnerships with the private sector (construction companies) in professionalizing the environment;
- Dir. 8 (Project Management Information System) is being implemented. When fully functional, this will result in further improvements in AG findings on infrastructure projects.

Public Works (Cont...)

▶ **Following directives still in progress:**

- Dir. 1 (lease review project), which was aimed at reducing rental costs. The reduction could have been bigger;
- Dir. 5 (Implementation of strategic hub), which was meant to be a game changer in attracting technical capacity into the province, challenges are noted, but alternative ways exist; and
- Dir. 7 (Development of organizational Structure) still underway.

▶ **Inadequate progress in the following directives:**

- Dir. 6 (Capacity in CFO office);
- Dir. 10 (Movable assets); and
- Dir. 9 (Enforcing DC), which has been affected by delays in document hand-over, is now being addressed by the OTP.

Transport

▶ **Progress noted on the following directives:**

- Skills Audit process completed in the CFO office;
- Department received an unqualified audit finding; and
- Finalising the feasibility study to determine the effective delivery model for roads infrastructure and management of airports (the Provincial Executive Council resolved to keep RAL as an agency and therefore a turnaround plan to address delivery and governance challenges is expected from RAL; and the department will be assisted in implementing EXCO resolution on GAAL).

▶ **Partial progress made on the following:**

- Appointment of some key management personnel has taken place (e.g., CEO of RAL);

Transport (Cont...)

▶ **More work required on the following:**

- Implementation of IT systems (BAUD, LOGIS, etc.) with the assistance of the Provincial Treasury; and
- Work closely with central DC processes and NDOT with respect to priority cases, including the management of litigation and CCMA cases:
 - ✓ Cases and investigations underway in the department should also be reported,
 - ✓ RAL reported on CCMA and Labour Court matters only. Internal DC Cases underway should also be reported to the Monitoring Team and shared with the OTP for consolidation into the central list,
 - ✓ RAL should finalise complex DC cases and litigations in the interest of the state, &
 - ✓ GAAL cases must be shared with the OTP for inclusion in the central database.

• **Addressing procurement issues, especially high-value tenders:**

- The Monitoring and Evaluation, assisted by the Office of the Chief Procurement Officer (where and when possible), will sample transactions and verify compliance / non-compliance with SCM laws. If the verification confirms positive direction in terms of compliance, then this Directive can be removed from MOU.

Conclusion

It is *recommended* that the NCOP:

- **Notes** the synopsis of the reports submitted to national government by Limpopo Provincial government;
- **Notes** progress reported by the province on certain directives in the MOA;
- **Notes** the areas of concern raised by the Monitoring and Evaluation Committee;
- **Notes** the actions being undertaken by the Provincial Treasury in respect of Education, by implementing section 18 of the PFMA;
- **Notes** that national government continues to engage actively with the province, and that verification engagements and visits will continue; and
- **Notes** that a co-ordination mechanism is in place to manage the disciplinary cases, notwithstanding the slow progress of these cases