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**Briefing Note for the 20117/18 Annual report of Parliament of Republic of South Africa**

**Purpose**

The Purpose of this briefing is to highlight some anomalies emanating from the 2017/18 Annual Report. The rationale is to get a clarity or an explanation from the management of Parliament with regard to the identified anomalies or concerns. Since these afore-said anomalies or concerns are emanating from both non-Financial Performance and Financial Performance, therefore, this brief will have two main headings, dealing with non-financial information and financial information and they are as follows:

1. **Non-financial Information**
   1. Over-achievement of Talent Management Index

In its Annual Report (p.83), the Parliament has reported an over-achievement of Talent Management Index by 3 percent above from the 6 percent performance target. This index measured dimensions such as talent acquisition, talent growth and talent retention. In its endeavors to attract the right skills and expertise, the Parliament reported that it has experienced some challenges as applicants were reluctant to accept offers due to the challenges created by the fixed term nature of employment contracts and the cost of living in Cape Town, in the main.

Further, even though the Parliament has put in place some attractive benefits, such as bursary opportunities, study leave, generous leave allocations in order to retain its employees, in the past few years, many professional staff have resigned from Parliament, citing various reasons which are, the main, *the fixed-term contracts of employment, expensive accommodation in Cape Town, working environment, and working conditions*.

Flowing from the above, in one of the Joint Standing Committee on Financial Management of Parliament (the Committee) engagement with the Parliament, it resolved that the Parliament should ensure that it deals with the issue of Fixed-term contracts. In the same vain, in the meeting held in February 2018, the Acting Secretary informed the Committee that the Executive Authority has signed the memorandum to convert Fixed-Term contracts into permanent contracts and the process was in HR for implementation. Up to so far, that has not yet done. Why it is still not yet implemented as reported. Or perhaps, did Parliament devise another strategy to deal with this issue?

1. **Financial information**
   1. Irregular expenditure and wasteful and fruitless expenditure

At the end of the 2017/18 financial year, the Parliament has recorded an Irregular expenditure of R336 thousand, down from R2.443 million from 2016/17 financial year. During the 2017/18 financial year, irregular expenditure amounting to R2,446 million was condoned. The irregular expenditure incurred during this year, is as a result of a tender awarded to a Member of Parliament and Local content not specified. This brief raises the following concern with regard to irregular expenditure:

* Section 65 (4) of the Financial Management of Parliament and Provincial Legislatures Act (2009) FMPLA requires the Executive Authority to submit written reasons for condonation to the oversight mechanism. No submission with regard to that has been submitted to the oversight mechanism, regardless that the Executive Authority has condoned irregular expenditure.

For the 2017/18 financial year, the Parliament has recorded a wasteful and fruitless expenditure amounted to R1, 324 million. This amount represents about a 24 percent increase when it is compared to R1 067 million recorded in the previous financial year (2016/17). Further, during for 2017/18 financial year, the Parliament reported that it has written offan amount of R1 053 million. In spite of this, it is interesting to know the nature (incidents) of such fruitless and wasteful expenditure written off, and whether were indeed irrecoverable.

Importantly, section 56(2)(d)(iii) of the FMPLA requires that notes to the financial statements must provide particulars of any disciplinary or criminal steps instituted as a result of such losses or unauthorized, irregular or fruitless and wasteful expenditures. The 2017/18 notes to the financial statements of Parliament as contained in its 2017/18 Annual Report excluded information on the any disciplinary actions, nor criminal steps instituted by Parliament in order to recover loss monies as a result of both irregular and fruitless and wasteful expenditure reported by Parliament. The exclusion of this critical information from the Parliament reporting deprives the opportunity for the Committee to ensure that Parliament implements consequence management. Thus, the Committee will have to request Parliament to brief it in this regard so that it can closely monitor the implementation of consequence management.

* 1. Receivable from non-exchange transaction

Note No.3 to the Financial Statements shows an amount of R2, 260 million owed by staff and members to Parliament, (p.110) as denoted “Staff and Members debt”. It would be important for Parliament to unpack on what entails in this debt, and the nature of this debt.

* 1. Concerning issues with regard to certain general expense

Note No.30 to the Financial Statements (p. 124) shows that the Parliament has paid R15, 462 million for ‘Consulting and Professional fees” for the 2017/18 financial year, which represents about a 100 percent increase compared to amount paid in the previous financial year (R7, 996 million: 2016/17). Thus, the Parliament will need to explain the nature and the motive of these “Consulting and Professional Fees” so as to ascertain whether they were justified or not. Further, to get on clarity on why this expense has increased by almost 100 percent for this period.

Lastly, the same note to the Financial Statement reveals a noticeable increase to the amount paid by Parliament for “Printing and stationery” for the 2017/18 financial year, when compared to the amount paid in 2016/17 financial year. For 2017/18, the Parliament paid an amount of R15 094 million, for this expense, which has increased from R14, 450 million paid in 2016/17 financial year. Such trend was not expected because, during the 2017/18 financial year, the Parliament has introduced My Parliament APP in order to curb cost related to printing. What is worrisome is the fact that Parliament pays an additional amount in the form of license fees for My Parliament APP and yet Printing and stationery costs are still escalating.

* 1. Payables from exchange transactions

Note No 11 to the Financial Statements (p.116) reveals that the Parliament has recorded an amount of R23, 364 million for *Trade payable or Creditors* at the end of 2017/18 Financial year. This represents about a 24 percent increase compared to R18 882 million recorded in 2016/17 financial year. This trend is again worrisome because, it means that Parliament is increasingly not complying with the 30-day payment to suppliers. Of more importance is that this results to Parliament incurred unnecessary expenditure in the form of Interest paid to these overdue accounts. Thus, the Parliament will have to explain the nature and age of these Creditors. So as to identify those that are more than 30 days, the reason why they have not paid on time.