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**Briefing Note for the 2018/19 Mid-Year Budget and Performance Assessment Report of Parliament of Republic of South Africa**

**Purpose**

The purpose of this briefing is to highlight some anomalies emanating from the Mid-Year Budget and Performance Assessment Report for 2018/19 financial year. 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 highlight issues from both Financial Performance and Non-Financial Performance.

**Overview of the Mid-Term Budget and Performance Assessment Report of Parliament**



Table 1 shows that for the Mid-Term, which is made up of Quarter 1 and Quarter 2, the Parliament has overspent its budget for Mid-Year. For both Quarter 1 and Quarter 2, it budgeted an amount of R1 249,766 billion and by the end of this period, it spent R1,262,101 billion, which represents an over-expenditure of R12,335 million or 1 percent. Further, the actual spending of R1,262,101 billion represents a 48 percent spending of the annual budget of R2,608 878 billion.

Flowing from the above, the overspending of 1percent or R12,335 million recorded by the Parliament at the end of the first two quarters (Mid-Year) is due to the overspending occurred in the Compensation of Members (Direct Charges), which is as a result of payments of loss of office and exit gratuities to non-returning Members after 2019 general elections. Subsequently, the Direct Charges overspent by about 20 percent over the first half of 2019/20 financial year, whilst other Programmes spent satisfactorily within their budgets

Importantly, Parliament projects to overspend its annual budget of R2,608,878 billion by R139 657 million or 5 percent. This is due to projected overspending under Programme 5 and Direct charges. The projected overspending of R27,670 million recorded under Programme 5 will be due to overspending of R23,464 million and R4 206 million on Members facilities and Transfers (transfers to political parties) respectively.

In terms of the non-financial performance, for the first half of the 2019/20 financial year, the Parliament has performed at 66,67 percent, which is less than the performance achieved in the first half of 2017/18 financial year (68 percent) and 72,72 percent achieved during the 2018/19 first half. The 66, 67 percent performance can be translated into 6 targets achieved out of 9 targets planned to be achieved during this period, of which 3 targets were not achieved. Importantly, there are other 7 targets, which were not measured during this period because they are referred to as annual targets, only assessed at the end of the financial year.

In spite of the above, the three (3) targets, which were not achieved are from Programme 1, 3 and 5. Under Programme 1: Strategic Leadership and Governance, the Parliament planned to achieve 100 percent of strategic, procedural, legal advice and support provided within timeframes- but it only achieved 81,25 percent. This means that reports, which were aiming to achieve this target were not produced in time. Moreover, under Programme 3: Core Business, the Parliament has planned to achieve 94 percent of information available as per Service Charter- only 89,26 percent achieved. The reason for this non-achievement of this target is due to non-delivery of procedural advice, policy advice, Hansard and documentation to clients in the required timeframes. Lastly, under Programme 4: Support Services, the Parliament has planned to reimburse Members of what they are due to them by not later than 2.5 days on average- but it took an average of 4,25 days to reimburse Members for this period, owing to administrative capacity.

It should be noted that the two (2) out of these three targets alluded above, which are, the percentage of strategic, procedural, legal advice and support provided within stipulated timeframes; and the average number of days to reimburse Members were consistently not met over the first two (2) quarters of the 2019/20 financial year, of which, the later was not achieved during the 2018/19 financial year, owing to the same reason provided.

**2. Issues /concerns raised by this brief**

**2. 1. Progress on resolving issues identified in the 2018/19 Annual Report**

Section 53 (1) (b) of the Financial Management of Parliament and Provincial Legislatures Act (FMPPLA) requires that before 31 October of each year, the Accounting Officer must submit to the Executive Authority a report that assesses the performance of Parliament’s administration during the first half of the financial, taking into account-***the past year’s annual report, and progress on resolving problems identified in the report***

Thus, in line with the above, the Committee raised a concern of irregular and fruitless expenditure amounted to R339, 000 and R299, 000 incurred during the 2017/18 financial year, which were still not cleared from the financial books of the Parliament at the end of 2018/19 Financial year (Annual Report). So how far in ensuring that these expenditures are cleared from the financial books of Parliament, meaning, whether monies, loss due to these expenditures are recovered or disciplinary process is instituted where necessary; or loss monies are written off or condoned?

Moreover, the Parliament reported that it couldn’t achieve three (3) targets, and managed to achieve 11 performance targets out of 14 targets. Performance Targets, which were not achieved included the average number of days to reimburse Members and Client satisfaction level (5 of clients satisfied with service levels). It is concerning that even during this period under review, the average number of days to reimburse Members is still not met, owing to capacity. Then, what Parliament is doing to ensure that this target is achieved going forward, in fact the Parliament should provide the Committee with mitigating plans to ensure that this non-achievement of this performance target doesn’t continue.

**2.2. Lack of explanation of mitigating plan for non-achieved targets**

As alluded in the previous paragraphs of this brief, that the Parliament did not achieve 3 (three) targets planned to achieve at the end of the first half of 2019/20 financial year, owing to various reasons. For example, it could not achieve 2.5 average number of days to reimburse members, owing to capacity challenges and additional work required for the claim registration process, however, no sound mitigation plan was explained to ensure that going forward this target is achieved. Moreover, this has been the same case for non-achievement of the percentage available as per Service Charter levels, no mitigation plan was given on how the Parliament would ensure that procedural advice, policy advice, Hansard and documentations are produced timeously going forward, other than only providing a reason. The explanation of the mitigation plan is critical because, it makes it easier for the Committee to monitor the progress in achieving these targets by ensuring that the mitigation plan is implemented.

**2.3. Projected overspending under Programme 5**

As shown in Table 1, Programme 5 has spent R358 702 million or 95.4 percent of the first half of the 2019/20 financial year. Also, this spending can be translated into 50 percent spending of its annual budget of R720,376 million. Importantly for Quarter 1, this Programme spent 88 percent (R157 878) of its allocated budget of R180 095 million, which represent 18 percent under-expenditure. For Quarter 2, this Programme, overspent its budget for this quarter by a mere 3 percent, which in fact is defrayed by the low spending (underspending) recorded in Quarter 1. Thus, following these spending trends, it can be safe to say that this Programme is fairly spending. Then, under what basis the Parliament projects the overspending under this Programme.

Moreover, under the very same Programme, the Parliament projects to an overspend its Transfers to political parties by 1 percent or R4, 206 million of its annual budget of R483 730 million. The motive being an increase in the number of political parties from 13 in the Fifth Parliament to 14 in the Sixth Parliament, and the reduction of Members of the Executive from 75 in the Fifth Parliament to 63 in the Sixth Parliament as a result of reconfiguration made by the current administration. Then, the Committee should get a clarity on how does the additional number of Political parties influence transfers payments (transfers to political parties) because, this amount is allocated proportionally to political parties. Further, the Committee should seek a clarity on how does the reduction of Members of Executive have negative implications on Transfers to Political Parties?

**2.4. Reconfiguration of Cabinet**

After the May 2019 general election, the current administration embarked on the cutting costs measures. One of the cost cutting measures, implemented was the configuration of the cabinet. This has led to a reduction of Parliamentary Committees from 57 down to 46 in the Sixth Parliament. It would be interesting to find out from the Parliament on whether do they realized savings from such and if yes, where did Parliament utilized those savings, and if no, why?

**2.5. Discrepancy in reporting**

For the 2019/20 Midterm Performance, the Parliament reported that the sub-program: Deputy Secretary Core under program 3: Core Business, has spent R207 000 or 5 percent over the period under review, of which that spending only occurred in Quarter 2. **(see Slide 27: Mid Term Presentation)** Yet it is reported that this sub-programme spent R2054 million or 50 percent of the annual budget during Quarter 2 **(see Slide 35 Quarter 2 presentation**). Therefore, the Committee should seek clarity on the correct actual spending for Deputy Secretary: Core Business, which incurred during Quarter 2, and so as the half year of 2018/19 financial year.

*Number of Programmes implemented: Programme 2: Administration*

The second identified discrepancy in reporting is with regard the achievements of performance targets. It is reported in the Mid-Term Budget and Assessment Performance Report, that the *number of programmes implemented by Parliament to develop members* was achieved **(see Slide 21 of the Mid-Term Budget and Assessment Report)**, yet it was reported in Quarter 2 Performance Report, that the only programme set to be implemented for the whole year, was set to be implemented in Quarter 2 and was not achieved, and as such it was deferred later in the 2019/20 financial year **(see Slide 26 of the Quarter 2 Performance and Annexure 1: Extract from APP)** Therefore, this performance target was not achieved. **So, why it is reported as achieved in the Mid-Term Budget and Assessment Report?**

Flowing from the above, the performance reported by the Parliament for the Mid-Term Budget and Assessment of 66,67 percent, which is made up six (6) performance targets met out of 11 planned targets for this period is incorrect. In actual sense, for the Mid-Term, the Parliament has performed at 55,56 percent not 66,67 percent recorded. This is due to the fact that it only met five (5) targets rather than six (6) recorded, after making proper adjustments in its reporting. **Thus, the Committee should seek a clarity around this discrepancy to ascertain the correct outcome with regard to this performance target.**

**2.6. Organisational re-alignment**

The Parliament has reported that the organizational re-alignment project is in its second phase, which entails micro analysis and design of business operating models, processes and positional structures that would effectively enable the Micro-Functional Design. In simple terms, this means that the Parliament is moving towards the implementation phase of the restructuring of its organogram, as such the Human Resources Division has been restructured and subsequently, a new structure was implemented in June and July 2019 (see page 37 of Mid-Term Report). It is further reported that this organizational re-alignment design project was budgeted an amount of R13 million, of which R147 000 of this budget has been spent up to date.

**Flowing from the above, it is important to note that this proposed or rather implemented organizational structure has not been presented to the Committee for its inputs, which then the Committee should seek a clarity on why this has not happened. Moreover, it will be important for the Committee to be clarified on budget breakdown of this R13 million and on items or programmes, which were paid for by R147 000.**

**2.7. Annual Performance Targets**

The inability of Parliament to measure some of its performance indicators and targets on a quarterly basis limits the achievement of the primary purpose of these performance indicators and targets, which is to track on-going performance progress for the implementation of Annual Performance Plans and thereby the Strategic Plan of Parliament. Therefore, reporting on performance indicators and targets on a quarterly basis provides progress on the implementation of the institution’s plan with particular reference to monitoring delivery against specific quarterly targets set. Further, quarterly performance reporting serves as an important management tool for Accounting Officers and Executive Authority and as an oversight instrument used by oversight bodies.

Flowing from the above, this brief suggests that all these performance targets, which are on annual basis be broken down into quarterly basis according to their key milestones, so that they can be measured on a quarterly basis. For example, a Client Satisfaction Level (% of clients satisfied with service levels)- this target is achieved through conducting a survey and producing a report with regard to the results of such survey. Therefore, key milestones to complete such final survey report, may include the following milestones, which can be measured on a quarterly basis: determining the structure of the report, collating of data, analysis and interpretation of data, compiling a report, draft report and eventually to a final report.

**2.8. Adjustment Budget**

Section 53 (2) (a) of the FMPPLA provides in the Mid-Term Budget and Performance Assessment Report, the Accounting officer must recommend whether an adjustments budget may be necessary.

Pursuant to the above, the Parliament projects an overspending of R139 667 million at the end of the 2019/20 financial year. This projected overspending (R139 667 million) will be due to overspending of R111 987 million from Direct Charges (Members compensation) and R27 670 million from Transfer payments and Members facilities. For both Quarter 1 and Quarter 2, the Parliament stated that it will engage National Treasury to address the shortfall during the Medium Term Budget Policy Statement in line with section 18 (2) (a) of the FMPPLA. Thus, for this Mid-Term Budget and Performance Assessment Report, no recommendation is made of Adjustment Budget as stipulated in section 53(2)(a) and 18 (2) (a) and (b) of the FMPPLA, despite the fact that it Parliament consistently stated that the shortfall or projected overspending for Direct Charges and Transfer Payments will be corrected through annual adjustments budget. **Then, the Committee should seek a clarity on, how did Parliament do to address this shortfall in its budget?**

Importantly, section 18 (2) \_ of the FMPPLA, which the Parliament refers to it, on how they plan to address the shortfall on Direct Charges, is misleading as this section only refer to the adjustments of ***appropriated funds* *(budget*)** contemplated in section 16 (2) (I) of the FMPPLA not to Direct Charges. Further, no adjustments appeared for Vote 2: Parliament in Adjusted Appropriation Bill 2019, which means that there was no budget adjustment made in Parliament.

Lastly, the process for the Parliament Adjustments Budget as determined in section 53 and 54 and section 18 (2) is just tedious and need to be reviewed. It’s just making it impossible for Parliament to get its adjustments budget to the national adjustments budget on time.