**2. BUDGETARY REVIEW AND RECOMMENDATIONS REPORT (BRRR) OF THE PORTFOLIO COMMITTEE ON PUBLIC SERVICE AND ADMINISTRATION ON STATISTICS SOUTH AFRICA: VOTE 12 DATED 16 OCTOBER 2019**

1. **BACKGROUND**

The Portfolio Committee on Public Service and Administration (hereinafter referred to as the Portfolio Committee) having considered the directive of the National Assembly, which is in line with Section 5 of theMoney Bills Amendment Procedures and Related Matters Act, No. 9 of 2009 to consider and report on the Annual Report of the Statistics South Africa. It should be noted that Statistics South Africa operates independently from the Executive. The BRR Report is tabled as follows:

1. **INTRODUCTION**

Parliament derives its mandate from the Constitution of the Republic of South Africa. The strategic objectives of the Portfolio Committee are informed by five strategic goals of Parliament. The functions of the Portfolio Committee on Public Service and Administration as well as Planning, Monitoring and Evaluation are as follows:

* Participating and providing strategic direction in the development of the legislation and thereafter passing the laws,
* Conducting oversight over the Executive to ensure accountability to the Portfolio Committee towards achieving an effective, efficient, developmental and professional public service,
* Conducting public participation and engaging citizens regularly with the aim to strengthen service delivery; oversee and review all matters of public interest relating to the public sector,
* Monitoring the financial and non-financial aspects of departments and their entities and ensuring regular reporting to the Committee, within the scope of accountability and transparency,
* Supporting and ensuring the implementation of the PSC recommendations in the entire public service
* Participating in the international treaties which impact on the work of the Committee.
1. **PURPOSE OF THE BUDGETARY REVIEW AND RECOMMENDATIONS REPORT**

Section 5 of theMoney Bills Amendment Procedures and Related Matters Act, No. 9 of 2009 the National Assembly, through its Committees, must annually compile Budgetary Review and Recommendations reports (BRRR) that assesses service delivery and financial performance of departments and may make recommendations on forward use of resources. The BRRR is also a source document for the Committees on Appropriations when considering and making recommendations on the Medium Term.

Moreover, the Money Bills Amendment Procedures and Related Matters Act, section 5 (3) highlights focus areas on the budgetary review and recommendation report as:

* Providing an assessment of the department’s service delivery performance given available resources;
* Providing an assessment of the effectiveness and efficiency of the departments use and forward allocation of available resources; and
* Including recommendations on the forward use of resources

**3.1** **Method**

The Portfolio Committee on Public Service and Administration compiled the 2018/19 BRRR using the following documents:

* The National Development Plan: Vision for 2030.
* Medium Term Strategic Framework 2015-2020.
* State of the Nation Address 2018.
* Strategic Plans of the Statistics South Africa 2015-2020.
* National Treasury (2019) 4th Quarter Expenditure Report 2018/19 Financial Year
* Annual Performance Plans 2018/19 of the Statistics South Africa.
* Annual Report 2018/19 of the Statistics South Africa.
* Auditor-General South Africa’s outcomes of audit findings 2018/19.
* The Portfolio Committee met with the leadership of the Statistics of South Africa
1. **NATIONAL DEVELOPMENT PLAN VISION 2030**

The National Development Plan highlights the need for South Africa to build a state that is capable of playing a developmental and transformative role. This requires the state to formulate and implement policies that support that role. The NDP and the Medium Term Strategic Framework are informed by statistical information provided by Statistics South Africa, which publishes more than 200 statistical releases per year. The publications present statistical research that measures the development and transformation of the economy and society in a range of context.

Changing economic and societal realities have expanded the demand for statistical information: more detailed statistics are needed and more frequently if policies are to be responsive and effective. Statistics in the public domain must be of high quality. Responding to the increased demand for high quality statistics will require a national effort, and collaboration and partnerships between the producers and the users of statistics.

1. **MANDATE** **OF THE STATISTICS SOUTH AFRICA**

Statistics South Africa is a national government department accountable to the Minister in the Presidency: Planning, Monitoring and Evaluation. The department’s activities are regulated by the Statistics Act (1999), which mandates the department to advance the production, dissemination, use and coordination of official and other statistics to assist organs of state, businesses, other organisations and the public planning, monitoring and decision making. The Act also requires that the department coordinate statistical production among organs of state in line with the purpose of official statistics and statistical principles.

However, there is a legislation reform on the cards for the institution. This legislative reform will inform the full planning cycle of government, from planning to evaluation, including the implementation of the Spatial Data Infrastructure Act. Stats SA has started the legislative review process.

1. **STRATEGIC PRIORITIES**

Statistics South Africa aims to contribute towards realisation of the ideals of the National Development Plan (NDP) by providing accurate data policy implementation to overcome social challenges such as inequality, poverty and unemployment. Stats SA works in conjunction with all stakeholders in the country to provide accurate statistical information on economic, demographic, social and environmental factors for proper NDP implementation. The institution has identified the following strategic priorities, which are:

1. To promote and ***inform the nation*** through an expansion of statistical products and services.
2. To ***increase statistical trust*** through sound quality principles that are in line with international standards. This will ensure that users of statistics products have confidence and trust official statistics.
3. To promote ***partners in statistics,*** international cooperation and participation in statistics.
4. To invest in the learning and ***capable organisation***.
5. To promote ***statistical leadership*** through investment in schools and tertiary programmes to increase statistical skills at grass roots level.

1. **DEPARTMENT PROGRAMME PERFORMANCE**

**7.1 Statistics South Africa**

**7.1.1 Budget Allocated and Expenditure 2018/19**

The budget appropriated to the Statistics South Africa for the 2018/19 financial year was R2 271 669 billion. The actual expenditure was R2 311 135 billion for all the programmes which is an estimated of 101.7% of the total allocated budget. The overspending was mainly due to budget reductions on compensation of employees, which resulted in Stats SA not being able to afford the costs of filled positions, notwithstanding the fact that recruitment has been placed on hold since October 2016. The bulk of the budget was allocated in the administration programme with R711 829 million, followed by Statistical Collection and Outreach with R627 390 million and Statistical Support and Informatics with R257 067 million.

Stats SA achieved 93% of its targets as set out in the Annual Performance Plan whilst under tremendous financial and human resource constraints. The Department has not been able to fill any key management or other critical posts since October 2016, with the exception of that of the Statistician-General in November 2017.

Human capital remains the most valuable asset in Stats SA. In order to achieve organisational strategic objectives, Stats SA needs employees with the necessary skills and competencies. Stats SA place an emphasis on capacity building programmes for employees at all levels. The increase in the vacancy rate was as a result of the department’s inability to recruit permanent staff due to prior year budget cuts, which were in excess of the actual costs of filled posts. This has placed the quality of basic statistics at risk, even as the Department has done everything possible to remain professional. However, Stats SA continues recruiting contract positions for surveys, as and when required during the financial year.

Stats SA has 2 906 staff complement with personnel cost amounting to R1 493 billion. The vacancy rate was at 17.2% (605 of 3 511). In terms of gender representation in the Department, female representation was at 46.4% and male at 53.6%. Whilst the Department achieved 41.5% representation of females in SMS, which was below 50% norm in the public service. People with disabilities’ representation in the Department was at 1.4% and below the agreed norm of 2%. The Department experienced resignations of 40.5% of the staff complement in 2018/19 financial year.

**Table 1: Appropriation per programme (R’000)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme R'000** | **Final Appropriation** | **Actual Expenditure** | **Shifting of funds** | **Virement** | **Variance** |
| 1. Administration | 711 829 | 733 804 | 0 | 33 245 | (21 975)  |
| 2.Economic Statistics | 248 657 | 248 491 | 0 | (259) | 166 |
| 3. Population and Social Statistics  | 169 193 | 168 916 | 0 | (14 712) | 277 |
| 4. Methodology, Standard and Research | 73 306 | 73 166 | 0 | (1 721) | 140 |
| 5. Statistical Support and Informatics | 257 067 | 248 186 | 0 | (22 354) | 8 881 |
| 1. Statistical Collection and Outreach
 | 627 390 | 662 154 | 0 | 11 359 | (34 764) |
| 1. Survey Operations
 | 184 257 | 176 418 | 0 | (5 558) | 7 859 |
| **Total** |  **2 271 699** | **2 311 135** | **0** | **0** | **(39 436)** |

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**7.2 Programme Performance**

Statistic South Africa has seven programmes, namely:

1. **Programme 1: Administration**

The purpose of the programme is to provide strategic leadership management and support services to the department, and capacity building. This programme aims to lead the development and coordination of the statistical production system among organs of state. Secondly, the programme provides direction and leadership through driving strategic and operational planning and monitoring. It also provides corporate support services on an ongoing basis.

The programme has achieved 92.3% of its annual targets as scheduled in the Work Programme and 7.7% were not achieved. The programme has contributed to providing strategic direction to the organisation, planning and monitoring its performance, leading the development and coordination of the national statistics system and to enhancing corporate governance and administration.

The programme has spent R733.8 million of the allocated funds. Of the total expenditure, an amount of R224.0 million was spent on compensation of employees, whilst an amount of R236.8 million was spent on goods and services. The Programme overspent on compensation of employees by R22.1 million due to budget reductions. The programme spent 103.1 of its allocated budget.

Stats SA conducted client satisfaction survey and an intervention strategy will be developed based on the outcome of the survey. Succession planning was not institutionalised as planned due to a proposed restructuring of the organisation and the implementation of Computer-Assisted Personal Interview (CAPI). The redeployment of staff affected by CAPI has been postponed to 2019/20 and will be undertaken with the full implementation of CAPI. The appointment of interns is under review due to budget constraints in the organisation. Stats SA has achieved 100% of financial disclosure for Senior Management Service (SMS), Middle Management Service (MMS) and other designated employees, which were submitted to the Department of Public Service and Administration (DPSA).

1. **Programme 2: Economic Statistics**

The Economic Statistics programme produces economic statistics to inform evidence-based economic development and transformation in line with internationally recognised practices. Its main objectives are to expand the economic statistics information base by increasing the depth, breadth and geographic spread for evidence based planning. Programme Management for Economic Statistics provides strategic direction and leadership.

The programme has achieved 100% of its annual targets, as scheduled in the Annual Performance Plan. The programme spent R248 491 million of the allocated funds. Of the total expenditure, an amount of R230 296 million was spent on compensation of employees whilst an amount of R17 412 million was spent on goods and services items such as consultants, travel and subsistence and operating payments. The programme’s actual expenditure when compared against the benchmark was 99.9% when applying straight-line analysis.

Key achievements included monthly, quarterly and annual releases in line with the international Special Data Dissemination Standards. The programme informed economic planning, monitoring and decision-making by providing accurate, relevant and timely statistical information on the level of economic activity in relation to the primary, secondary and tertiary sectors of the economy, financial information on private sector businesses and government and information on sustainable resource use and management.

1. **Programme 3: Population and Social Statistics**

The purpose of the programme is to produce population, demographic, labour market and social statistics to meet user requirements in line with internationally recognised practices. Population and social statistics inform evidence based socio-economic development and transformation in line with internationally recognised practices. Programme 3 contributes to strategic objective in an effort to expand the statistical information base by increasing its depth, breadth and geographic spread.

Stats SA achieved 92.9% of its targets as scheduled in the Annual Performance Plan, of which 7.1% were not achieved. The programme spent R168 916 million of its allocated budget. Of the total expenditure, an amount of R134 794 million was spent on compensation of employees, whilst an amount of R26 720 million was spent on goods and services such as travel and subsistence and operating payments. Actual expenditure compared against the benchmark spending was 99.8%.

The programme contributed to informing social and economic development planning, monitoring and decision-making by providing relevant, timely and accurate statistical information on living conditions, population dynamics, vital events, employment, crime and poverty levels. Stats SA has encountered late publications in relation to the quality of administrative data received from Home Affairs. Stats SA continues to collaborate and support the Department of Home Affairs to improve the quality of administrative records.

During the year under review, Stats SA key outputs include mid-year population estimates at national, provincial, district council and metro levels, thematic demographic reports on cohort fertility and labour market outcomes of migrant communities. The local municipality and household estimates were not published due to data and system challenges and thematic reports on the South Africa Demographic and Health Survey (SADHS) were not compiled due to the late release of the survey by the Department of Health (February 2019).

1. **Programme 4: Methodology, Standards and Research**

The purpose of the programme is to provide expertise on quality and methodology for official statistics, standards for conducting surveys, and business sampling frames. This will be done by improving the comparability and accuracy of statistical information and by ensuring accurate and reliable statistical information for users. Additionally, this programme conducts policy research and analysis on emerging policy matters. Therefore, this programme provides statistical support and advice to policy makers by annually conducting policy research and analysis.

Stats SA achieved 100% of its targets as scheduled, of which 87.5% were achieved as scheduled and 12.5% were achieved earlier than scheduled. The programme contributed to improving the credibility, comparability and accuracy of statistical information by applying appropriate quality criteria, standards, classifications and procedures, providing methodological and system support services, developing standards, researching current and international best practice and ensuring an updated sample frame for the collection of economic statistics.

The programme spent R73 166 million of the budget allocated. Of the total expenditure, an amount of R70 569 million was spent on compensation of employees, whilst an amount of R2 152 million was spent on goods and services. The main cost drivers are travel and subsistence, operating and machinery and equipment. Actual expenditure as compared against the benchmark spending was 99.8%.

Key achievements, in the year under review, include the developments of standards on determining the need for information, data linking, tabulation plan, the provision of preliminary and final sampling frames and a report on further implementation of the unit’s model. Stats SA produced three research reports on government’s socioeconomic planning, two research reports on spatial analysis and a research report on demographic dividend analysis.

1. **Programme 5: Statistical Support and Informatics**

This programme aims to enable service delivery programmes by using technology in the production and use of official statistics. This includes promoting collaboration with potential stakeholders in building and maintaining reliable household surveys. This programme further assists in modernising business processes and supporting the department’s production of official statistics.

The Stats SA has achieved 83,3% of its annual targets and 16.7% were not achieved. The programme contributed to improving the measurement of the economy and society by providing and maintaining a frame for accurate sampling of household surveys and a complete and up-to-date database of dwellings for planning and conducting of surveys and censuses. The programme provided editing, publishing and distribution services.

The programme has spent R248 186 million of the allocated budget. Of the total expenditure, an amount of R136 457 million was spent on compensation of employees, whilst an amount of R86 713 million was spent on goods and services. The main cost drivers on the programme include publication services such as the payment of computers and contractors.

1. **Programme 6: Statistical Collection and Outreach**

The purpose of the programme is to provide statistical information to support policymakers. It manages stakeholders to provide effective communication services. It also promotes statistical development and cooperation in South Africa, Africa and the World. The programme contributes in enhancing public confidence and trust in statistics; improving productivity and service delivery; leading the development and coordination of statistical production within the South African National Statistical System (SANSS); investing in the learning and growth of the organisation; and promoting international cooperation and participants in statistics.

Stats SA achieved 88.6% of its annual targets and 11.4% were not achieved. The programme spent R662 158 million of the allocated funds. Of the total expenditure, an amount of R526 358 million was spent on compensation of employees, whilst an amount of R129 327 million was spent on goods and services. The programme overspent on compensation of employees by R26 270 million due to budget reductions. The programme spent 105.5% of its allocated budget.

The programme contributed to increasing awareness and marketing, and communicating and disseminating official statistics to relevant stakeholders through effective stakeholder management, internal communication and public and media relations. Furthermore, the programme contributed towards expanding the statistical information database through integrated fieldwork, continuous data collection, stakeholder management, increased collaboration and strengthening partnership within SANSS, promoting the harmonisation of statistics in Africa, strengthening statistical capacity on the continent, promoting international statistical best practice and building international partnerships.

1. **Programme 7: Survey Operations**

The purpose of the programme is to provide collection and processing support to produce official statistics. The programme also conducts independent household survey monitoring and evaluation activities. The programme contributes in improving productivity and service delivery.

In this programme, Stats SA achieved 95% of the targets of the Annual Performance Plan, 5% were achieved later than scheduled and 5% were not achieved. The programme contributed to informing social and economic development, planning, monitoring and decision-making and to increase the efficiency and effectiveness of survey operations.

The programme has spent R184 257 million of the allocated funds. Of the expenditure, an amount R150 659 million was spent on compensation of employees, whilst an amount of R25 396 million was spent on goods and services items such as communication, operating payments and travel and subsistence. The programme spent 95.7% of its allocated budget.

Stats SA conducts periodic population censuses and large-scale population surveys. During the year under review, Stats SA reports on processing and editing of questionnaires and implementation of phase 2 of digital data collection. The Department received death notification forms for the Mortality and Causes of Death Survey later than scheduled from the Department of Home Affairs.

Stats SA achieved 83% of the targets and 17% were not achieved. The programme contributed to informing social and economic development, planning, monitoring and decision-making and to increase the efficiency and effectiveness of survey operations.

1. **AUDITOR-GENERAL OUTCOMES**

The Auditor-General has audited the financial statements of the Statistics South Africa, set out on pages 157 to 246, which comprise appropriation statement, the statement of financial position as at 31 March 2019. The statement of financial performance, statement of changes in net assets and cash flow for the year ended as well as the notes to the financial statements including a summary of significant accounting policies. The Auditor General opinion indicates financial statements are present fairly, in all material respects, the financial position of Statistics South Africa and its financial performance and cash flows for the year are in accordance with the Modified Cash Standard and the requirement of the PFMA.

Statistics South Africa received an unqualified audit in consecutive days.

**8.1 Predetermined objectives**

The Auditor-General performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. The AG did not identify any material findings on the usefulness and reliability of the reported performance information on programme 2: Economic Statistics.

**8.2 Adjustment of material misstatements**

The AG identified material misstatements in the annual performance report submitted for auditing on the reported information for Programme 5: Statistical Support and Informatics and programme 6: Statistical Collection and Outreach. Management subsequently corrected the misstatements. The AG did not identify any material findings on the usefulness and reliability of the reported performance information.

***8.2.1 Unauthorised expenditure***

The Department incurred unauthorised expenditure to the value of R57 140 000, mostly on compensation of employees due to budget reductions that exceeded the vacancy rate in the 2018-19 financial year. This resulted in the department not being able to afford the cost of filled positions.

**8.3 Internal Control**

The AG did not identify any significant deficiencies in the internal control.

1. **OBSERVATIONS AND KEY FINDINGS**

The Portfolio Committee made the following observations:

* 1. The Portfolio Committee notes that Statistics South Africa received an unqualified audit in the consecutive years. The Committee encourages the Department to move towards achieving a clean audit. The Committee commended Stats SA for good performance, although operating under tough financial and human resource constraints.
	2. Budget allocation for compensation of employees was significantly reduced with R179 548 million in 2018/19 financial year. This resulted in the department overspending by R48 865 million on compensation of employees at the end of the 2018/19 financial year. The Committee was disappointed with the financial status at Stats SA, which is not their doing, but allocations from the National Treasury.
	3. Stats SA incurred unauthorised expenditure of R121.2 million mainly as a result of overspending on the budget earmarked for the compensation of employees. The Committee noted a budget shortfall of R2.7 million in Stats SA.
	4. In preparation of Census 2021, Stats SA would commence with piloting of the census in 2019/20 financial year. Stats SA will brief the Committee after piloting the project.
	5. The Committee was concerned about budget shortfalls experienced, which impact on the human resources and further resulting in discontinuation of crucial statistical series such as Poverty, Quarterly Labour Force Survey and Living Conditions Survey.
	6. Critical posts in Stats SA have become vacant for a long period as a result of budget cuts. The vacancy rate was at 17,2% in 2018/19 financial year as compared 13.9% 2017/18 financial year. There is a high turnover rate in middle management. Stats SA can no longer afford to appoint competent and capable personnel due to financial constraints, which will in a long term compromise quality of statistics.
1. **RECOMMENDATION**

The Portfolio Committee recommends that:

* 1. The Minister in the Presidency for Planning, Monitoring and Evaluation and the Minister of Finance should urgently resolve the budget shortfall on compensation of employees and critical surveys at Stats SA so that crucial and quality statistics get generated to the country and Government’s benefit, if an ideal resolution cannot be found, the Minister is requested to escalate the matter to the Presidency.
1. **CONCLUSION**

The Department was able to spend the entire allocated budgets, and even went beyond the allocation, due to budget cuts by the National Treasury. The Department’s funding must be given urgent attention to prevent the shortfall that occurred during the financial year. Statistics South Africa continues to play a critical role in South Africa and internationally. Statistical releases give meaning to the evidence-based policy making, decision making, planning and allocation of the budget in the country. Currently, the institution experiences funding challenges, which hamper its effectiveness in the production of the quality, reliable and timely statistics.

The institution continues to exercise its mandate of producing basic statistics under inadequate human resource and financial constraints. Without Stats SA being adequately funded, government and other entities, will not be able to plan and realise the main objective of the National Development Plan, maintain a stable economy, maintain a strong Gross Domestic Product (GDP), determine the interest rates, and even influence the private sector to regulate its affairs. All this leads to building a capable and developmental state. Funding challenges might erode the independence of the institution. The Committee appeals to the MINCOMBUD to urgently attend to budget shortfalls before the Department loses even more competent and capable statisticians.

Report to be considered.