



**BRIEFING TO THE JOINT BUDGET COMMITTEE**

21 October 2008

**Monitoring and evaluation undertaken by the PSC to assess adherence to the Constitutional value and principle of efficient, economic and effective use of resources**


**PRESENTATION OUTLINE**

- INTRODUCTION
- VALUE FOR MONEY
- PLANNED VS ACTUAL EXPENDITURE
- ALIGNMENT OF PERFORMANCE INFORMATION
- QUALIFIED AUDIT OPINIONS
- FRAUD PREVENTION PLANS
- BUILDING INTEGRITY IN THE PUBLIC SERVICE
- FINANCIAL MISCONDUCT
- VACANCIES IN THE PUBLIC SERVICE
- RESULTS PUBLIC SERVICE M&E SYSTEM
- HEAD OF DEPARTMENT EVALUATION

▪ RECRUITMENT AND SELECTION




## 1. INTRODUCTION

- The Public Service Commission (PSC) is an independent body established in terms of the Constitution, 1996, to provide oversight over public administration.
  - The Constitution mandates the PSC to, among other things “investigate, monitor and evaluate” and “propose measures to ensure effective and efficient performance”.
  - As part of fulfilling this mandate, the PSC has been investigating, monitoring and evaluating various public administration practices in the Public Service.
  - This presentation reflects some of M&E work that focuses on the **effective, economic and effective** use of resources by government departments.
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## 2. VALUE FOR MONEY

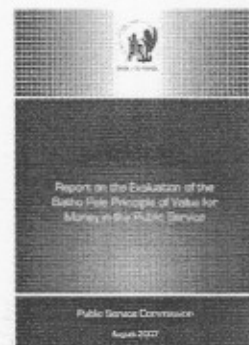
- Government will never have adequate resources to address all the immediate needs of its people. It is thus required to be judicious in the use of resources which requires careful planning and monitoring and evaluation (M&E).
  - Government departments need to provide services and monitor how it uses its resources, thus eliminating wasteful expenditure and promoting the productive use of resources such as money, time, equipment, and facilities.
  - This requires an orientation that is focused on ensuring that government operates in a manner that is “economical, efficient, and effective”.
  - It is necessary for government to adopt a value for money orientation in all of its work.
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## 2/...continued

- Value for Money is not only about cutting costs, but also about careful spending by departments while also ensuring effective service delivery.
- A mechanical process of cutting costs can save government money in the short term but such savings might not add any value for the public.
- The saving may be a temporary achievement which has even more serious future cost implications for the state.
- There are, apart from cutting costs, also other ways of ensuring real Value for Money.
  - Elimination of wasteful expenditure
  - Process management (including time management and simplification of procedures)
  - Public servants demonstrating that they are knowledgeable about the services rendered by their departments.

## 2/...continued

- Departments need to target the accomplishment of the following key aspects:
  - Careful planning before implementation
  - Strengthening project management
  - Reducing complexity and bureaucracy
  - Improving public service productivity
  - Ensuring commercial astuteness in procurement processes
  - Tackling of fraud
  - Ensuring better and timely implementation of policies and programmes
- The PSC conducted an evaluation of the Batho Pele Principle of Value for Money in 2007/08.



## 2/...continued

- The PSC found the following in the evaluation :
  - There is no common understanding of Value for Money.
  - A working definition was developed for purposes of this study:  
Value for Money in the Public Service is maximizing value as perceived by the citizen and optimally balancing efficiency, effectiveness, and economy within the constraints of public expenditure management.
  - In departments where there are generic norms and standards, a more concrete set of descriptions was offered.
  - There are inadequate systems and processes to promote and realize Value for Money.
  - Most officials did not have an awareness of any specific efficiency indicators, and the understanding of measuring efficiency in general appeared limited.
  - Most participating departments rated their performance on Value for Money as being average to good.

## 2/....continued

- Over 50% of provincial departments of **Health and Housing** indicated that they are budgeting incrementally.
- Provincial departments of **Health** have appeared to have the most specific indicators of efficiency (such as cost per patient day equivalent, bed occupancy ratio, and average length of stay) suggesting that they have a good understanding of how to measure their efficiency.
- The departments of **Housing**, on the other hand is driven by output cost norms from a national level (cost per subsidy) and they, therefore, simply adjust their budgets according to output targets and not necessarily according to the cost per output or programme as per zero-based budgeting.
- The departments of **Agriculture** show a higher proportion of zero-based budgeting since programmes are mostly project-driven. These projects are costed in detailed business plans.



## 2/...continued

- One provincial Health department mentioned that greater economy was achieved by the department using an infrastructure monitoring tool to check expenditure through the Department of Public Works and quality of work.
- The District Health Information System (DHIS) was mentioned as leaving an 'extensive audit trail' allowing all expenditure to be tracked and an assessment of economy and efficiency.
- The District Health Information System is a software system used by provinces for capturing, validating, analyzing, and presenting routine data / information from all public health care facilities.
- One provincial Health department mentioned that economy could be achieved by ensuring that over-expenditure is properly explained. This department made estimates of the comparative cost of patient care in district hospitals. This was the first time mention was made of comparative costing and benchmarking in the study.

## 3. PLANNED EXPENDITURE VS ACTUAL EXPENDITURE

- The Transversal Public Service Monitoring and Evaluation System (PSM&ES) of the PSC focuses on assessing the extent to which departments comply with the nine values and principles of public administration contained in section 195 of the Constitution.
- In the 2007/08 financial year it was found that fourteen (14) of the twenty two (22) sampled departments evaluated spent their budget as it was planned and budgeted for in their strategic plans and EN/PE.
- More than 36% departments (one national and seven provincial departments) did not comply with this standard. This means that departments' expenditure was outside the allowed threshold of 2% set by National Treasury.
- The National Department of Transport under-spent for example 3.1% of its budget allocation, whilst the KwaZulu-Natal (KZN) Department of Agriculture and Environmental Affairs incurred a

large unexplained over-expenditure of 7%.

#### 4. ALIGNMENT OF PERFORMANCE INFORMATION

- In 2004/05 it was found that in 61% of the departments reviewed by the Auditor-General (AG), performance information contained in annual reports was not aligned to the information contained in the strategic plans and the Estimates of National Expenditure (ENE).
- The following year (2005/06) saw a marked improvement in this regard with only 29% of the departments reviewed lacking alignment in terms of annual reports versus strategic plans and the ENE.
- In 2006/07, in only 9% and 25% of national and provincial departments respectively were material inconsistencies found between reported performance information and the objectives contained in strategic plans and the ENE.


#### 5. QUALIFIED AUDIT OPINIONS

- The AG reported an increase in qualified audit opinions for national departments from 7 departments in 2004/05 to 12 in 2006/07.
- The table below reflects the number of departments who have received qualified audits since 2004.

DEPARTMENT	2003/04	2004/05	2005/06	2006/07
Correctional Services	√	√	√	√
Defence	√	√	√	√
Home Affairs	√	√	√	√
Health	√	√	√	√
Justice			√	√
Labour		√	√	√
Land Affairs			√	
Transport		√	√	
Water Affairs and Forestry	√		√	√
Independent Complaints Directorate			√	
Public Works				√




### 5/...continued

- The most significant number of audit qualifications (78%) is in respect of only six (6) departments, namely, Health, Correctional Services, Home Affairs, Defence, Labour and Water Affairs and Forestry.
  - Even more worrying is that some of these departments have actually been receiving a qualified audit opinion for at least four years in a row.
  - Senior managers therefore have to ensure that they give sufficient attention to spending patterns and the quality of spending, follow accountable spending processes and are rigorous in the reporting of non-financial performance data.
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### 6. FRAUD PLANS

- Fraud is an unethical practice that threatens the public sector because it undermines the fight against corruption and negatively impacts on the cost of public services.
  - Government departments are directed by the Treasury Regulations to develop and implement Fraud Prevention Plans (FPPs).
  - FPPs had to be operational by 30 June 2001.
  - These Plans are key instruments in transparent and accountable public administration.
  - They are a pro-active approach to minimise risks that can impact adversely on operations and functionality of the departments.
  - They enable departments to identify fraud risk areas.
  - The PSC conducted a study of 15 national departments and 54 provincial departments.
  - 87% of departments that participated in the study had put FPPs in place.
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## 6/...continued

- Senior and middle managers were mostly involved in the development of FPPs. In only 25% of departments that participated in the study, lower level personnel were involved.
- Formal indicators used to assess effectiveness of FPPs

Indicator	% of depts
No FPP developed	13.2%
Year-to-year comparison of fraud statistics	43.6%
Reduced incidents	50.9%
Improved usage of anti-corruption hotline	32.7%
Improved public image	34.5%
Improved good faith reporting	45.5%
External validations for improving internal controls	40.0%

## 7. BUILDING INTEGRITY IN THE PUBLIC SERVICE

- Corruption has a negative effect on the provision of services, particularly the poor.
- While the National Anti-Corruption Hotline (NACH) has enjoyed huge public response, the overall rate of feedback from departments regarding cases of alleged corruption remains a concern.

Cases of alleged corruption reported via the NACH as at 31/8/2008			
	Referred	Feedback	Rate of feedback
Provincial Departments	2 700	686	25%
National Departments	2355	533	22%
Public Bodies and Provincial Legislatures	105	25	23%
<b>Grand Total</b>	<b>5160</b>	<b>1244</b>	<b>24%</b>

- Investigative capacity within departments is inadequate and as a result of the high number of unresolved cases perceptions of a corrupt Public Service remain.



## 7... continued

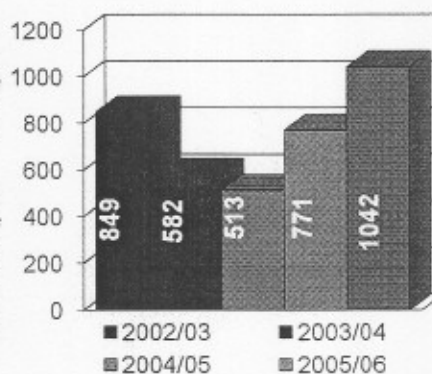
- Potential conflicts between the private interests and public responsibilities of senior managers is managed through the Financial Disclosure Framework.
- Such potential conflicts of interest if not managed appropriately can manifest into actual conflicts of interest with detrimental consequences for integrity and service delivery.
- By May of each year Executive Authorities must submit the disclosures of senior managers to the PSC.
- The compliance rate of the selected departments is as follows:

Departments	No of SMS Members	No. of Forms Received on the due date	No. of Forms Received as at 30 June 2008	No. of Forms Outstanding
Agriculture	61	0	57	4
Education	100	94	94	6
Health	99	0	0	99
Housing	61	0	0	61
Land Affairs	79	0	0	79
Transport	106	0	83	23
Water Affairs and Forestry	143	1	113	30

## 8. FINANCIAL MISCONDUCT

- A recurring concern for the past four financial years has been the practice of unauthorised, irregular, fruitless and wasteful expenditure.
- The PSC has also observed a big increase in the number of cases of financial misconduct reported by departments.
- There has also been a significant increase (186%) in the cost of financial misconduct from the 2005/2006 (R 45,6 mil) to the 2006/2007 (R130,6 mil) financial year.

*Number of financial misconduct cases reported to the PSC*



### 8/...continued

- The following number of cases were reported by some national departments during the 2006/07 financial year:

DEPARTMENT	2005/06	2006/07
Agriculture	2	2
Education	1	0
Health	4	2
Housing	2	4
Land Affairs	1	10
Transport	1	0
Water Affairs and Forestry	11	7

- At national level, the Department of Justice and Constitutional Development reported the highest number of cases (179) and at provincial level, the Western Cape Province reported the highest number of cases (199).

### 9. Results from the PSM&ES

- Aggregated results (for all 9 principles, for each cohort of departments assessed)
  - 2000/05      47%
  - 2005/6      28%
  - 2006/7      48%
  - 2007/8      55%

Results for principle 2 (Efficient, economic and effective use of resources)

- 2000/5 53%
- 2005/6 27%
- 2006/7 48%
- 2007/8 43%

Elements assessed:

Expenditure, measurability of service delivery indicators, achievement of outputs and M&E systems

Departments that scored more than 60% for principle

- DPSA 100%
- Limpopo Sports, Arts & Culture 75%
- Gauteng Agric. Cons.& Envir 70%
- Limpopo Education 70%
- Environmental Affairs & Tourism 60%
- EC Transport & Roads 60%
- Gauteng Shared Services 60%
- KZN Transport 60%

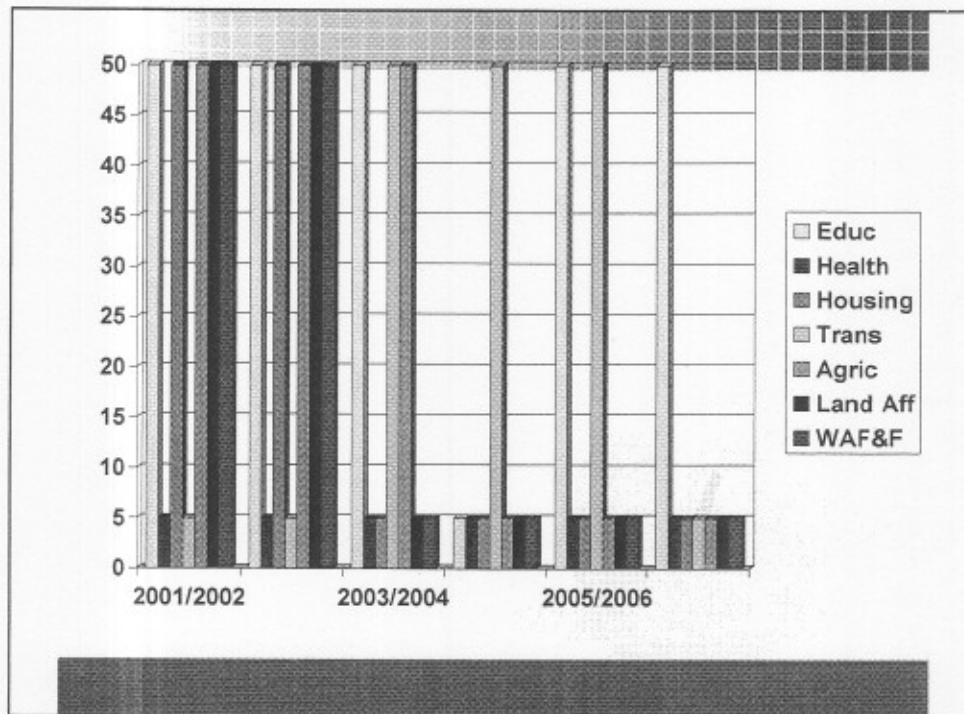
## Departments that scored less than 60% for principle

▪ Transport	55%
▪ EC Sport, Recreation, Art & Culture	55%
▪ FS Public Works, Roads & Transport	55%
▪ Mpumalanga, Culture, Sport & Rec.	55%
▪ NW Sport, Arts & Culture	55%
▪ WC Transport & Public Works	50%
▪ KZN Agric & Environment Affairs	40%
▪ Mpumalanga, Roads & Transport	40%
▪ ND Sport & Recreation	35%
▪ NC Tourism, Envir. & Conservation	35%
▪ WC Health	35%
▪ NW Public Works	30%
▪ ND Public Works	15%
▪ NC Agriculture & Land Reform	10%

## 10. Evaluation of Heads of Department

- There has been a steady decline in the evaluation rate of Heads of Department since 2001/2.





## 11. VACANCIES IN THE PUBLIC SERVICE

- The vacancy rate in the Public Service is one of the biggest challenges that are central to the problem of service delivery
- Linked to the challenge to deliver is the slow rate at which departments are able to fill posts
- An audit conducted by the PSC into vacancies in the Public Service as at 31 August 2007, indicated that it was difficult to reliably determine the vacancy rate, as a result of inaccurate data management by departments
- During the audit, national and provincial departments reported a total of 88 232 funded vacancies. This figure represented a vacancy rate 5.8%. On the other hand, PERSAL information on the same date indicated 330 987 vacancies, representing a vacancy rate of 23.1%
- An analysis of the spending rate of departments on the compensation of employees suggested that funding was not available to fund all the vacancies indicated on PERSAL

## 11/...continued

- Although not all vacancies are funded, it does not mean that such posts are not critical to deliver the services needed
- Total number of vacancies reported by departments as at 31 August 2007

Department	No of vacancies as per PERSAL	Number of vacancies reflected by departments
Agriculture	453	448
Education	290	243
Health	301	301
Housing	94	86
Land Affairs	1420	869
Transport	327	272
Water Affairs and Forestry	1383	2144

## 12. RECRUITMENT AND SELECTION

- The following problems have been identified in the recruitment and selection process:
  - Advertisements are poorly compiled and lack the necessary depth in person and post specifications
  - Job descriptions are poorly compiled and results in poor and inadequate selection criteria
  - Properly defined and valid performance standards are non-existent. Such performance standards are as important as job descriptions in that they provide insight into the knowledge and skills that are required to be successful in a post
- The PSM&ES also confirmed that only 63% of the sample departments have recruitment policies in place that complies with good practice standards with detailed recruitment procedures spelled out.
- In order to improve the recruitment and selection process, the PSC has developed a Toolkit on Recruitment and Selection.

### 13. CONCLUSION

- It is important that departments M&E performance around the areas mentioned, and ensure that areas of concern are immediately acted upon
- The information on each of these areas, if rigorously monitored, shall indicate whether there is progress with regards to the efficient, economic and effective use of resources



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# THANK YOU!



[www.psc.gov.za](http://www.psc.gov.za)

National Anti-Corruption Hotline for the Public Service: 0800 701 701