

Briefing to NCOP – Joint Select Committees on the Limpopo Section 100 (1)(b) Intervention

Section 100 (1)(b) Limpopo Intervention | National Treasury | 30 July 2014



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Outline

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- Limpopo Today
 - Highlights of Financial Position and Service Delivery
- Details of achievements by the Head of Treasury
- Challenges
- Way forward (MOA)

Introduction

- This briefing is designed to assist the Joint Select Committees with the review of the intervention, following a couple of progress reviews by both the IMC (inter-ministerial committee) and Cabinet, including the most recent Cabinet Resolution of 09 July 2014.
- A detailed progress of the intervention, challenges, as well as the way forward related to each of the 5 department outlined in the various presentations.
- A Memorandum of Agreement (MOA) has been drafted and will be signed between the Premier and IMC, with conditions for transitioning intervention from Section 100 (1)(b) to Section 100 (1)(a) as well as reporting requirements thereof.

Context

- On 13 August 2013, Cabinet announced that the administration teams should start a six months period of hand-over to the Premier and his new Executives;
- Subsequently, on 15 – 16 October 2013, the intervention team briefed the Joint Select Committees on progress and challenges of Section, and also outlined the Sustainability Projects;
- Another review was conducted by Cabinet in March 2014 and the Cabinet resolved to extend the intervention until June due to critical challenges and to allow the team to finalise the process of initiating key sustainability projects that were to be continued by the province;
- On 09 July 2014 Cabinet resolved that a transitioning process be initiated for the intervention, whereby Section 100 (1)(b) is converted to Section 100 (1)(a) and that an MOA be concluded with the Premier to finalise the outstanding issues.
- The IMC and the team of administrators is therefore implementing the decision of Cabinet, and awaiting the final decision of the NCOP, as requested by the Minister of Finance, in his capacity as the chairperson of the IMC.
- Respond to Joint Select Committee observation and recommendations


NCOP – Joint Select Committees Observations and Recommendations

Observations and Recommendations by the Joint Select Committees

The following is an outline of the issues raised in the committee report, emanating from the hearings in October 2013:

- 3.3** The Committee notes the slow progress made by the DPSA in executing its work in terms of dealing with disciplinary cases.
- 3.6** The Committee notes that the five departments still do not comply with the PFMA, No. 01 of 1999.
- 3.8** The Committee noted that the sustainability of the intervention is a concern, as the affected five departments do not have sufficient capacity.
- 4.3** The DPSA should ensure the disciplinary processes were fast-tracked so as to ensure that all those implicated should have been removed from the PERSAL system by the time the intervention exited.

The following provides a report on progress, challenges and risks as well as way forward, as well as responding to the observations and recommendations by the NCOP, as they relate to treasury functions.



Limpopo Today

Highlights of Financial Position and Service Delivery

What is the position of Limpopo today?

(SYNOPSIS) Part 1

- Summary:

- 1) Financial Position is strong:

- Over R4 billion cash surplus in the bank.
- Lowest number of unpaid invoices (over 30 days) of any province in the country – R80 million (down from R1.1 billion at the start of the intervention).
- Accumulated unauthorised expenditure reduced from R2.7 billion to R600 million. The rest will be wiped out by 2016/17.
- Departments are no longer over-spending their budgets.

- 2) Service delivery achievements (please note Annexure A for more examples):

- COE stabilised (budget is no longer being over-spent, headcount verifications, placement of temporary educators – these have been reduced from 2544 to 6).
- Improvement in per capita transfers in terms of the norms and standards from 62% to 90%
- LTSM (textbooks procurement and delivery has resulted in greater coverage).
- Medicines stock level has been raised from 48% to the current average of 78%, while reducing the value of expired medicine from R11 million to R2.5 million.
- Medicines supply chain has improved (Direct delivery to institutions is being piloted to avoid the unnecessary stock-piling of medicines at the depot).
- Ad-hoc management of hospitals has been addressed by appointing 37 hospital CEOs (out of 40 vacancies) and installing boilers at 19 hospitals and 52 autoclaves.
- Within the roads sector, 8 road construction projects were started and completed.

What is the position of Limpopo today? (SYNOPSIS) – Part 2

3) The Executive Council that presided over the initial collapse in 2011 was replaced in 2013.

4) Progress with disciplinary cases since the Cabinet meeting in March 2014:

- 4 staff members have now been found guilty and dismissed/fired in COGHSTA (judgment against 4 other officials is imminent).
- Within Roads & Transport, there has been 1 criminal conviction (GAAL), 2 dismissals in RAL, 1 dismissal in the department and 1 official has resigned.
- Within Health, the previously stalled disciplinary processes for the CFO are now progressing under the direct management of national Health; 2 officials charged with fraud & corruption have been dismissed.
- In DPW 11 cases of fraud have been investigated, 6 of these are in progress, and 3 have resigned.

5) However, there are areas of concern:

- Address shortcomings in supply chain processes and appoint competent officials in CFO offices
- Momentum needs to be maintained on the disciplinary processes.
- Initiated key projects (i.e. skills audit, contracts review, records management, AG process for FY14) need to be continued in order to succeed.
- Need to step up the focus on litigations made by 3rd parties against government.

**Detailed Achievements
by the Head of Provincial Treasury:
Mr. Gavin Pratt**

Provincial Finance Position (As at 31 March 2014)

ANALYSIS ON BUDGET VS EXPENDITURE AND ACCRUALS AS AT 31 MARCH 2014

Vote	Departments	Budget	Expennditure	Variance	Percentage Variance	Accruals	Variance if Accruals were paid	Percentage Variance if Accruals were paid
		R'000	R'000	R'000	%	R'000	R'000	%
1	Premier	327,608	325,295	2,313	0.71	7,700	-5,387	-1.64
2	Legislature	251,783	249,270	2,513	1.00	5,023	-2,510	-1.00
3	Education	23,948,402	23,554,577	393,825	1.64	606,036	-212,211	-0.89
4	Agriculture	1,573,618	1,530,375	43,243	2.75	14,246	28,997	1.84
5	Treasury	384,708	358,534	26,174	6.80	18,705	7,469	1.94
6	Economic	1,100,147	1,071,242	28,905	2.63	3,343	25,562	2.32
7	Health	13,480,970	13,137,862	343,108	2.55	239,496	103,612	0.77
8	Roads	3,128,864	2,845,283	283,581	9.06	29,699	253,882	8.11
9	Public Works	883,061	858,941	24,120	2.73	70,873	-46,753	-5.29
10	Safety	74,749	70,343	4,406	5.89	941	3,465	4.64
11	CoGHSTA	1,588,993	1,186,636	402,357	25.32	22,980	379,377	23.88
12	Social Development	1,380,779	1,315,051	65,728	4.76	17,439	48,289	3.50
13	Sports	283,243	258,811	24,432	8.63	6,294	18,138	6.40
Province	Total	48,406,925	46,762,220	1,644,705	3.40	1,042,775	601,930	1.24
	Compensation	34,019,415	33,918,183	101,232	0.30	-	101,232	0.30
	Goods & Services	7,624,305	6,801,897	822,408	10.79	456,212	366,196	4.80
	Transfers	4,765,830	4,318,439	447,391	9.39	91,023	356,368	7.48
	Capital	1,997,375	1,723,701	273,674	13.70	495,540	-221,866	-11.11
Province	Total	48,406,925	46,762,220	1,644,705	3.40	1,042,775	601,930	1.24
	Equitable Share	41,981,173	41,226,230	754,943	1.80			
	Conditional Grants	6,425,752	5,535,990	889,762	13.85			

Financing (Accumulated Unauthorised Expenditure)

DEPARTMENTS	TOTAL TO BE FUNDED BY PRF	PFR FUNDING			BALANCE OUTSTANDING to be funded by PRF	APPROVED WITHOUT FUNDING	Not considered by SCOPA yet			TOTAL
		FUNDED BY TREASURY IN 2012/13	Funded in 2013/14 (Reserve Available)	To be Funded in 2014/15			2011/12	2012/13	2013/14	
Premier	32,038	32,038			-				-	
Legislature	24,051	24,051			-				-	
Education	1,845,244	449,400	728,708		667,136	181,140 #	175,212	99,667	15,618	1,138,773
Agriculture	-	-			-					-
Provincial Treasury	6,803	6,803			-					-
Economic Developmet	2,203	2,203			-					-
Health	274,805	274,805			-			222,381		222,381
Roads & Transport	25,034	25,034			-					-
Public Works	-	-			-					-
Safety, Security & Liaison	663	663			-	2760 #		228		2,988
Local Government & Housing	-	-			-					-
Social Dev	7,001	7,001			-					-
Sport, Arts & Culture	-	-			-	7141 #				7,141
	2,217,842	821,998	728,708	-	667,136 *	191,041	175,212	322,276	15,618	1,371,283

* To be funded over MTEF (R225 million in
Approved without funding - Not yet cleared

Cash Position and Cash management (Year End Cash Reconciliations)

Departments	BANK PMG CLOSING BALANCE 31 Mar 2012 R'000	Outstanding Payments R'000	Outstanding Receipts R'000	CASH BOOK Balance 31 Mar 2012 R'000	Accruals 31 Mar 2012 R'000	Effective cash position 31 Mar 2012 R'000
2011/12						
Sub-Total PMGs	(627,503)	21,454	20	-648,937	1,160,106	-1,809,043
Exchequer Account	858,849	-	-	858,849	-	858,849
Group Balance	231,346	21,454	20	209,912	1,160,106	-950,194
CPD Investment Account	75	-	-	75	-	75
Total Available	231,421	21,454	20	209,987	1,160,106	-950,119
2012/13						
Sub-Total PMGs	1,301,606	487,513	16,589	830,682	633,871	196,811
Exchequer Account	854,528	-	-	854,528	-	854,528
Group Balance	2,156,134	487,513	16,589	1,685,210	633,871	1,051,339
CPD Investment Account	12,978	-	-	12,978	-	12,978
Total Available	2,169,112	487,513	16,589	1,698,188	633,871	1,064,317
2013/14						
Sub-Total PMGs	1,613,035	223,993	-1,087	1,387,954	1,042,775	345,179
Exchequer Account	1,093,980	-	-	1,093,980	-	1,093,980
Group Balance	2,707,015	223,993	-1,087	2,481,934	1,042,775	1,439,159
CPD Investment Account	18,160	-	-	18,160	-	18,160
Total Available	2,725,175	223,993	-1,087	2,500,094	1,042,775	1,457,319

Strengthening the Provincial Treasury

ACTIVITY	PROGRESS	CHALLENGES
Review Provincial Treasury functional structure	<ul style="list-style-type: none"> • Structure reviewed by the s100(1)(b) Intervention Team and DPSA. • Aligned to the National Treasury generic structure for provincial treasuries. • Final structure and proposed posts to be finalised by Chief Administrator and be submitted to the Minister of DPSA for final approved. 	<ul style="list-style-type: none"> • LPT structure not yet finalised and approved
Filling of critical management positions	<ul style="list-style-type: none"> • Head of Department post filled. • 5 SGM posts advertised <ul style="list-style-type: none"> ✓ 3 filled and approved by the Minister. • 3 GM posts advertised 	<ul style="list-style-type: none"> • 2 x SGM posts not yet filled (COO and PAG) • 3 GM posts not yet filled (MFMA, INFRASTRUCTURE, ASSETS)
Appointment of CFO support team	<ul style="list-style-type: none"> • CFO support, additional to structure, to be deployed in a number of departments under administration to strengthen financial management. (5 member team) • Approval obtained from Minister of Finance 	<ul style="list-style-type: none"> • Posts not yet filled

Improving Financial Management Skills and Capacity Building

ACTIVITY	PROGRESS	CHALLENGES
<p>Improve financial management, skills development and capacity building</p>	<ul style="list-style-type: none"> • Tender to conduct the capacity and skills audit assessment of CFO offices was cancelled due to lack of adequate skills by service provider. • National Treasury appointed consultants that are funded by the EU –Started July 2014 	<ul style="list-style-type: none"> • None
	<ul style="list-style-type: none"> • AAT skills development (NQF 3 & 4) contracts signed for the province (NT supplier) and students enrolled. Practical on the job and class training specific for public sector – (Accredited by SAICA) 	<ul style="list-style-type: none"> • None

Improving Financial management Skills and Capacity Building cont....

ACTIVITY	PROGRESS	CHALLENGES
Project based learning (PBL)	<ul style="list-style-type: none"> • Capacity building programme to develop financial management, governance, data analysis and supply chain management skills and knowledge through a work-based programme. (Graduation in August 2014) • Mentorship and coaching integral to this programme • NT assisting in enhancing the capacity Risk Management in the province. 	<ul style="list-style-type: none"> • None
Sustainability of intervention projects	<ul style="list-style-type: none"> • Executive management taken ownership of the recovery projects by including them in the operational plans of the Provincial Treasury. • Monthly project progress monitoring is in place. 	<ul style="list-style-type: none"> • None

Table a Surplus Budget

ACTIVITY	PROGRESS	CHALLENGES
Table a surplus budget	<ul style="list-style-type: none">• The province tabled the 2012 budget with a surplus of R907 million. An amount of R748 million was set aside to finance the unauthorised expenditure and the balance thereof was utilised to fund recovery projects and provincial specific priorities.• R640 million surplus budget tabled for 2013/14 to fund accumulated unauthorised expenditure.• R235 million surplus budget tabled for 2014/15 to fund accumulated unauthorised expenditure.	<ul style="list-style-type: none">• None

Tabling of a Finance Bill to fund the R2.7 billion accumulated unauthorised

ACTIVITY	PROGRESS	CHALLENGES
<p>Reduce the R2.7 billion accumulated over expenditure in 2012/13 and over the MTEF</p>	<ul style="list-style-type: none"> • Limpopo Unauthorised Expenditure Act No.1 of 2012 and Limpopo Second Unauthorised Expenditure Act of 2012 - Legislature approved a total amount of R2.218 billion with funding. • There is also an amount of R446.4 million, that was approved without funding, that the respective departments had to fund. As at 31 March 2014 the departments have cleared R255 million. • In March 2013 Provincial Revenue Fund funded R822 million • In March 2014 the Provincial Revenue funded an additional R728 million 	<ul style="list-style-type: none"> • Funding the R667 million balance by PRF for Department of Education - R225 reserve for 2014/15 and balance in the next financial year.

Limit New Unauthorised Expenditure

ACTIVITY	PROGRESS	CHALLENGES
Limit new unauthorised expenditure	<ul style="list-style-type: none">• During 2011/12 and 2012/13 the province incurred unauthorised expenditure to the value of R175.2 million and R322.2 million respectively, which has not yet been considered by SCOPA and the Legislature.• During 2013/14 the province incurred unauthorised expenditure to the value of R15.6 million	<ul style="list-style-type: none">• New unauthorised expenditure (R513 million) still to be considered by SCOPA

Sustaining Cash Management

ACTIVITY	PROGRESS	CHALLENGES
Introduce cash management reforms, including cash allocation letters to departments	<ul style="list-style-type: none">• One of the major reasons for the s100 (1) (b) intervention was the negative cash position of the province in November 2011.• In order to strengthen the cash flow management controls in the province, Provincial Treasury issue cash allocation letters to each department indicating their cash allocation for each payment run date as well as the processes to be followed by departments to enable Provincial Treasury to release payment tapes.• Schedule of payments runs dates were also sent to departments to enable them to inform service providers of the dates on which payments will be effected.	<ul style="list-style-type: none">• None

Sustaining Positive Cash Position and Cash management

ACTIVITY	PROGRESS	CHALLENGES
<p>Introduce cash management reforms, including cash allocation letters to departments</p>	<ul style="list-style-type: none"> • Currently, Provincial Treasury stringently monitors each department's cash flows and daily bank balances • All payment-runs are now certified and approved by the Accounting Officer and Chief Financial Officer of each department before they are released from the BAS system by Provincial Treasury. • The objective is to enhance cash management and assist the province to maintain smaller cash balances in commercial bank accounts where lower interest is earned and to optimize interest returns in the CPD (Provincial account in South African Reserve Bank) account. • Persal pay runs are now processed 4 times a month, i.e the 15th for normal salaries, 22nd for Educators' salaries, last Wednesday of the month for Supplementary payments (claims) and month-end for probation and contract employees and Third Party deductions. 	<ul style="list-style-type: none"> • None

Sustaining Positive Cash Position and Cash Management

ACTIVITY	PROGRESS	CHALLENGES
<p>Introduce cash management reforms, including cash allocation letters to departments</p>	<ul style="list-style-type: none"> • BAS pay runs (payments of suppliers) are effected twice per month, i.e. on the 15th and month-end. • This process has produced good results and as a province we ended the year with a cash positive situation. • At the end of March 2014 the province had a total favorable bank balance of R2.5 billion comprising R18.1 million in the CPD account and R2.482 billion in the commercial bank accounts (viz. departmental PMG accounts and the Exchequer account), after accounting for the unprocessed bank transactions. • It will be noted that the provincial cash flow has improved from R209.9 million as at 31 March 2011/12 to R1.698 billion as at 31 March 2012/13 and R2.5 billion as at 31 March 2014. • It must be noted that a significant amount of these funds are conditional grant that will either be rolled over or surrendered to National Treasury (2013/14 - R889.7 million). 	<ul style="list-style-type: none"> • None

Expenditure Management and Spending trends

ACTIVITY	PROGRESS	CHALLENGES
<p>Spending as at 31 March 2014 (Pre-audited / preliminary)</p>	<ul style="list-style-type: none"> • Overall spending for 2013/14 was at R46.8 billion or 96.6 percent of the total available budget of R48.4 billion, the province under spent by R1.6 billion or 3.4 percent. Previous year spending was at R45.7 billion or 95.4 percent of the adjusted budget of R47.9 billion with the total under spending of R2.2 billion or 4.6 percent. • There is a small spending performance improvement of 1.2 percent from 95.4 percent in 2012/13 to 96.6 percent in 2013/14. • Key to the under spending in 2013/14 was the high percentage of under spending on conditional grant amounting to 13.85% (R889.7 million). The province did well to spend 98.2% of the equitable share appropriation. 	<ul style="list-style-type: none"> • Low conditional grant spending

Expenditure Management and Spending trends

ANALYSIS ON BUDGET VS EXPENDITURE AND ACCRUALS AS AT 31 MARCH 2014

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Expenditure Management and Spending trends

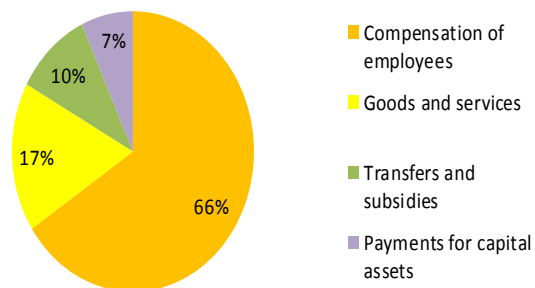
ACTIVITY	PROGRESS	CHALLENGES
<p>Spending as at 31 March 2014 (Pre-audited / preliminary)</p>	<p>In terms of economic classification the province spent</p> <ul style="list-style-type: none"> • R33.9 billion or 99.7 percent against a total available budget of R34 billion of the Compensation of Employees Budget, under spending amounts to R101.2 million. • Overall spending on Goods and Services was at R6.8 billion or 89.2 percent of the total available budget of R7.6 billion. The province recorded under spending of R822.4 million or 10.8 percent at year end • The province spent R4.3 billion or 90.6 percent of the total available budget of R4.8 billion on Transfers and subsidies. • Expenditure on Payment for Capital Assets was at R1.7 billion or 86.3 percent of the total available budget of R2 billion. Overall the Province under spent capital by R302.9 million or 13.7 percent. 	<ul style="list-style-type: none"> • A serious concern is the increasing percentage of the provinces spend of Compensation of Employees (COE).

Expenditure Management and Spending trends

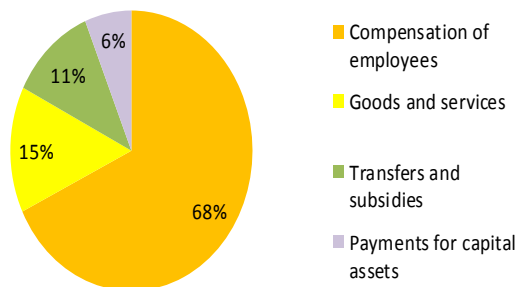
ACTIVITY	PROGRESS	CHALLENGES
COE spend as a percentage of the total spend	<ul style="list-style-type: none">• The COE spend as a percentage of the total spend has increase from 66% to 68% to 69% and finally to 73% over the period 2010/11 to 2013/14.• This results in crowding out our spending on other service delivery and infrastructure items.• Nationally the average spend on COE is 60% and as Limpopo we need to analyse this COE spend and develop processes to curb the increase and ultimately reduce the percentage of the budget spent on COE	<ul style="list-style-type: none">• A serious concern is the increasing percentage of the provinces spend of Compensation of Employees (COE).

Expenditure Management and Spending trends

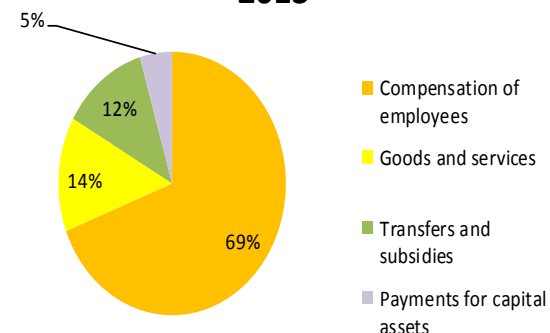
Actual spending as at 31 Mar 2011



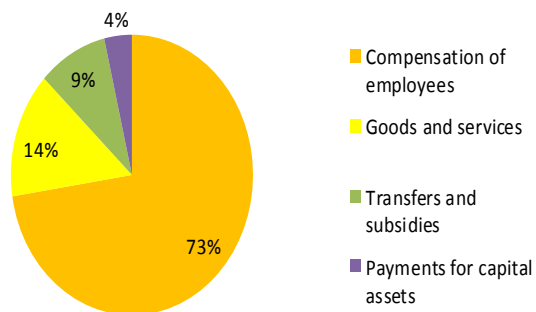
Actual spending as at 31 Mar 2012



Actual spending as at 31 Mar 2013



Actual spending as at 31 Mar 2014



Transversal Contracts to Leverage Economies of Scale

ACTIVITY	PROGRESS	CHALLENGES
Improve the management of transversal contracts	<ul style="list-style-type: none">• Transversal contracts to leverage economies of scale and to limit possible corruption.<ul style="list-style-type: none">✓ Banking services in place✓ Transversal security contract awarded for 5 intervention Depts.✓ Other areas being earmarked for this initiative are travel and accommodation.	<ul style="list-style-type: none">• Court challenges by security providers

Cost Containment Measures

ACTIVITY	PROGRESS	CHALLENGES
Implement austerity measures on non-core items	<ul style="list-style-type: none">• Emphasize the need to spend within our means and took actions through cost containment measures to curb unnecessary expenditures without sacrificing the provision of services to our people.• LPT Instruction Note 1 of 2012, which tightened controls and restricted expenditure on certain non-core• National Treasury has also issued a cost containment instruction note 1 of 2014.	<ul style="list-style-type: none">• None

Accruals

	2013/14	2012/13	2011/12
	R'000	R'000	R'000
Premier	7,700	4,644	986
Legislature	5,023	5,052	1,711
Education	606,036	142,622	399,504
Agriculture	14,246	9,605	27,662
Treasury	18,705	9,509	2,721
Economic Development	3,343	4,249	3,665
Health	239,496	365,028	506,937
Transport	29,699	37,465	49,848
Works	70,873	30,840	10,114
Safety	941	851	524
Local Govt.	22,980	46,970	25,269
Social Development	17,439	32,054	127,815
Sports	6,294	2,435	3,350
	1,042,775	691,324	1,160,106
Goods and services	453,353	521,920	835,550
Transfers and subsidies	91,023	69,518	89,962
Capital assets	495,540	87,491	221,679
Other	2,859	12,395	12,915
Total	1,042,775	691,324	1,160,106
30 Days	962,089	412,111	
30+ Days	80,686	279,213	

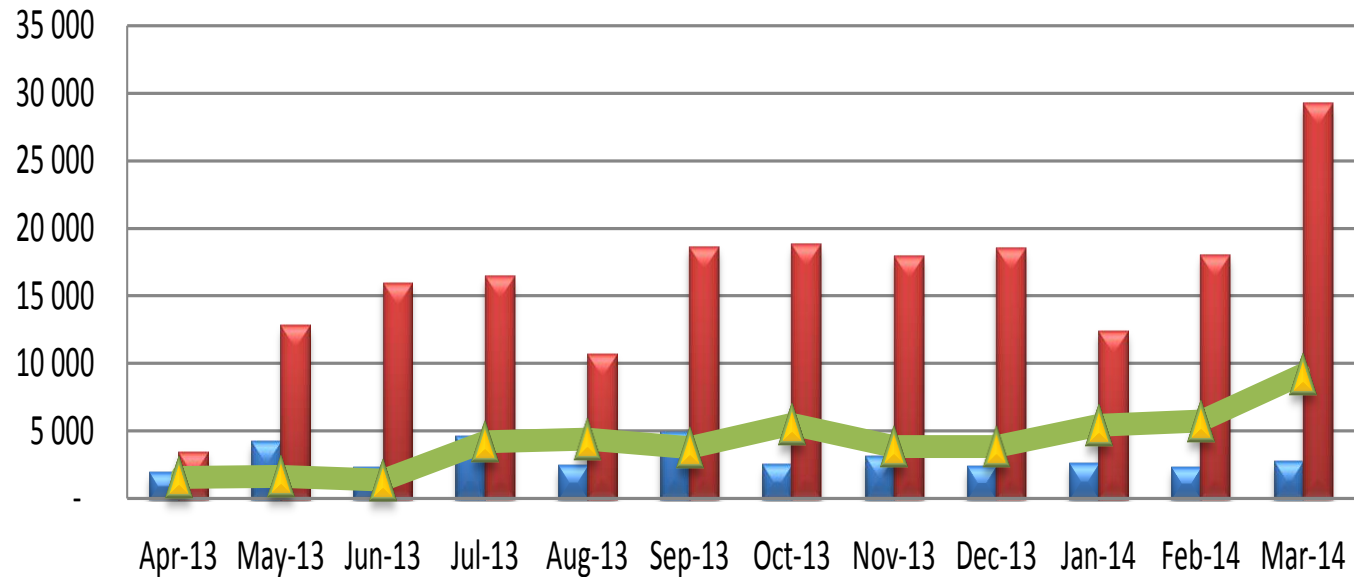
Accruals cont.....

ACTIVITY	PROGRESS	CHALLENGES
Limit accruals	<ul style="list-style-type: none"> • The accruals were substantially reduced from R1.160 billion as at 31 March 2011/12 to R691.3 million as at 31 March 2012/13 but increased again in 2013/14 to R1.042 billion, as tabulated below. • While it is of concern that the total accruals have increased it is encouraging to note that there is the reduction in the accruals older than 30 Days from R279.2 million as at 31 March 13 to R80.6 million as at 31 March 2014. • This is also an indication that the 30 day payment processes have improved and that “old invoices” in the systems have been reduced substantially year on year. • Further, it is also encouraging to note that, if the province was required to pay for all the 2013/14 accruals as at year end the funds available would cover the services delivered at year end. 	

30 Day Supplier Payment Turnaround

ACTIVITY	PROGRESS	CHALLENGES
<p>Improve supplier payment turnaround times and compliance to the 30 day payment requirement</p>	<ul style="list-style-type: none"> • In terms of s38(1)(f) and Treasury Regulation 8.2.3 departments are required to settle all contractual obligations within 30 days from receipt of an invoice or claim, unless determined otherwise in a contract or other agreement. • The province has improved its compliance to the 30 day payment requirement over the past two years. • The average compliance rate for 2012/13 was 78% and has improved to 80% in 2013/14. June 2014 has improved to 86% • During 2013/14 eight (8) departments had an average compliance rate above 90% and five (5) departments were below the 90% benchmark. • During the year some Departments attained 100% compliance for some months, but due to a small number of invoices paid late in other months the consistency was a challenge that needs to be improved upon. 	<ul style="list-style-type: none"> • 5 Departments below 90% compliance

NUMBER OF INVOICES PAID AFTER 30 DAYS



	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
Total Number of Invoices paid after 30 Days	1 950	4 228	2 297	4 621	2 476	4 904	2 536	3 186	2 406	2 633	2 346	2 777
Total Number of Invoices paid	3 458	12 847	15 982	16 476	10 747	18 647	18 811	17 966	18 562	12 432	18 037	29 277
2012/13 Average	1 556	1 663	1 383	4 209	4 420	3 756	5 494	3 856	3 849	5 425	5 736	9 198

2013/14 Annual compliance rate with section 38 (1) (f) of the PFMA (Number of invoices)

Count of INVOICE AMOUNT	Column Labels						Paid in excess of 30	% of	% of Non-
Row Labels	0 - 30	31 - 60	61 - 90	91 - 120	> 120	Grand Total	days	Compliance	Compliance
LP: AGRICULTURE	20 878	323	9			21 213	335	98.421%	1.579%
LP: COOP GOV, HUMAN SETTLEM & TR	8 301	8	1	1		8 311	10	99.880%	0.120%
LP: ECON DEV, ENV & TOURISM	7 050	17	1	1		7 069	19	99.731%	0.269%
LP: EDUCATION	32 678	5 435	1 347	304	845	40 609	7 931	80.470%	19.530%
LP: HEALTH	36 229	15 396	5 671	2 007	2 204	61 507	25 278	58.902%	41.098%
LP: LEGISLATURE	1 632	539	149	26	95	2 441	809	66.858%	33.142%
LP: OFFICE OF THE PREMIER	4 562	2				4 564	2	99.956%	0.044%
LP: PROVINCIAL TREASURY	2 919	60	1		1	2 981	62	97.920%	2.080%
LP: PUBLIC WORKS	6 663	1 247	206	19	52	8 187	1 524	81.385%	18.615%
LP: ROADS & TRANSPORT	14 921	960	82	21	55	16 039	1 118	93.029%	6.971%
LP: SAFETY, SECURITY & LI	1 077	39	5			1 121	44	96.075%	3.925%
LP: SOCIAL DEVELOPMENT	15 111	86	14	2	11	15 224	113	99.258%	0.742%
LP: SPORT, ARTS & CULTURE	2 683	987	305	64	77	4 116	1 433	65.185%	34.815%
Grand Total	154 704	25 099	7 791	2 445	3 343	193 382	38 678		
	80.00%	12.98%	4.03%	1.26%	1.73%	100.00%	20.00%		

Provincial Own Revenue Enhancement Strategy

ACTIVITY	PROGRESS	CHALLENGES
<p>Develop a framework to enhance own revenue through high road projections, support revenue initiatives in departments as well as identifying news revenue generating streams</p>	<ul style="list-style-type: none"> • Commitment made in 2012/13 to increase own revenue in the province. • End of March 2013 – R703 million collected against the original annual budget of R509.9 million. • With the Treasury Instruction note number 08 of 2012 on surrender of surplus by schedule 3C Public Entities in terms of Section 53(3) of the PFMA, an amount of R32.9 million was surrendered to the Provincial Revenue Fund. • Provincial Treasury implemented the Provincial Revenue Enhancement Strategy by embarking on and financing sustainable revenue enhancement projects within departments and public entities in 2013/14. 	<ul style="list-style-type: none"> • None

Provincial Own Revenue Enhancement Strategy Cont.....

Provincial Own Revenue	2010/11	2011/12	2012/13	2013/14
Tax revenue	215,253	269,769	280,357	325,264
Sales of goods and services other than capital assets	166,696	187,539	199,716	226,211
Fines, penalties and forfeits	33,843	38,078	36,923	47,748
Interest, dividends and rent on land	99,471	29,568	123,700	135,429
Sales of capital assets	22,992	16,854	16,049	15,502
Transactions in financial assets and liabilities	46,419	57,963	46,462	31,245
Transfer received	-	70	47	
Total revenue collected	584,674	599,841	703,254	781,399
Growth		2.6%	17.2%	11.1%

Infrastructure Delivery Management System

ACTIVITY	PROGRESS	CHALLENGES
<p>HR Capacitation in infrastructure departments and municipalities.</p>	<ul style="list-style-type: none"> • In the 2012/13 financial year EXCO approved the Limpopo IDMS and the implementation of the supporting Human Resource Capacitating Programme. • The process was started in the departments of Roads & Transport, Education, Health, Treasury and Public Works. • With HR capacitation process, technical appointments have being made in Education and Health and Public Works • Treasury has provided R5 million to assist with capacitation plan in Public Works so that a conducive environment is created for the department to play that pivotal role in the delivery of infrastructure, and appointments thereof are underway 	<ul style="list-style-type: none"> • Attracting and appointing suitably skill infrastructure professionals

Infrastructure Delivery Management System Cont.....

ACTIVITY	PROGRESS	CHALLENGES
<p>HR Capacitation in infrastructure departments and municipalities.</p>	<ul style="list-style-type: none"> • Provincial Treasury infrastructure technical team has developed an “Provincial Infrastructure Development Hub” concept document which will be implemented to coordinate and better plan, control and manage all infrastructure in the Province. • The Treasury will provide additional support to the municipalities on the implementation of the Municipal Infrastructure Grant (MIG) and also continue to provide support to both the departments and the municipalities on Public Private Partnerships (PPP). 	<ul style="list-style-type: none"> • Funding of provincial infrastructure hub

Electronic accounting systems used in Limpopo

ACTIVITY	PROGRESS	CHALLENGES
<p>FINEST replacement and electronic accounting system</p>	<ul style="list-style-type: none"> • Replacing FINEST system which does not interface with BAS - difficult to track expenditure and compromises the requirement for proper accountability. • This lack of an integrated accounting system in Limpopo has been identified as a major risk which leads to improper reporting on commitments, accruals, inventory and assets. • NT decision to remodel the IFMS system development, province implementing national system the Logical Information System (LOGIS). • LOGIS will assist to record all procurement transactions in a single system which also integrates into the assets and inventory modules in LOGIS and interfaces seamlessly into BAS. 	

Electronic accounting systems used in Limpopo Cont....

ACTIVITY	PROGRESS	CHALLENGES
<p>FINEST replacement and electronic accounting system</p>	<ul style="list-style-type: none"> • The province has decided to start the rollout of the LOGIS system in three Departments, namely Provincial Treasury, Health and Education. The LOGIS system will be rolled out to all departments in a phased approach – three year project • A high level implementation plan has been developed • A LOGIS implementation readiness assessment has already been completed for Provincial Treasury • SITA prepare LOGIS rollout project management proposal to be considered by Chief Administrator 	<ul style="list-style-type: none"> • Lack of suitable internal capacity to implement LOGIS in the province • Timeframe to implement LOGIS

Electronic accounting systems used in Limpopo

Cont....

ACTIVITY	PROGRESS	CHALLENGES
FINEST replacement and electronic accounting system	<ul style="list-style-type: none">• Further the province has also applied to National Treasury to implement a centralized supplier database system to manage all suppliers for all departments in the province.	

Audit Assistance

ACTIVITY	PROGRESS	CHALLENGES
<p>To provide technical support to departments in order to address AG findings</p>	<ul style="list-style-type: none"> • Through the S100 (1)(b) intervention team a firm of auditors (PWC) has been appointed to provide technical support and assist the intervention department and other 2 departments (i.e. Social Development and Sport Arts and Culture) to develop sustainable interventions to address their 2011/12 and 2012/13 audit findings. • Audit Outcomes in the Province not showing a positive trend in order to achieve the objective of Clean Audit 2014. • The main contributing factors to the disclaimed and qualified audit opinions are the inability to provide a credible asset register that is complete and accurate and the inability of institutions to provide all documents required by the AG to verify amounts disclosed in the AFS. 	<ul style="list-style-type: none"> • Departments not filling critical vacant financial management posts to ensure sustainability of the audit assistance project

Audit Assistance Cont....

ACTIVITY	PROGRESS	CHALLENGES
<p>To provide technical support to departments in order to address AG findings</p>	<ul style="list-style-type: none"> • Provincial Treasury has restructured the MFMA support team in the Treasury, in order to provide better support to the municipalities. • Dedicated MFMA support teams have now been established to support a particular district and its locals, thereby getting a better understanding of the issues in the allocated municipalities. • The Department of CoGHSTA has also appoint audit firms to each municipality to assist the municipalities to clear their 201112 audit outcomes. • The proper accounting for the assets of the municipalities and the accounting for water transactions remain the key issues that are hampering our progress towards clean audit. • We as the Provincial Treasury, working together with COGSTA are already putting in place interventions to address these challenges. 	

Data Integrity

ACTIVITY	PROGRESS	CHALLENGES
Verification of learner and educator numbers to facilitate easy planning and Verification of health professional numbers and officials in the departments	<ul style="list-style-type: none">• Treasury partnered with STATS SA to assist the department of Education and Health with the verification of learners, educators, health professionals in their respective departments.• An amount of R18.5 million was provided to fund project in Health and Education.• Census complete.• Census results and datasets to be used in further analysis	<ul style="list-style-type: none">• STATS-SA not able to release detailed database data information for use in further analysis by province

Outstanding Challenges

The following presents the outstanding challenges which must be addressed during the transitioning phase:

- Resolving weaknesses in supply chain management systems.
- The conclusion of disciplinary and criminal cases;
- Appointment of competent senior managers in key positions;
- Addressing the skills gaps in financial management and infrastructure; and

Way Forward

1. Conclude an MOA between the Premier and the national executive, which will clearly outline specific conditions and deliverables that the provincial executive must perform.
2. These include:
 - a) Finalise the disciplinary cases (especially in respect of HODs and senior managers) and reasonable progress should be made towards appointments.
 - b) Adherence to the CPO's guidelines and prescripts in respect of high-value tenders
 - c) Finalise the skills audit (in CFO offices) and Provincial Treasury that started in early July, and placement of the correct skills.
 - d) Show good progress in infrastructure capacity-building (recruiting the correct people (skills) for the built environment).
 - e) Finalise contracts management project, which has already commenced.
 - f) Establish Records management system and archive relevant documents.
 - g) Support the finalisation of the FY 14 audit process with the AG.

Way Forward cont.....

3. Other key deliverables by the Province that form part of the MOA include:

- a) Appointment of competent HODs for the relevant departments.
- b) Appointment of key management functions within the Provincial Treasury.
- c) Formally approve organisational structures for the Education, Health and Public Works departments and placement of staff.
- d) Litigation against departments by third parties who benefitted from irregular tenders must be robustly responded to and defended (NB: departments of Education, Health and COGHSTA)
- e) Other deliverables specific to each sector department are listed in the Memorandum of Agreement (MOA).

Finally, it is critical to note that a monitoring mechanism and reporting system will be put in place after the MOA is signed. A high-level workshop is being scheduled for 7 August 2014 to finalise the arrangements at a technical and administrative level.

Conclusion

It is recommended that the Joint Select Committees:

- **Notes** the achievements outlined, as well as the challenges involved;
- **Deliberates** on these issues within the context of the Cabinet resolution (as outlined in the media statement) which have been conveyed to the Chairperson of the NCOP through a letter from the Minister of Finance;
- **Endorse** the recommendation to transition the intervention from section 100 (1) (b) to section 100 (1) (a) which includes the requirement for an MOA between the national government and the Premier, as well as the formal handover to the provincial executive;
- **Notes** that the members of the IMC have signed the MOA and this has been forwarded to the Premier for his consideration.
- **Notes** that a monitoring and reporting process, together with the relevant frameworks, will be finalised and that a task team of national government will be convened to receive reports from the province and exercise oversight over the various elements of the MOA.