
FINANCIAL AND FISCAL COMMISSION

2013/2014 ANNUAL REPORT

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INTRODUCTION

Establishment

- Section 220 of the Constitution of the Republic of South Africa, 1996 (as amended)
- Independent, juristic person subject only to the Constitution, Financial and Fiscal Commission Act, 1997 (Act No 99 of 1997) and relevant legislative prescripts

Mandate

- Acts as a consultative body, makes recommendations and gives advice to Parliament, provincial legislatures, organised local government and other organs of State on the equitable division of revenue among the three spheres of government and on any other financial and fiscal matters in terms of the Constitution and as provided for in national legislation

Vision

To enhance the developmental impact of public resources through the financial and fiscal system in South Africa

INTRODUCTION

Mission

To provide proactive, expert and independent advice on promoting a sustainable and equitable Intergovernmental Fiscal Relations system, through the formulation and collation of policy relevant analysis, in order to realise the values of the Constitution

INTRODUCTION

Regulatory Framework

- Constitution, 1996
- Financial and Fiscal Commission Act, 1997 (Act No 99 of 1997)
- Intergovernmental Fiscal Relations Act, 1997 (Act No 97 of 1997) (IGFR Act)
- Money Bills Amendment Procedures and Related Matters Act of 2009 (Act No 9 of 2009)
- Municipal Systems Act, 2000 (Act No 32 of 2000)
- Provincial Tax Regulation Process Act, 2001 (Act No 53 of 2001)
- Municipal Finance Management Act, 2003 (Act No 56 of 2003)
- Intergovernmental Relations Framework Act, 2005 (Act No 13 of 2005)
- Municipal Fiscal Powers and Functions Act, 2007 (Act No 12 of 2007)
- Borrowing Powers of Provincial government Act (1996)

ACHIEVEMENTS

- Legislative requirements met regarding
 - Annual submission for the Division of Revenue
 - Medium term budget policy statement
 - Division of Revenue Bill
 - Fiscal Frameworks and Revenue Proposals
 - Appropriations Bill
 - Research conducted according to the approved 2013/2014 Research Cycle Project Portfolio
 - Facilitated workshops
 - Intergovernmental fiscal relations for Parliamentary researchers
 - Two (2) provincial legislatures (Eastern Cape and Gauteng)
 - Two municipal councils trained in Council oversight tools
 - Conducted public hearings
 - Local government fiscal framework (LGFF)
 - Housing finance and Child Welfare Services
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ACHIEVEMENTS

- Tabled, briefed, advised and participated in the following

STAKEHOLDER	ACTION	SUBJECT
<i>Parliament</i>	<i>Tabled and Briefed</i>	<i>2013/2014 Submission for the Division of Revenue</i>
		<i>2013 Medium Term Budget Policy Statement</i>
		<i>2014 Fiscal Frameworks and Revenue Proposals</i>

ACHIEVEMENTS

STAKEHOLDER	ACTION	SUBJECT
<i>Parliament</i>	<i>Briefed</i>	<i>2014 Appropriations Bill</i>
		<i>Urban settlement development grant</i>
		<i>Rural households infrastructure grant</i>
		<i>Backlogs in the issuing of title deeds and fast-tracking of process</i>

ACHIEVEMENTS

STAKEHOLDER	ACTION	SUBJECT
<i>Parliament</i>	<i>Briefed</i>	<i>Restructuring of the electricity distribution industry</i>
		<i>The funding strategy and model for the maintenance, upgrading and rehabilitation of the electricity infrastructure, with specific reference to its impact on municipalities, on the practice of cross-subsidising municipal services and on the agentisation of electricity distribution services</i>

ACHIEVEMENTS

STAKEHOLDER	ACTION	SUBJECT
<i>Parliament</i>	<i>Briefed</i>	<i>Progress in the attainment of the Millennium Development Goals</i>
		<i>Governance arrangements of public entities</i>
		<i>The financing of housing</i>
		<i>The strategic plans, annual performance plans, budgets and audit outcomes of various National Departments</i>

ACHIEVEMENTS

STAKEHOLDER	ACTION	SUBJECT
<i>Parliament</i>	<i>Briefed</i>	<i>December 2011 National Government intervention in the administration of financially distressed Provincial Government Departments</i>
<i>Provincial Legislatures</i>	<i>Tabled and Briefed</i>	<i>Submission on the 2014 Division of Revenue</i>
<i>Local Government/ SALGA</i>	<i>Tabled and Briefed</i>	<i>2013/2014 Submission for the Division of Revenue</i>
<i>Department of Cooperative Governance and Traditional Affairs (COGTA) Advisory</i>	<i>Advise on request</i>	<i>Readiness of Metropolitan Municipalities to implement the Human Settlements Development Grant</i>

ACHIEVEMENTS

STAKEHOLDER	ACTION	SUBJECT
<i>COGTA Task Team</i>	<i>Advise on request</i>	<i>Ministerial task teams on the review of the demarcation process</i>
		<i>Ministerial Task Teams on the development of municipal staff regulations</i>
		<i>Ministerial Task Teams on the development of regulations for the appointment and conditions of service of senior managers in local government</i>

ACHIEVEMENTS

STAKEHOLDER	ACTION	SUBJECT
<i>National Treasury Task</i>	<i>Advise on request</i>	<i>Reference Group on the review of the Local Government Equitable Share Formula</i>
<i>Nama Koi Municipality Advisory</i>	<i>Advise on request</i>	<i>In-year changes to budgets</i>
<i>Department of Human Settlements Advisory</i>	<i>Advise on request</i>	<i>The assignment of the administration of national housing programmes to six Metropolitan Municipalities by MECs</i>

ACHIEVEMENTS

STAKEHOLDER	ACTION	SUBJECT
<i>Road Traffic Management Corporation Advisory</i>	<i>Advise on request</i>	<i>eNaTIS fees</i>
<i>South African Local Government Association (SALGA)</i>	<i>Advise on request</i>	<i>Implementation of the Administrative Adjudication of Road Traffic Offences Act, 2008</i>
<i>Xhariep and Western District Municipalities</i>	<i>Advise on request</i>	<i>Local Government Equitable Share</i>

CHALLENGES

- Vacant position of Chairperson/Chief Executive
 - This position has been vacant since September 2010
 - Pressure on the Acting Chairperson's responsibilities and governance matters of the Secretariat which become heavily concentrated in one individual
- Skills shortage
 - Turnover in research staff
 - Increasing workload on obligations to primary stakeholder\
- Recruitment and Gender balance
 - Gender imbalance- recruitment of female candidates
- Outdated ICT infrastructure and movable assets. Could not be replaced due to financial constraints
 - Conferencing
 - No facilities and outdated system which makes it difficult to have cost containment processes due to lack of funding

Recommendations and Responses: 2014/2015

Division of Revenue

- Recommendations that apply directly to the Division of Revenue

FFC RECOMMENDATION	GOVERNMENT RESPONSE
<p>-Moderate the growth in the public-sector wage expenditure -decrease in expenditure will increase the probability of a successful fiscal consolidation</p>	<p>-Recommendation deals with two issues -Moderating the wage bill: Wage increases and allowances within the competency of the DPSA -staff numbers: responsibility of the accounting officers and executive authority -continuous financial monitoring implemented</p>

Recommendations and Responses: 2014/2015

Division of Revenue

FFC RECOMMENDATION	GOVERNMENT RESPONSE
-Funding further education and training colleges	Turnaround strategy implemented by the Department of Higher Education and Training
Consultation with the FFC when applying for conditional grants	This is not mandatory but the assistance is welcomed
Reviewing the efficacy of conditional grants	Agreed. Assessments on grant performance and effectiveness on an ongoing basis and changes made where necessary in the annual Division of Revenue Act and the grant frameworks gazetted in terms of that Act

Recommendations and Responses: 2014/2015

Division of Revenue

- Recommendations that indirectly apply to the Division of Revenue

FFC RECOMMENDATION	GOVERNMENT RESPONSE
National Treasury builds the capacity of transferring national departments for effective grant design, monitoring and evaluation	Agreement. National Treasury provides technical guidance to National Departments on how to design, manage and monitor conditional grants. Various processes in place to provide assistance
National and Provincial Treasuries develop a framework for fiscal performance against which provinces are evaluated	Agreement. Frameworks for fiscal performance are critical -FFC previously been invited to assess the National Treasury's early warning system which invitation remains open

Recommendations and Responses: 2014/2015

Division of Revenue

FFC RECOMMENDATION	GOVERNMENT RESPONSE
<p>Provincial treasuries must carry out mandatory expenditure reviews after every MTEF cycle, specifically focusing on composition, efficiency, economy and effectiveness of expenditure, as well as access to services and realignment of spending with programme objectives and delivery targets</p>	<p>National Treasury and Department of Performance Monitoring and Evaluation are conducting expenditure reviews during 2013/14 and 2014/15</p>
<p>Appropriate balance between wage and non-wage components of provincial budgets for social spending</p>	<p>Agreement. The transition must be systematic and informed by the staffing norms</p>

Recommendations and Responses: 2014/2015

Division of Revenue

FFC RECOMMENDATION	GOVERNMENT RESPONSE
<p>National Treasury and the Department of Performance Monitoring and Evaluation introduce budget process reforms necessary for reconciling the collective responsibility for delivery agreement outcomes and the individual department-focused budget-bidding process. Methodologies recommended</p>	<p>Budget process incorporates the outcomes approach -Functional approach to budgeting from the 2011 Budget onwards. Shift in focus</p>
<p>Government consolidates and reorients existing conditional grant incentives to reward successful achievement of delivery targets/outcomes rather than specific, individual, department-specific programme objectives</p>	<p>Conditional grant system includes a wide range of grants for a variety of objectives and encompasses different approaches</p>

Recommendations and Responses: 2014/2015

Division of Revenue

FFC RECOMMENDATION	GOVERNMENT RESPONSE
<p>Recommended principles that should guide the design of performance-based grants</p>	<p>Will consider the guidelines in going forward -Grants will be designed on a case-by-case basis and the appropriateness of each of these proposed principles will be considered for each grant</p>
<p>National Treasury and Department of Cooperative Governance ensure that there is sufficient awareness of the nature of performance-based grants, the value of incentives, relevant indicators, assessment criteria and potential benefits thereof, and how potential implementation risks could be managed</p>	<p>Agreed. National government must ensure that municipalities understand how the grants are allocated and what performance is expected of them to earn more from the grant</p>

Recommendations and Responses: 2014/2015

Division of Revenue

FFC RECOMMENDATION	GOVERNMENT RESPONSE
<p>National and Provincial governments ensure that grant funding to rural municipalities is linked to capacity-building initiatives and structured assistance</p>	<p>Government provides capacity support to rural municipalities through various programmes</p> <ul style="list-style-type: none">-Capacity also built through resource allocations, technical, hands-on transfer of skills or through formal competency training programmes

Performance Information

Measurable objectives against actual achievements

Measurable Strategic Objective	Actual Achievement
<p>Profile the Commission with a special focus on the Commission's Mandate, Vision, Mission and Role; the Commission's Short- and Long-Term Strategy; the Commission's position on specific issues; and the Commission's Challenges and Achievements</p>	<p>Achieved; not achieved <i>(-Number of quarter Briefings on 2013 Appropriations Bill- deferred by 4th for 5th Parliament</i> <i>-Number of Q3 briefings on Commission 2012/2013 Annual Report- Not invited by Parliament</i> <i>-Number of IGFR workshops by year end- offers not taken up by stakeholders)</i> Partially Achieved (continuous)</p>
<p>To ensure that Commission research is converted to policy advice and recommendations written in language that policy makers can understand</p>	<p>Achieved</p>

Performance Information

Measurable objectives against actual achievements

Measurable Strategic Objective	Actual Achievement
To ensure that policy advice and recommendations respond to the needs of stakeholder	Achieved
To ensure the generation of quality, innovative, pioneering research that informs key IGFR strategic debates and choice	Achieved; one <i>deferred by 4th for 5th Parliament</i>)
To produce evidence-based results	Achieved

Performance Information

Measurable objectives against actual achievements

Measurable Strategic Objective	Actual Achievement
<p>To ensure the progressive and innovative management of human resources that attracts, develops and retains key talent, and leverages external expertise</p>	<p>Some of the outputs were Partially achieved (continuous) <i>(- People organised effectively for performance)</i> Not achieved <i>(Review of certain policies)</i></p>
<p>To ensure the coordinated, coherent, high quality, innovative and cost effective approach to ICT that meets the needs of the Commission, the Commission Secretariat and stakeholders</p>	<p>Achieved</p>

Performance Information

Measurable objectives against actual achievements

Measurable Strategic Objective	Actual Achievement
To ensure the coordinated, cost effective and innovative management of Commission assets in support of delivery on the Commission's mandate	Achieved; one not achieved; work in progress <i>(Space, infrastructure, people and organisation effectively coordinated for performance-Alternative office space for Head Office: Funding constraints)</i>
Compliance with legislation and adherence to relevant corporate governance best practice	Achieved

Performance Information

Measurable objectives against actual achievements

Measurable Strategic Objective	Actual Achievement
Effective and responsible leadership with specific focus on integrity, transparency and accountability, as well as on the development of a positive organisational culture	Achieved
To ensure the creation of new knowledge, the institutionalisation of such knowledge and its transfer to other role players within the intergovernmental fiscal relations system	Not Achieved; partially Achieved (continuous) <i>(No submission of draft conference papers by authors by due date)</i>

Performance Information

Measurable objectives against actual achievements

Measurable Strategic Objective	Actual Achievement
To ensure the coordinated, cost-effective and innovative acquisition and management of Commission data, information and knowledge resources in support of delivery on the Commission's mandate	Achieved
To ensure access to alternative sources of funding	Achieved

Financial Highlights

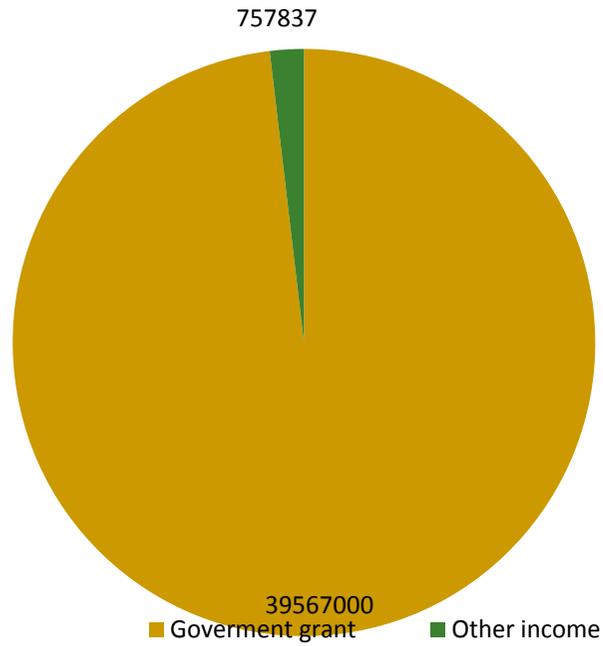
- Audit Outcomes
- Revenue
- Financial Performance and Position Indicators
- Personnel Costs per Division
- Professional Fees
- Operating Expenses

AUDIT REPORT

- Commission finances benefitted from improved controls and austerity measures
 - For the year, the number of raised was only the one relating to irregular expenditure incurred in the previous year
 - The Commission was given an unqualified audit opinion with one matter
 - There was a finding on Irregular expenditure in the amount of R1, 290 200, 00
 - ✓ Procurement Services without following the prescribed procurement process in 2012
 - The Commission derived full value from the procurement but did not adhere to Treasury regulations by not inviting competitive for procurement exceeding R500 000 and reporting to National Treasury on time
 - Corrective action and disciplinary measures were taken against the responsible employees by the Accounting Officer and these were endorsed by the Commission

Revenue 2013/2014

Revenue	Total
Government grant	39 567 000
Other income (Donor funding and interest from Bank)	757 837
	40 324 837

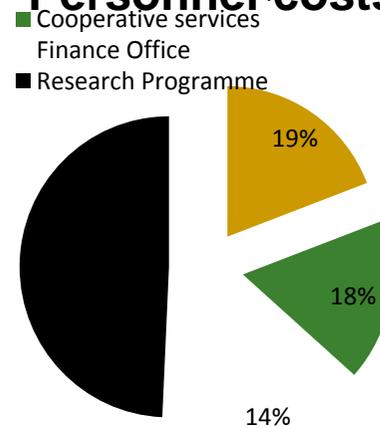


Personnel Costs Per Division 2013/2014

Personnel Costs 2013/14

Divisions	Actuals	Percentage
Commission Secretary	3 930 663	19%
Cooperative services	3 575 510	17%
Finance Office	2 885 963	14%
Research Programme	10 316 859	50%
Totals	20 493 028	100%

Personnel costs



Financial Performance and Position Indicators

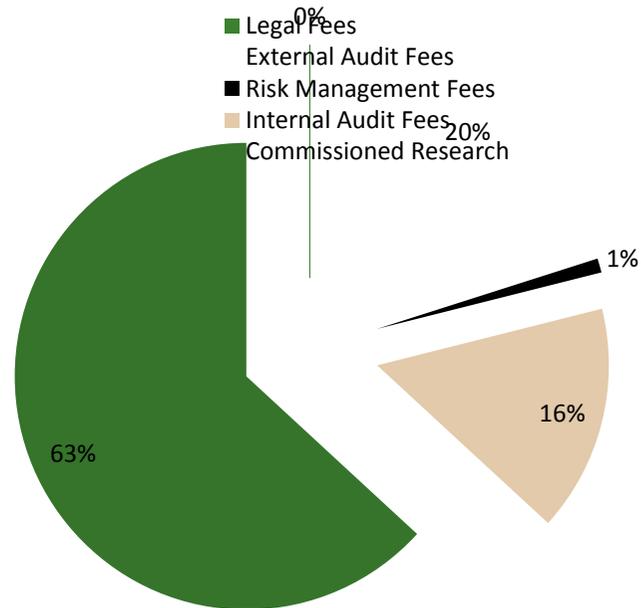
Financial Performance and Position Indicators

Description	Movement	% Variance	Remarks
Revenue		8%	Increase in allocations
Staff Costs		2%	Increase in payroll administration costs
Depreciation		<100%	Absolute of Fixed Assets
Professional Fees		30%	Commissioned Research, audit fees
Operating Expenses		12%	Growth in stakeholder management
Asset Base		20%	Non acquisition of assets
Liabilities		20%	Continued monitoring of accumulated deficit



Professional Fees 2013/2014

Professional Fees	
Legal Fees	-
External Audit Fees	1 077 341.00
Risk Management Fees	52 857.00
Internal Audit Fees	840 958.00
Commissioned Research	3 384 454.00
Professional fees	5 355 610.00



Operating Expenses 2013/2014

	Audited figures	Prior Year	Change	% change
Operating Expenses				
Travelling	2 123 216	2 503 754	-380 538	-15%
Other Operating	6 018 879	4 953 820	1065 059	2%
I.T.	933 197	856 111	77 086	9%
Publications	1 596 887	943 646	653 241	69%
Communication	764 279	764 607	-328	0%
Workshops and Seminars	734 631	817 285	-82 654	-10%
	12 171 089	10 839 223	1 331 866	

CONCLUSION

- Vacant Chairperson position and conflation of Chairperson and Chief Executive Officer
 - Processes are underway to correct this anomalous situation and the Minister has committed to addressing this as soon as possible
 - Matter beyond the control of the Commission
- The Commission continues its tradition of unqualified audits since its establishment
 - There still remains challenges with accounting for outdated assets dating back to 1994 when it inherited assets from the previous Ministry of Finance
 - Prudent financial management key and significant strides achieved
 - Legacy deficit attended to well before the time frame within which National Treasury assistance had prescribed
- Zero tolerance to non compliance with laws and regulations

CONCLUSION

- Budget constraints do not allow for modernisation of ICT and movable assets.
 - Limits scope for taking advantage of advances in communication technology which might lower communication costs as bulk of the budget is directed at the core business of research and recommendations and also stakeholder interaction
 - Commission is engaging with Minister of Finance regarding the treatment of the Commission's recommendations
 - Meetings between the Acting Chairperson and the Minister to be followed by a meeting with the whole Commission which consists of a majority of new members
 - The Commission received 2014/15 Financial year an adjustment of R5 million in preparation for the 20th Anniversary that was held in August 2014
 - Commission has made significant strides in delivering on its mandate and also ensuring that it is responsive to the needs of all its stakeholders
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THANK YOU.

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Briefing to the Portfolio Committees on Tourism