



**FINANCIAL AND FISCAL
COMMISSION**
2014/2015 ANNUAL REPORT

15 September 2015

CONTENTS

- Introduction
- Prior Years
- Highlights
- Performance Information
- Financial Highlights
- Challenges
- Conclusion

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) (as amended) 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

INTRODUCTION

Vision

To provide influential advice for an equitable, efficient and sustainable Intergovernmental Fiscal Relations System

Mission

To provide proactive, expert and independent advice on promoting a sustainable and equitable Intergovernmental Fiscal Relations system, through evidence-based policy analysis to ensure the realisation of our constitutional values

INTRODUCTION

Regulatory Framework

- Constitution, 1996
- Financial and Fiscal Commission Act, 1997 (Act No 99 of 1997) (as amended)
- Intergovernmental Fiscal Relations Act, 1997 (Act No 97 of 1997) (IGFR Act)
- Money Bills Amendment Procedure and Related Matters Act, 2009 (Act No 9 of 2009)
- Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) (as amended)
- Provincial Tax Regulation Process Act, 2001 (Act No 53 of 2001)
- Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003) (as amended)
- 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 (Act No 48 of 1996)

PRIOR YEAR ISSUES

- Irregular Expenditure
 - This was investigated and resolved in 2014/ 15 financial year in consultation, with National Treasury and Auditor General and due processes were followed by the Commission in resolving the matter.
- Misstatement of Financial Statement.
 - Internal Auditors were engaged as part of the control to ensure that there were no subsequent corrections made after the submission of financials to the Auditor-General
- Capacity in the Commission
 - The situation is currently the same as last year
 - The Financial and Fiscal Commission Ammendment Act has been passed and the Minister of Finance in consultation with the Commission will be proceeding with implementation

HIGHLIGHTS

- Appointment of three new Commissioners namely Mr Siphon Lubisi, Prof Gilingwe Mayende and Dr Sibongile Muthwa following the expiry of the terms of office of Ms Tania Ajam, Ms Lucienne Abrahams and Ms Neliswa Shezi
- Key issues in the Research and Recommendations Programme Division completed
 - All legislative requirements met
 - Annual submission for the Division of Revenue
 - Medium term budget policy statement
 - Submission on the Division of Revenue Bill
 - Fiscal Framework and Revenue proposals
 - Appropriations Bill

HIGHLIGHTS

- FFC hosted an Intergovernmental Fiscal Relations (IGFR) International Conference during the period under review
 - Conference commemorated 20 years of freedom in South Africa through reviewing 20 years of IGFR practice and then drawing lessons for the future IGFR in South Africa
 - Various activities, deliberations, conclusions and key recommendations emanated from the conference which was encompassed in a report and tabled at Parliament on the 4 February 2015
 - The Commission is currently compiling a book on the outcomes of the conference
 - Commission tabled in Parliament the report Climate Change, Household Vulnerability and Smart Agriculture: The Case of Two South African Provinces that was done in collaboration with the Food, Agriculture and Natural Resources Policy Analysis Network on the 4 February 2015
- Commission recruited a senior female staff member on EXCO level during the period under review

PERFORMANCE INFORMATION

| MEASURABLE STRATEGIC OBJECTIVE | ACTUAL ACHIEVEMENT |
|---|--|
| <p>To profile the Commission with a special focus on the Commission's Mandate, role; approach, achievements, challenges and recommendations</p> | <p>Achieved- save that the annual target for the number of quarter 4 briefings on Commission Submission on Appropriations Bill was 2, and the number achieved was 1. The reason was that the budget process was incomplete, the Commission received the invitation subsequent to year end.</p> |
| <p>To ensure the generation of quality, innovative, pioneering evidence-based research that informs key IGFR strategic debates and choices</p> | <p>Achieved</p> |

PERFORMANCE INFORMATION

| MEASURABLE STRATEGIC OBJECTIVE | ACTUAL ACHIEVEMENT |
|---|--|
| To ensure that Commission research is converted to policy advice and recommendations written in language that policymakers can understand | Achieved- save that the annual target relating to 3 Other Official Language Grass-roots Versions of 2015/2016 Submission for the Division of Revenue in Q1 was not achieved. The reason being budgetary and human capital constraints. The Commission is currently drafting an Official languages Policy which will be implemented in the 2015/2016 financial year |
| To ensure that policy advice and recommendations respond timeously and proactively to the dynamic needs of stakeholders | Achieved |

PERFORMANCE INFORMATION

| MEASURABLE STRATEGIC OBJECTIVE | ACTUAL ACHIEVEMENT |
|--|--------------------|
| To ensure the progressive and innovative human resource management that attracts, develops and retains key talent, and leverages external expertise | Achieved |
| 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 | Achieved |
| To ensure the coordinated, cost-effective and innovative management of Commission assets in support of delivery on the Commission's mandate | Achieved |

PERFORMANCE INFORMATION

| MEASURABLE STRATEGIC OBJECTIVE | ACTUAL ACHIEVEMENT |
|--|---|
| Compliance with legislation and adherence to relevant corporate governance best practice | Achieved |
| To ensure the creation , institutionalization and transfer of new knowledge to other role players within the IGFR system | Achieved- save for the draft file plan by quarter 4 that was not achieved. The reason was due to the infrastructure and digitization was not achieved due to budgetary controls |
| 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- save that the number of successful referencing transactions by quarter 4 was 12 000 and 11824 was achieved. The reason was that the demand was less than the expectation thus efforts were focused on reference works |

PERFORMANCE INFORMATION

| MEASURABLE STRATEGIC OBJECTIVE | ACTUAL ACHIEVEMENT |
|--|--------------------|
| To ensure prudent and transparent management of the Commission's financial resources | 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 OUTCOMES 2014/15

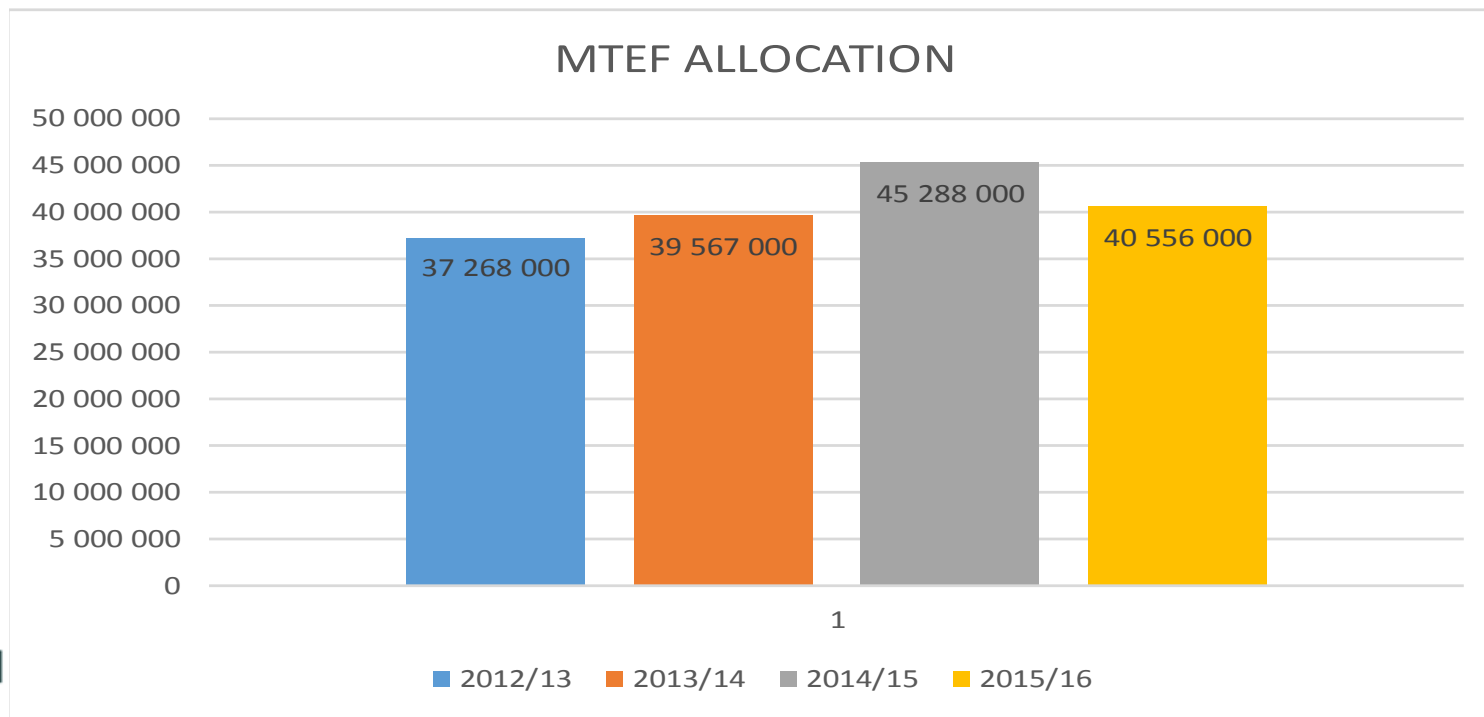
- **The Commission was given an unqualified audit opinion**
 - The financial statements of the Commission fairly presented the financial position of the Commission in accordance with the acceptable reporting framework
 - Reported performance information was useful and reliable, in accordance with the identified performance management and reporting framework, no material findings were raised on the selected objectives.
 - No evidence of significant deficiencies in internal control was found.
- **Finding on Non-Compliance with legislation**
 - Preferential point scoring system not reflected in original invitation for quotations.
- **Commission finances benefited from improved controls and austerity measures**
 - Continuous monitoring and regular reporting process in place
 - Cost containment initiatives implemented.

Financial Performance and Position Indicators

| Description | Movement | % Variance | Remarks |
|--------------------|---|------------|--|
| Revenue |  | 14% | Increase is due to once off adjustment |
| Staff Costs |  | 6% | Increase due to CPIX adjustments and payroll administration costs |
| Depreciation |  | <100% | Decrease due to extension in useful life of assets |
| Professional Fees |  | 30% | Commissioned Research, audit fees, costs of compliance. |
| Operating Expenses |  | 34% | IGFR conference and Growth in stakeholder management |
| Asset Base |  | 29% | PPE – Decrease due to Non acquisition of assets and extension of useful life Cash and Cash equivalents – Increase is due to accrued expenditure |
| Liabilities |  | 26% | Increase in provisions. |

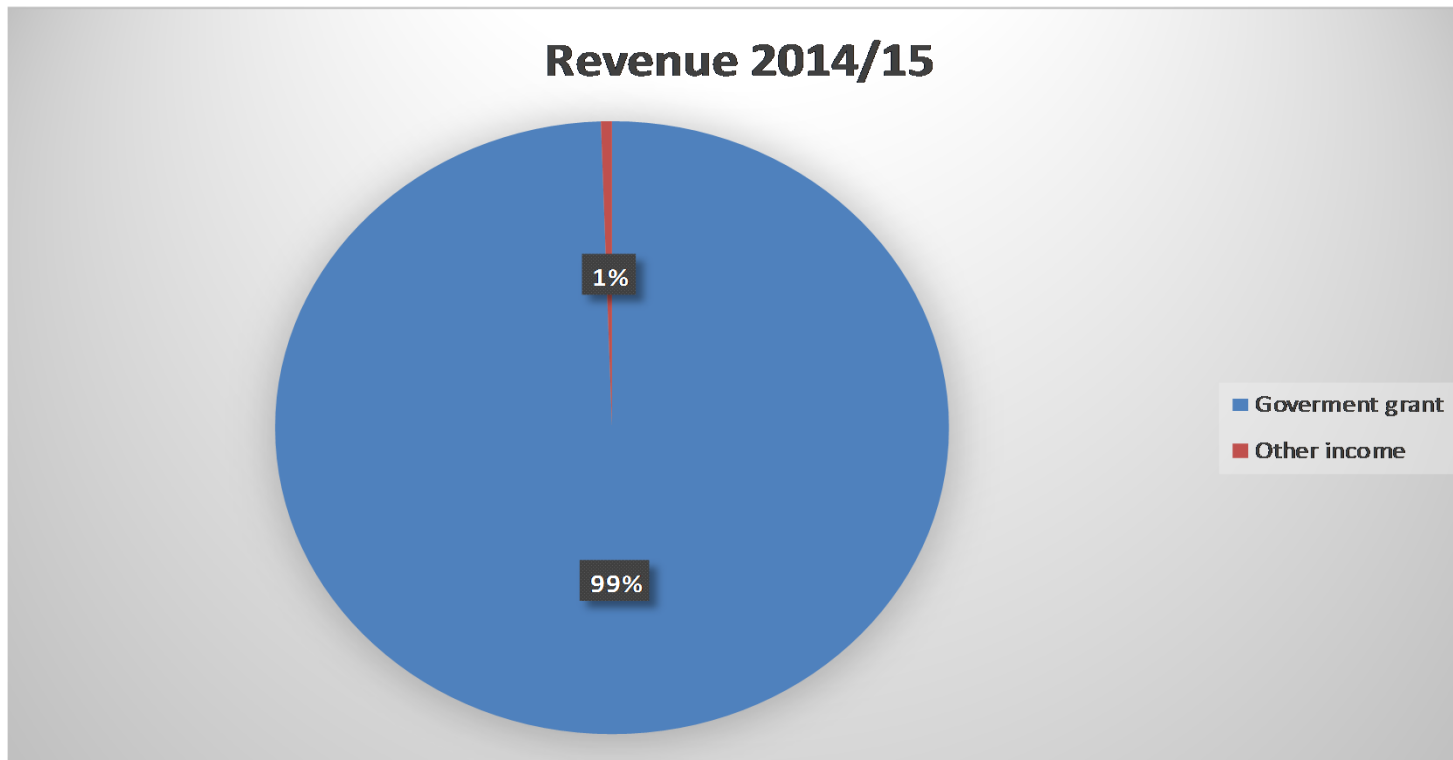
MTEF ALLOCATION

| MTEF ALLOCATION | | % CHANGE |
|-----------------|------------|----------|
| 2012/13 | 37 268 000 | |
| 2013/14 | 39 567 000 | 6% |
| 2014/15 | 45 288 000 | 13% |
| 2015/16 | 40 556 000 | -12% |



REVENUE 2014/15

| Revenue | Audited figures | Prior Year | % change |
|------------------|-------------------|-------------------|----------|
| Government grant | 45 288 000 | 39 567 000 | 14% |
| Other income | 241 040 | 757 837 | -68% |
| | 45 529 040 | 40 324 837 | |

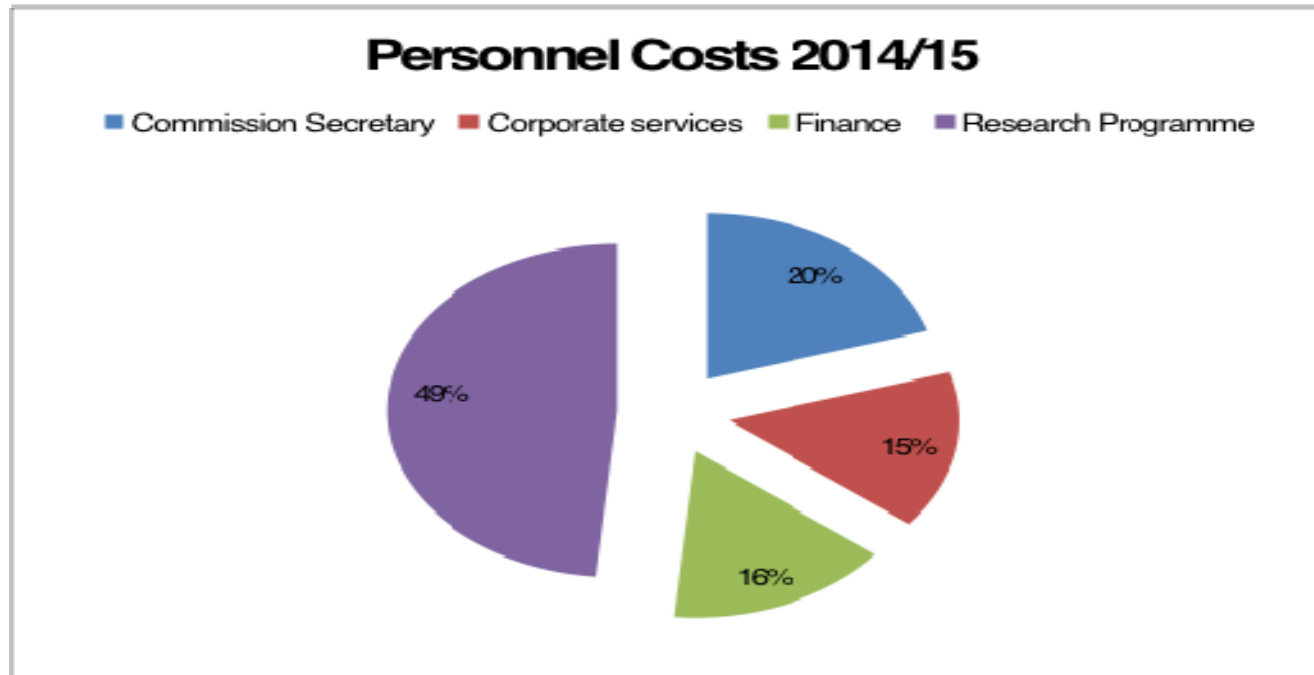


Analysis:

- Other Income earned by the Commission includes interest received from the Bank .
- Donation income was received by the Commission in the prior year for a partnership on Climate change project.

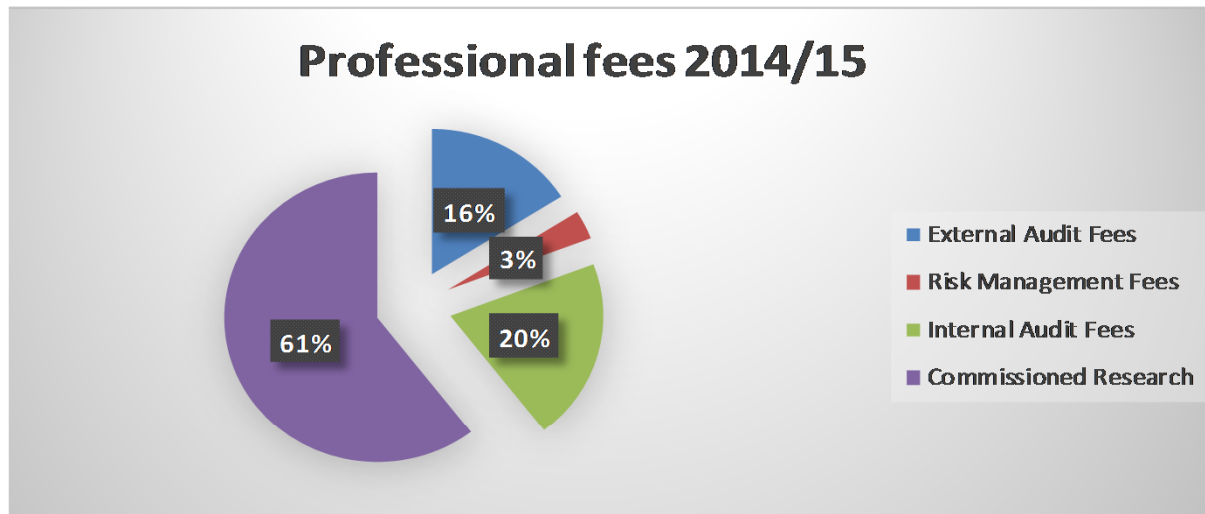
PERSONNEL COST 2014/15

| Divisions | Actuals | Bonuses | Percentage |
|----------------------|-------------------|----------------|-------------|
| Commission Secretary | 4 319 118 | 45 725 | 20% |
| Corporate services | 3 280 594 | 82 355 | 15% |
| Finance | 3 351 504 | 185 108 | 16% |
| Research Programme | 10 311 588 | 430 751 | 49% |
| Totals | 21 242 819 | 703 939 | 100% |



PROFESSIONAL FEES 2014/15

| Professional Fees 2014/15 | Audited figures | Prior Year | % change |
|---------------------------|------------------|------------------|----------|
| External Audit Fees | 1 120 436 | 1 077 341 | 4% |
| Risk Management Fees | 224 003 | 52 857 | 324% |
| Internal Audit Fees | 1 417 966 | 840 958 | 69% |
| Commissioned Research | 4 230 168 | 3 384 454 | 25% |
| | 6 992 573 | 5 355 610 | |

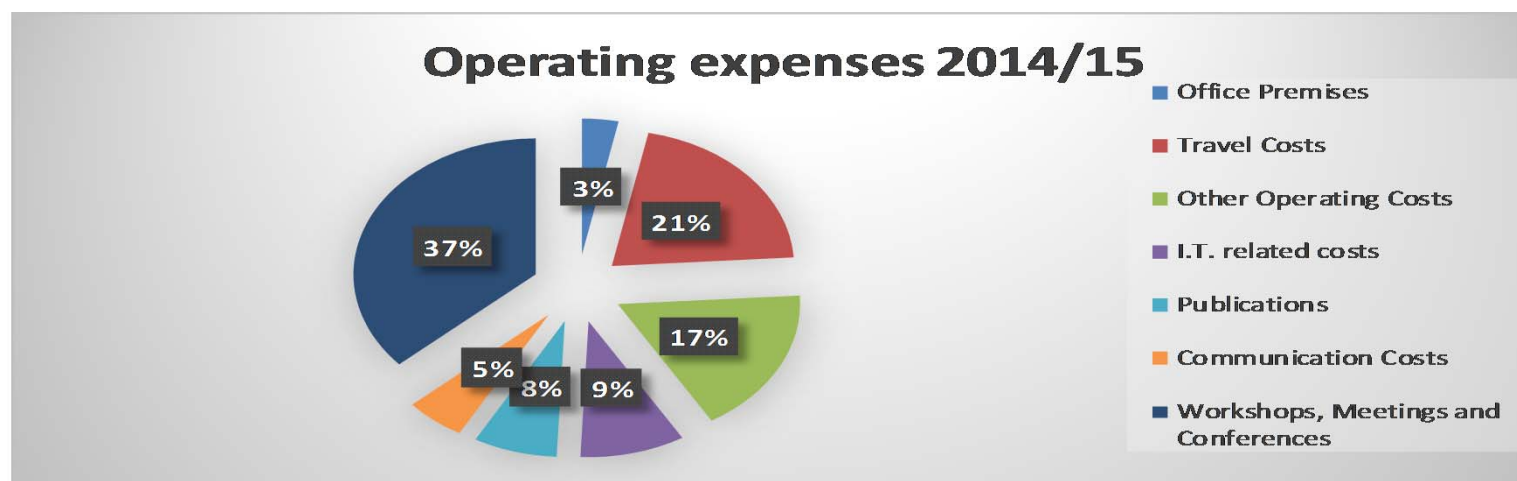


Analysis:

- Spending on Professional fees constitutes 15% of total Commission's budget.
- Risk assessment included revision of Fraud Prevention framework for the Commission
- Increase in Internal Audit fees due to engagement of service provider towards the end of the financial year.
- Commissioned Research spending includes research papers commissioned for the 20th Anniversary

OPERATING EXPENDITURE 2014/15

| Operating Expenses | Audited figures | Prior Year | % change |
|-------------------------------------|-------------------|-------------------|----------|
| Office Premises | 513 679 | 429 189 | 20% |
| Travel Costs | 3 307 057 | 2 123 216 | 56% |
| Other Operating Costs | 2 772 199 | 4 677 195 | -41% |
| I.T. related costs | 1 483 988 | 1 510 601 | -2% |
| Publications | 1 185 244 | 1 596 887 | -26% |
| Communication Costs | 848 562 | 764 279 | 11% |
| Workshops, Meetings and Conferences | 5 815 904 | 734 632 | 692% |
| | 15 926 633 | 11 835 999 | |



Analysis:

- Increase in Office rental due to lease escalations and maintenance of office equipment.
- Increased travel costs incurred due to demand in stakeholder requests
- Cost containment measures implemented .
- Reduced publications during the year has resulted in savings during the year
- Increased communication spending due to preparation for 20th Anniversary conference
- Venue hire costs incurred for the 20th Anniversary conference

CHALLENGES

- Funding
 - Increase in requests from stakeholders has led to challenges in balancing the Commission's wage bill and the rest of its activities
 - Extension of the Commission's work and presence across all three spheres of government
 - Skills shortage
- Outdated ICT infrastructure which has led to system breakdowns
- Leased premises-Challenges with Landlord not yet resolved
- Lack of capacity that has led to non-compliance namely unable to implement certain pieces of legislation namely the Use of Official Languages Act, lack of segregation of duties and lack of a dedicated risk officer



FINANCIAL
AND FISCAL
COMMISSION

THANK YOU

*Financial and Fiscal Commission
Montrose Place (2nd Floor), Bekker Street,
Waterfall Park, Vorna Valley, Midrand,
Private Bag X69, Halfway House 1685*

www.ffc.co.za

Tel: +27 11 207 2300

Fax: +27 86 589 1038