



**FINANCIAL AND FISCAL
COMMISSION**
2016/2017 ANNUAL REPORT

18 April 2018

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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) (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)

HIGHLIGHTS

- Appointment of Chairperson and Deputy Chairperson after the expired term of office of the Deputy Chairperson. Acting CEO appointed during the financial year under review.
- 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 proposals
 - ❑ Submission on the Division of Revenue Bill
 - ❑ Fiscal Framework and Revenue proposals
 - ❑ Appropriation proposals

HIGHLIGHTS

- Growth in economic, fiscal and service-delivery publications. Stakeholder work included Parliamentary interaction with Standing and Portfolio Committees; and with Provincial Legislatures
- Commission gave testimony before the Commission of enquiry into Higher Education and Training
- Commission completed a forensic investigation arising from allegations made in two anonymous letters regarding staff impropriety. Recommended actions arising from the report are being implemented. Internal controls continue to be strengthened.
- Theme for the 2017/2018 Submission for Division of Revenue was “Intergovernmental Fiscal Relations System and Rural Development”. The Submission provided evidence on how improving the efficiency of IGFR could assist the three spheres of Government to stimulate rural development through prioritising public investments and interventions. If managed properly, fiscal reforms for rural development can bring about greater inter-regional equity and potential economic growth.

PERFORMANCE INFORMATION

MEASURABLE STRATEGIC OBJECTIVE	ACTUAL ACHIEVEMENT
<p>Profile the Commission with a special focus on the Commission's Mandate, Vision, Mission and role; approach 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- save for the following: The annual target for Number of briefings on Commission Annual Report by financial year end was not achieved as the invitation to brief Parliament was not received before the end of the financial year. The Commission received the invitation subsequent to year end.</p> <p>The annual target for the Number of Budget Council and Budget Forum Meetings was 4 and 3 were achieved due to fewer invitations received to participate in Council.</p>
<p>To ensure that Commission research is converted to policy advice and recommendations written in language that policymakers can understand</p>	<p>The Use of Official Languages Policy was developed but not approved during the period under review.</p>

PERFORMANCE INFORMATION

MEASURABLE STRATEGIC OBJECTIVE	ACTUAL ACHIEVEMENT
<p>To ensure the generation of quality, innovative, pioneering research that informs key IGFR strategic debates and choices</p>	<p>Achieved</p>
<p>To ensure the progressive and innovative management of human resource that attracts, develops and retains key talent, and leverages external expertise</p>	<p>Achieved- Save for the following: The number of employees trained and developed per annum was 4 of which 1 was achieved. A review was made to the training plan.</p>
	<p>The number of ratio of male to female staff in terms of the target was 40 males and 60 females. This was not achieved as 42% of staff complement were male at year end.</p>

PERFORMANCE INFORMATION

MEASURABLE STRATEGIC OBJECTIVE	ACTUAL ACHIEVEMENT
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, save for the Disaster Recovery Plan; and Business Continuity Plan that had to be reviewed. The Plans were in the process of review but incomplete due to the ill health incapacity and exit of the Corporate Services Manager.
To ensure the coordinated, cost-effective and innovative management of Commission assets in support of delivery on the Commission's mandate	Achieved
Compliance with legislation and adherence to relevant corporate governance best practice	Achieved, save for the following: The Risk Management Register had to be updated. The process to update the risk register was undertaken and finalised by year end. However the register was approved subsequent to year end.
	The Fraud Prevention Plan had to be reviewed. The process to update the plan was undertaken and finalised by year end. However the plan was approved subsequent to year end.

PERFORMANCE INFORMATION

MEASURABLE STRATEGIC OBJECTIVE	ACTUAL ACHIEVEMENT
<p>Compliance with legislation and adherence to relevant corporate governance best practice</p>	<p>The target was to have 11 Committee meetings as per schedule. This target was not achieved as 1 Committee meeting was held subsequent to year end due to the non-availability of members.</p>
	<p>The target was to implement the Financial and Fiscal Commission Amendment Act, 2015. This was not achieved during the period under review. However it was complied to in the subsequent financial years as the President appointed a Chairperson and the Commission appointed the CEO.</p>
<p>To ensure superior performance</p>	<p>The key performance measure/ indicator was the number of 2015/2016 performance targets that had to be achieved by quarter 4. The annual target was 90% and 78% was achieved.</p>
<p>To ensure the creation of new knowledge, the institutionalization of such knowledge and its transfer to other role players within the Intergovernmental fiscal relations system.</p>	<p>Achieved</p>

PERFORMANCE INFORMATION

MEASURABLE STRATEGIC OBJECTIVE	ACTUAL ACHIEVEMENT
To ensure prudent and transparent management of the financial resources of the Commission	Achieved save that the target for the percentage deviation from budget allocation was no more and no less than 5% of allocation and 11% was the actual achieved. Additional income was received during the year.
To ensure access to supplementary sources of funding	Achieved

FINANCIAL HIGHLIGHTS

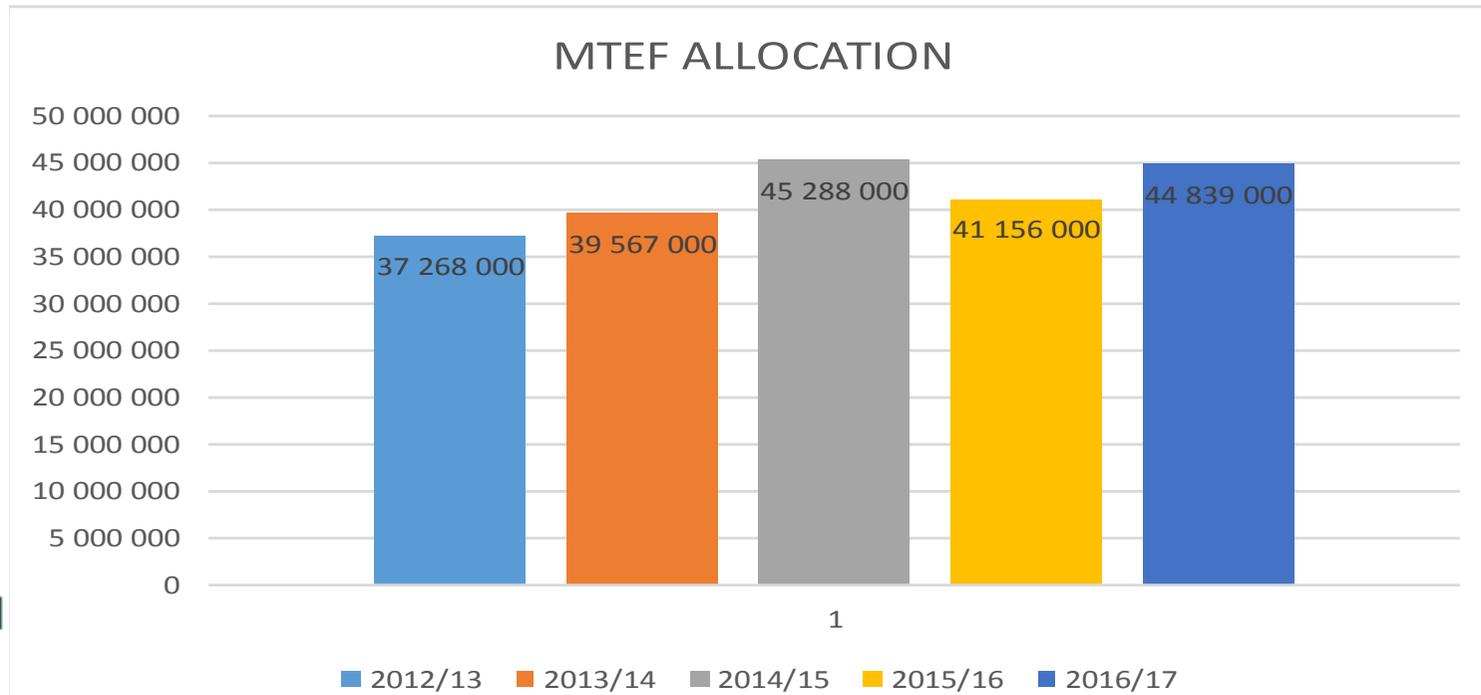
- Audit Outcomes
- Revenue
- Financial Performance and Position Indicators
- Personnel Costs per Division
- Professional Fees
- Operating Expenses

AUDIT OUTCOMES 2016/17

- 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 Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the PFMA
 - 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.
 - Evidence of significant deficiencies in internal control was found. Therefore, the audit outcome has regressed compared to the 2015/16 financial year mainly due to weaknesses in internal controls.
- Emphasis of matters - findings on non-compliance with legislation
 - Irregular, fruitless and wasteful expenditure were not prevented in accordance with relevant legislative prescripts.
- Commission finances benefited from other improved controls and austerity measures
 - Continuous monitoring and regular reporting process in place
 - Cost containment initiatives implemented.

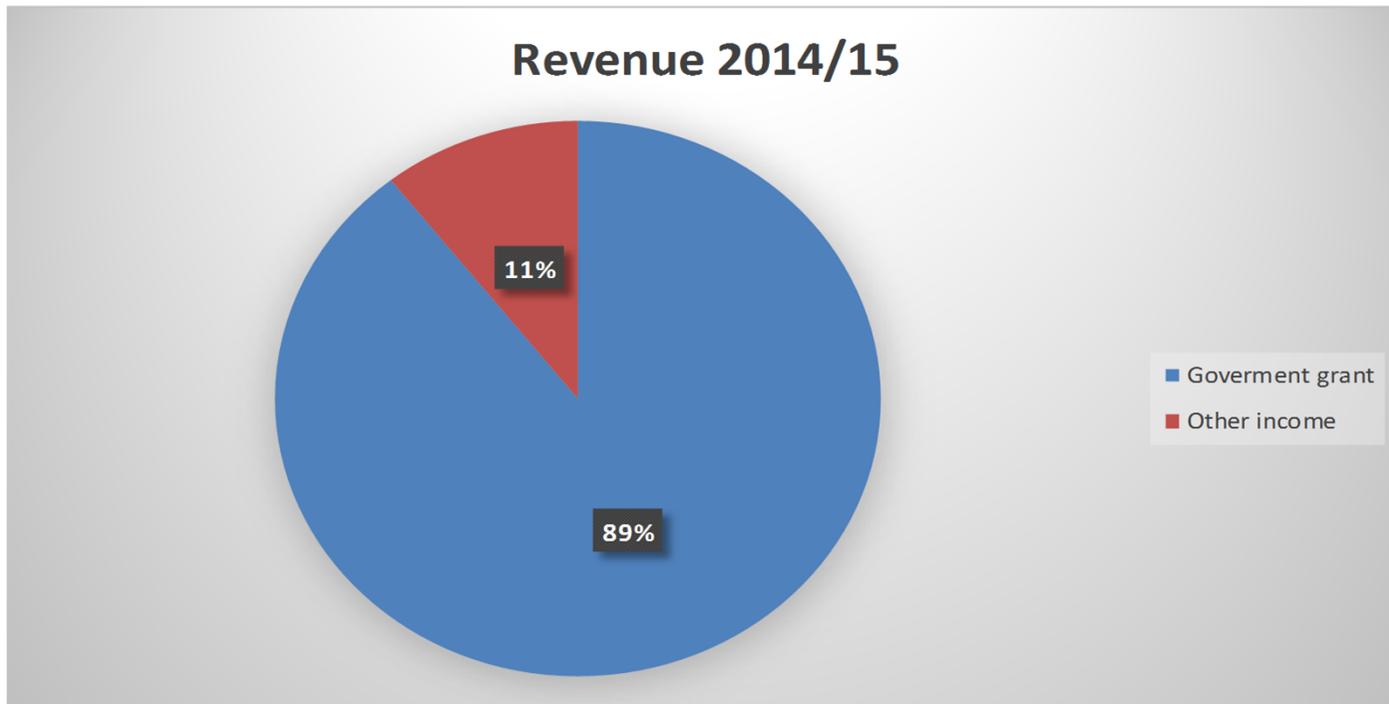
MTEF ALLOCATION

MTEF ALLOCATION		% CHANGE
2012/13	37 268 000	
2013/14	39 567 000	6.2%
2014/15	45 288 000	14.5%
2015/16	41 156 000	-9.1%
2016/17	44 839 000	8.9%



REVENUE 2016/17

Revenue	Audited figures	Prior Year	% change
Government grant	44 839 000	41 156 000	8.9%
Other income	5 311 885	2 577 475	106.1%
	50 150 885	43 733 475	



Analysis:

- Other Income earned by the Commission includes interest received from the Bank, funds recovered from Dipula Property in respect of overpaid rental costs and services in kind related to office rental, which was paid by the Department of Public Works .

Financial Performance and Position Indicators

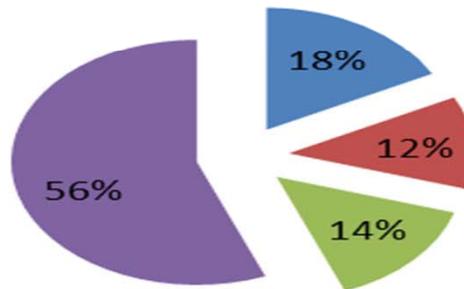
Description	Movement	% Variance	Remarks
Revenue		14%	Increase is due to NT increasing grant by 9%. Recovery of overpaid office rental was R3m.
Staff Costs		8%	Increase due to annual salary adjustments and payroll administration costs
Depreciation		63,4%	Increase due to investment in new computer equipment
Professional Fees		2,6%	Significant legal cost was incurred due to forensic investigation by a legal firm.
Operating Expenses		12%	Increases in publications, office rental cost escalations, significant usage of mobile and landline phones,
Asset Base		29%	Property, plant and equipment – significant investment in new computer equipment Cash and Cash equivalents – Increase is due to retention of surplus funds, as approved by NT
Liabilities		12%	Increase in accrued expenses.

PERSONNEL COST 2016/17

Divisions	Actuals	Bonuses	Percentage
Commission Secretary	4 917 173	90 188	17.5%
Corporate services	3 433 500	21 757	12.2%
Finance Office	4 021 173	24 475	14.3%
Research Programme	15 754 777	327 806	56.0%
Totals	28 126 623	464 226	100%

Personel costs

■ Commission Secretary
 ■ Corporate services
■ Finance Office
 ■ Research Programme



Personnel cost constituted 63% of total Commission's budget

PROFESSIONAL FEES 2016/17

Risk Management Fees	236 782	245 270	-3.5%
Internal Audit Fees	834 309	886 977	-5.9%
Legal fees	900 880	128 151	603.0%
Commissioned Research	1 848 757	2 667 829	-30.7%
	5 208 438	5 078 108	

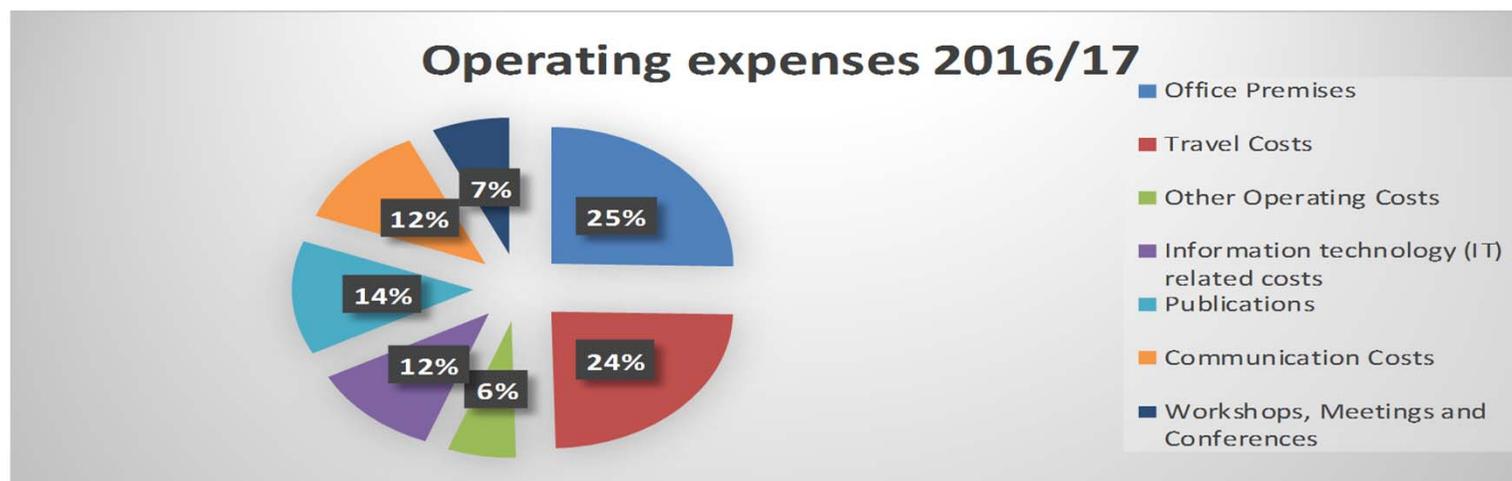


Analysis:

- Spending on Professional fees constituted 12% of total Commission's budget
- External audit fees increased due to increased business risk
- Legal fees increased due to the forensic investigation
- Commissioned Research spending includes research papers commissioned for the 20th Anniversary

OPERATING EXPENDITURE 2016/17

Operating Expenses	Audited figures	Prior Year	% change
Office Premises	2 389 534	1 731 661	38%
Travel Costs	2 293 547	2 705 192	-15%
Other Operating Costs	573 672	484 176	18%
Information technology (IT) related costs	1 094 250	846 516	29%
Publications	1 274 742	525 371	143%
Communication Costs	1 163 851	905 281	29%
Workshops, Meetings and Conferences	651 048	1 241 349	-48%
	9 440 644	8 439 546	



Analysis:

- Increase in office rental due to lease escalations
- Travel costs decreased due to cost containment measures implemented and reduced stakeholder demands
- Cost containment measures implemented
- Publications cost increased due to increase in publications during the year
- Increased communication spending due to increased usage of mobile and landline phones

CHALLENGES

- Funding
 - Increases 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
- Irregular expenditure and fruitless and wasteful expenditure incurred due to non compliance with legislative prescripts and policies. Appropriate measures are being implemented to redress the problem.
- Attracting talented staff, management and retention of staff is a challenge for the Commission.

FOREWARD LOOKING AT A GLANCE

- 2017/2018 Report
 - Appointment of two new Commissioners to the Commission. One vacancy exists. Gender representation encouraged in the appointment process.
 - Implementation of recommendations as contained in the forensic report
 - Auditor-General currently busy with the audit
- 2018/2019 Financial Year
 - Review of the service delivery Model
 - Reorganization and restructuring of the Secretariat
 - Expanded research work programmes
 - Working towards a clean audit for the period under review and beyond



FINANCIAL
AND FISCAL
COMMISSION

THANK YOU

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