



CHAIRPERSON'S REPORT

2018 JULY - ANNUAL GENERAL MEETING

At the beginning of the 2018-19 financial year, the Commission was seized with the consequences of whistle-blower reports and the consequential forensic investigation report instituted by the Commissioners on the advice of the Minister of Finance, Pravin Gordhan. During the first three months of the financial year, the FFC had intermittent acting chairpersons such as Dr Krish Kumar, Mr Siphso Lubisi and Professor Sibongile Muthwa, until the appointment of the fulltime chairperson (Prof Daniel Plaatjies) and deputy chairperson, Professor Sibongile Muthwa. I take this opportunity to thank, firstly, those unsung heroes and heroines of the staff cadre who took it upon themselves, and potentially at high personal and professional risks, for their citizenship and being resolute in protecting our constitutional institution, the Financial and Fiscal Commission.

Secondly, we thank the National Treasury's Audit and Risks Unit for managing the independent Forensic Investigation on behalf of the Commissioners of the Financial and Fiscal Commission. And, thirdly, many thanks go to Mr. Velile Mbethe, the seconded and appointed administrator as acting Chief Executive Officer, for being resolute in implementing the Forensic Investigation Recommendations with committed staff within the Secretariat. To all Commissioners, old and new, thank you for shouldering on with the principal tasks of bringing back the virtues and values of the Financial and Fiscal Commission as set by the first Commission and its Chairperson, Murphy Morobe during a critical period of transition from apartheid to constitutional democracy as led by our first President Rolihlahla Mandela.

Commissioners and Chief Executive Officer and Commission Secretary, Dr Kay Brown the recommendations from the Forensic Investigation Report directs as follows:

- a) Review, repair, rebuild and restore cogency, prudence, cost-effective policies, administrative systems and practices within the arena of human capital management and remuneration of members of the Secretariat
- b) Draft and finalise policies that restore integrity and productivity in human capital management, and financial policies such as the remuneration of personnel and supply chain management

- c) Pursue without fear or favour the disciplinary, criminal and civil charges against those that have committed impropriety
- d) Reorganise the FFC Secretariat and the Office of the Chairperson and Commissioners towards separation of mandates and functions as obligated by the Public Finance Management Act, Financial Fiscal Commission Act as amended, and the range of good governance protocols and guidelines
- e) Build a new organisational culture and professionalism given the constitutional responsibility of the Financial and Fiscal Commission as a public institution that belongs to the citizens of South Africa
- f) Build and recruit new capacity to make the Financial and Fiscal Commission the premier public institution to be consulted by the Standing and Select Committees of Finance; of Appropriation; sector Committees, including members of the Cabinet, legislatures and municipal councils.

The term of office of Commissioner, Dr Krish Kumar, came to an end on 28 February 2018. I take this opportunity to thank him for the valuable role that he played in the Commission. Though a new financial year matter, given it will be their last Annual General Meeting, I would like to also thank Mr Kenny Fihla and Professor Nico Steytler for their sterling contributions and guidance in the Audit and Risk, and Research Committee, respectively.

I am pleased to report that new independent members to the Audit and Risk Committee were appointed. We are indeed indebted to the outgoing independent members for their contribution to the Commission during their tenure, and especially their commitment to proper financial accounting practices this lead is continued by the current chairperson, Mr Duncan Ntuli.

We are delighted to report that the Commission has submitted financial statements that are free from material misstatement. The diligent and meticulous work of the Audit and Risk Committee cannot go without receiving the utmost praise. The Commission ensured compliance and maintenance of operating standards regarding all activities during the period under review.

It was indeed gratifying to work with Commissioners in ensuring the timeous delivery on constitutional and legislative submissions made to Parliament on the Division of Revenue; Response to the Medium-Term Budget Policy Statement; Response to the Division of Revenue Bill; Appropriation Bill; and the Response to the Fiscal Framework and Revenue Proposals.

As per our obligatory practice, on 31 May 2017, the Commission tabled with Parliament its annual submission on ***Recommendations for the Division of Revenue***. This Submission is part of the Commission's constitutionally defined processes, to advise Parliament and state

organs on how money collected by National Government should be allocated fairly and equitably among the three spheres of Government, to enable it to carry out its constitutional and other legal mandates. The recommendations by the Commission contribute to achieving the goals of the National Development Plan by addressing the role intergovernmental fiscal system can play in achieving these goals. The theme of the Submission "*The Intergovernmental Fiscal Relations System and Urban Development in South Africa*" emphasised the need for much greater impetus in urban development.

I am pleased to report further that social policy, and financial and fiscal advice were given to numerous committees, such as, the Standing Committee on Appropriations; Standing Committee of Finance; Select Committees on Finance and Appropriations; and Portfolio Committees on Small Business, Health, Higher Education and Training, and Agriculture, Forestry and Fisheries. The Commission also presented on gender budgeting to the Free State Provincial Treasury and in Parliament on the South African Airways debt relief and recapitalisation, and on budget reviews with recommendations to the Portfolio Committees on Basic Education, Health, Human Settlements, and Rural Development and Land Reform.

The Commission continued to engage with national and subnational government through various intergovernmental fora and with the South African Local Government Association. We have a leadership position in the Forum for Institutions Supporting Democracy in leading the process of delinking or shifting budgets of constitutional institutions from national departmental votes to Parliament, as approved by Parliament and set out in the Kader Asmal Report.

As the Commission, we are entering the last phase of our current Strategic Plan 2014-2019 through the 2019/20 Annual Performance Plan. All plans were tabled in compliance with the provisions of Treasury Regulations in terms of the Public Finance Management Act, 1999 (as amended). I recommend that we as Commissioners use the scheduled Research Committee in September 2018 to have our two day Strategy Session. This session must thereafter direct the Chief Executive Officer and the Secretariat to draft the next 5 years Strategic Plan.

Going forward, the Commissioners, with the active support from the Chief Executive Officer and Commission Secretary will review the relevance and appropriateness of the content, especially the current annual performance plans and deliverable as a Quarterly Report back to the Commission Strategy Session.

Given the various legal mandates of the Commission, that is, Commissioners, in terms of Section 2 of the Financial and Fiscal Act as amended, I am directing based on the aforementioned to review, amend and recommend where appropriate:

- 1) All human capital management policies in line with the standards set by the Financial and Fiscal Act and the Labour Relations Act, and universal best policy practices and systems within the South African public sector and the constitutional institutions in the Forum of Institutions Supporting Democracy
- 2) All financial accounting, and particularly FFC supply change management policies, systems and practices in line with the Public Finance Management Act and the appropriate range of Treasury Regulations and Guidelines
- 3) The research team's operations to achieve and comply with the new research enterprise value-chain, outputs and timeframes as directed in previous Research Committee meetings under the stewardship of Professor Nico Steytler in conjunction with Professor Gillingwe Mayende, Mr Siphso Lubisi and Professor Daniel Plaatjies and also as directed at the Research Committee meeting of 20 April 2018. Professor Steytler's term is coming to an end in August 2018, thereafter, I will take over as the ex-officio chairperson of the Research Committee given that it constitutes the core business of the Commission.
- 4) The organisational structure for consideration and approval by not later than 15 August 2018 or at its next full Commission meeting
- 5) In line with this, the Commission remuneration levels, notches, progressions, performance bonuses of all categories of staff. This includes a full job grading of all professional categories, posts and the appropriateness of current remunerations, including the nature and extent of awards
- 6) Policies and practices that instil organisational discipline, respect, professionalism and quality of work within the Secretariat and by implication in the Office of the Commission (Chairperson and Commissioners)
- 7) All outstanding matters, and that they be fast-tracked, as recommended by the investigators and whole Forensic Investigation Report, and provide the Commissioners a full report at its next sitting
- 8) A full report on the moving of the Midrand Office to an appropriate premises in Pretoria during 2019

I take this opportunity to welcome Professor Aubrey Mokadi and Mr Mandla Nkomfe as Commissioners. Many thanks to the Deputy Chairperson, Commissioners, Independent Chairperson and Committee Members, Acting Chief Executive Officer, new Chief Executive Officer and Commission Secretary, and all staff within the Financial and Fiscal Commission. A special thanks to Professor Sibongile Muthwa for chairing the Human Capital Management and Remuneration Committee and to Commissioner Lubisi for taking over its leadership.

Our job as Commissioners and the Secretariat is to rebuild and restore the operation's integrity, and restore the Financial and Fiscal Commission as the premier policy and systems think-tank and knowledge authority on social, economic and fiscal policies and practice within the intergovernmental arena.

Thank you.

A handwritten signature in black ink, appearing to be 'D. Plaatjies', written over a horizontal line.

Prof Daniel Plaatjies
Chairperson
Financial and Fiscal Commission
26 July 2018