

## **Report of the Joint Standing Committee on the Financial Management of Parliament on the Parliament of the Republic of South Africa's performance in the first quarter of 2019/20, dated 4 December 2019**

The Joint Standing Committee on the Financial Management of Parliament, having considered the Parliament of the Republic of South Africa's performance in the first quarter of the 2019/20 financial year, reports as follows:

### **1. INTRODUCTION**

- 1.1 Section 4 of the Financial Management of Parliament and Provincial Legislatures Act, No 10 of 2009 (the FMMPLA) provides for the establishment of an oversight mechanism to maintain oversight of the financial management of Parliament. The Joint Standing Committee on the Financial Management of Parliament (the Committee) was established in terms of the Joint Rules of Parliament. The Committee has the powers afforded to parliamentary committees under sections 56 and 69 of the Constitution.
- 1.2 Parliament's report on its performance in the first quarter of the 2019/20 financial year was tabled on 2 August 2019 and referred to the Committee on 8 August 2019 for consideration in terms of section 54(2) of the FMPPLA. The acting Secretary to Parliament—the accounting officer—and her senior management team appeared before the Committee in a meeting held on 5 September 2019 at which the institution's performance and expenditure for the period under review was interrogated.
- 1.3 This report should be read with the Strategic Plan of the Fifth Parliament and the 2019/20 Annual Performance Plan and budget.
- 1.4 This report comprises three parts: Part A, containing a summary of the institution's financial and performance information for the period under review; Part B, containing the Committee's observations; and Part C, containing the Committee's recommendations.

### **Part A: Performance at the end of the first quarter of 2019/20**

#### **2. Mandate**

- 2.1 Parliament derives its mandate from:
  - chapter 4 of the Constitution of the Republic of South Africa, 1996, No 108 of 1996, which sets out its composition, powers and functions;
  - the Financial Management of Parliament and Provincial Legislatures Act, No 10 of 2009 which regulates the institution's financial management;
  - the Money Bills Amendment Procedure and Related Matters Act, 2009, No 9 of 2009 which provides procedures to amend money bills; and
  - the Powers, Privileges and Immunities of Parliament and Provincial Legislatures Act of 2004, No 4 of 2004 which defines and declares the national and provincial legislatures' powers, privileges and immunities.

#### **2.2 Mission and vision**

- 2.2.1 The institution identified six values according to which it conducted its business in the Fifth Parliament: openness; responsiveness; accountability; teamwork; professionalism; and integrity.
- 2.2.2 In pursuit of its vision to be "activist and responsive" so as to improve the quality of life in South Africa and to ensure enduring equality, the institution had, as its mission, to provide, amongst others, "an innovative, transformative, effective and efficient parliamentary service and administration that enables Members of Parliament to fulfil their constitutional responsibilities".

#### **2.3 Strategic Priorities 2014-2019**

- 2.3.1 The institution's five strategic priorities during the Fifth Parliament were:
  - strengthening oversight and accountability;
  - enhancing public involvement;
  - deepening engagement in international fora;
  - strengthening co-operative governance; and
  - strengthening its legislative capacity.

- 2.3.2 To achieve the above, the Fifth Parliament adopted the following strategic outcome-oriented goals:
- to enhance Parliament's oversight and accountability over the work of the executive to ensure implementation of the objectives of the Medium Term Strategic Framework (MTSF) 2014-2019;
  - to co-operate and collaborate with other spheres of government on matters of common interest and ensure co-operative and sound intergovernmental relations;
  - to enhance public involvement in the processes of Parliament to realise participatory democracy through the implementation of the public involvement model by 2019;
  - to enhance parliamentary international engagement and co-operation;
  - to enhance the ability of Parliament to exercise its legislative power through consolidation and implementation of integrated legislative processes by 2019 in order to fulfil its constitutional responsibility; and
  - to build a capable and productive parliamentary service that delivers enhanced support to Members of Parliament in order that they may efficiently fulfil their constitutional functions.

### 3. Financial Performance Review

#### 3.1 Overview

- 3.1.1 The Fifth Parliament was dissolved on 31 March 2019 and the institution transitioned to the establishment of the Sixth Parliament from April to June 2019 i.e. during the first quarter of the financial year.
- 3.1.2 At the end of the period under review, Parliament had overspent on its first quarter budget by 3 per cent i.e. R18,361 million. The over-expenditure was ascribed to the R55.8 million (or 42 per cent) overspent in relation to Direct Charges/Compensation of Members as a result of the larger than anticipated number of members of Parliament who did not return after the national elections in May 2019 and were therefore entitled to loss of office payments and exit gratuities as shown in Table 1 below.
- 3.1.3 Table 1 below illustrates the budget and actual expenditure during the period under review.

**Table 1: Q1 Budget vs Expenditure**

Main Division	Budget	Actuals	Variance	%
	R'000	R'000	R'000	
Strategic Leadership and Governance	22,599	21,834	765	97
Administration	40,444	38,484	1,960	95
Core Business	138,774	130,431	8,343	94
Support Services	92,699	88,538	4,161	96
Associated Services	180,095	157,878	22,217	88
Sub-Total	474,611	437,165	37,446	92
Direct Charges	131,880	187,687	(55,807)	142
<b>Totals</b>	<b>606,491</b>	<b>624,852</b>	<b>(18,361)</b>	<b>103</b>

Source: Parliament Q1 Performance Report (2019)

#### 3.2 Expenditure (per economic classification)

##### *Compensation of Members*

- 3.2.1 At the end of the period under review the spending on compensation of Members stood at R187,687 million i.e. 42 per cent more than projected. It is predicted that by the end of 2019/20 the institution would have exceeded the projected annual budget for this item by 21 per cent (or R111,987 million). The over-expenditure is due to the payment of loss of office and exit gratuities to 171 parliamentarians who did not return to Parliament after the 2019 elections.
- 3.2.2 The institution has approached the National Treasury with a request to address the shortfall during the Medium Term Budget Policy Statement (MTBPS) period.

#### *Compensation of employees*

3.2.3 At the end of the period under review the institution had spent just under 100 per cent of the compensation of employees-budget for the first quarter. By the end of the financial year the institution is likely to overspend by R11,382 million on this item. The projected over-expenditure will be in respect of the payment of medical aid contributions for former members of Parliament and provincial legislatures. By the end of June 2019, 181 former members of Parliament and provincial legislatures had indicated that they would continue using the

Parmed Medical Aid Scheme. Parliament contributed a certain percentage of their fees.

3.2.4 The institution has approached National Treasury with a request to address the shortfall during the MPBPS period. Parliament has also requested that in the long-term the National Treasury should consider assuming the responsibility for these contributions.

#### *Goods and services (Annual Performance Plan)*

3.2.5 At the end of the period under review the expenditure on goods and services in relation to the APP, stood at 46 per cent only. It is anticipated that the institution will underspend on this item by 1 per cent by the end of the financial year.

3.2.6 The under-expenditure in the first quarter was ascribed to, amongst others, delays in the submission of invoices by service providers, and State of the Nation-related invoices which were paid in July 2019 only.

#### *Goods and services (Members' entitlements)*

3.2.7 At the end of the period under review, the institution's expenditure on goods and services related to Members' entitlements stood at 59 per cent of the planned expenditure. The institution anticipates that by the end of the financial year 100 per cent of the budget will have been spent. It is anticipated that spending during the next three quarters will be higher, which will offset the low spending in the period under review.

#### *Transfer payments*

3.2.8 Spending on transfer payments i.e. transfers to political parties represented in Parliament was 96 per cent. The under-expenditure was due to some political parties not yet having submitted the required documents, and/or queries related to the amounts to be paid. It is anticipated that, by the end of the financial year, the institution will have overspent on this item by 1 per cent. The anticipated over-expenditure is ascribed to an increase in the number of political parties.

3.2.9 The institution has approached National Treasury with a request to address the shortfall during the MTBPS process.

#### *Capital expenditure*

3.2.10 By the end of the period under review the institution had spent 60 per cent of its capital expenditure allocation. By the end of the financial year the full allocation will have been spent. The low spending in the period under review was ascribed to delays in once off capital expenditure relating to the insourcing of cleaning services, and the acquisition of computer software.

## **4. Performance information across programmes**

### **4.1 Programme 1: Strategic Leadership and Governance**

4.1.1 The purpose of the programme is to provide political and strategic leadership, governance and institutional policy, executive communication and coordination, and to oversee the development and the implementation of Parliament's strategic plan, APP and Budget. The programme caters for the Office of the Speaker of the National Assembly and the Office of the Chairperson of the National Council of Provinces, Parliamentary Budget Office (PBO), Treasury Advice Office, and the Office for Institutions Supporting Democracy (OISD).

4.1.2 There are four indicators under this programme: one within the PBO, and three within the OISD. Only two of the targets were met i.e. all analytical reports on institutions supporting democracy (ISDs), as well as the report on ISD-related resolutions were produced within the agreed timeframes.

4.1.3 The under-performance was related to:

- the inability of the PBO to deliver 6 analytical reports: as the Fifth Parliament was dissolved at the end of March, and the Sixth Parliament was only established in May 2019, only three analytical reports could be produced in the period under review; and
- staff shortages and an increased volume of work had resulted in the OISD's only succeeding in providing 81,25 per cent of strategic, procedural, legal advice and support within the stipulated timeframes.

#### **4.2 Programme 2: Administration**

4.2.1 The programme is aimed at providing strategic management, institutional policy and governance, development programmes for parliamentarians, overall management and administration, financial management and internal audit, and a registry of Member's interests. The programme comprises the Office of the Secretary to Parliament, Legislative Sector Support, Strategic Management and Governance, the Financial Management Office, Internal Audit, and the Registrar of Member's Interests.

4.2.2 The programme has two indicators relating to the Legislative Sector Support programme. Given the timing of the national elections and the transition from the Fifth to the Sixth Parliament no capacity building programmes for scheduled in the period under review. The one target set in relation to the number of reports prepared on the implementation of the Sector Strategy was met i.e. one report was produced in this regard.

#### **4.3 Programme 3: Core Business**

4.3.1 The programme is aimed at providing procedural and legal advice, analysis, information and research, language, content and secretarial and legislative drafting services for meetings of the National Assembly, National Council of Provinces and their committees. It also provides for public education, information and access to support public participation, and analysis, advice and content support to parliamentary international engagement. It comprises the National Assembly Table, the NCOP Table, Core Business Support, Knowledge and Information Services, and international Relations and Protocol.

4.3.2 The service charter comprises advisory information services produced to support plenary and committee deliberations, indicates that 99 per cent of services under this programme were delivered within the required timeframes. Of the 13 sub-indicators, only one, procedural advice produced, was not achieved by a small margin.

4.3.3 Parliament chooses to measure its performance in relation to public participation through an independent survey which was administered once a year, and was reported on at the end of the financial year.

#### **4.4 Programme 4: Support Services**

4.4.1 This programme provides facilities and support services to Parliament. These include institutional communication services, human resource management, information communication technology, institutional support services, and Members' support services.

4.4.2 All the targets under this programme were measured annually and progress was on-going in all areas. The programmes will be reported on in greater detail when Parliament tables its mid-year report.

#### **4.5 Programme 5: Associated Services**

4.5.1 This programme provides for travel, communication and other facilities for parliamentarians to enable them to fulfil their duties as elected representatives, and for financial support to political parties represented in Parliament their leaders and constituency offices.

4.5.2 One of the two targets set in relation to this programme was not achieved: the transition from the Fifth Parliament to the Sixth Parliament placed the administration under considerable pressure, which resulted in the time taken to reimburse parliamentarians taking an average of 2,78 days instead of the targeted 2,5 days.

### **Part B: Committee Observations**

#### **5. Observations**

##### *5.1 Performance reporting and monitoring*

5.1.1 The administration should reconsider its use of annual targets as these were impossible to track on a quarterly basis. To do its oversight effectively, the Committee must be able to track all targets on a quarterly basis.

- 5.1.2 The information related to economic classification was too vague and needed more detail to allow for a fuller understanding of what the expenditure in that regard comprised, and to ensure that the Committee understood what the institution's cost drivers were.
- 5.1.3 Performance information was presented in a manner that was too inconsistent and made a true assessment of the institution's performance difficult.

## 5.2 *Compensation of employees*

- 5.2.1 The Committee has brought several allegations regarding discrepancies in the compensation of employees in different divisions to the administration's attention. We have further noted that Parliament's employees were not employed in terms of the Public Service Act, No 103 of 1994.

## 5.3 *Filling of vacancies*

- 5.3.1 It is noted that the institution reported savings as a result of resignations. It is noted that the average rate of resignations over the last three years stood at about 2 per cent per annum.

## 5.4 *Loss of office payments and exit gratuities*

- 5.4.1 The significant over-expenditure on remuneration of former parliamentarians (exit gratuities and loss of office payments) due to the larger than anticipated number of members who did not return to Parliament after the 2019 national general elections, is noted. The institution approached National Treasury for funds to cover the R111, 987 million shortfall in respect of Direct Charges (which includes loss of office payments and exit gratuities), but was only provided with R73 million.

## 5.5 *Parmed Medical Aid Scheme*

- 5.5.1 The Committee has noted that Parliament was responsible for the medical aid contributions of former members of parliament and provincial legislatures which placed an enormous burden on its budget. The Committee also noted that efforts were underway to find a permanent solution to the long-standing challenges posed by the Associated Services programme.

## **Part C: Committee Recommendations**

### **6. Recommendations**

The Executive Authority should respond to the following recommendations within 30 days of the tabling of this report:

- 6.1 The Committee recommends that all annual performance plans of the Sixth Parliament contain quarterly performance targets. Progress in the achievement of these targets should be reported on a quarterly basis.
- 6.2 The Committee recommends that the breakdown of the appropriation statement per economic classification should be in greater detail to allow for a better understanding of what the goods and services, capital assets, and compensation of employees items comprised for example.
- 6.3 The Committee recommends that annual and quarterly expenditure information be broken down and presented in a manner that made for easier oversight of the institution's performance against performance and expenditure targets.
- 6.4 The Committee recommends that the various allegations about discrepancies in how employees were compensated be addressed before the Sixth Parliament's strategic plan was finalised. Should there be a need to develop legislation or amend existing legislation to ensure better management of matters related to the compensation of employees, that avenue should be explored too.
- 6.5 The Committee recommends that it be provided with a list of all vacancies at the time of reporting, their age and efforts underway to fill them. Furthermore, the institution should continue to pursue measures to attract and retain skills.
- 6.6 With regards to the concerns raised in paragraph 5.5.1 in respect of the Associated Service-programme's budget, the Committee recommends that all avenues to arrive at a solution to the challenges be explored. The Committee should be updated on progress made in this regard on a quarterly basis.

**Report to be considered.**