

# Limpopo making progress - National Treasury

Limpopo's liquidity and solvency challenge has been solved and payments to suppliers have begun returning to normal, while a number of provincial departments that were last year placed under administration have been able to reduce overspending, the National Treasury told Parliament on Wednesday.

Kenneth Brown, the National Treasury's Deputy Director General of Intergovernmental Relations, detailed figures that showed that the National Treasury's interventions to assist provincial departments placed under administration last year were beginning to show progress.

Briefing the National Assembly's Portfolio Committee on Public Service and Administration on the financial status of provincial departments under administration, Brown said the Departments of Education in the Eastern Cape and Limpopo and both the provincial Treasury in the Free State and Limpopo had begun making a turnaround.

However, the Department of Education in Gauteng and a number of Limpopo departments still had some way to go before showing an improved financial position, he said.

The National Treasury had also instructed the Free State's Department of Police, Roads and Transport to initiate a forensic investigation into 23 road projects that it had entered into illegally and without funded contractual commitments.

## From red to black

Turning to Limpopo, Brown said the province's treasury had improved from a shortfall in November to close at a positive of R231m in March 2012.

"Although the total payments outstanding are R1.1bn in terms of the audited financial statements, the bank balances now exceed this amount," he said.

A notice had been posted in local media requesting that suppliers still waiting for payment submit their invoices and purchase orders directly to the provincial treasury so that these can be verified and settled.

Brown said outstanding textbooks were being delivered to learners this month.

"Going forward, the payment intervals of the province will be aligned to receipts from national government in order to avoid future liquidity problems," he said, adding that a credible budget had been drafted and tabled in March by the province.

## Further measures

- \* A revenue enhancement strategy is being finalised and a human resources team set up to control personnel-related pressures.
- \* A detailed plan has been developed to capacitate the budget planning and cash management functions within the provincial treasury.
- \* A recruitment process is under way to fill the vacant head of department position and other critical positions in the provincial treasury.
- \* An integrated support plan to assist departments is being finalised.

He said Limpopo's Education Department had lowered overspending from 2.6% of its budget for compensation of employees in 2010/11 to 0.4% in the last financial year.

The Free State's provincial Treasury had also improved its financial performance - moving from a figure of 3.8% in underspending of its budget in 2010/11 to underspending of 1.7% in the last financial year (2011/12), he said.

The provincial treasury had completed a capacity evaluation assessment and prepared a remedial plan to address identified skills gaps and critical posts had also been filled in the provincial treasury.

The Department of Education in the Eastern Cape has also improved and had as of March 31, cut overspending on salaries, from a budget overrun of R500m to an overrun of just over R350m. The department had effectively reduced overspending from a 2.9% surplus to 1.9% surplus of the budgeted salaries.

## **Poor management**

However, Brown noted that because of the poor management of personnel by the department, the capital budget was still effectively subsidising the budget for the compensation of employees.

To remedy this, the finance section of the department had been temporarily stabilised by the deployment of national and provincial treasury officials to the positions of chief financial officer as well as to supply chain, risk and internal control and internal audit positions.

A project plan had also been finalised between the Departments of Basic Education and Public Services and Administration, the National Treasury and the province's Education Department.

The plan includes a headcount audit and clean up and audit of those on the payroll system.

Brown noted that there had been a number of turnaround plans and strategies drafted for the province's Education Department before, but pointed out that the key to success in this instance would be improved co-operation with districts as well as better labour relations.

However, for Gauteng's Department of Health, he said the budget outcomes indicated that the department's financial position remained a significant challenge and it would take time to stabilise the department fully.

## **Austerity measures**

He said the draft audited financial statements for 2011/12 reflected accumulated unauthorised [spending] of R3.6bn.

An amount of R1.5bn had since March been made available to the department by the provincial treasury which had helped in restoring the supply of medicines and medical consumables to Gauteng hospitals.

Brown said austerity measures focusing on contract management and core services were expected to yield savings of R2.1bn, which will be redirected to offset accruals during the current financial year.

He said added to this, the national Department of Health was assisting the department in carrying out a review of its organisational structure.

A team is also working on addressing contract management practices within the department.

Detailing the measures that the departments under financial administration in Limpopo were taking, Brown said in the Health Department a clean-up of the payroll system was under way, a new record-keeping system was being designed and a new contract management process and verification process for payments was being designed and implemented.

In the Department of Roads and Transport, a review is under way to create a new organisational structure, appropriate job descriptions and a project-based learning programme.

## **Lease irregularities must be addressed**

Brown said the provincial Department of Public Works needed to address irregularities in lease management - as it was paying higher than market rates for property leases, while the immovable asset register was incomplete.

The Director General of the Department of Public Services and Administration, Mashwahle Diphofa, said as part of steps to stabilise Limpopo departments, steps had been taken to reduce the budget for the compensation of employees by two percent by doing away with funded vacancies and by deferring the filling of posts.

Diphofa said the budgets for travel and subsistence, cellphone calls and goods and services had been cut, while better control measures around payments had been put in place.

However, the large number of vacancies which had not been filled in the last 12 months, remained a concern.

For example, as of March 31, the vacancy rate at the Department of Education had increased - from 37% in October last year to 38%, as had the vacancy rate for the Education Department, from 30% to 31% and for Public Works - from 4% to 6%.

The vacancy rate for roads and transport had, however, come down, from 21% to 18%, as had the vacancy rate at provincial treasury - from 16% to 11%.

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