BIZCOMMUNITY

Limpopo government powers restored

National government has restored the powers of the Limpopo provincial government following a successful intervention to get that province back to good financial standing.

(Image: Wikipedia)

Cabinet last year took a decision to place five Limpopo departments under administration when they ran into financial trouble.

In a statement issued by the Department of Communications on Monday, the national executive expressed satisfaction with the intervention, saying that Limpopo has turned the corner.

"... [Limpopo's] administration is in the process of being handed back to the Provincial Executive. There is a clear plan for the province to complete remaining tasks and deal with systemic challenges and risks.

"The National Executive will continue to play an oversight role as part of the transition," said the statement.

Smooth transition

Cabinet has approved the transition of the intervention from Section 100 (1) (b) to Section 100 (1) (a). This means that the MECs of the affected provincial departments will assume full executive powers to run the departments and the accounting officer role will be given back to the HODs of the respective departments.

Government said it is seeking the agreement of the National Council of Provinces (NCOP) in this regard, as required by Section 100 (1) (2) (c) of the Constitution.

Cabinet has also given clear conditions that the Provincial Executive will have to fulfil as a pre-requisite for determining complete withdrawal.

In this regard, the National Executive authority will define the measures that the province will need to take to address identified areas of failure, and will monitor the province's progress. The province will also be supported to avoid relapse.

Cabinet has tasked the Inter-Ministerial Committee with entering into a memorandum of understanding with the Premier and his executive. This is to ensure that outstanding issues are addressed, and that the province gets enough support to implement its projects sustainably.

"Performance against these conditions will form the basis for determining the time at which both the transition to Section 100 (1) (a) is finalised, as well as when the intervention is withdrawn altogether," read the statement.

The intervention

Towards the end of 2011, Cabinet had been concerned about the state of financial management and governance in Limpopo and had received reports on trends in provincial overspending and challenges with supply chain management.

Some of the transgressions included service providers being paid twice a week. This led to serious cash-flow challenges and the procurement of hospital consumables via quotations instead of following the normal supply chain procedures. Such goods were mostly procured at a cost that was up to 10 times higher than the normal price. The province was technically bankrupt.

The Provincial Treasury in Limpopo had an overdraft at the South African Reserve Bank of R757m by November 2011. The Provincial Treasury requested an additional R500m on its overdraft facility from a commercial bank. The bank refused the request and terminated this facility.

Once National Treasury received a request from the province to increase its overdraft facility, it was evident that without a Section 100 (1) (b) intervention, the province would not be able to proceed on a sound financial footing.

In November 2011, it became clear that the province would not be able to pay teachers, doctors, nurses, social workers, service providers, and other public sector employees.

The province had large accumulated unauthorised expenditure, which grew from R1.5bn in 2009 to R2.7bn in 2011.

Accruals, in the form of unpaid expenditure (unpaid invoices), grew to R500m at the end of March 2011.

Cabinet took a decision to institute corrective measures by invoking Section 100 (1) (b) of the Constitution to resolve weaknesses in five Limpopo provincial departments namely the Provincial Treasury, Education, Roads and Transport, Public Works, Health and Social Development.

Cabinet sent a National Executive Intervention Administrative Team, led by Monde Tom, to Limpopo to put in place emergency measures and ensure that the Provincial Treasury and the provincial government were able to exercise proper financial management, ensure fair and transparent procurement, and deliver appropriate services at the right price.

A National Coordination Mechanism, in the form of an Inter-Ministerial Committee chaired by the Minister of Finance, was established to oversee the implementation of the intervention.

The Section 100 (1) (b) intervention resulted in national government taking over the executive obligations of the relevant provincial departments.

Successful turnaround

The Section 100 (1) (b) intervention in Limpopo has achieved its objectives, which is the successful turnaround of financial management and governance in the province.

A more efficient electronic accounting system has been put in place in the Provincial Treasury and is being rolled out in other provincial departments.

The Provincial Supply Chain Management (SCM) policy has been reviewed. Under the guidance of the Office of the Chief Procurement Officer at National Treasury, Provincial SCM standard operating procedures and procurement reforms have been introduced.

The province is implementing a centralised supplier database system, through which all suppliers in the province will be managed.

The financial position regarding cash, solvency and budget has been stabilised. A new cash management process has been put in place in conjunction with the province's new banker. The Provincial Treasury now retains even greater control over movements or transfers of funds than before.

A substantial number of outstanding invoices were processed, resulting in service providers being paid. The number of outstanding invoices is now among the lowest of all provinces.

Furthermore, accumulated unauthorised expenditure has been reduced from R2.7bn to R600m. The rest will be wiped out in the 2016/17 financial year.

The medicine supply chain has been significantly improved and the medicine stock level has been raised from 48% to 78%. Direct delivery of medicines is now being piloted in tertiary and regional hospitals, which has cut out stock piling inefficiencies in pharmaceutical depots.

Refurbishment and installations of boilers in 19 hospitals and 52 autoclaves in 29 hospitals has been completed and this will address dysfunctional facilities.

The management of hospitals has also been improved through the appointment of 37 new hospital CEOs. There had been 40 vacancies when the Administration came in.

Eight new road upgrade projects were reinstated after being discontinued due to a lack of funds.

Education improvements

The funding of schools, in terms of the National Norms and Standards for the funding of schools, has been improved by 62% in 2012 to 90% in 2014.

An innovative procurement and delivery strategy for the learning and teaching support materials has been developed and is being successfully implemented.

A physical headcount of learners and educators has been completed with the assistance of Stats SA. The outcome of the headcount is currently being consolidated with the databases in the Education Management Information System (EMIS) for learners and PERSAL for educators.

In 2012, there were 2,544 temporary educators in the system. A process to profile these temporary educators against profiled vacant funded posts was initiated. Where a match was found, temporary educators were permanently absorbed. As at 31 March 2013, only six of the 2 544 temporary educators had not been absorbed permanently.

The post baskets of ordinary public schools have been determined and gazetted for the 2014 school calendar year.

With the assistance of the Office of the Chief Procurement Office, a new funding model for the learner transport programme has been finalised. A tender for the learner transport programme is in the process of being advertised.

By the end of the 2013/14 financial year, there had been a marked improvement in infrastructure planning, delivery and spending. The prioritisation of the water and sanitation projects was strategic and had borne good fruit.

Most importantly, two projects are in an advanced stage of being rolled out namely, the condition assessment of education infrastructure and the geo-spatial analysis. These projects will further focus the department's infrastructure planning, delivery, maintenance, upgrades, and refurbishments.

Some progress was observed in the disciplinary processes undertaken, despite some areas still to be addressed.

Outstanding challenges to be addressed

While the province's finances have stabilised, there are areas that still need to be addressed. These include:

• The conclusion of disciplinary and criminal cases;
• Appointment of competent senior managers in key positions;
• Addressing the skills gaps in financial management and infrastructure; and
• Resolving weaknesses in supply chain management systems.

"Addressing these systemic challenges and maintaining the financial stability of the province will require commitment and ownership by the Premier and Provincial Executive," said the Department of Communications.