



SAVINGS@WORK



GOVERNMENT SPENDING REVIEWS CONFERENCE

Topic: Party time with Govt.

Name: Jeremy Upfold

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Introduction

- Purpose – to better control cost-cutting efforts related to events spending
- Key points:
 1. Events cost the fiscus far more than initially thought and many events are not forwarded to Provincial Treasury (PT) for approval, undermining efforts to control costs and increasing amount of irregular expenditure that departments declare
 2. PT needs better controls in compiling it's events register, as well as to be able to highlight large gap of almost R150 million between approved spending on events and actual costs as per BAS
 3. Departments need to reconcile actual events for 2019/20 with those recorded in register to determine extent of the problem and to ensure that this is reduced going forward
 4. Introduction of pricing norms for event services to ensure value for money

Introduction

- Spending on events for KZN was significantly higher than anticipated. It was expected that events would total approx. R100 million p.a., based on the no. of events requested for approval by departments and their values. However, annual total for 15/16 to 18/19 averaged more than R350 million, with 18/19 the highest at almost R390 million. More than R257 million was spent in the first 8 months of 19/20, on track to exceed the yearly average
- Discrepancy between anticipated spending and actual costs highlighted what was long suspected, that departments were not submitting all events to PT for approval
- Another notable observation is that Office of the Premier, an oversight department, is highest spending department in the last 3 years, which is surprising as it is not a line function/service delivery department. The department attributes this to its programme of Moral Regeneration and Social Cohesion, which is aimed at addressing a variety of social ills including gender-based violence, declining family values and xenophobia, among others

Introduction

- Potential lines of enquiry:
 1. PT needs to improve/redesign its events register to make best use of Excel features. Also need to establish cost norms for various services rendered at events
 2. Better use of BAS to check that departments are being honest about costs
 3. Departments should consider preparing annual events plan as part of their Annual Performance Plan. Departments will also have to start planning events in a more organised way. Particularly, they need to be prepared to utilise the determined norms to negotiate better prices for services, which should result in reduced costs
- Conclusions/ recommendations:
 1. All of the above
 2. Department to reconcile PT register with their own spending on events
 3. Departments to consider using a project code on BAS to better identify event costs
 4. PT to review cost norms every 6 months

Findings: Institutional analysis

- **Institutional analysis:**

- Monitoring of events began after financial crisis of 2008, as well as more than R3 billion bank overdraft incurred by KZN in 09/10. PT mandated by PEC to verify and monitor areas of potential cost containment. The Public Finance unit within PT was identified as centre where this would be controlled from, with each budget analyst within the unit responsible for their client department's cost containment measures
- PT issued 1st cost-cutting circular in 09/10 setting out areas to be targeted for cost containment. Circular is updated, refined and amended annually. In addition, National Treasury also issued their own cost-containment measures and alignment with these was required
- Until 2019, system was driven by 10 budget analysts in Public Finance unit in relative isolation from one another. No central register and no co-ordination of costs for events, resulting in no cost norms being established. After April 2019, a full time staff member appointed to manage and monitor process, central register developed. In December 2019, (post GTAC) register was improved to determine costing norms for various services provided at events (marquees, chairs/tables, stage/sound, toilets, security, etc.), based on more than 160 events over 3 months

Findings: Programme delivery and performance

- Approval process – submission of formal request to PT to hold an event – from line function unit hosting event, signed off by CFO and AO of requesting dept, setting out nature of event and motivation as to why it is necessary plus how it links to dept's core mandate – usual SCM requirements apply (3 quotes, etc.)
- Complete submission (formal request/all quotes) must reach PT at least 5 working days before event, to allow analysis of request and, if necessary, interaction with dept. to address concerns/omissions. Once analyst satisfied, then letter of approval prepared and sent for signature by either Head: PT or DDG: Sustainable Resource Management. Once signed, approval letter sent to dept, who can then finalise events' logistical arrangements
- Process intended to bring control into no. of events held, and reduce costs. Until late in 2019, extent of control was dependant on individual analyst at PT, and standards did differ between depts. (such as leniency on 5 working-day rule; differing norms applied to costing of items procured). With intro. of a single person processing requests, these problems largely eliminated. Still some event requests where senior staff intervene and instruct that event must be approved despite time-frame requirements/costing limits not being met, but they feel that event needs to proceed regardless of these issues

Findings: Expenditure Analysis

- BAS was source, with complete annual records from 15/16 to 18/19, as well as current year (19/20), with data available from 01/04/19 to 30/11/19. Data items used were audio-visual, stage and sound, event promoters, artists and performers, transport for events, venues and facilities. Note that costs are probably understated as these items are not conclusive list as other possibly relevant items are not used exclusively for event costs, eg. Accommodation
- 2nd source – PT register of events. Register was started in April 19, with arrival of dedicated person to record and process event requests, replacing 10 analysts who did this previously. Register incomplete at time of commencing this PER and some essential data had to be obtained from source documents, and additional data added for determination of norms
- Discuss and/or explain expenditure patterns on the implementation programme
 - Identify cost drivers and opportunities for improvement
 - Compare expenditure to performance

Findings: Expenditure Analysis

Table 1: Event spending per department

R'000	2015/16	2016/17	2017/18	2018/19	2019/20
Office of the Premier	77 993	64 824	115 477	150 766	85 116
Agriculture and Rural Development	11 211	8 622	6 313	6 108	7 379
Economic Development, Tourism and Environmental Affairs	23 652	23 873	12 645	21 662	17 404
Education	18 700	23 155	23 496	27 845	9 444
Provincial Treasury	418	1 368	1 234	1 637	1 280
Health	4 169	1 439	1 520	1 932	1 261
Human Settlements	2 817	2 047	1 326	1 589	1 589
Community Safety and Liaison	18 597	12 021	9 557	7 972	3 649
Sport and Recreation	118 012	94 277	87 629	89 577	54 487
Co-operative Governance and Traditional Affairs	34 999	56 835	17 675	33 044	31 595
Transport	15 009	13 756	16 612	10 758	11 952
Social Development	6 234	5 096	5 692	2 885	2 987
Public Works	669	977	246	1 072	597
Arts and Culture	25 153	25 340	35 615	32 587	29 111
TOTAL	357 633	333 630	335 037	389 434	257 851

Note: Spending in 2019/20 is for 8 months only

Findings: Expenditure Analysis

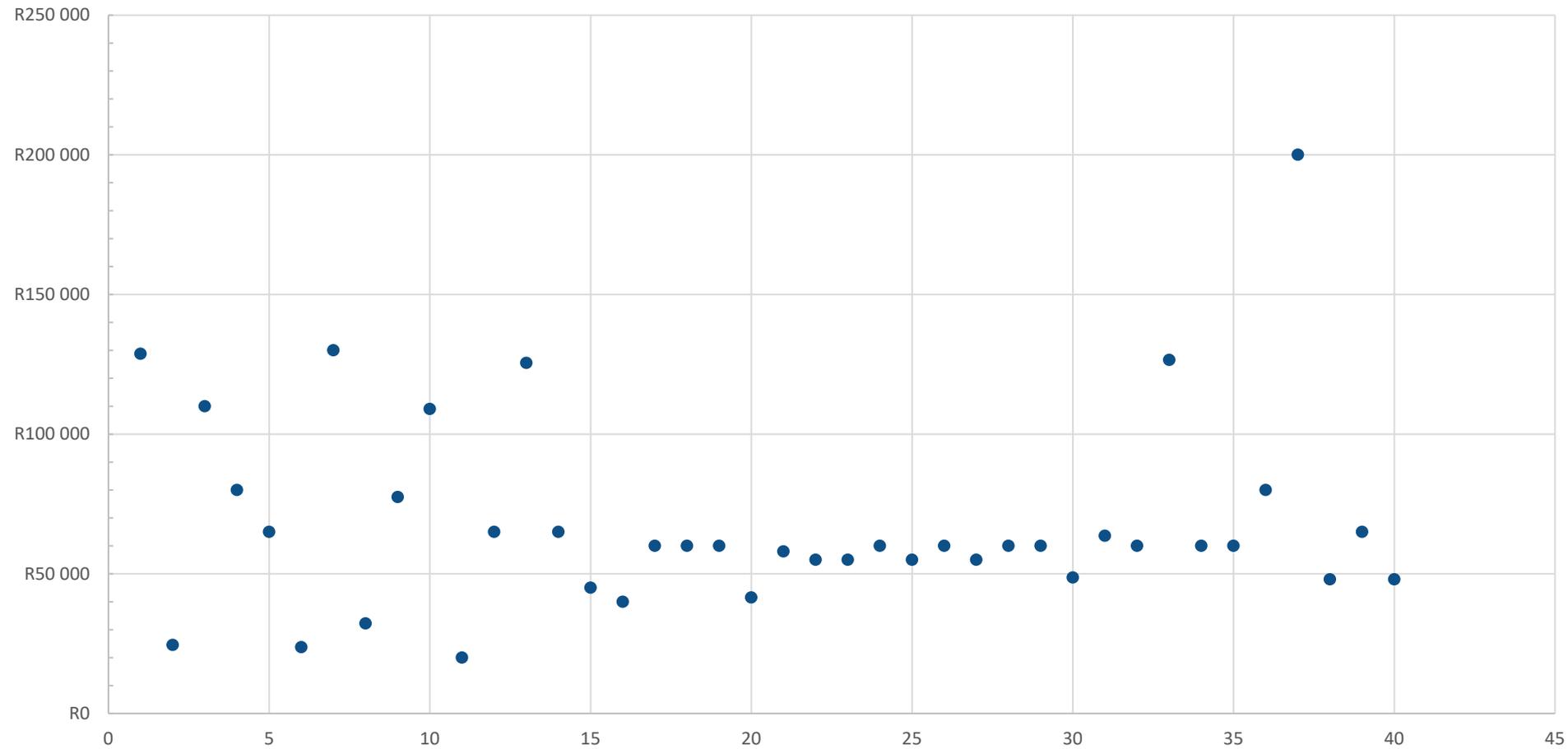
- Spending on events for KZN was significantly higher than anticipated. It was expected that events would total approximately R100 million p.a., based on no. of events requested for approval by depts and their values. However, annual total for KZN for 15/16 to 18/19 averaged more than R350 million, with 18/19 highest at almost R390 million. More than R257 million spent in 1st 8 months of 19/20, on track to exceed yearly average
- Discrepancy between anticipated spending and actual costs highlighted what was long suspected, that depts were not submitting all events to PT for approval. Further investigation will have to be undertaken to determine if this is intentional by departments, or just an oversight by event organisers
- 2nd notable observation is that OTP, an oversight department, is highest spending dept. in last 3 years – surprising as it's not a line function/service delivery dept. OTP attributes high spending to programme of Moral Regeneration and Social Cohesion, which is aimed at addressing a variety of social ills including GBV, declining family values and xenophobia, among others

Findings: Savings, Trade-offs and Constraints

- Determining indicators for success/failure of events held were not part of this PER. Ultimate aim was to determine if depts were paying fair value for services hired to support the various events
- Name and purpose of event also captured and assessed to see if it matches mandate of dept, which it does in most cases. There are events where theme is clearly not dept's mandate. Eg., Dept. of Social Development held a "Planting Season" event, which is clearly mandate of Dept. of Agriculture and Rural Development. In these cases, issue is raised with senior management of PT before any approval is given
- Unit costs for various services identified by obtaining quotations submitted and accepted for events from Oct. to Dec. 2019. Costs were then captured on Excel and simple scatter graphs created to determine most common price charged for service. Also compared to average price for same service. As there are numerous categories of services, not all graphs were shown in this PER, but following are of interest

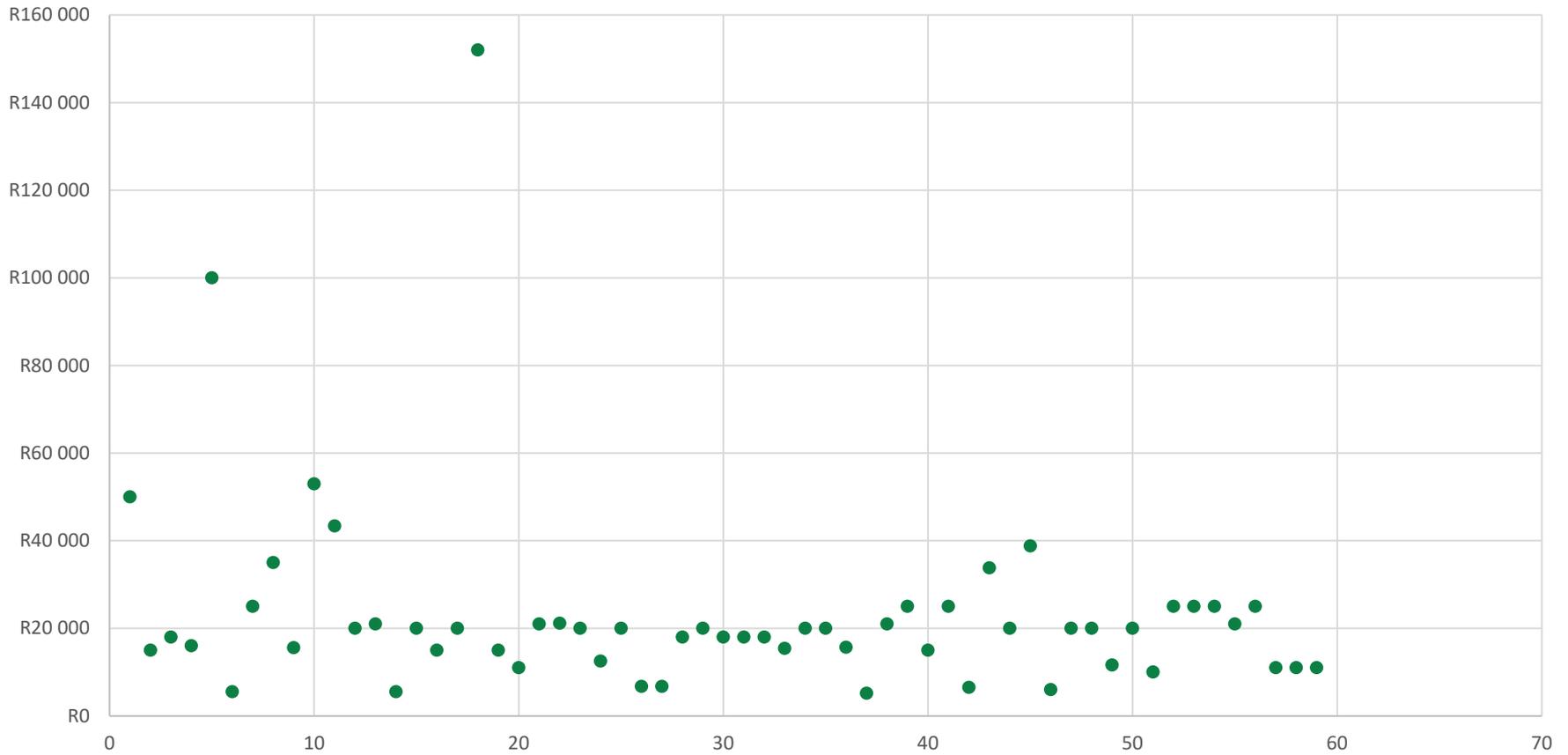
Findings: Savings, Trade-offs and Constraints

Marquees 3 000 seat



Findings: Savings, Trade-offs and Constraints

Sound System



Findings: Savings, Trade-offs and Constraints

Table 2: Norms vs Averages (R'000) as established from October to December 2019

Service	Norm	Average
Marquees 1 500 seat	60 000	68 513
Marquees 500 seat	40 000	44 708
Marquees 150 seat	10 000	13 712
Marquees 50 seat	5 000	7 904
Chairs (per chair)	3 000	3 815
Chair covers (per cover)	5	7
Tables	12	16
Table Cloths	70	54
Sound System	70	82
Toilets	20 000	23 032
Disabled Toilets	1 200	1 512
Stage	3 500	4 225
Speed Fence (300 m)	8 000	10 925
Safety Officer	20 000	21 085
Lightning Conductor	15 000	16 061
Podium	3 000	3 837
Generator	1 000	1 032
Entertainment	20 000	6 976

Conclusions and recommendations

- Main role-player that needs change is PT. Events register was not designed in most logical way and was ignoring Excel best practices. Register had incorrect information in some fields and formulas not used in all total columns, or for VAT calculations.
- Until this PER, no formal determination of norms was done, with these arrived at largely through educated guesswork – averages were more commonly used. PT had started to apply norms in its assessment of event requests, but only based on these educated guesses. In addition, application of norms in limiting costs was only recently started (Oct. 2019)
- PT needs to be more proactive in monitoring event costs as it has been proven that relying on depts' to apply for approval for all events is not failsafe process and many events not sanctioned by PT. BAS will be required to assist in determining when events are not being forwarded to PT for approval. This will have to be a monthly process as finding out well after the time (such as at end of the fin. year) is not useful and allows bad practices to persist, as well as results in irregular expenditure

Conclusions and recommendations

- Norms to be made available to all depts so that they can be applied at procurement stage for events. This would reduce back-and-forth process once a request is received at PT as depts would be aware of cost limits on services and would negotiate with suppliers accordingly
- Depts formally requested by circular to reconcile actual events with those contained in PT register to ensure that all events are accounted for. This will allow PT to understand scope of failure to acquire approval for events, as well as to send message that this issue is being monitored and should be addressed by all AOs/CFOs
- Info. from this PER already included in submission to KZN MEC for Finance regarding events – focus already on OTP – MEC has sought more information on all events held to establish whether they are necessary, and whether fair value has been obtained
- Provincial Treasury is exploring the option of making the use of a project code on BAS compulsory from 1 April 2020 for the payment of event costs. This would allow better tracking of total costs

Conclusions and recommendations

- PT exploring option of making use of project code on BAS compulsory from 1 April 2020 for payment of event costs. This would allow better tracking of total costs
- Findings of this PER, as well as any new developments in revising events register, will be shared with departmental finance teams at annual Budget Guidelines workshop in May 2020
- Norms will be reviewed from June to August 2020, with all unit prices for services recorded over this period used to establish norms for next 6 months

Thank you