

INFORMATION SERVICES: RESEARCH

1/005 90 Plein Street, Parliament, Cape Town, 8000

Bridgette Diutlwileng

Telephone: (021) 403 8289 Fax 403 8118

E-mail bdiutlwileng@parliament.gov.za

9 October 2006

**ANALYSIS OF THE ANNUAL REPORT OF
STATISTICS SOUTH AFRICA - 2005/06****1. Introduction**

During the period under review, Statistics South Africa (Stats SA) focussed on improving both its internal efficiency, as well as improving understanding of the statistical needs of South Africa, and thereby producing relevant and quality statistics. The organisation has, for the first time, achieved its full management complement, which will go a long way in improving the efficiency and effectiveness of working processes and programs. The relationship between Stats SA and the Statistics Council was also strengthened in the last financial year. In this regard, the Statistics Council worked jointly with Stats SA to address the capacity challenges that the organisation faces. The organisation has also shifted its organisational structure to align it with its redefined vision, mission, values and strategic objectives, as well as to align it with shifting priorities within the organisation.

2. Strategic Environment

In conducting its work, Stats SA has focussed on monitoring the performance of the country by applying best international practice instruments. In this regard, the organisation has implemented new survey methodologies for the Consumer Price Index (CPI)¹ and the Income and Expenditure Survey. The new CPI provides a more reliable inflation indicator, and brings Stats SA's price-collection methods in line with international practice. This has resulted in a significant degree of confidence in Stats SA's quality of data and the actual price indices. Stats SA has also initiated a review of the Labour Force Survey and the Producer Price Index, with the reviewed methods to be implemented over the medium term. In addition, Stats SA also focussed much attention of engaging more with its client base and evaluating client-satisfaction.

¹ The new method in measuring CPI, first piloted in 2004, involves deploying data collectors to physically visit retail outlets, observe and record the prices of certain goods. This method was fully implemented in the metropolitan councils in the period under review, as this information is collected mostly for their benefit.

The key strategic objectives of Stats SA are:

2.1 Providing relevant statistical information to meet user needs

- The assessment and monitoring of user needs was achieved by conducting two workshops in each province during the 2005/06 financial year. Stats SA received increased ratings in all areas of statistics.
- Stats SA further aims to increase the accessibility and usage of statistics by ensuring that users have equal access to statistical information and metadata. Stats SA's website remains its primary dissemination tool. The numbers of visitors to the site have increased by approximately 50% during the period under review.
- Stats SA aims to provide relevant statistical information in line with international frameworks² and in response to government priorities. In the year under review, Stats SA produced information to inform national policies on economic growth³, price stability, employment and job creation, access to service delivery, as well as population dynamics and profile. The organisation further increased the sample size of the Economic Activity Survey to ensure better coverage of all economic sectors. Stats SA and the Department of Agriculture also jointly conducted the Agriculture Survey, for which processing and analysis of data will only be done during 2006/07.
- Stats SA is in the process of implementing the 2001 Government Financial Statistics Framework, in line with the guidelines provided by the International Monetary Fund (IMF).
- Stats SA conducted the Survey of Employers and the Self-employed, which is aimed at collecting reliable data about people running businesses that are not registered for VAT or Income Tax.
- Stats SA is in the process of conducting the Income and Expenditure Survey, which entails collecting information on household spending patterns. The survey forms the basis for determining the weights for the basket of goods and services used in the compilation of the CPI.
- A new collection methodology for conducting the Income and Expenditure Survey was carefully formulated in line with international best practice, and the testing thereof was finalised in 2005/06.
- In terms of the Labour Force Survey, recommendations were made to address weaknesses relating to conceptual clarity, questionnaire design, sample design, estimation procedures, administration and Labour Force Survey Questionnaire, and publication of results in terms of frequency, timeliness and statistical release content. The aim of this survey is to be conducted on a quarterly basis, and the results to be available within four weeks after the last day of data collection.

² International frameworks include the General Data Dissemination Standards, Special Data Dissemination Standards, and the System of National Accounts. These guide countries in the provision of their economic and financial data to the public.

³ Stats SA has started to emphasise understanding and measuring the agriculture, construction, transport, communication and business services sectors to provide more accurate and reliable indicators to quarterly gross Domestic product (GDP).

- Stats SA continued to work on surveys such as the Average Monthly Savings Survey, which was reintroduced as part of the quarterly employment survey, the Community Survey, and the Population Census 2011.

2.2 Developing and promoting statistical advocacy and partnerships.

- Stats SA is currently working with its stakeholders to compile a statistical Master, which will assist in enhancing the National Statistics System. The organisation has also established Joint Working Parties with other government departments (Education, Health and Home Affairs) in order to assess the potential of these departments' administrative data to be sustainable sources of official statistics.
- During the year under review, Stats SA assisted the Justice, Crime Prevention and Safety Cluster task team with designing a model to predict the number of potential prisoners in the prison system. Stats SA also supported the Department of Transport with refining the sector's indicators, as well as provided data to the Office on the Status of Women, located in the Presidency.
- In a joint initiative with the Presidency's Policy Coordination and Advisory Services, Stats SA completed a first draft of the Compendium of Indicators for government's monitoring and evaluation systems. In addition, Stats SA is responsible for the coordination of the Millennium Development Goals process in South Africa, and has produced a country report in this regard.
- Stats SA embarked on a joint project with the Department of Home Affairs to assess the levels of coverage of birth registrations, and to establish the reasons for over- and under counts.
- A policy on data quality was approved in the year under review. The purpose of the policy is to ensure that producers of statistics in South Africa adhere to the agreed standards, procedures and guidelines on producing quality data. In addition, the South African Statistical Quality Assessment Framework was developed for measuring product and data quality.

2.3 Enhancing the quality of products and services

- During 2005/06, Stats SA took various initiatives to improve the accuracy of various statistical series, improving the timeliness of statistics, promoting the quality and coverage of frames, as well as applying technological advances in improving the quality of statistics.
- During the year under review, 15.7% of the national geographic frame was completed.

2.4 Ensuring good governance.

- This strategic theme focuses on ensuring compliance with legislative frameworks such as the Public Finance Management Act and the Public Service Act, improving the efficiency and effectiveness of administrative processes and systems, improving the quality and usage

of management information, planning and executing activities within budget constraints, managing risks effectively, as well as providing effective leadership and management to the organisation.

- Stats SA has initiated various initiatives to ensure efficiency in internal planning in order to meet these goals. This includes approving policies in the areas of asset management, cellular phones, landlines, consultants, catering, Black Economic Empowerment, Bursary and Scholarship Administration, as well as Human Resources Development.
- Stats SA improved its management information system to include a business planning system, a survey progress reporting system, a leave planning and tracking system, as well as a telephone and emergency contact system.

2.5 Building Human Capacity

- Stats SA's employment Equity Plan was approved in June 2005, and an Employment Equity Consultative Committee launched in October 2005.
- Stats SA launched an internship programme during the year under review, with an aim of addressing the lack of skills within the organisation, especially in the statistical core areas. The organisation subsequently recruited twelve interns, who enrolled during January 2006.

Issues to Consider

- The report presents an improvement from the 2004/05 annual report in that it provides accurate information regarding the strategic themes and advancements towards achieving them. In this regard, however, the report only details its achievements, with no mention of measurable objectives or even any challenges that the organisation faced in implementing its strategic objectives.

3. Programme Analysis

3.1 Economic Statistics Programme

- The report indicates that Stats SA met most of its targets in terms of the number of statistical releases published. However, most of the reports do not have targets provided in terms of response rates. It is therefore not possible to determine whether the organisation met its response targets or not.
- It is not clear whether the deadline for the *selected Buildings* annual publications, which was April 2005) was met.
- No statistical releases were published for the *Restaurants; Bars and canteens* publication due to the fact that staff was seconded to the CPI development project, which was a high organisational priority. The

publication was expected to be released in August 2006. This could be an indication of a capacity problem within the organisation.

- The large sample surveys of *Manufacturing, Wholesale Trade and Retail Trade* were conducted two months after the target date. However, this is not expected to affect the publication of results, which should be on target.
- In terms of *Average Monthly Earnings*, Stats SA planned to conduct a survey, but only produced four statistical releases. The report does not give any indication on the survey.
- In some instances, such as with the *consumer Price Index* and the *Pilot Income and Expenditure Survey*, the organisation indicates that the output was executed but does not refer to whether the target was met or not.
- The target for the *Producer Price Index – Revised Basket of Commodities* was not achieved because of poor quality and inconsistent data.

3.2 Population and Social Statistics

- The report indicates that although there were delays in meeting certain timeframes, such as the Pilot Community Survey, Stats SA produced most of its products, as planned. Three targets relating to *Statistical Information on Tourism and Migration*, *Statistical Information on Health* and the *Master Sample* were not met. Some of the delays were due to capacity problems, while some were due to inadequate processing systems.

3.3 Quality and Integration

- Stats SA revised the targets for statistical assessments from nine to three departments during the year. The assessments were subsequently conducted in the Departments of Education, Health and Home Affairs only.
- The Memoranda of Understanding, which were to be signed with partners in the National Statistics System, were not signed due to difficulties in securing suitable dates. Seven memoranda were drafted.
- Regarding the indicators for the monitoring and evaluation system, Stats SA aimed to identify 25 social indicators in the year under review. However, the reported output is totally different to the initial target, which is not mentioned. In addition, the organisation aimed to produce three demographic reports, but only reported on two reports.
- The target relating to the establishment of a statistical unit in the Department of Education was not met. However, a Joint Working Party was established in that Department, and Stats SA explained that this is a long-term plan that requires a governance structure of the National Statistics Services to be in place first.
- The National Statistical Services Framework Document, which was to be finalised in March 2006, is still in progress.

- In terms of *Methodological Compliance on Population and Social Series*, it is not clear if the target of 85% compliance was accomplished.
- Stats SA is continuing to implement the methodology for the Labour Force Survey.
- The *Monetary Poverty Report* was drafted, but not finalised as planned.
- The papers on *Water Monetary Accounts, Energy Use and Air Quality* were not released on target due to methodological and scope changes, as well as the resignation of staff members. The Advisory Committee had also recommended that the paper on Energy Use not be published. The report does not indicate the reasons behind this decision.

3.4 Statistical Support and Informatics Programme

- The document does not provide statistical information consistently. Whereas in some instances it indicates achieved targets (normally cases where the complete targets were achieved), in other cases it disregards the original targets when reporting on actual outputs and thus makes it difficult to ascertain whether targets have been met. This trend was consistent throughout the programme analysis. It would be ideal for Stats SA to indicate when projects have been achieved or not, and to furnish the information to the Portfolio Committee on Finance.
- In terms of operational and project management, including project management training, most projects exceeded targets, while others were slower to roll out. The latter were mostly projects that required consultation with other stakeholders.

3.5 Corporate Services Programme

- Although Stats SA's procedure of appointment, termination and payment of fieldworkers was changed and the new procedure implemented, it is not clear whether the Department's debt management system has been satisfactorily improved. Furthermore, although the Credit Management Unit was established, capacity problems have resulted in its limited effectiveness.
- The organisation has filled 83% of its vacancies, against a target of 90%. In terms of Human Resource Systems, only an electronic leave system was developed (which was to be tested in April 2006) and a leave register implemented.
- The target regarding compilation of career advancement and succession frameworks and plans was not met. In addition, thirty HIV and AIDS peer educators were trained, as well as counselling and referral services provided to 70% of staff members who needed assistance.
- The *Facilities Management, Security and Logistics Subprogramme* did not achieve its targets on several projects that were delayed for various reasons. These include the initiative to improve the visibility of the

building, enhancement of video and telecommunications facilities, review of the security system, as well as implementation of the new fleet management system. These will be completed in the 2006/07 financial year.

- Stats SA did not achieve its targets regarding providing 40 students with Master Maths Training (twenty students received this training), as well as fifteen students with Statistical Training and twenty students with IT training (these have not been reported on at all).
- In terms of Internal Communication, there seems to be a problem in disseminating the weekly newsletters to staff, as well as meeting as scheduled.
- The Business Process Improvement Service was discontinued.

4. Human Resource Report

- The Administration and Economic Statistics Programmes have the highest vacancy rate in the organisation. In addition, the bulk of staff consists of Statisticians and Related Professionals, and IT specialists.
- The highest turnover rate is at the level of Statisticians and Related Professionals (45.5%) and Finance and Economics (30.4%), most of who leave by form of resignation. The Portfolio Committee on Finance should determine what the reasons for leaving the organisation are, as it does not seem to be a lack of recognition (most promotions within the organisation occur at these levels).
- The organisation has had 101 resignations from permanent staff in the financial year under review.
- The organisation has three employees whose salary exceed the grades determines by job evaluations. This represents 0.17% of employees.
- The report does not indicate the percentage of employees with disabilities in the organisation.
- There were seven dismissals, five written warnings, and money recovered from four employees in the last financial year. Most cases of misconduct comprised of misuse of government vehicles, unauthorised absence and e-mail abuse.
- A total of twelve grievances were lodged during the period, ten of which were resolved. In addition, twelve persons were suspended, two of whom have been on suspension for more than 30 days.
- In terms of the use of consultants, the organisation employed 93 consultants on various projects, with a combined contract value of R42.3 million.

5. Analysis of Other Reports

- The Audit Committee met five times in the 2005/06 financial year. The committee noted and reported on several controls that were not fully effective for various reasons. Non-effectiveness of controls is a crucial challenge within the organisation.
- The main sources of income of the organisation are appropriations from National Government, general revenue, foreign aid assistance

and contract work. The organisation's general revenue amounted to R8.9 million.

- Stats SA's initial budget was R691.2 million, which was adjusted upwards to R717.4 million. However, even though the organisation requested additional funding, it still spent less than its original budget at R619.984. This raises questions regarding the basis of applying for additional funds, and thus the planning of the department.
- Stats SA received local and foreign aid assistance to the value of R12 million.
- Most of the underexpenditure resulted from accruals incurred on the Community Survey, 2007. The Starting date of the Community Survey had been delayed pending a decision by the Statistics Council. A further R8.3 million for projects commenced but not finalised was also rolled-over. Underexpenditure was also realised in terms of personnel due to delays in recruiting and employing suitably qualified staff in the organisation.
- Stats SA uses a large contingent of temporary staff for field work, and perceives a need for a more permanent staff component for the sake of continuity. Because of a lack of certain core statistical skills in the South African Labour Market, Stats SA has been using expertise from foreign statistical agencies, mainly Australia, Sweden and Canada to assist in the development of methodologies and to transfer skills to Stats SA. These partnerships have particularly been beneficial in the areas of economic and social statistics.

6. Report of the Auditor General

The Auditor-General's report emphasised the following matters:

- Stats SA had not complied with Treasury Regulations regarding payments to creditors due to a lack of proper follow-up and monitoring controls. In this regard, invoices amounting to R385 000 were not paid in the prescribed period.
- The lack of effective controls over bank reconciling items resulted in differences between provincial bank reconciliation and those at head office.
- In terms of asset registers, an amount of approximately R526 000 could not be reconciled due to the lack of reconciliation of control systems within the organisation.
- Control over leave is very poor, and in some instances does not exist at all. Stats SA has, however, attempted to deal with this by creating an electronic leave register.

7. Appropriation Statements

Table 1

R'000	Adjusted Appropriation	Expenditure	Variance	%	Explanations of Variances
Administration	160 303	155 558	4 745	3	The saving was realised on consultancy services for implementing the information security strategy and for geographic economic spread of activities. The appointed service providers had not deliver on their entire service requirements by the end of the year.
Economic Statistics	151 512	144 472	7 040	5	The data processing phase of the Income and Expenditure Survey had not been completed by the end of the financial year.
Population and Social Statistics	254 413	172 941	81 472	32	A decision by the Statistics Council to change the Community Survey changed the scope of the survey, and thus its implementation.
Quality and Integration	34 525	32 539	1 986	6	The underspending was in terms of standards and classification, analysis and consulting and integrative reporting.
Statistical Support and Informatics	116 671	114 474	2 197	2	Underspending related to the operations and maintenance of the business register, departmental marketing and statistical data management.

- R718 000 debt was written off in the present financial year, including R12 000 in UIF claims written off due to being time barred, R127 000 deceased debtors and uneconomical debt, and R579 000 in tax penalties.
- Stats SA realised unauthorised expenditure amounting to R158 million, for which it was still awaiting authorisation at the time of writing.
- Fruitless and wasteful expenditure amounting to R13 000 had been incurred, including a service procured but not rendered amounting to R92 000, which is offset by an amount of R79 000 that results from internal disciplinary hearings that resulted in debt being raised against the official during the period under review.

Conclusion

The 2005/06 annual report of Stats SA is a significant improvement from that of the 2004/05 financial year in terms of relevance and specificity of information. The reports indicates a serious capacity problem in the organisation, with publications either being withheld or postponed due to staff being seconded to other projects.