



Province of the
EASTERN CAPE
DEPARTMENT OF EDUCATION

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PUBLIC HEARING ON CONDITIONAL GRANTS AND CAPITAL EXPENDITURE – FOR THE FINANCIAL YEAR 2006/07 -13 FEBRUARY 2007

CONDITIONAL GRANTS

SCHOOL NUTRITION PROGRAMME

FINANCIAL TRENDS IN ALLOCATION / TRANSFERS / ACTUAL EXPENDITURE

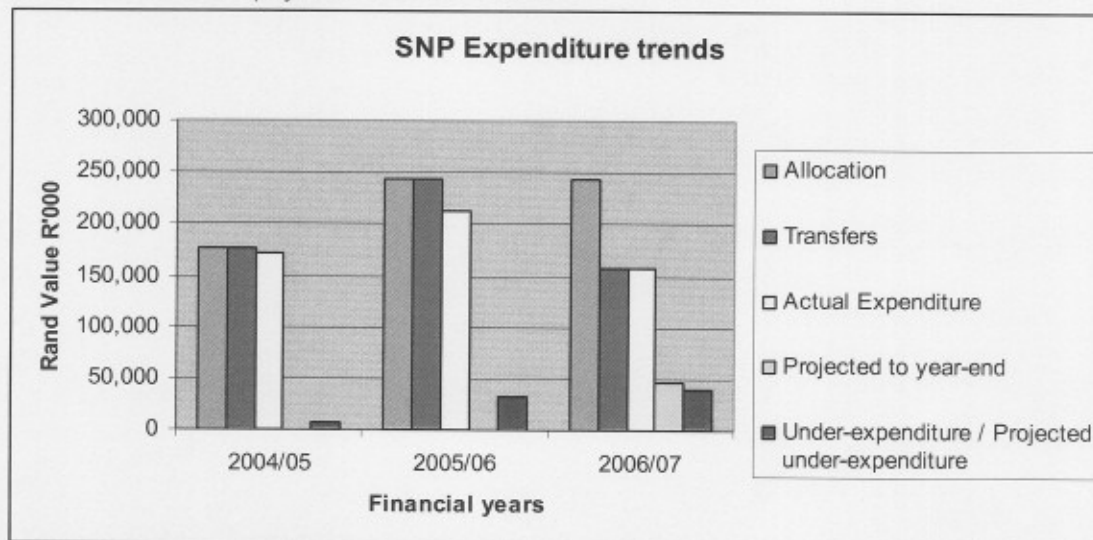
The table and chart below represent the financial trends over the last 3 financial years.

SCHOOL NUTRITION PROGRAMME

	2004/05	2005/06	2006/07*	
Allocation	177,259	243,951	243,994	
Transfers	177,259	243,951	157,613	
Actual Expenditure	170,910	211,726	157,613	
Projected to year-end	0	0	46,691	
Under-expenditure / Projected under-expenditure	6,349	32,225	39,690	**
Spending as a % of total	96.42%	86.79%	64.60%	

* 2006/07 relates to transfer and spending at 31 December 2006

** Amount represents funds committed but not yet paid by year end or reconciliation awaiting finalization for which payment must still be made.



Forensic Investigation

A forensic investigation initiated by the Office of the Premier commenced in August 2006. The outcome of this investigation was released on 20 December 2006. The report revealed that:

There were flaws in the procurement processes

- Feeding was not properly taking place in the identified schools and as such claims are not coming forward
- It was alleged that payments were effected to service providers without necessarily rendering/providing the services to the schools, services were paid to suppliers who were invalid and as such an estimated R100 million cannot be properly accounted for.
- It is alleged that payments were effected to service providers without necessarily rendering/providing the services to the schools
- Conflicts of interest from officials within the department and other government departments were identified
- Internal control weaknesses within the administrative processes of the Department more especially within the SNP.

Recommendations from the investigation included the:

- Immediate cancellation of all SMME contracts and Secondary Cooperatives; and
- Suspension of all management and officials involved in the SNP programme.

This above has resulted in delays, due to contracts of service providers being terminated. A new tender was awarded on 28 January 2007 and feeding has once again commenced 1 February 2007.

Factors contributing to under-expenditure as at 31 December 2006

Budget for the 4th quarter which would have resulted in 53 days of feeding is estimated at R60,7 million. It is further anticipated that although funds will be committed that not all payments will be made by year end as feeding in March 2007 will not be settled by 31 March 2007. The stopping of all payments up to 31 December 2006 has resulted in non-payment of service providers for the month of November 2006. All payments to service providers were stopped when the forensic report was released. Prior to any backlog payments being made a full reconciliation of supplier's accounts is being performed. Outstanding payments for the month of November 2006 are R25,2 million.

In addition there is R32 million in the Adjustment Estimate that has been queried by the Finance Portfolio Committee.

MONITORING OF SPENDING IN THE 2006/07 FINANCIAL YEAR

Spending is monitored weekly by the newly appointed project manager and on a monthly basis by the Financial Committee of the Department and Executing Authority.

Routine conditional grant monitoring and reporting

Monthly Report to be submitted by the Receiving Provincial Department of Education to transferring National Department of Education to Provincial Treasury according to the format provided by the national Department of Education:

Evaluation

Evaluation is conducted annually in every district. The process includes an explicit appraisal of ***whether the programme has met its stated objectives*** (for example: 'Has it contributed to the alleviation of the pupils' temporary hunger on a day to day basis?' 'Has nutrition knowledge among the children's teachers and parents been changed for the better?' Reasons for any unintended effects on stakeholders are clearly analyzed. The evaluation process itself will be conducted using participant observations, by external experts so as to get objective reports.

CAPACITY CONSTRAINTS THAT IMPACT ON SPENDING

Capacity within the unit was adequate for the first three quarters. The Department however is intending to improve the systems in place to receive and reconcile invoices for payments, in this area there is room for improved internal controls. Subsequent to the forensic report, all management of the programme has been suspended and until the reconciliation process is complete the existing staff is temporarily being seconded to other areas of the Department. This has resulted in a significant slow down in payments towards the end of December 2006. This will further impact on spending to the extent that feeding in the last quarter only commence on 1 February 2007. An interim management team has been appointed to run the program.

Corrective mechanisms

Challenges currently being faced have been addressed by changing the management of the project, and outsourcing reconciliations to ensure payments being made are for services delivered and due and putting in place a more effective system to management payments. Immediate priority will be given to the following:

- Gaining the committed active involvement of school governing bodies (SGB's), School principals and staff and linking them to the creation of a more efficient and reliable independent reporting chain to inform the SNP on:
 - How many meals are actually served
 - Meal content and general standard

This information chain must be sufficiently accurate to facilitate reconciliation within acceptable risk limits to the food supplier records and SNP payments for services.

- Ensure timeous accurate reporting and invoicing by suppliers and improved internal controls to verify quantities delivered and quality standards.
- To ensure timeous processing of invoices and supply payments in order to safeguard the financial security and sustainability of suppliers.
- Facilitate the payment of services delivered up to November 2006.

LIFESKILLS AND HIV AND AIDS IN EDUCATION PROGRAMME

FINANCIAL TRENDS IN ALLOCATION / TRANSFERS / ACTUAL EXPENDITURE

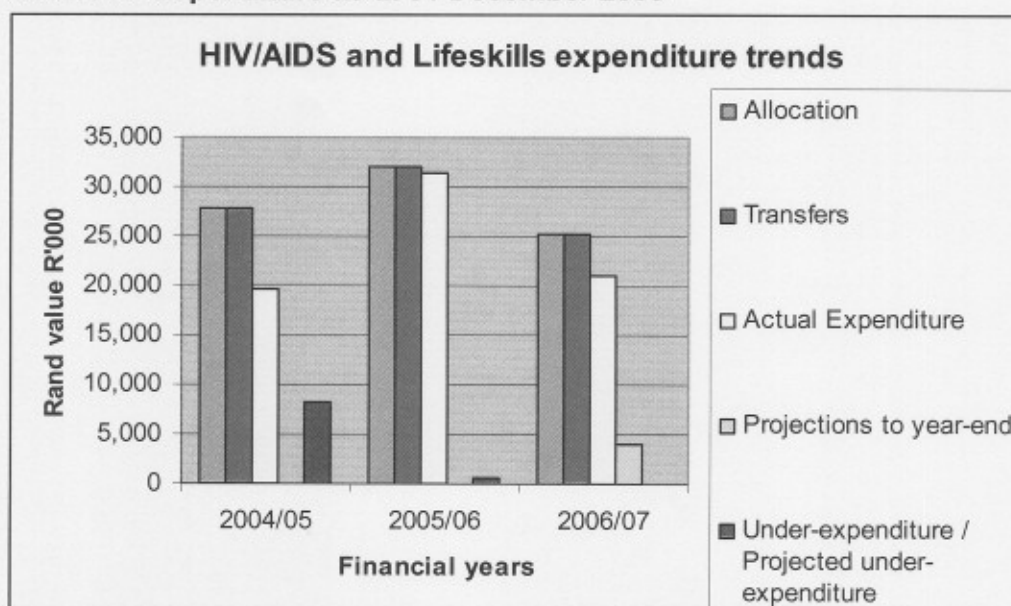
In the 2005/06 financial year, 97,8% of funds were spent a year end, the remaining amount was committed and a roll-over is expected in the adjustment estimate for the 2006/07 financial year. Spending for the 2006/07 financial year is in line with expectations and not over or under-expenditure is expected. All funding available in the programme have been committed and will be spent by the year end. The table and chart below represent the financial trends over the last 3 financial years.

An amount of R692 000 in the Adjustment Estimate has been queried by the Finance Portfolio Committee.

HIV/ AIDS Spending trends

Financial Years	2004/05	2005/06	2006/07
Allocation	27,816	31,993	25,113
Transfers	27,816	31,993	25,113
Actual Expenditure	19,516	31,301	21,097
Projections to year-end	0	0	4,016
Under-expenditure	8,300	692	0
Spending as a % of total	70.16%	97.84%	84.01%

*2006/07 – Expenditure as at 31 December 2006



MONITORING OF SPENDING IN THE 2006/07 FINANCIAL YEAR

Spending is monitored weekly by the newly appointed project manager and on a monthly basis by the Financial Committee of the Department and Executing Authority.

The following monitoring activities are currently in place and will continue for the duration of this programme:

- Monthly expenditure reports
- Monthly progress meetings with stakeholders and district steering committees
- Monthly reports are submitted, which reflect activities completed against deliverables and time frames.
- Data collection and analysis

Evaluation

The department will periodically evaluate the programme internally, by analysing progress reports completed by the schools. The Quality Assurance Directorate will be involved in ensuring quality of the implementation.

CAPACITY CONSTRAINTS THAT IMPACT ON SPENDING

Spending is currently in line with expectation. Spending is monitored weekly and by the Financial Committee of the Department on a monthly basis. Currently there are no capacity constraints that are impacting on spending.

Corrective mechanisms

No corrective mechanisms are currently required however this is monitored and reassessed monthly by the Department.

FET RE-CAPITALISATION

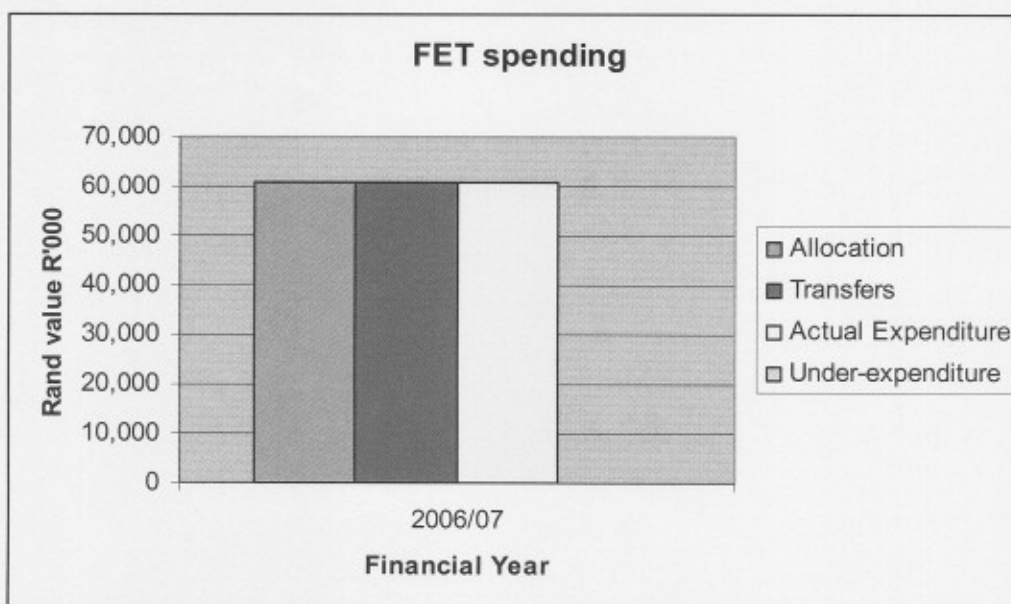
The FET Re-Capitalisation Project is aimed at providing the essential infrastructure, equipment, learning materials and human resources required to deliver of scarce and essential skills of both the employed and the unemployed youth and adults.

FINANCIAL TRENDS IN ALLOCATION / TRANSFERS / ACTUAL EXPENDITURE

The Province of Eastern Cape Department of Education has been granted R255 550 000 for the MTEF period 2006/7 – 2008/9..The following is a breakdown of the allocation per college for the MTEF period 2006/7 – 2008/9:s at 31 December 2006 the Department had transferred 100% if expenditure for the re-capitalisation grant to the Colleges. Actual spending by colleges at December 2006 was 59%.

FET RE-CAPITALISATION

	2006/07
Allocation	61,000
Transfers	61,000
Actual Expenditure	61,000
Under-expenditure	0
Spending as a % of total	100%



The following table reflects the actual spending at each FET College as at 31 December 2006.

- As at the half year actual spending was only at 26 % due to slow implementation of the original project plan and slow payments where procurement had taken place (especially buildings and equipment). Colleges did not anticipate the lengthy tender processes.
- As at the third quarter spending is at 59% as reflected in the table below per College.
- In the third quarter spending has improved, however challenges have been experience in procurement in that procurement processes were not adhered to and tenders had to be re-advertised at King Sabata. This has therefore impacted on spending in these colleges. Tenders were re-advertised in November 2006.

Disciplinary action has been taken against the CEO of the colleges and which resulted in a final written warning.

- Slow spending at Lovedale is due to slow procurement processes and delivery of the building. Delays due to weather were also not anticipated which affected spending at the third quarter.
- In all other colleges spending has improved and commitments for all funds are in place. The last quarter will focus on verifying that services have been delivered and that actual payment is subsequently made.
- There is no anticipated under-expenditure on this program. Spending in January was at 70% and currently in February is at 88%.

		Transferred	Actual Payments	As a percentage of transfers
EASTERN CAPE FET COLLEGES				
Buffalo City		14,000	9,762	69.73%
East Cape Midlands		9,000	5,440	60.44%
Ikhala		6,000	3,696	61.60%
Ingwe		2,000	1,029	51.45%
King Hintsa		2,000	1,504	75.20%
King Sabata		5,000	2,379	47.58%
Lovedale		10,000	3,988	39.88%
Port Elizabeth		13,000	8,010	61.62%
TOTAL		61,000	35,808	58.70%

MONITORING AND EVALUATION OF SPENDING IN THE 2006/07 FINANCIAL YEAR

Spending is monitored weekly by the newly appointed project manager and on a monthly basis by the Financial Committee of the Department and Executing Authority. Monthly and quarterly reporting is compiled by the college and verified by the Departmental team and co-ordinated by the provincial co-ordinator. Reports are submitted to the Head of Department and the National Department of Education.

CAPACITY CONSTRAINTS THAT IMPACT ON SPENDING

Spending is currently in line with expectation. Spending is monitored monthly by the Financial Committee and the FET Chief Directorate. Currently there are administrative staff capacity constraints at a college level that are impacting on spending at a college level. The Department does however have capacity challenges with respect to officials for effective monitoring. A project manager has been appointed however additional capacity is required. Budget has been made available to fill college vacancies effective 1 April 2007. The Department will be prioritizing filling of posts in the FET directorate when funding becomes available effective 1 April 2007.

Corrective mechanisms

During the third quarter actual spending at a college level was exceptionally low. It was identified that although procurement had been performed and funds were committed that actual physical payment had not been made. Monitoring was improved and by the end of the third quarter by Departmental officials and management and actual spending by the colleges displayed a significant improvement. Spending is currently in line with expectations.

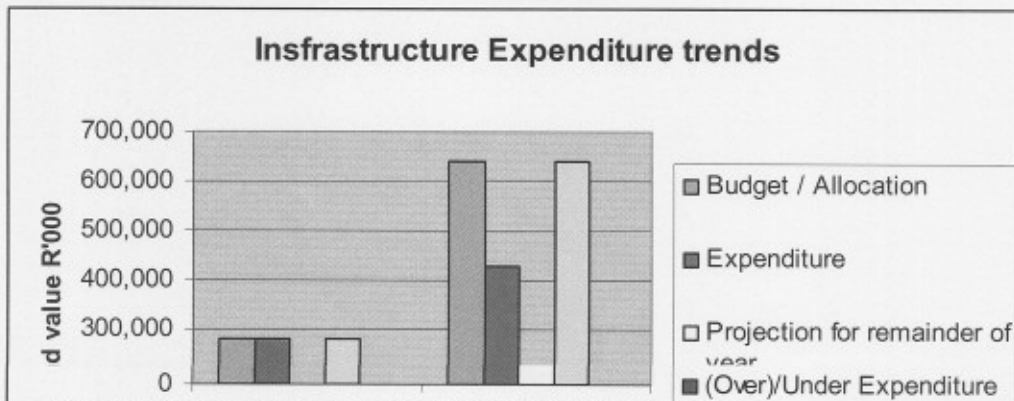
Reporting from receiving institutions

A Provincial Committee on FET College Re-Capitalisation oversees the implementation of the plans under the guidance of the Chief Directorate in the Department.

- Monitoring is done monthly against the approved operational plans.
- Quarterly on site visits to colleges to assess implementation of progress.
- Colleges quarterly and annually reports have and will be analysed to monitor progress and identify gaps in implementation, which will inform the support strategy.

Monthly meetings of the Provincial Committee on Re-capitalisation are held. Reporting and the success thereof and progress are currently being monitored on a monthly basis to ensure that challenges previously experienced do not reoccur.

* 2006/07 expenditure is at December 2006



were awarded. This has resulted in delays in spending.

- Budget has been shifted to emergency projects (torrential rain areas) and the eradication of mud structures.
- The Department is projecting to spend 100% of the budget. In the last 3 financial years 100% of the budget has been spent.
- Based on monitoring and historical performance 100% of the budget will be spent.
- The Department was not allocated any of the Provincial Infrastructure grant in the current financial year, and as such no report is made in that respect.

MONITORING OF SPENDING IN THE 2005/06 FINANCIAL YEAR

The implementation of infrastructure delivery is monitored through a Provincial Steering Committee (PSC) which meets quarterly and is responsible for overall management of the program. The Provincial Technical Committee (PTC) meet monthly and are responsible for day to day decision making, formulation of recommendations to PSC and reviewing technical issues. Both bodies are also responsible for reviewing monthly reports from all implementing agents. The Department monthly report on all infrastructure projects to the Provincial Treasury and National Department of Education.

CAPACITY CONSTRAINTS THAT IMPACT ON SPENDING

The Department has a high vacancy rate in the Department as does Public Works which at times results in the delay in getting project started. This has resulted in the Department relying heavily on implementing agents as a service delivery mechanism in the Eastern Cape. The recently introduced CIDB Act has resulted in improved quality of service in infrastructure, however some constraints experienced is that the tenders are attracting less bidders. Unforeseen constraints experienced in the third quarter were heavy spring rains have resulted in delays in building and therefore spending.

Corrective mechanisms

The Department has had to rely heavily on the utilization of implementing agents such as IDT, Coega, Roschon and Amatola Water Board to assist in rolling out infrastructure delivery in the Province. Moving forward the Department is starting to fill vacancies in the Department and will be ensuring diversification in the methods of infrastructure delivery moving forward. This includes rolling out infrastructure using the "Bantwanana model". Diversification will reduce the risk of non-deliver in the event of delays. In addition the Department has attempted to limit under-expenditure by transferring funds to emergency projects. A tender has been awarded for emergency classrooms for to reduce mud structures in the Province. Under spend funds due to the constraints mentioned above are being utilized to provide emergency classrooms.

REPORTING FROM RECEIVING INSTITUTIONS

All implementing agents have signed Service Level Agreements with the Department which requires that the implementing agent present the Department with a monthly report with respect to delivery, spending and status of procurement. All implementing agents report to the Department on a monthly basis. A Provincial Steering Committee (PSC) meeting sits quarterly and all Departments, implementing agents and donors attend the PSC meeting.

CONCLUSION

Although historically spending in these areas has not been consistent, in the current financial year it is clear from the spending trends that the Department are spending in line with expectations, except in the School Nutrition Conditional Grant. This concludes the oral submission on conditional grants and infrastructure in the Department of Education Eastern Cape.