Custodian of Good Governance

THE PUBLIC SERVICE COMMISSION
REPUBLIC OF SOUTH AFRICA

Chairperson: Private Bag X121, Pretoria, 0001, Tel: + 27 (0)12 352 1019, Fax: +27 (0) 12 325 8337
Cell: +27 (0)82 9049907 Email: Richards@opsc.gov.za or Sizanik@mweb.co.za
ABSA Towers, Cnr Lillian Ngoyi & Pretorius Streets, Pretoria

Ms D van der Walt, MP
Shadow Minister of Public Service and Administration
Democratic Alliance
PO Box 15
CAPE TOWN
8000

Dear Ms van der Walt

RE: INVESTIGATION REQUIRED INTO HIRING PRACTICES AND COMPOSITION OF MINISTER FAITH MUTHAMBI'S PRIVATE OFFICE

Dr D Mamphiswana, the Director-General of the Office of the Public Service Commission, has brought your letter, dated 2 February 2018, in the above regard to my attention.

The complaint you have lodged falls within the Public Service Commission's (PSC) mandate in terms of section 196(4)(f)(i) of the Constitution of the Republic of South Africa, 1996, to either of its own accord or on receipt of any complaint, investigate and evaluate the application of personnel and public administration practices and to report to the relevant executive authority and legislature.

The PSC has assigned Commissioner B Luthuli, the Cluster Commissioner for the Department of Public Service and Administration, to lead an investigation team to conduct an investigation into the regularity in the filling of posts within the Ministry.

It should, however, be brought to the Honorable Member's attention that the request for the investigation comes at a time where the PSC is completing many of its outcomes on its Annual Performance Plan (APP) for the 2017/18 financial year and is severely constrained in respect of its financial and human resources. To this effect I have raised the negative impact of the budget shortfall for the 2017/18 and 2018/19 financial years and budget cuts from National Treasury on continuation of with the PSC's operations and the majority of the outputs in the APP with the Minister of Finance, the Speaker of the National Assembly, the Chairperson: Standing Committee on Public Accounts, and the Chairperson: Portfolio Committee on Public

Service and Administration/ Performance Monitoring and Evaluation (copies of letters attached for ease of reference). In fact, the Honourable Member will note that I have indicated that the PSC has reached a point where its limited budget and human resources impedes on its ability to discharge its mandate to such an extent that the organization has reached a stalemate and its lack of performance will have a negative impact on its reputation.

The PSC will nevertheless prioritise the Member's request within its human and financial constraints.

Commissioner Luthuli can be contacted at 012 (352 1020) of brunol@opsc.gov.za or rosem@opsc.gov.za.

Yours faithfully

RK SIZANI
CHAIRPERSON
DATE: 06/02/2018

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Ms B Mbete, MP
The Speaker
National Assembly
PO Box 15
CAPE TOWN
8000

Dear Honourable Speaker

CONCERN REGARDING THE IMPACT OF THE SHORTFALL IN BASELINE ALLOCATIONS OF THE PUBLIC SERVICE COMMISSION ON ITS EFFECTIVE OPERATIONS

Section 39(2) of the Public Finance Management Act (PFMA), 1999, requires Accounting Officers to take effective and appropriate steps to prevent any over spending in relation to its Vote. The Public Service Commission (PSC)'s budget is appropriated via the Minister for Public Service and Administration (MPSA) and it forms part of a programme within the budget of the Department of Public Service and Administration.

Since the 2013 financial year, the PSC has been exposed to various shortfalls in its budget due to oversights by National Treasury, as well as imprudent budget cuts and a lack of understanding of the Constitutional mandate of the PSC. As a result, and with due regard to section 39 (2) of the PFMA, the PSC in the current financial year (2017/18) brought these shortfalls to the attention of the Chairperson of the Portfolio Committee on Public Service and Administration/ Performance Monitoring and Evaluation, the former and current Ministers of Finance and former and current Director-General of National Treasury (Please refer to the attached Aide Memoire and letters).

When the PSC's operational plan for the previous financial year (2016/17) was approved in March 2016, there was a shortfall of R12.742 million on the goods and services budget. The PSC subsequently introduced the following cost containment measures:

a) It took a decision to delay the filling of selected posts and abolish identified posts in order to generate savings. 11 posts were subsequently abolished on the structure in April 2016.

b) No new bursaries were approved and the training budget was reduced substantially.
c) The Internship programme was terminated.
d) Limited catering for events and meetings.
e) The size of delegations that conduct inspections and investigations and attend meetings were cut down. In some instances, the scope of inspections was down sized.
f) Meetings involving the Provincially Based Commissioners and Provincial Offices are conducted via a video conferencing link to minimize travel.
g) Newspapers are no longer purchased.
h) The telephone and cell-phone policies were reviewed.
i) Meetings of the PSC, such as the Strategic Planning Sessions, Workshops and Roundtable discussions, are held in facilities of other departments.

The outcome of the abolished posts (see (a) above) yielded good results as savings totaling R5.1 million were generated for the 2016/17 financial year. Subsequent to that, the necessary budget shift was done in June 2016 to shift the R5.1 million savings from Compensation of Employees (CoE) budget to goods and services. However, in September 2016 National Treasury informed the PSC about their decision to reduce the PSC's budget by R4.9 million.

The purpose of abolishing the posts was to have a sustainable solution to address the shortfall in the goods and services budget and avoid being dependent on savings from CoE. The PSC undertook a second review of the organizational structure, which resulted in the abolishment of additional posts. The PSC therefore reduced the number of posts from 299 in March 2016 to 277 (22 posts) in March 2017 in order to manage the shortfall for the CoE.

During the submission of the ENE document in November 2016, the PSC raised a concern about possible over spending which might arise from the budget shortfall under CoE. It was also brought to the attention of National Treasury that the PSC has abolished posts in the 2016/17 financial year in order to be within the cap limit of CoE that was previously set for the PSC.

During a meeting with the former Director-General of the National Treasury in December 2016, the PSC was amongst others advised to –

a) explore the option of offering Voluntary Severance Packages (VSPs) to employees who have reached the retirement age as it will be a more sustainable solution to reduce the PSC's Compensation of Employees' budget; and
b) not implement pay progression and pay performance bonuses to reduce the PSC's Compensation of Employees' budget.

However, National Treasury did not take into consideration that there is no prevailing policy framework in the Public Service that authorises employer initiated VSPs and that Employee Initiated Severance Packages (EISPs) are subject to the PSC being able to fund the additional liability and employees expressing an interest to exit the Public Service. In this regard, the PSC has been at pains to explain to National Treasury that it is unable to fund the additional liability applicable to EISPs. In addition, the withholding of pay progression and performance bonuses from employees is not legally sound.

Notwithstanding the fact that the PSC had done everything legally possible to adhere to the advice from National Treasury, National Treasury unilaterally reduced the budget from R193.7 million to R188.8 million, based on the premise that all the employees who have reached the retirement age will exit the Public Service through an EISP.

This implied that the PSC started the 2017/18 financial year with a shortfall R4.9 million in 2017/18, and shortfalls of R4.6 million in 2018/19 and R5.7 million in 2019/20. Subsequently in April 2017, I had to issue a memorandum to all Commissioners and staff informing them that with effect from 1 April 2017, there will be no implementation of any output on the Operational Plan, or activities with cost implications (e.g. newspapers, catering, printing of research reports, travelling) without prior approval of the Director-General and the Chief Financial Officer. It has also resulted in the PSC reviewing its research methodology in respect of selected outputs, changing the output of some outputs in the Workplan (e.g. from hosting a public hearing to a workshop) and returning to an approach of desk-top audits to consider grievances and complaints and only conducting in-loco investigations when absolutely necessary.

The PSC' IT infrastructure (computers/laptops, servers) is also very old and needs to be replaced. This equipment is no longer covered by warranties and its reliability is under pressure. For example, servers were last procured in 2012/13 and there is a need for servers and switches to be replaced as this impacts on service delivery. Due to a lack of funds, the IT staff has not undergone regular IT training to remain abreast of changes in technology. This impacts on their ability to provide effective IT support. Other employees have also expressed dissatisfactions around the lack of training and the impact of the budgetary constraints on their ability to deliver.

The changes to the operations of the PSC and mentioned challenges have a negative impact on the execution of the PSC's Constitutional mandate.

During the recent Adjusted Estimates of National Expenditure (AENE) process, the PSC's budget was further reduced by R2.9 million from R245.7 million to R242.8 million. The net effect of the budget cuts has resulted in the PSC having a shortfall in its budget to the extent that it cannot continue with its operations. These budget cuts are devoid of any rationale or due regard to the operations of the organization.

During engagements with National Treasury verbal commitments were made to address the budget shortfall. However, neither the current or former Ministers of Finance nor the former and current Directors-General formally responded to the concerns raised by the PSC. As already indicated above, the shortfall was also not addressed during the AENE process, but the budget was again reduced by R2.9 million.

The PSC's National Office is also occupying temporary accommodation (due to oversights from the Department of Public Works) and has to incur expenditure towards the end of the 2017/18 financial year. Although National Treasury has provided funding amounting to R4.5 million for the relocation in the 2018/19 financial year, this is not sufficient to cover the entire relocation process. The PSC has advised National Treasury that the Department of Public Works has amended the space norms and standards for office accommodation. The majority of the current office furniture in use is over 20 years' old and might not fit in the reduced sized offices in terms of the revised space norms and standards.

As at the end of October 2017, the expenditure projections up to the end of the 2017/18 financial year reflect a possible overspending of R2 million, excluding the estimated relocation costs of R19 million (which includes IT infrastructure, security and switchboard systems, tenant installation costs, etc). This takes into consideration a decision of the PSC in November 2017 to only fill critical vacant posts and to only undertake travel that is absolutely necessary.

Given the above and to generate more savings, the PSC has no option but to close its operations during the period 18 December 2017 to 2 January 2018. Based on the above, I wish to inform the Honourable Speaker that the PSC is on the verge of collapse and closing down its operations and executing its Constitutional mandate.

Yours faithfully

RK SIZANI
CHAIRPERSON
DATE: 21/11/2017

CC: Mr T Godi, Chairperson: Standing Committee on Public Accounts
Mr CC Mathale, Chairperson: Portfolio Committee on Public Service and Administration/ Performance Monitoring and Evaluation
Ms AF Muthambi, Minister for Public Service and Administration
Mr M Gigaba, Minister of Finance

Custodian of Good Governance

OFFICE OF THE PUBLIC SERVICE COMMISSION
REPUBLIC OF SOUTH AFRICA

National Office: Private Bag X121, Pretoria, 0001, Tel: (012) 352 1000, Fax: (012) 325 8382
ABSA Towers Building, Cnr Lilian Ngoyi & Pretorius Streets, Pretoria, 0002

Mr D Mogajane
Director-General
National Treasury
Private Bag X115
PRETORIA
0001

Dear Mr Mogajane

PROPOSED STRATEGIES TO REDUCE PERSONNEL HEADCOUNT FOR THE PUBLIC SERVICE COMMISSION

Thank you for your letter, dated 30 October 2017 in the above regard.

The Office of the Public Service Commission (OPSC) has noted your response and would like to clarify the following:

a) The Public Service Commission (PSC) is established in terms of section 196 of the Constitution. In terms of section 196 of the Constitution, the PSC comprises of fourteen Commissioners, appointed for a term of five years. Commissioners are therefore appointed in terms of section 196 (7) of the Constitution, read with the PSC Act, 1997. The removal from office of a Commissioner is regulated by section 196 (11) of the Constitution. In addition, section 6(1)(a) of the PSC Act, 1997, provides that '*The President may from time to time determine the remuneration and other conditions of appointment of the chairperson, the deputy chairperson and any other commissioner, and such remuneration and conditions of appointment shall not be altered to his or her detriment.*'

   Neither the Constitution, nor the PSC Act or the conditions of appointment determined the President provide for an Employee-Initiated Severance Package for Commissioners.

b) The OPSC is a National Department, established in terms of the Public Service Act, 1994, and its employees are appointed in terms of the said Act. The OPSC is aware of the Employee Initiated Severance Package (EISP) and that it applies to its employees. It has been at pains to explain to the National Treasury that the EISP determines that if a department is unable to fund the EISP, it cannot approve any applications. The PSC previously, in a letter dated 14 December 2016 and the letter dated 1 September 2017, advised the National Treasury that it is unable to fund the additional liability for such severance packages and that some of the identified employees occupy critical posts that cannot be abolished. The EISP is therefore not a viable option for the OPSC.

c) It should further be noted that the PSC does not fall "*under the oversight of the DPSA*" as alluded to in your above-mentioned letter. It is a Constitutional body, accountable to the National Assembly (see section (196 (5) of the Constitution). The Chairperson of the PSC is also, in terms of section 1 of the Public Service Act, 1994, as amended, the Executive Authority of the OPSC. There is therefore no relationship between the PSC and the DPSA, apart from the fact that its budget is appropriated through the Minister for Public Service and Administration.

The OPSC has rigid monitoring systems in place regarding all spending and the National Treasury has been made aware of the cost savings measures already instituted. However, notwithstanding these measures and if the PSC is expected to execute its mandate its projections have shown an overspending for the 2017/18 financial year.

We would therefore greatly appreciate the assistance offered by the National Treasury with the management of the current budgetary constraints. To set up a meeting in this regard, please contact Ms C Gunn at 012 352 1025 or connieg@opsc.gov.za.

Yours faithfully

DR D MAMPHISWANA
DIRECTOR-GENERAL
DATE: 30/10/17

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Dr D Mamphiswana
Director-General
Office of the Public Service Commission
Private Bag X121
PRETORIA
0001

Dear Dr Mamphiswana

PROPOSED STRATEGIES TO REDUCE PERSONNEL HEADCOUNT FOR THE PUBLIC SERVICE COMMISSION (PSC)

I refer to your letter dated 01 September 2017 on the abovementioned subject.

Please note that the following points are relevant to this matter:

a. It is not confirmed that officials in the employment of the PSC do qualify for the Employee-Initiated Severance Package (EISP). In terms of the scope of application, the EISP covers employees appointed in terms of the Public Service Act. Confirmation on the Appointment Act applicable to PSC staff is required. The Department of Public Service and Administration (DPSA) does not seem to have been in a position to assist the PSC in this regard.

b. In the event that PSC staff members are excluded from the EISP, it is also not clear whether the Minister for the Public Service and Administration (MPSA) has been requested to extend the EISP to cover PSC employees. This is important as the PSC falls under the oversight of the DPSA.

c. In the event the PSC staff members do not qualify and the EISP cannot be extended to cover staff of the Commission, the request cannot be processed further on the basis of EISP. A different exit tool may have to be considered.

The request to the National Treasury to assist with addressing the budget shortfall for compensation of employees is noted. However, please note that no funds have been made available from the fiscus to assist departments with compensation budget pressures. Departments are required to address such pressures through savings generated from within their baseline budgets.

The department is advised to actively manage the current staff establishment and constantly monitor compensation spending for the rest of the 2017/18 financial year. The team at National Treasury are available to assist where necessary.

Yours sincerely

DONDO MOGAJANE
DIRECTOR-GENERAL
DATE: 30/10/2017

Custodian of Good Governance

PUBLIC SERVICE COMMISSION
REPUBLIC OF SOUTH AFRICA

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Mr MKN Gigaba, MP
Minister of Finance
Private Bag X115
Pretoria
0001

Dear Minister

FINANCIAL CONSTRAINTS IMPACTING ON THE EFFECTIVE FUNCTIONING OF THE PUBLIC SERVICE COMMISSION

In a letter, dated 13 March 2017, I brought the challenges experienced by the Public Service Commission (PSC) in respect of its budget due to shortfalls in the baseline allocations and budget cuts by the National Treasury to the attention of the former Minister of Finance (copy attached for ease of reference).

I had requested a meeting with the Minister and the Director-General of National Treasury to discuss the prejudice the PSC is suffering due to the budget constraints. I would like to make a similar request to the Minister and the Acting Director-General to have a meeting to discuss the matter.

In this regard, it would be appreciated if the Minister's Office could propose three possible dates for the meeting. Ms Ayanda Mtshizana in my office will coordinate the meeting. She can be contacted a 012 352 1005 or ayandam@opsc.gov.za

The Minister's earliest response would be appreciated.

Yours faithfully

RK SIZANI
CHAIRPERSON
Date: 19/04/2017

Custodion of Good Governance

PUBLIC SERVICE COMMISSION
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National Office: Private Bag X121, Pretoria, 0001, Tel: (012) 352 1000, Fax: (012) 325 8382
ABSA Towers Building, Cnr Lilian Ngoyi & Pretorius Streets, Pretoria, 0002

Mr PJ Gordhan, MP
Private Bag X115
PRETORIA
0001

Dear Minister

FINANCIAL CONSTRAINTS IMPACTING ON THE EFFECTIVE FUNCTIONING OF THE PUBLIC SERVICE COMMISSION

I would like to bring to the Minister's attention the challenges experienced by the Public Service Commission (PSC) in respect of its budget due to shortfalls in the baseline allocations and budget cuts by the National Treasury. The PSC is now in a position wherein it is unable to execute its mandate effectively due to a lack of funds.

SHORTFALL IN BASELINE ALLOCATIONS OF THE PSC

A shortfall emanated from additional funds received from National Treasury in 2012 with the baseline allocation increasing and decreasing as follows:

2013 MTEF Allocations	***2013/14***	***2014/15***	***2015/16***
	R'000	**R'000**	**R'000**
	196 324	207 379	199 647

During 2013 the PSC received additional funding to the value of R29.4 million for the purpose of creating additional capacity based on the policy options that were submitted to National Treasury. However, the indicative for 2015/16 reflected a reduced budget when compared to 2013/14 and 2014/15. This anomaly was brought to the attention of National Treasury.

2014 MTEF Allocations	***2014/15***	***2015/16***	***2016/17***
	R'000	**R'000**	**R'000**
	226 031	211 031	224 413

The baseline allocations for year 2014/15 was increased to R226,0 million, without correcting the misallocation for year 2015/16, which was R211,0 million. National Treasury was informed about the uncorrected budget misallocation. The 2015/16 shortfall was never corrected in the 2013 allocation and the PSC again raised the issue with National Treasury.

2015 MTEF allocations	*2015/16*	*2016/17*	*2017/18*
	R'000	**R'000**	**R'000**
	222 100	234 233	253 397

The baseline allocations for 2015/16 increased to R222,1 million as well as the outer years. This increase did not address the error that occurred during the 2013 MTEF budget process, resulting in the budget being effectively reduced. In 2015/16 the PSC thus had a R15 million shortfall which severely affected its operations.

Instead of National Treasury correcting the shortfall in the budget, the PSC received additional funding amounting to R11.069 million for 2015/16, R12.136 million for 2016/17 and R8.314 million for 2017/18 financial years in respect of rental for new office accommodation.

At the beginning of the 2016/17 financial year, the total budget appropriated for the PSC was R234.233 million, whereby R190.801 million (81%) was allocated to Compensation of Employees (including Commissioners) and R43.432 million (19%) to goods and services. The total number of posts for the PSC's structure was 313, including the Commissioners.

When the operational plan for the current financial year (2016/17) was approved in March 2016, there was a shortfall of R12.742 million on the goods and services budget. The PSC took a decision to delay the filling of selected posts and abolish identified posts in order to generate savings. 11 posts were abolished on the structure in April 2016. The total number of posts was reduced from 313 to 302 on the structure.

The outcome of the 11 abolished posts yielded good results as savings totalling R5.1 million were generated for the 2016/17 financial year. Subsequent to that, the necessary budget shift was done in June 2016 to shift the R5.1 million savings from Compensation of Employees budget to goods and services.

In September 2016, the PSC received a letter from National Treasury informing the PSC about the decision that National Treasury took to reduce the PSC's budget by R5 million. The letter reflected that the vote Compensation of Employees allocations were specifically and exclusively appropriated and that funds cannot be moved without Parliamentary approval. The PSC was then instructed by National Treasury to declare the R5 million that it had generated as savings from posts that were delayed as 'unspent funds'.

At a meeting held on 3 October 2016 with employees from National Treasury, the PSC was given an opportunity to review its personnel structure and identify capacity which will generate possible savings. The purpose of abolishing the posts was to have a sustainable solution to address the shortfall in the goods and services budget and avoid being dependent on savings from compensation of employees. The PSC undertook a second review of the organizational structure, which resulted in the abolishment of additional posts on the structure. The total number of posts was reduced from 302 to 291 on the structure (including Commissioners).

The PSC introduced the following cost containment measures which has generated savings of an estimated amount of R3 million as compared to the 2014/15 financial year:

- The total number of posts on the establishment was brought down from 313 to 291 posts.
- No new bursaries were approved and training has been reduced.
- The Internship programme was terminated.
- Limited catering for events and meetings.
- The size of delegations that conduct inspections and investigations and attend meetings were cut down.
- Travelling for Grievance and Complaint Panel and management meetings has been restricted and meetings are conducted via a video conferencing link.
- Newspapers are no longer purchased.

OVERVIEW OF THE 2017/18 BUDGET AND MTEF ESTIMATES

Programme	**Audited outcomes**			**Adjusted appropriation**	**Medium-term expenditure estimates**		
R million	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
Administration	99.8	103.2	107.9	101.2	115.0	123.0	132.3
Leadership and Management Practices	30.1	37.3	38.2	40.7	43.1	46.5	50.2
Monitoring and Evaluation	29.6	37.7	36.2	38.1	36.8	39.2	41.7
Integrity and Anti-Corruption	41.4	47.5	47.1	48.7	50.8	54.1	57.5
Total	**200.9**	**225.8**	**229.3**	**228.6**	**245.7**	**262.8**	**281.7**
Economic classification							
Current payments	**195.1**	**218.8**	**226.60**	**227.7**	**244.7**	**261.8**	**280.6**
Compensation of employees	128.4	155.4	167.18	177.1	188.8	202.7	217.3
Goods and services	66.6	63.4	59 5	50 6	55.9	59.0	63.3
Transfer and subsidies	1.0	1.2	0.8	0.3	0.3	0.3	0.3
Payments for capital assets	4.9	5 7	1.8	0.6	0.7	0.7	0.7

Programme	Audited outcomes			Adjusted appropriation	Medium-term expenditure estimates		
Payments for financial assets	0.0	0.2	0.0	0.0	0.0	0.0	0.0
Total	**200.9**	**225.8**	**229.3**	**228.6**	**245.7**	**262.8**	**281.7**

During the submission of the ENE document in November 2016, the PSC raised a concern about possible over spending which might arise from the budget shortfall under Compensation of Employees. It was also brought to the attention of National Treasury that the PSC has abolished 23 posts in the staff organogram in the 2016/17 financial year in order to be within the cap limit of Compensation of Employees that was previously set for the PSC. The calculations were as follows:

R' million	***2017/18***	***2018/19***	***2019/20***
PSC estimates	196.2	210.3	225.5
NT allocations	193.7	207.3	223.0
Shortfall	**(2.5)**	**(3.1)**	**(2.5)**

National Treasury advised the PSC to explore the option of offering voluntary severance packages to employees who have reached the retirement age as it will be a more sustainable solution to reduce the PSC's Compensation of Employees' budget. The PSC identified 11 employees who will be between the ages 60-65 with the last day of service being 31 March 2017. The estimated costs included pro-rata service bonus, unused leave credits, additional liability and severance pay. The calculations are as follows:

Estimated number of employees	***Estimated costs to be paid by the PSC R 'million***	***Additional liability and severance package R 'million***
11	2.2	8.5

The PSC subsequently informed National Treasury that it will be able to pay R2.2 million and requested funding assistance from National Treasury for the additional liability and severance package of R8.5 million. Thereafter, an engagement was held with National Treasury to discuss the shortfall in the budget.

It should be noted that the budget has been reduced from R193.7 million to R188.8 million. However, the 11 officials who have been identified are still in the employment of the PSC, this implies that already the PSC is starting the 2017/18 financial year with a shortfall R4.9 million in 2017/18, R4.6 million in 2018/19 and R5.7 million in 2019/20 financial years.

R 'million	***2017/18***	***2018/19***	***2019/20***
Initial NT allocations	193.7	207.3	223.0
Revised NT allocations (ENE)	188.8	202.7	217.3

R 'million	*2017/18*	*2018/19*	*2019/20*
Shortfall in the budget	**4.9**	**4.6**	**5.7**

Section 39(2) of the Public Finance Management Act, 1999, requires Accounting Officers to take effective and appropriate steps to prevent any over spending in relation to what has been allocated. Furthermore, the Appropriation Act, 2016, prohibits institutions in increasing or decreasing funds which were specifically and exclusively appropriated for Compensation of Employees. In addition, the PSC is aware that the current policy framework does not provide for employer initiated voluntary severance packages to employees and guidance was formally requested from National Treasury.

Given the above, I would like to request a meeting with the Minister and the Director-General of National Treasury to discuss the prejudice the PSC is suffering due to the budget constraints. I do not have expectations for additional funding, but I am of the view that there is a need to correct the shortfalls in the budget.

In this regard, it would be appreciated if the Minister's Office could propose three possible dates for the meeting. Ms Ayanda Mtshizana in my office will coordinate the meeting. She can be contacted a 012 352 1005 or ayandam@opsc.gov.za. I have directed a separate letter to Mr Lungisa Fuzile, the Director-General of National Treasury requesting a meeting.

Your earliest response would be appreciated.

Yours faithfully

RK SIZANI
CHAIRPERSON
Date: 13/03/2017

AIDE MEMOIRE ON THE SHORTFALL IN BASELINE ALLOCATIONS OF THE PUBLIC SERVICE COMMISSION

1. Section 39(2) of the Public Finance Management Act, 1999, requires Accounting Officers to take effective and appropriate steps to prevent any over spending in relation to what has been allocated. The purpose of the aide memoire is to provide a full account of cause of the shortfall in the Public Service Commission's (PSC) baseline allocations and the impact on its operations.

2. A shortfall emanated from additional funds received from National Treasury in 2012 with the baseline allocation increasing and decreasing as follows:

2013 MTEF Allocations	*2013/14*	*2014/15*	*2015/16*
	R 'million	**R 'million**	**R 'million**
	196 324	207 379	199 647

3. During 2013, the PSC received additional funding to the value of R29.4 million for the purpose of creating additional capacity based on the policy options that were submitted to National Treasury. However, the indicative for 2015/16 reflected a reduced budget when compared to 2013/14 and 2014/15. This anomaly was brought to the attention of National Treasury.

2014 MTEF Allocations	*2014/15*	*2015/16*	*2016/17*
	R 'million	**R 'million**	**R 'million**
	226 031	211 031	224 413

4. The baseline allocations for year 2014/15 was increased to R226,0 million, without correcting the misallocation for year 2015/16, which was R211,0 million. National Treasury was informed about the uncorrected budget misallocation. The 2015/16 shortfall was never corrected in the 2013 allocation and the PSC again raised the issue with National Treasury.

2015 MTEF allocations	*2015/16*	*2016/17*	*2017/18*
	R 'million	**R 'million**	**R 'million**
	222 100	234 233	253 397

5. The baseline allocations for 2015/16 increased to R222,1 million as well as the outer years. This increase did not address the error that occurred during the 2013 MTEF budget process, resulting in the budget being effectively reduced. In 2015/16 the PSC thus had a

R15 million shortfall which severely affected its operations.

6. Instead of National Treasury correcting the shortfall in the budget, the PSC received additional funding amounting to R11.069 million for 2015/16, R12.136 million for 2016/17 and R8.314 million for 2017/18 financial years in respect of rental for new office accommodation.

7. At the beginning of the 2016/17 financial year, the total budget appropriated for the PSC was R234.233 million, whereby R190.801 million (81%) was allocated to Compensation of Employees (including Commissioners) and R43.432 million (19%) to goods and services. The total number of posts for the PSC's structure was 313, including the Commissioners.

8. When the operational plan for the previous financial year (2016/17) was approved in March 2016, there was a shortfall of R12.742 million on the goods and services budget. The PSC took a decision to delay the filling of selected posts and abolish identified posts in order to generate savings. 11 posts were abolished on the structure in April 2016. The total number of posts was reduced from 313 to 302 on the structure.

9. The outcome of the 11 abolished posts yielded good results as savings totalling R5.1 million were generated for the 2016/17 financial year. Subsequent to that, the necessary budget shift was done in June 2016 to shift the R5.1 million savings from Compensation of Employees budget to goods and services.

10. In September 2016, the PSC received a letter from National Treasury informing the PSC about the decision that National Treasury took to reduce the PSC's budget by R5 million. The letter reflected that the Vote for Compensation of Employees allocations were specifically and exclusively appropriated and that funds cannot be moved without Parliamentary approval. The PSC was then instructed by National Treasury to declare the R5 million that it had generated as savings from posts that were delayed as 'unspent funds'.

11. At a meeting held on 3 October 2016, with employees from National Treasury, the PSC was given an opportunity to review its personnel structure and identify capacity which will generate possible savings. The purpose of abolishing the posts was to have a sustainable solution to address the shortfall in the goods and services budget and avoid being dependent on savings from compensation of employees. The PSC undertook a second review of the organizational structure, which resulted in the abolishment of additional posts on the structure. The total number of posts was reduced from 302 to 291 on the structure (including Commissioners).

12. During the submission of the ENE document in November 2016, the PSC raised a concern about possible over spending which might arise from the budget shortfall under Compensation of Employees. It was also brought to the attention of National Treasury that the PSC has abolished posts in the staff organogram in the 2016/17 financial year in order to be within the cap limit of Compensation of Employees that was previously set for the PSC. The calculations were as follows:

R' million	***2017/18***	***2018/19***	***2019/20***
PSC estimates	196.2	210.3	225.5
NT allocations	193.7	207.3	223.0
Shortfall	**(2.5)**	**(3.1)**	**(2.5)**

13. During a meeting with the former Director-General of the National Treasury in December 2016, the PSC was amongst others advised to –

a) explore the option of offering Voluntary Severance Packages (VSPs) to employees who have reached the retirement age as it will be a more sustainable solution to reduce the PSC's Compensation of Employees' budget; and
b) not implement pay progression and pay performance bonuses to reduce the PSC's Compensation of Employees' budget.

14. However, there is no prevailing policy framework in the Public Service that authorises VSPs and the withholding of pay progression and performance bonuses from employees is not legally sound. In respect of VSPs, it be kept in mind that it in the current economic climate there is a possibility that not all the identified employees would express an interest in exiting the Public Service early and that some of the identified employees occupy critical posts that cannot be abolished. In the latter regard, there is substantive case law[1] pronouncing that this will amount to unfair labour practice.

15. As advised by National Treasury, the PSC subsequently identified 11 employees who would have been between the ages of 60 and 65 with the last day of service being 31 March 2017. The estimated costs included pro-rata service bonus, unused leave credits, additional liability and severance pay. The calculations were as follows:

Estimated number of employees	***Estimated costs to be paid by the PSC R 'million***	***Additional liability and severance package R 'million***
11	2.2	8.5

16. The PSC subsequently informed National Treasury that it will be able to pay R2.2 million and requested funding assistance from National Treasury for the additional liability and

[1] Public Servants Association and others vs the Presidency, case no JR2219/11.

severance package of R8.5 million. Thereafter, an engagement was held with National Treasury to discuss the shortfall in the budget.

17. Notwithstanding the fact that the PSC had done everything legally possible to adhere to the advice from National Treasury, it unilaterally reduced the budget from R193.7 million to R188.8 million. In addition, due to the reasons above, the 11[2] officials who had been identified were still in the employment of the PSC.

18. This implied that the PSC started the 2017/18 financial year with a shortfall R4.9 million in 2017/18, R4.6 million in 2018/19 and R5.7 million in 2019/20 financial years.

R 'million	***2017/18***	***2018/19***	***2019/20***
Initial NT allocations	193.7	207.3	223.0
Revised NT allocations (ENE)	188.8	202.7	217.3
Shortfall in the budget	**4.9**	**4.6**	**5.7**
Net result	**7.4**	**7.7**	**8.2**

Another meeting was held between the Chairperson of the PSC, the Director-General and National Treasury in May 2017. During this engagement an undertaking was made that the shortfall will be addressed during the adjusted estimates.

19. In addition, the PSC's Goods & Services budget for the 2017/18 financial year amounts to R55,939,000. However, the operational cost is the major cost driver. It takes up 97% of the budget, leaving 3% (R1 678,000) for the outputs on the Operational Plan.

Major cost drivers	***Amount R 'million***
Auditor-General and Internal Audit	2 200
Operational Costs such as property rentals and payments, photocopiers, vehicle fleet, communication	48 239
Information Technology (SITA, Web hosting, transversal applications such as PERSAL, BAS, etc)	5 500

20. The PSC's cost pressures are as a result of variances between the cost escalations prices on the running contracts (e.g. office accommodation, security services, etc.) as opposed to the guidelines determined by National Treasury, e.g. increase on office accommodation is 10%, and yet the National Treasury guideline on goods and services is 5.7%.

21. The challenge is that this matter is beyond the control of PSC and on numerous occasions, the PSC has requested the Department of Public Works to ensure and confirm in writing that the leases are market related. An audit conducted by the Internal Auditors has confirmed that the rentals are above market rate. It was found that the PSC is overpaying

[2] As at 26 July 2017, 9 of the 11 identified officials are still be in the employ of the OPSC.

about R 350 141.44 per month for the offices at ABSA towers in Pretoria. The PSC may therefore have incurred fruitless and wasteful expenditure of about R 10 504 243.20 for the 30 months that it would have occupied ABSA Towers.

22. The matter was brought to the attention of the Chief Procurement Officer, Budget Office of National Treasury and the Department of Public Works and it has not been resolved. This has a huge impact on the goods and services budget, and the amount for projects has decreased substantially in order to make funds available for leases.

23. The PSC's National Office is also occupying temporary accommodation (due to no fault of its own as the PSC was evicted from its previous accommodation) and will, if the Department of Public Works follows through on its current project plan, move to permanent accommodation on 1 March 2018. The PSC does not have the resources for the move, e.g. relocation of furniture and setting up of IT infrastructure. In addition, the Department of Public Works has amended the space norms and standards for office accommodation. The majority of the current office furniture in use is over 20 years' old and might not fit in the reduced sized offices in terms of the revised space norms and standards.

24. The PSC' IT infrastructure (computers/laptops, servers) is also very old and needs to be replaced. This equipment is no longer covered by warranties and its reliability is under pressure. For example, servers were last procured in 2012/13 and there is a need for servers and switches to be replaced as this impacts on service delivery. In response to the OPSC IT Strategic Plan (2017 – 2020) and the move to digital revolution and automation, the PSC has to upgrade its IT infrastructure (servers and network switches). The estimated budget required to the identified need is R5 000 000.00. Due to a lack of funds, the IT staff has not undergone regular IT training to remain abreast of changes in technology. This impacts on their ability to provide effective IT support.

25. The expenditure for 2015/16 was R22.3 million, R27.4 million for 2016/17, R33.3 million for 2017/18, R38.9 million for 2018/19, R41.5 million for 2019/20 and R44.2 for 2020/21. On average there is R5.1 million increase over the years. The amount is high as it is for the National, 9 Provincial and Parliamentary offices. It should be noted that the budget for operational costs is high as the budget is for National, Parliamentary and Provincial Offices. Which implies that all the costs are for 11 offices.

26. The PSC has also introduced the following cost containment measures, thereby implementing the feasible suggestions by National Treasury:

a) The total number of posts on the establishment was brought down from 313 to 291 posts.
b) No new bursaries were approved and training has been reduced.

c) The Internship programme was terminated.

d) Limited catering for events and meetings.

e) The size of delegations that conduct inspections and investigations and attend meetings were cut down.

f) Travelling for Grievance and Complaint Panel and management meetings has been restricted and meetings are conducted via a video conferencing link.

g) Newspapers are no longer purchased.

h) Review of the telephone policy, closer monitoring of official and private calls, and reduction of allowance for private calls.

i) Reduction in the cell phone allowance for the Chairperson, Commissioners, Director-General, Senior Managers, Investigators and selected staff (which has resulted in dissatisfactions raised by organized labour about the change in work facilities).

j) The structure for administrative support is being reorganised. Previously there were two Administrative Secretaries per Chief Directorate where the one Administrative Secretary was providing administrative support to the Chief Director with the other Administrative Secretary providing administrative support to the Directors and other staff within the Chief Directorate. It was thus deemed prudent as part of reorganising to have one Administrative Secretary in the Office of the Chief Director providing administrative support to the Chief Director and the Directors in the Chief Directorate. This has reduced the number of Administrative Secretaries at the National Office from 12 to 7 employees.

SUMMARY

27. Given the above, and for reasons not within its control, the PSC is put in the position where it will definitely overspend and will be unable to meet its financial obligations.

28. The PSC is therefore requesting National Treasury to correct the shortfall that has occurred since 2012.

R 'million	***2017/18***	***2018/19***	***2019/20***
Shortfall in the CoE budget (NT ceiling)	2.5	3.1	2.5
Shortfall due to the reduction for VSPs	4.9	4.6	5.7
Shortfall in the goods and services budget	4.6	5.4	4.9
Estimated relocation cost for National Office	5.5	0	0
Total	*17.5*	*13.1*	*13.1*

29. Projected Expenditure until 31 March 2018

Item	***R 'million***
Allocated Budget	245 664
Less: Total Actual and Projected Expenditure	(252 508)

Item	*R 'million*
Possible shortfall	(6 844)
Reduction on personnel budget	4 900
Shortfall on 2017/18 approved work plan	4 600
Less: Vacancy savings for the 1st Quarter	(3 900)
Shortfall after savings	5 600
Norm	100.00%
% Spending	102.79%
% Variance	2.79%

MS BONTLE P LERUMO
CHIEF FINANCIAL OFFICER

DR DOVHANI MAMPHISWANA
ACCOUNTING OFFICER 26/07/17

RK SIZANI
CHAIRPERSON: PUBLIC SERVICE COMMISSION
EXECUTIVE AUTHORITY 26/07/2017

Custodian of Good Governance

THE PUBLIC SERVICE COMMISSION
REPUBLIC OF SOUTH AFRICA

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Mr M Gigaba, MP
Minister of Finance
Private Bag 115
PRETORIA
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Dear Mr Gigaba

CONCERN REGARDING THE IMPACT OF BUDGET LIMITATIONS ON OPERATIONS OF THE PUBLIC SERVICE COMMISSION

The Public Service Commission's (PSC) budget is R242.8 million for the 2017/18 and R264.4 million for the 2018/19 financial year. Out of this budget R183.2 million for 2017/18 and R202.7 million for 2018/19 is allocated to compensation of employees and R57.6 million to goods and services. The PSC is a knowledge based organisation and does not outsource its work, as a result the bulk of the PSC's budget is allocated to compensation of employees. This has created an imbalance in the PSC's budget in the sense that an average of 75% (R183.2 million for the 2017/18 financial year and 76% (R202.2 million for the 2018/19 financial year) is allocated to compensation of employees and 23% (R57.6 million in the 2017/18 financial year) and 23% (R60.3 million in the 2018/19 financial year) to goods and services.

Compensation of employees

The PSC has redesigned and abolished several posts in the past 2 financial years resulting in the total number of posts being reduced from 299 to 277 in order to have a sustainable solution to address the shortfall in the goods and services budget. In addition, the National Treasury has advised the PSC to explore the option of offering Voluntary Severance Packages (VSPs) to employees who have reached the retirement age as it will be a more sustainable solution to reduce the PSC's Compensation of Employees' budget. However, National Treasury did not take into consideration that there is no prevailing policy framework in the Public Service that authorises employer initiated VSPs and that Employee Initiated Severance Packages (EISPs) are subject to the PSC being able to fund the additional liability and employees expressing an interest to exit the Public Service.

Goods and Services budget

Out of the allocated to goods and services, mandatory and operational costs takes up 97% of the budget, leaving only 3% (R1 678,000) for the implementation of the mandate of the PSC. The budget for operational costs are high as the budget provides for National, Parliamentary and 9 Provincial Offices, which implies that the operational costs are for 11 offices. The 9 Provincial Offices supports the Provincially Based Commissioners, appointed in terms of section 196 (7)(b) of the Constitution, 1996, with a staff complement of 9 employees each.

The breakdown of the mandatory and operational costs is as follows:

Mandatory costs			Operational costs		
	2017/18 R'000	2018/19 R'000		2017/18 R'000	2018/19 R'000
Office Accommodation	32,275	31,117	Fleet services	1,500	1,139
Property payments	4,230	4,363	Communication	2,087	2,201
AG fees	2,200	2,319	Consumables	731	560
Consultant services	2,856	1,300	**TOTAL**	**4,318**	**3,900**
Computer Services	5,724	6,033			
Training & development	1,500	1,581			
Bursaries	376	396			
PAIA	33	35			
TOTAL	**49,194**	**47,144**			

The PSC has contractual obligations and is not in a position to reduce the mandatory/operational costs and if it does not honour its contractual obligations it faces possible litigation, e.g.:

a) The Department of Public Works (DPW) has already singed lease agreements for all its office accommodation and the PSC is bound by the agreements. This includes payments for municipal services (56% of the Goods and Services Budget). The PSC has been at pains to ensure that DPW enters into market related lease agreements, which has not been the case in selected instances.
b) Auditor General Costs have to be incurred to comply with section 40 of the PFMA to produce audited financial statements.
c) SITA charges for transversal systems (PERSAL, LOGIS and BAS), PSC website, software licences and other SITA related costs.
d) Transversal contracts to provide photocopy services and fleet services for 10 Government Garage vehicles (2 at National and the 8 Provincial offices, excluding Gauteng Province). The photo copiers and vehicles are on a fixed contracts.

In addition, the PSC has advised the National Treasury of various cost containment measures that have been implemented to generate savings on the Goods and Services Budget, including the early closure of its Office in December 2017 to generate savings on utilities.

Impact on the discharge of the PSC mandate

The PSC is a Constitutional body and its mandate emanates from section 196 of the Constitution, 1996, and its limited budget and human resources impedes on its ability to discharge its mandate to such an extent that the organization has reached a stalemate and its lack of performance will have a negative impact on its reputation:

a) The Constitution provides that the PSC is accountable to the National Assembly and in addition it must also annually report on its activities and the performance of its functions, including any finding it may make and directions and advice it may give, and to provide an evaluation of the extent to which the values and principles set out in Section 195 are complied with. The PSC must also report at least once a year in respect of its activities in a province, to the legislature of that province. As the Goods and Services budget only covers mandatory and operational cost, the PSC will not be able to travel to Cape Town or the provincial legislatures to meet its Constitutional reporting obligations. In addition, due to its financial constraints the PSC is unable to print any of its reports to the National Assembly and Provincial Legislatures by service providers and has reverted to printing in-house. The in-house printing option poses challenges considering the number of copies prescribed by the National Assembly and each of the Provincial Legislatures. The PSC has explored the option of only a small number of copies to the National Assembly together with the electronic copies, but the National Assembly did not accede to the request.

b) In line with the PSC's mandate to promote the values and principles, as set out in Section 195, throughout the Public Service, it has over the years conducted workshops with departments on selected Constitutional values and principles (CVPs), e.g. Promoting Professional Ethics and Good human-resource management practices. Due to its financial constraints, the PSC decided 3 years ago to conduct these workshops at the invitation of departments, who must provide the venues and fund the catering for these workshops. However, there are still costs associated with these workshops, such as printing and Travel and Subsistence which the PSC can no longer afford.

In 2015, the PSC embarked on an explorative and revitalization journey to improve its work around the CVPs. Its explicit focus is to promote compliance with the CVPs in the public service, evaluate whether the intention of the public administration values and principles is achieved on an outcome level and to determine how institutional processes can be changed to ensure that the public service is values driven rather than by law and regulations only. The PSC subsequently developed a promotional framework which includes activities such the hosting of events during the public service month in September to promote the CVPs. However, its financial constraints does not allow it to host any events and execute its mandate in this regard.

In November 2011, the National Assembly also adopted a resolution that the annual reports of entities should include a report of the PSC. Over time, the style of reporting must allow greater comparability, monitoring, evaluation and oversight of the progress any particular government entity makes in implementing Section 195 (1) of the Constitution. The PSC has made strides in realising this resolution of Parliament, in that a Data Warehouse was developed to inform the departmental reports. However, this work cannot be sustained without the requisite financial resources for the IT infrastructure.

c) The Constitution also mandates the PSC to conduct investigations into among others, the organisation, administration, personnel practices and public administration practices of the Public Service. It also investigates grievances of Public Servants and make recommendations. In order to comply with legislative requirements, including the Constitutional right to fair labour practices and just administrative action, these investigations require interviews with affected and interested parties so as to ensure that they are heard. Due to our budgetary constraints, the PSC is forced to only conduct desk-top audits on information provided by departments. This approach will therefore not only impede the rights of parties involved in these investigations, but could lead to legal action which will have negative consequences on the reputation of the PSC.

d) Over the years, the PSC has played an integral part in the managed of the career incidents of Heads of Department (HoDs) in terms of its Constitutional mandate to render advice regarding personnel practices in the Public Service. To this extent, the PSC's research reports on public service leadership have been extensively referred to in Chapter 13 of the National Development Plan and its research reports on human resource practices have led to legislative and policy change. Most recently the PSC has been involved in mediating the relationships between several HoDs and Executive Authorities and have rendered advice to the Portfolio Committee on Public Service and Administration/ Performance Monitoring and Evaluation, the Department of Public Service and Administration and the Presidency regarding the political-administrative interface. However, when litigation emerges regarding the management of the political-administrative interface, the PSC has insufficient funding to secure legal advice to enter the fray.

In addition to its Constitutional mandate, the PSC is also required by other legislation or agreements to perform functions, such as:

a) Section 9 of the PSC Act, 1997, provides for the PSC to conduct inspections. Through its inspections the PSC has been able to identify service delivery lapses and come up with immediate solutions through engagement with communities, key stakeholders and relevant departments. It also assists government to gauge its progress towards ensuring a better life for all regardless of their socio-economic and geo-political standing in society. These gives effect to government's outcomes 12 on efficient, effective and development oriented Public Service and an empowered, fair and inclusive citizenship. As no funding is available, the PSC will no longer be able to conduct these inspections.

b) Chapter 2 of the Public Service Regulations, 2016, requires the PSC to verify the interests disclosed by all Members of the Senior Management Service in the Public Service and to scrutinize contents of the financial disclosure form in order to establish whether potential and or actual conflicts of interest exist and alert the Executive Authorities accordingly. In addition, the Medium Term Strategic Framework 2014-2019 has an impact indicator on the feedback of Executive Authorities regarding the proportion of departments that provide satisfactory responses to the PSC on how they have handled the PSC's findings. The PSC verifies the information disclosed against databases such as the Companies and Intellectual Property Commission and the Deeds Registry and these services are not free of charge. No funding is available in the 2018/19 budget for the verification process.

c) Cabinet decided that a single National Anti-Corruption Hotline (NACH) should be established for the Public Service to replace all anti-corruption hotlines that existed. Cabinet took a further decision that the NACH should be housed at the PSC with due consideration of its independence, impartiality and the powers accorded to it by the Constitution, 1996. The NACH was subsequently established in September 2004. Through the years the NACH was outsourced to a service provider, but due to its affordability the PSC had no choice but to manage the NACH in-house with effect from 1 January 2017. The Call-Centre is available for eleven (11) hours a day during week days as opposed to twenty-four (24) hours in order to reduce costs. The Call-Centre was resourced through reorganizing and re-training internal resources to act as Call-Centre Agents. In this regard, posts of Administrative Secretaries were reduced to one person serving each Chief Directorate and the posts of Call-Centre Agents were created.

   A review of the effectiveness of the in-house management of the NACH has shown that most of the calls received are between 08:00 and 19:00, whereas the Call-Centre is operational only until 17:00 daily. This is due to lack of sufficient staff and funding to appoint adequate Call-Centre Agents to perform shift work or alternatively to compensate these employees for overtime work. It should be mentioned that the NACH also manages corruption-related complaints of other Institutions Supporting Democracy, such as the Public Protector, and public entities, such as the South Africa Social Security Agency. However, the funding constraints severely inhibits the effectiveness of the NACH and its impact on Government. In addition, the Medium Term Strategic Framework 2014-2019 has two impact indicators relating to the management of the NACH.

d) In 2015 the Anti-Corruption Inter-Ministerial Committee chaired by Minister in the Presidency, Jeff Radebe called for the revitalisation of the National Anti-Corruption Forum (NACF). The process of revitalizing the NACF commenced in 2017 under the leadership of the Minister for Public Service and Administration. The PSC, as the secretariat of the NACF, is responsible for implementation of the revitalisation activities which will take place at national, provincial and local government level. A process of sourcing donor funding for the NACF is underway. However, the PSC does not have the necessary financial and human resources to render an effective Secretariat service.

Funding requirements to ensure the financial independence of the PSC in line with its expenditure projections

a) In respect of the implementation of the PSC's mandate, there is a shortfall of –

- R4,7 million (excluding relocation costs) on the budget for the 2017/18 financial year as per the tabled 2017/18 Annual Performance Plan; and
- R14,9 million (including relocation costs) on the budget for the 2018/19 financial year, which emanates from a very conservative costing of the 2018/19 Annual Performance Plan which was approved in November 2017 by the PSC for tabling in January 2018.

b) An amount of R4.5 million has been allocated in the 2018/19 financial year for the relocation of the PSC's National Office. However, the expected occupation date is 1 April 2018. Funding is therefore required in the 2017/18 financial year to cover the tenant installation cost amounting to R19 million.

c) The PSC would like to reduce the amount of accruals at the end of the 2017/18 financial year as the accruals will have an impact on the 2018/19 financial year budget. In the 2016/17 financial year, the PSC accrued an amount of R5.2 million. In order to make sure that the accruals do not impact on the budget for 2018/19 additional funding is required to process invoices before year-end.

Given the above, I would like to request the National Treasury to reconsider the PSC's budget allocation for the remainder for the 2017/18 financial year and the 2018/19 financial year. In order to comply with planning requirements, the PSC will thus submit a final draft Annual Performance Plan only reflecting outputs covered by mandatory and operational costs, which still shows a shortfall of R7.2 million. The Auditor-General and the Department of Planning, Monitoring and Evaluation has been informed accordingly.

I have on several occasions requested meetings to discuss the PSC's funding constraints which have not realised. I would therefore like to request an audience with the Minister, or the Minister's technical team and the Director-General of National Treasury to discuss the matter. Ms Ayanda Mtshizana in my office is available to coordinate the meeting. She can be contacted at 012 352 1005 or AyandaM@opsc.gov.za.

Yours faithfully

RK SIZANI
CHAIRPERSON
Date: 31/01/2018

CC: Ms B Mbete, The Speaker, National Assembly
Mr CC Mathale, Chairperson: Portfolio Committee on Public Service and Administration/ Performance Monitoring and Evaluation
Ms RMM Lesoma, Whip: Portfolio Committee on Public Service and Administration/ Performance Monitoring and Evaluation
Ms AF Muthambi, Minister for Public Service and Administration