



RHODES UNIVERSITY
Where leaders learn

Research Report

Tel: (046) 603 8358 Fax: (046) 622 7215 E-mail: psam-admin@ru.ac.za

Staff Shortages, Incapacity and the Excessive Use of Consultants by the Eastern Cape Provincial Government

20 October 2005

**Dr Neil Overy, Senior Research Editor, Public Service
Accountability Monitor**

Contents

Key Findings and Recommendations	1
1. Introduction	5
1.1 Definition	5
1.2 DPSA and Auditor-General Reports on the use of Consultants	5
2. Reporting on the Use of Consultants in the Eastern Cape Provincial Government	7
2.1 Departmental Reporting Requirements	7
2.2 Annual Reports	8
2.3 The Provincial Treasury Figures on Consultant Use	10
3. Staff Vacancies	14
4. Training	17
5. Performance Management	19
5.1 Department of Education	20
5.2 Department of Health	21
5.3 Department of Public Works	22
5.4 Department of Social Development	23
5.5 Department of Housing, Local Government and Traditional Affairs	24
5.6 Provincial Treasury	25
5.7 Performance Management in the remaining Departments	25
6. Legislative Oversight of consultant spending	28
7. The Interim Management Team and Consultants	28

Key findings and Recommendations

Costs of Consultants

Finding

During the 2002/03 and 2003/04 financial years Eastern Cape provincial government departments spent as much as R3.43 billion on consultants and professional services. There is, however, little evidence to suggest that provincial departments make all necessary efforts to capacitate their existing staff to lessen their dependence on consultants.

Recommendation

The Auditor-General should carry out a wide-ranging audit of consultant use within the province. This should investigate whether:

1. The decision made to appoint consultants is always taken as a last option.
2. Contracts drawn up with consultants ensure the transfer of skills to departments.
3. Departments properly monitor the performance of consultants.
4. Departments are making proper use of funds budgeted for skills development.
5. Departments are making all necessary efforts to ensure the recruitment and retention of staff.

Skills transfer from consultants

Finding

Despite making extensive and costly use of consultants, provincial government departments appear to make little effort to ensure that skills are properly transferred from consultants to existing departmental staff. In addition, there is scant evidence to suggest that provincial government departments properly monitor the performance of consultants.

Recommendation

When consultants are appointed, contracts or service level agreements between themselves and departments should include explicit skills transfer provisions. Such provisions should be monitored and enforced by the relevant department.

Failure to acknowledge consultant use

Finding

It is clear that provincial government departments are not aware of the Department of Public Service and Administration's definition of what constitutes 'consultant spending'. This leads to a situation where the use of consultants is not declared clearly and accessibly in departmental annual reports hindering the public's ability to hold provincial government departments accountable for their performance.

Recommendation

Steps should be taken to ensure that all Eastern Cape provincial Departments are cognisant with the DPSA's definition of what consultant use constitutes. Departments should declare consultant use accordingly in their annual reports. This will provide a far more accurate portrayal of current consultant use in the province.

Inconsistent reporting on costs of consultants

Finding

Statistics relating to spending on consultants by provincial departments differ between departmental annual reports and figures supplied by the provincial Treasury. For example, in the 2003/04 financial year provincial departments reported spending a total of R1.9 billion on consultants. However, the provincial Treasury noted that these same departments spent only R1.13 billion on consultants over the same period.

Recommendation

The Eastern Cape provincial Treasury should explain why it reports far less spending on consultants and specialised services than do departments within the province. Both the provincial departments and the provincial Treasury should ensure that they use the DPSA definition of consultants and report consistently on funds expended on consultant services.

Lack of Staff Training

According to provincial Treasury statistics, over the course of the 2002/03 and 2003/04 financial years, provincial departments spent a total of R219 million on staff training and development. This means, at best, that Eastern Cape provincial government departments spent more than eight times as much on consultants during that period as they did on training their own staff.

Recommendations

1. Departments should report in their annual reports exactly how much was made available for training and capacity-building in each financial year. They should then report on how much of this money they actually spent on training in each financial year.
2. All training that is undertaken by departments should be linked to the operational requirements of departmental programmes and sub-programmes. Given this, as a precondition for effective training, all departments should annually undertake a detailed audit of their skills requirements.
3. The provincial Treasury should take steps to break the dependence of provincial departments on consultants by ensuring that more funds are made available to train their existing staff. As a precondition for this extra funding, departments should be compelled to sign service level agreements with all companies providing training. They should provide a detailed and comprehensive report back to the Legislature on how effective this training has been.

Critical Posts

Finding

There is no consistency in the way in which Eastern Cape provincial government departments display statistics relating to critical post shortages. This makes it difficult in some instances to identify which posts are actually critical within certain provincial departments.

Recommendation

All provincial Departments should state what posts they have identified as critical and should show what the vacancy rate is for each respective critical post. These statistics should be presented in a separate table and not included within general staff vacancy rates.

Conditional Grants

Finding

The Eastern Cape Department of Education consistently under spends its conditional grant which is specifically geared towards improving capacity within the Department. The Department has under spent its Financial Management and Quality Enhancement conditional grant over the last two years by nearly R44 million, or 50 percent.

Recommendation

The provincial Department of Education should ensure that it makes proper use of its Financial Management and Quality Enhancement conditional grant. This will enable it to capacitate its own staff, which will have the effect of reducing its current over-reliance on the use of consultants.

Performance Agreements

Finding

Despite Public Service Regulations stating that performance management systems designed to 'enhance organisational efficiency and effectiveness' should be 'fully implemented by all departments with effect from 1 April 2001' there is little evidence to suggest that such systems have been properly implemented within Eastern Cape provincial government departments. Even in departments where performance management systems are said to exist, performance appraisals are not carried out on a regular basis.

Recommendation

All provincial departments should be compelled to report in their respective annual reports the number of staff that have signed performance agreements, and how these agreements are monitored and enforced.

Standing Committees

Finding

Despite enormous resources being expended on consultants by Eastern Cape provincial Departments during the two years under review no recommendation has been made by any provincial Portfolio Committee in relation to the use of consultants by the provincial government.

Recommendation

Portfolio Standing Committees should, as a matter of urgency, address the issue of consultant spending, and take steps to proactively compel departments to lessen their dependence on consultants.

1. Introduction

In June 2001 the Department of Public Service and Administration (DPSA) produced a report which examined the employment of private consultants in the public service in South Africa. A year later, in 2002, the Auditor-General produced a similar report which examined the extent of the government's use of consultants.¹ These reports were based on a request from the national Cabinet to assess whether the public service was overly reliant on consultants. Both reports noted that some national and provincial government departments were making excessive use of consultants to the long-term detriment of the public service.

This report examines the use of consultants in the Eastern Cape provincial government during the 2002/03 and 2003/04 financial years, (two years subsequent to the tabling of the above reports) and assesses whether the provincial government is indeed over-reliant on the use of consultants. It also provides an evaluation of the steps taken by provincial departments to build their internal capacity and lessen their dependence on private consultants.

1.1 Definition

For the purposes of this report it is important to provide a definition of the term 'consultant'. The DPSA provides the following definition of a consultant:

A professional person appointed by the public service to provide technical and specialist advice or to assist with the design and implementation of projects/programmes. The legal status of this person can be an individual, a partnership or a corporation.²

Clearly this is a broad-ranging definition which refers to any service that departments are forced to pay for because they do not have the requisite skills and expertise to provide it internally. This definition shall be used to inform this report.

1.2 DPSA and Auditor-General Reports on the use of Consultants

The Auditor-General's 2002 report noted that most consultant appointments were for the management of the delivery of services, followed by planning, policy development and research and information technology.³ The DPSA report, published in 2001, noted that in most cases consultants were appointed to compensate for limited managerial and technical capacity to manage and implement policies within departments. It argued that this was particularly so in those departments which 'inherited large numbers of unskilled or low-skilled workers from the former independent states and self-governing territories.'⁴ This is clearly of relevance to the Eastern Cape in particular, which absorbed two such 'self-governing territories', the Transkei and the Ciskei, after 1994.

¹ Use of Consultants in the Public Service, Department of Public Service and Administration, June 2001 (this report examined the use of consultants in 19 national departments) and Appointment and Utilisation of Consultants at certain National Departments and Provincial Administrations, Auditor-General, 2002 (this report examined the use of consultants in three national departments and 13 provincial departments, six of which were in the Eastern Cape).

² Use of Consultants, section 1.3.

³ Appointment and Utilisation, p. 4.

⁴ Use of Consultants, section 3.1.

In both reports, government departments were criticised for not properly exploring alternatives to the use of consultants, or being aware of the inherent limitations accompanying their use. The key findings of the reports can be summarised as follows:

- **Alternative ways of addressing needs were not always met**

The Auditor-General noted that staff training was often inadequate, as were department's attempts to recruit suitably trained staff. Departments were also accused of not extending working hours or paying overtime as an alternative to the appointment of consultants.⁵ The DPSA report noted that 'the failure to build management and professional capacity' results in the 'ever-increasing dependence by the public service on consultants.' It argued that 'in the longer-term the cost-effective solution is a capable and adequate management and professional echelon.'⁶

- **Consultants effectively appointed on a permanent basis**

The Auditor-General noted that contract workers and consultants often effectively became permanent staff members because contract periods were continually extended. The Auditor-General argued that this meant that approved establishment figures were crudely extended as departments became 'reliant on consultants to perform certain primary functions.'⁷

- **Consultant skills not verified**

Both reports noted that the skills that consultants claimed to be able to offer were not often verified by departments. Consultants were not, in general, asked to provide proof of previous successes. The reports note that this had the effect of draining further resources as permanent staff members were often seconded to assist inadequate consultants.⁸

- **Failure to monitor the performance of consultants**

The Auditor-General noted that consultants were often paid despite the fact that projects were not assessed by government departments to see if they met with their stated objectives.⁹ The DPSA report noted that the public service lacked 'the ability to manage consultants in such a way as to ensure outputs are relevant and provide real solutions to problems experienced by departments.' It noted that ongoing reviews by external or independent teams in relation to the performance of consultants were, in general, 'neglected.'¹⁰

- **Lack of skills transfer clauses in contracts with consultants**

Both reports noted that the terms of reference for many contracts entered into between government departments and consultants did not specifically provide for skills transfer, which would, in time, alleviate the need for consultants. According to the DPSA, even when contracts did note the transfer of skills they lacked clear

⁵ Appointment and Utilisation, p. 8.

⁶ Use of Consultants, section 5.5.

⁷ Appointment and Utilisation, p. 13.

⁸ Appointment and Utilisation, pp. 11-12, and, Use of Consultants, section 4.1.

⁹ Appointment and Utilisation, p. 17.

¹⁰ Use of Consultants, section 4.2.

measurable indicators. In addition, both reports noted that departments did not effectively monitor the transfer of skills to see if it actually took place.¹¹

In light of these findings, both reports made numerous recommendations. The most important of these recommendations can be summarised as follows:

- Vacant posts within government departments should be filled as soon as possible, and they should not be filled by consultants.
- Existing staff productivity should be increased by ensuring that staff meet productivity standards. In other words, performance management systems should be put in place within departments.
- The cost-effectiveness of the appointment of consultants should be compared to the cost of filling vacant posts.
- Departments should have to prove that their needs cannot be met internally before engaging consultants.
- All contracts should include the transfer of skills from consultants to existing staff members. Departments should have the ability to monitor this transfer to ensure that it is indeed taking place. As the DPSA noted, 'there should be a paradigm shift to an increased realisation by government that consultants must be kept accountable.'¹²
- Audit committees within government departments must ensure regular performance audits are undertaken in regard to the use of consultants.
- Treasuries and chief financial officers should ensure that proper systems are in place to monitor the use of consultants within government departments.
- Both the DPSA and the Office of the Public Service Commission (OPSC) should rigorously monitor the compliance of departments with the requirements of regulations and legislation concerning human resource planning and skills development.
- Departmental personnel expenditure reviews should take into account consultant fees and should be monitored by the DPSA and the National Treasury.
- All departments in the public service must monitor and report on the appointment of consultants.¹³

2. Reporting on the Use of Consultants in the Eastern Cape Provincial Government

The first step in evaluating the use of consultants in the Eastern Cape is to examine the reported use of consultants by provincial departments, and assess the reliability of these reported figures.

2.1 Departmental Reporting Requirements

In terms of relevant legislation, all government departments and institutions are compelled to produce annual oversight reports which should detail the budgeted funds which they have expended on the hiring of consultants.

The Public Finance Management Act (PFMA) of 1999 requires that accounting officers (normally the Head of Department) from each provincial department ensure the 'effective, efficient, economical and transparent use of the resources of the

¹¹ Use of Consultants, section 4.2, and, Appointment and Utilisation, p. 13.

¹² Use of Consultants, section 4.2.

¹³ Use of Consultants, section 5, and, Appointment and Utilisation, pp. 9-22.

department.¹⁴ As one step towards meeting this commitment, the PFMA compels departmental accounting officers to produce an annual report which must 'fairly represent' the Department's 'business, its financial statements, its performance against predetermined objectives and its financial position.'¹⁵ From June 2002, these reports were also required to include information relating to a department's 'utilisation of consultants.'¹⁶ This information relates to the appointment of consultants using appropriated and donor funds, with special reference to historically disadvantaged individuals. According to the Auditor-General and the DPSA this information would:

- Provide a more balanced view of personnel expenditure in the public service;
- Provide information regarding expenditure on consultants, and the type and value of projects;
- Improve the monitoring of government on the use of consultants;
- Promote the sharing of learning products in government.¹⁷

Information relating to the use of consultants in the public sector can also be found within the financial statements of government departments (also contained in the annual reports of department's) and within provincial and national government budget statements which are produced at the beginning of each new financial-year.

Despite these regulations governing the presentation of information on to the use of consultants in the public sector, the PSAM's current investigation into the use of consultants by the Eastern Cape provincial government has been hindered by the confused and contradictory way in which the provincial administration defines consultants and consultant services, and presents figures relating to the use of consultants. There appears to be no shared understanding of what constitutes spending on consultants, and there is no consistency in the way in which departments themselves report on their spending on consultants from one year to the next, and from one department to another. In addition, figures contained in departmental financial statements on spending on consultants do not tally with figures presented by the provincial Treasury in this regard.

2.2 Annual Reports

As noted, the PFMA requires that each government department's annual report must include details of resources absorbed by consultants. One of these requirements states that each department's annual financial statements must include a note on current and capital expenditure in relation to 'professional and special services.' This includes any services that departments purchase with public funds because they cannot provide them internally. In general this note is broken down into a number of sub-categories. The Department of Housing, Local Government and Traditional Affairs, for instance, includes a number of sub-categories in its 2003/04 annual report. These are; auditor's remuneration; other audits; legal fees; consultants and advisory services; commissions and committees; project management; computer services and unspecified 'other.' Obviously the sub-category 'consultants and advisory services' refers to the use of consultants.¹⁸ However, it is not clear why a number of the categories that the Department refers to are not considered to fall

¹⁴ Public Finance Management Act, 1999, section 38(1)(b).

¹⁵ *Ibid.*, section 40(3)(a).

¹⁶ Amendment of Public Service Regulations, 7 June 2002.

¹⁷ Appointment and Utilisation, p. 23.

¹⁸ Department of Housing, Local Government and Traditional Affairs, Annual Report, 2002/03, pp. 126-7.

under the definition of consultants which, according to the DPSA definition, includes any

professional person appointed by the public service to provide technical and specialist advice or to assist with the design and implementation of projects/programmes. The legal status of this person can be an individual, a partnership or a corporation.¹⁹

Given this definition, it is not clear why the Department of Housing chose to include computer services, legal fees and project management under 'professional and special services' separately from 'consultants and advisory services' when, in terms of the DSPA definition, these clearly represent consultant services.

There are also problems with the way in which the Department of Housing, Local Government and Traditional Affairs presents figures in relation to spending on consultants, even if we accept the Department's narrow definition of consultant spending. Within the Department's annual report for 2002/03 it states under the notes to the financial statements that it spent R5.23 million on consultants during the 2002/03 financial year.²⁰ However, within its report on consultant use under its human resources section, where it specifies consultant use using appropriated funds, it reported that four projects worth R14.3 million had been undertaken by consultants during the year under review.²¹ The table in question then erroneously states that the total 'contract value in Rand' of these four projects was over R1.5 billion. This is clearly an error, but nonetheless illustrates the casual fashion in which this Department has reported on its consultant use.

This discrepancy between figures presented in the notes to the financial statements and figures presented in regard to consultant use under the Department's human resource management line item does not occur in the Department's annual report for 2003/04. This is because, despite recording in the notes to the financial statements that the Department spent R13.84 million on consultants during the financial year, no reference is made to the use of consultants in the human resources section of the annual report. The Department simply presents a number of empty tables which are supposed to detail spending on consultants using appropriated and donor fund. The Department's unwillingness or inability to include these figures represents a breach of the regulatory framework and demonstrates contempt for the oversight process and for the Department's accountability obligations.

The presentation of figures relating to consultant spending is equally confused in other provincial departmental annual reports. In the provincial Department of Education annual report for 2002/03 the Department notes in its financial statements that it spent R44.99 million on 'consultants and advisory services' for the financial-year.²² However, under human resources it notes that R60 million of appropriated funds was used to appoint consultants for eleven projects during the 2002/03 financial-year.²³ In its annual report for 2003/04 the Department of Education noted in its financial statements that it spent R68.7 million on 'consultants and advisory services' during the financial-year.²⁴ Despite this, in its report on consultant use under human resources it notes only a single project with a value of R748

¹⁹ Use of Consultants, section 1.3.

²⁰ Department of Housing, Local Government and Traditional Affairs, Annual Report 2002/03, pp. 126-7.

²¹ *Ibid.*, p. 96.

²² Department of Education, Annual Report, 2002/03, p. 172.

²³ *Ibid.*, p. 222.

²⁴ Department of Education, Annual Report, 2003/04, p. 156.

thousand.²⁵ Similarly, the Department of Social Development notes in its financial statements in its annual report for 2002/03 that it spent R74.13 million on consultants during the year.²⁶ However, it also reports that nine projects were undertaken by consultants during the year at a combined cost of R22.97 million.²⁷ In its annual report for 2003/04 the Department of Social Development failed to list any spending on consultants in its notes on its financial statements. This is despite the fact that under human resources it reported, in a confused fashion, that it spent nearly R60 million on consultants using appropriated funds during the 2003/04 financial-year.²⁸ In addition, all provincial departments routinely list services rendered that fall under the DPSA's definition of consultant services separately from consultant payments.

Numerous other incidents of such contradictory and inadequate reporting can be found in a number of other provincial Departmental annual reports.²⁹ However, as will be illustrated below, this confusion is further exacerbated by the provincial Treasury's reporting on public sector consultant spending in the Eastern Cape.

2.3 The Provincial Treasury Figures on Consultant Use

The budget statement for the Eastern Cape Treasury for the 2005/06 financial-year includes a breakdown of spending by provincial departments since the 2001/02 financial-year. This breakdown includes departmental spending in regard to 'consultancy fees' and 'consultants and specialised services.' Neither of these terms are consistent with those used in provincial department annual reports, and neither is defined by the provincial Treasury. It is not clear why the Treasury has chosen to separate spending on 'consultants' from spending on 'consultancy fees' when evidently they are exactly the same thing. In addition, it is not clear what the Treasury means by 'specialised services'. It is more than likely that such services are, in fact, consultant services in terms of the accepted DPSA definition. Further confusion arises from the fact that none of the figures presented by the Treasury in relation to consultant spending match those given in annual reports.

For example, the Department of Housing, Local Government and Traditional Affairs states in its 2003/04 annual report that it spent R5.2 million on 'consultants and advisory services' in the 2002/03 financial year, and R13.8 million in 2003/04.³⁰ The provincial Treasury budget statement, however, indicates that for the same years this Department spent R75.4 million and R89.8 million respectively on 'consultant fees'.³¹ Even if we include the R34.6 million and the R50.9 million the Department claimed it spent on 'professional and special services' in the two years, the figures still do not add up.

Similarly, according to Treasury figures, the provincial Department of Education spent no budgeted funds on 'consultant fees' or 'consultants and specialised services' during the 2002/03 financial-year.³² However, the Department's annual report for 2003/04 states that the Department spent R44.6 million on 'consultants and

²⁵ *Ibid.*, p. 198.

²⁶ Department of Social Development, Annual Report, 2002/03, p. 82.

²⁷ *Ibid.*, p. 102.

²⁸ Department of Social Development, Annual Report, 2003/04, pp. 99 & 129.

²⁹ See for example, Department of Health, Annual Report, 2002/03, pp. 142 & 198, Annual Report, 2003/04, pp. 153 & 206, Department of Roads and Public Works, Annual Report, 2002/03, pp. 139 & 153, Annual Report 2003/04, pp. 131 & 169-179.

³⁰ Department of Housing, Local Government and Traditional Affairs, Annual Report, 2002/03, p. 156.

³¹ Eastern Cape Provincial Treasury, Budget Statements 2005/06, p. 406.

³² *Ibid.*, pp. 349-363.

advisory services' and R149 million on 'professional and special services' during the 2002/03 financial-year.³³ Discrepancies of this nature between figures presented in annual reports and those presented by the provincial Treasury characterise the figures presented for all provincial government departments.

The inconstant and confused way in which the provincial government presents its consultant spending statistics makes it difficult to properly quantify how much the provincial government has spent on consultants in the last two financial-years. However, the four tables below indicate how much has been spent on each of the four categories, used by provincial departments and the Eastern Cape Treasury, relating to the use of consultants and professional services.

Table 1 Annual Report Statistics 2002/03³⁴

R'000

Department	Consultants and advisory services	Professional and special services
Office of the Premier	3 718	34 531
Provincial Legislature	0	0
Health	3 104	286 758
Social Development	74 126	148 744
Public Works	35 670	431 867
Education	44 620	149 019
Housing, Local Government and Traditional Affairs	5 227	34 602
Agriculture and Land Affairs	1 428	81 666
Economic Affairs, Environment and Tourism	748	5 217
Transport	3 403	29 497
Provincial Treasury	74 877	80 056
Sports, Recreation, Arts and Culture	74	1 877
Safety and Liaison	0	407
Total	246 995	1 284 241

Table 2 Annual Report Statistics 2003/04³⁵

R'000

Department	Consultants and advisory services	Professional and special services
Office of the Premier	3 086	58 147
Provincial Legislature	0	0

³³ Department of Education, Annual Report, 2002/03, p. 156.

³⁴ All figures for tables one and two drawn from Departmental Annual Reports, 2002/03 and 2003/04.

³⁵ *Ibid.* The figure for Social Development in relation to 'consultants and advisory services' is not drawn from the Department's financial statements but is taken from the Department's somewhat confused human resource report on consultant spending for the 2003/04 financial which appears in its annual report. This is because, as we have seen, the Department failed to disclose its consultants spending under professional and special services.

Health	2 994	337 279
Social Development	59 720	438 045
Public Works	78 045	299 670
Education	69 132	195 178
Housing, Local Government and Traditional Affairs	13 842	50 992
Agriculture and Land Affairs	505	150 914
Economic Affairs, Environment and Tourism	1 748	14 179
Transport	3 195	43 699
Provincial Treasury	45 937	54 430
Sports, Recreation, Arts and Culture	4	4 855
Safety and Liaison	28	851
Total	278 236	1 648 239

Table 3 Treasury Statistics 2002/03³⁶

R'000

Department	Consultant Fees	Consultants and specialised services
Office of the Premier	0	7 514
Provincial Legislature	0 ³⁷	454
Health	0	4 075
Social Development	0	219 405
Public Works	0	27 983
Education	0	0
Housing, Local Government and Traditional Affairs	75 426	0
Agriculture and Land Affairs	0	38 744
Economic Affairs, Environment and Tourism	0	0
Transport	0	357 149
Provincial Treasury	0	0
Sports, Recreation, Arts and Culture	0	0
Safety and Liaison	0	0
Total	75 426	655 324

Table 4 Treasury Statistics 2003/04

R'000

³⁶ All figures for tables three and four drawn from the Eastern Cape Provincial Treasury's Budget Statements 2005/06.

³⁷ The budget statement fails to properly display how much the Provincial Legislature spent on consultant fees in the 2002/03 financial-year. The statement notes that 46300% was spent. As this figure has no meaning, no figure will be included for this year. See Eastern Cape Provincial Treasury, Budget Statements 2005/06, p. 133.

Department	Consultants and advisory services	Professional and special services
Office of the Premier	0	35 326
Provincial Legislature	705	869
Health	0	83 816
Social Development	0	533 720 ³⁸
Public Works	0	42 098
Education	185	101 512
Housing, Local Government and Traditional Affairs	89 787	0
Agriculture and Land Affairs	0	76 415
Economic Affairs, Environment and Tourism	0	0
Transport	5	182 736
Provincial Treasury	0	0
Sports, Recreation, Arts and Culture	0	268
Safety and Liaison	0	0
Total	90 682	1 056 760

According to statistics contained within departmental annual reports R1.53 billion was spent on consultants and professional services during the 2002/03 financial-year. However, according to the provincial Treasury only R731 million was spent on these services during this financial-year. This disparity in figures is also evident for the 2003/04 financial-year. In this year departmental annual reports noted that R1.90 billion had been spent on consultants and professional services, whereas the Treasury again reported a lower figure of R1.13 billion. Over the two financial-years the departments collectively report that they spent R3.43 billion on consultants and professional services, whereas the Treasury puts this figure at R1.86 billion.

In the 2002/03 financial year the provincial departments received a total allocation of R24.66 billion. This means that, in terms of statistics presented in departmental annual reports, the provincial department spent 6.2 percent of the province's total allocation on consultants and professional services. In terms of Treasury figures for 2002/03, the percentage is 3 percent. In 2003/04 provincial departments received a total allocation of R27.47 billion. In terms of financial statements in annual reports, this means that departments spent 6.9 percent of this allocation on consultants and professional services. Using Treasury figures the percentage is 4.1 percent.³⁹

What these figures show is that the provincial government spent more on consultants and professional services in the 2003/04 financial-year than in 2002/03. According to the reports of provincial departments they spent 22 percent more in 2003/04, whereas the Treasury reported a 55 percent increase. In addition, these figures show

³⁸ The figures presented for the Department of Social Development both in its annual report and by the Treasury are inflated due to the outsourcing of social grant payouts that has taken place in the province. Payments to AllPay and CPS, the outsourced companies responsible for the payment of social grants, are included within both sets of statistics as specialised services.

³⁹ Eastern Cape Provincial Treasury, Budget Statements 2005/06, Summary of provincial revenue, p. 30.

that spending on consultants and professional services as a percentage of total revenue is also increasing. This means that spending on consultants and professional services is rising at a faster rate than increases in overall budgetary allocations. This carries the danger of consultant spending increasingly crowding-out spending on core departmental programmes.

The following section will explore some of the reasons why Eastern Cape provincial departments have been forced to make such extensive use of consultants.

3. Staff Vacancies

There is no doubt that the Eastern Cape Provincial Government's increasing reliance on consultants and specialised services stems, in part, from the chronic staff shortages that plague most provincial government departments. This is particularly so because staff shortages are often more pronounced within provincial departments at managerial and professional levels.

The following table illustrates the staff vacancy rates for all provincial departments for the 2002/03 and 2003/04 financial-years.

Table 5 Departmental vacancy rates⁴⁰

Department	Vacancy Rate	
	2002/03 percentage	2003/04 percentage
Office of the Premier	5.8	28.3
Provincial Legislature	26	unknown ⁴¹
Health	25.6	32.8
Social Development	51	41.9
Public Works	28.4	26.3
Education	21.9	4
Housing, Local Government and Traditional Affairs	12.8	46
Agriculture and Land Affairs	12.8	10.8
Economic Affairs, Environment and Tourism	9.8	10
Transport	66	59.6
Provincial Treasury	41.8	18
Sports, Recreation, Arts and Culture	49.5	49.5
Safety and Liaison	49.18	57.4
Average Vacancy rate	30.81	32.05⁴²

The vacancy rates displayed above reflect all approved posts within provincial departments. It is worth noting that for those posts that have been identified as critical, that is posts that need to be filled as a matter of urgency to ensure the effective delivery of public services, vacancy rates are much higher. However, due to

⁴⁰ Departmental annual reports, 2002/03 and 2003/04.

⁴¹ The PSAM has been unable to source a copy of the Provincial Legislature's annual report for 2003/04.

⁴² This figure is based on an average of those 11 departments where vacancy rates are known.

the way in which departments present vacancy rates in annual reports it is difficult to actually identify overall departmental critical post vacancy rates. Only eight department annual reports for the 2002/03 financial-year actually included tables which indicated the actual total vacancy rate in terms of critical posts. In 2003/04 only five departments included such tables.⁴³ This does not mean that the other annual reports did not include tables relating to critical posts, they did. However, these tables simply listed all posts as critical. Therefore, unless the reader is in a position to identify which posts are critical, it is not possible to quantify the overall critical post vacancy rate within provincial departments. Clearly, this is an issue that needs to be addressed as all departments should present their statistics in a manner that is useful to determining their strategic planning and spending priorities. They should also present vacancy statistics in a transparent and accessible manner to enable Legislature oversight committees and ordinary citizens to assess the nature of the problems and the challenges facing departments.

Despite these shortcomings, the critical post vacancy rates for a number of departments are available.

Table 6 Critical post vacancy rates⁴⁴

Department	Critical Post Vacancy Rate	
	2002/03 percentage	2003/04 percentage
Office of the Premier	1.9	25.2
Provincial Legislature	-	unknown
Health	-	-
Social Development	-	51.6
Public Works	76.8	64.9
Education	-	-
Housing, Local Government and Traditional Affairs	53	67
Agriculture and Land Affairs	43.4	-
Economic Affairs, Environment and Tourism	16.7	-
Transport	62.4	-
Provincial Treasury	-	-
Sports, Recreation, Arts and Culture	34	28.6
Safety and Liaison	25	-
Average critical post vacancy rate of reporting departments	39.15	47.46

Despite inadequate reporting on critical post vacancies by a number of departments it is possible to extract some information relating to critical post vacancies from other sections of departmental annual reports. For example, the Education annual report for 2003/04 notes a 62 percent vacancy rate within the offices of the Chief Financial Officer and Corporate Services branches.⁴⁵ Other departments reported similar vacancies:

⁴³ It is not known if the Legislature or Safety and Liaison annual reports included such tables.

⁴⁴ Departmental annual reports, 2002/03 and 2003/04.

⁴⁵ Eastern Cape Department of Education, Annual Report, 2003/04, p. 119.

- The Department of Health noted in its 2003/04 annual report that the Department was critically short of clinical staff.⁴⁶
- The provincial Department of Agriculture noted that in its 2003/04 annual reports that it experienced critical shortages in financial management and veterinary science.⁴⁷
- In its 2002/03 annual report the Department of Education noted that staff shortages in relation to financial management 'effectively crippled the Department of Education from fulfilling its obligations.'⁴⁸
- The Department of Social Development noted in its annual report for 2002/03 that it has chronic staff shortages, especially in its finance directorate.⁴⁹
- The Department of Transport noted in its 2003/04 annual report that it was hampered by the non-filling of vacant critical posts.⁵⁰
- The Department of Economic Affairs, Environment and Tourism argued that it lacked 'appropriate personnel' during the 2003/04.⁵¹
- The Provincial Treasury also stated in 2003/04 that it lacked 'appropriately skilled personnel.'⁵²

It is clear from this information that all provincial departments, to varying degrees, experience shortages of critical staff. The need to address these critical shortages is paramount, but departments throughout the province have been largely unable to recruit appropriate staff. It is beyond the scope of this report to investigate in detail why this is the case, however, there are a number of factors which contribute to the Department's inability to fill critical posts:

- There is wholly inadequate human resource planning within most Departments. This includes the repeated failure by many departments to properly budget for posts or recruit for posts even if budgets do exist.
- Human Resource record management is generally poor, meaning that potential employees are dissuaded from joining provincial departments for fear of receiving wages and allowances late.
- Wages offered in the public sector are not always competitive with those in the private sector.
- Employees are said to be less willing to work in rural parts of the Eastern Cape because of its lack of basic infrastructure.
- Staff shortages themselves lead to employees being placed under excessive pressure within departments.

Given that this position pertains in most provincial departments it seems all the more important that provincial departments maximise the utility of those staff members that they do have at their disposal. The most effective way of doing so is to ensure that staff are trained and capacitated to their maximum potential.

⁴⁶ Eastern Cape Department of Health, Annual Report, 2003/04, p. 165.

⁴⁷ Eastern Cape Department of Agriculture, Annual Report, 2003/04, pp. 53-54.

⁴⁸ Eastern Cape Department of Education, Annual Report, 2002/03, p. 140.

⁴⁹ Eastern Cape Department of Social Development, Annual Report, 2002/03, p. 55.

⁵⁰ Eastern Cape Department of Transport, Annual Report, 2003/04, p. 39..

⁵¹ Eastern Cape Department of Economic Affairs, Environment and Tourism, Annual Report, 2003/04, p. 106.

⁵² Eastern Cape Provincial Treasury, Annual Report, 2003/04, p. 95.

4. Training

Despite the pressing need for provincial departments to train their staff, over the past two financial-years they have generally made little concerted effort to do so. The provincial Treasury budget statements for the 2005/06 financial-year includes statistics relating to each departments' spending on training in the 2002/03 and 2003/04 financial-years. They describe their statistics as representing 'high level aggregations of departmental spending on training.'⁵³ However, it is not clear if these figures represent training focussed on departmental staff only, or training offered to departmental stakeholders. For example, the Department of Agriculture is tasked to raise the capacity of its own staff and offer training to emerging farmers.

Table 7 – Spending on Training by provincial departments according to Treasury statistics⁵⁴

Department	Spending on Training R'000	
	2002/03	2003/04
Office of the Premier	33 311	35 017
Provincial Legislature	371	914
Health	23 940	25 187
Social Development	1 562	1 198
Public Works	719	361
Education	12 293	71 637
Housing, Local Government and Traditional Affairs	871	698
Agriculture and Land Affairs	2 200	2 500
Economic Affairs, Environment and Tourism	804	960
Transport	776	1 160
Provincial Treasury	542	719
Sports, Recreation, Arts and Culture	343	1 056
Safety and Liaison	127	42
TOTAL	77 859	141 449

It is not possible to give any figures in relation to spending on training drawn from departmental annual reports. This is because there is no uniform presentation of training spending presented in provincial annual reports. Most departments acknowledge that training has taken place, and in most instances indicate how many staff have been trained, but in general departments fail to state how much was spent on such training. The only spending figures that are available in terms of training are in relation to conditional grants that the provincial Department of Education receives. This conditional grant, 'Financial Management and Quality Enhancement' has been under spent by the Department during the years under review. In the 2002/03 financial year the Department only spent R19.7 million out of an allocation of R42.2 million, thus under spending by 53 percent.⁵⁵ In the following year, the Department

⁵³ Eastern Cape Provincial Budget Statements 2005/06, p. 284.

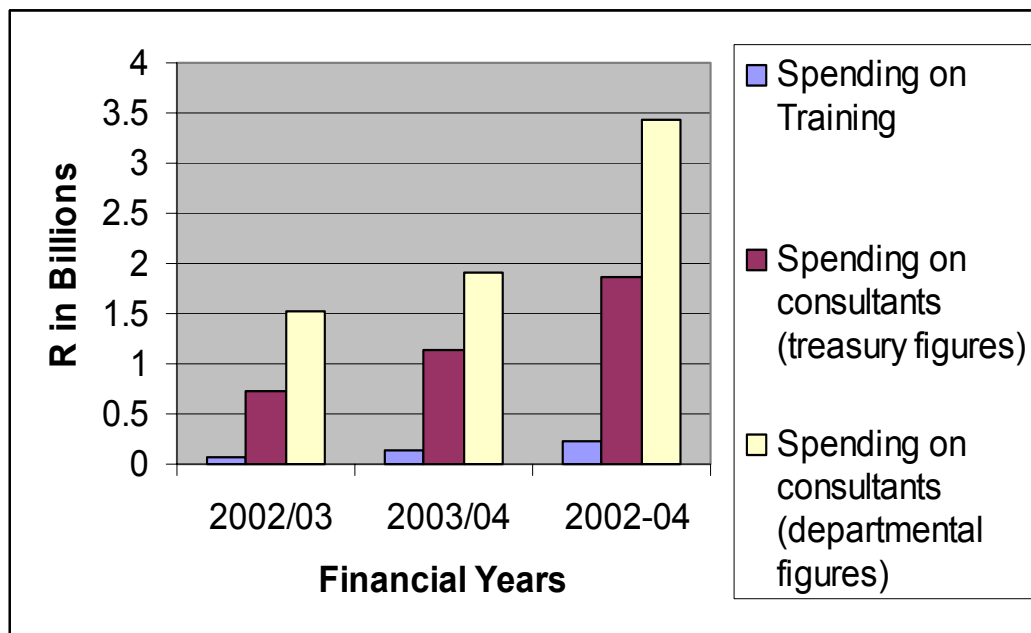
⁵⁴ All figures drawn from Eastern Cape Provincial Budget Statements 2005/06.

⁵⁵ Eastern Cape Provincial Department of Education, Annual Report, 2002/03, p. 178.

under spent this same grant by R21.4 million, or 49 percent.⁵⁶ One explanation for the Education Department's use of consultants can clearly be found in its failure to properly spend a conditional grant meant for the capacitation of its employees.

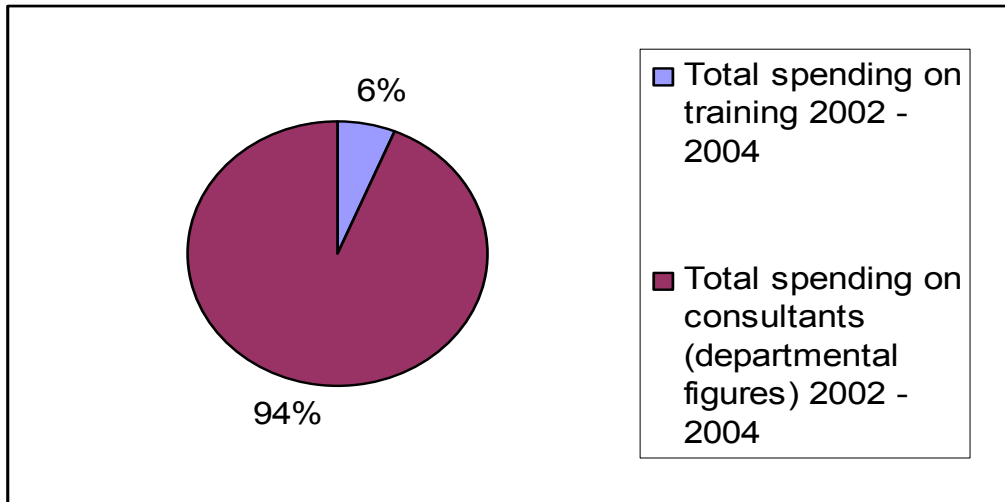
Working exclusively on the figures provided by the provincial Treasury we can see that the departments spent R77.8 million on training in the 2002/03 financial year and R141.4 million in the 2003/04 financial year. This means that in total over the two financial years the departments spent R219 million on training. This compares to the R3.43 billion that departments claim they have spent on consultants and professional services in these two years or the R1.86 billion the Treasury cites. This means that, using departmental figures, departments spent 15.6 times more money on consultants during the two financial-years under review than they spent on training. In other words spending on training constituted a mere six percent of the amount spent on consultants. Using provincial Treasury figures, we see 8.5 times as much was spent on consultants as on training, meaning that spending on training was only 12 percent of that spent on consultants.

Table 8 illustrates the spending on training compared to spending on consultants:



⁵⁶ Eastern Cape Provincial Department of Education, Annual Report, 2003/04, p. 164. Interestingly, while some R43.4 million was to be transferred to the Department, only R21.7 million actually was. This means that payment must have been withheld from the Department in terms of chapter six of the Division of Revenue Act. It is deeply concerning to note that for the 2004/05 financial-year the Department only spent R1 million, of its R21.7 million allocation for Financial Management and Quality Enhancement. See Fourth Quarter Spending Figures, National Treasury, <http://www.treasury.gov.za/press/monthly/0505/easterncape.pdf>.

Figure 1 compares total spending on consultants (departmental figures) to total spending on training for the 2002/03 and 2003/40 financial years:



5. Performance Management

As we have seen, both the Auditor-General's and DPSA's reports on consultant spending recommended that existing staff productivity be increased by ensuring that staff meet productivity standards. In other words, performance management systems should be put in place within departments to ensure that staff work more effectively and efficiently.

Resolution 13 of the Public Service Coordinating Bargaining Council, 1998, states that all senior management within the public service must sign performance agreements. Resolution 13 states that such agreements should define 'a person's work according to his/her key duties and responsibilities [and] methods of assessing his/her performance.' It also stipulates that all senior managers should be assessed quarterly on the basis of their performance agreements.⁵⁷

In terms of the Public Service Regulations of 2001, performance management systems designed to 'enhance organisational efficiency and effectiveness' should have been 'fully implemented by all departments with effect from 1 April 2001.' These regulations state that a 'performance cycle' should have been introduced in each department to ensure that the performance of employees is monitored on a 'continuous basis'. These regulations also state that employees should be assessed on an annual basis, but should meet with their assessment supervisors at least four times a year to address performance related issues.⁵⁸

Lastly, and as we have already seen, the PFMA requires that accounting officers (normally the Head of Department) from each provincial department ensure the 'effective, efficient, economical and transparent use of the resources of the department.'⁵⁹ Obviously, the staff compliment of each department must be considered a 'resource' in terms of this legislation.

⁵⁷ Public Service Coordinating Bargaining Council Resolution 13 Senior Management (Performance Agreements), 1998, section 3.

⁵⁸ Public Service Regulations, 2001, part VIII, B.1, p. 28.

⁵⁹ Public Finance Management Act, 1999, section 38(1)(b).

Despite these regulations, provincial departments in the Eastern Cape have been reluctant to introduce systems to monitor the performance of their staff. This reluctance was highlighted by the Interim Management Team (IMT) dispatched to the province by the national Cabinet in late 2002.⁶⁰ The IMT assumed joint management over the departments of Health, Social Development, Education and Public Works between January 2003 and April 2004. In its first report of April 2003 the IMT commented on the 'unwillingness' of managers to take responsibility for their actions, the poor management of discipline and performance and the fact that managers were not being held accountable for 'their inertia.' The report argued that managers have no sense of accountability and personal responsibility was 'consistently fudged.' It contended that one of the key problems was the lack of staff and capacity within human resource directorates within the four departments that were placed under joint management.⁶¹ It report noted that in the Department of Education 'the performance management system for the SMS (Senior Management Service) has not been applied fully and there is a lack of regular and frank feedback to subordinates.'⁶² It also noted there was 'no performance culture' in the Department of Health and performance management was 'not applied.'⁶³ The report observed a 'poor work ethic' in the Department of Public Works, remarking that the Department experienced a distinct 'lack of supervision' which led to a situation where there was a 'high tolerance' of ineptitude, inefficiency and misconduct.⁶⁴

To turn the situation around the IMT proposed strengthening human resource management within the four departments and getting all senior managers to sign performance agreements which included a commitment to implement the wider turn-around strategies of the IMT. The IMT concluded that there had to be ongoing 'vigorous assessment' of management performance.⁶⁵

The following section provides a systematic review of the implementation of the above regulations governing performance management, and the implementation of performance measures recommended by the IMT in regard to key Eastern Cape government departments.

5.1 Department of Education

The Eastern Cape Department of Education strategic plan for 2003-06 maintains that all senior managers above grade 12 had signed performance agreements (as of 2003/04, 64 out of 74 905 employees⁶⁶). This plan states, however, that from March 2003 the system will be rolled out to staff from grade 9 and up.⁶⁷ Despite this promise, a year later the Department's strategic plan for 2003-07 states that only staff above grade 12 had signed agreements, and staff from grades 9-12 would only sign agreements from March 2004.⁶⁸

⁶⁰ In the wake of consistent reports of failed service delivery and corruption in the Eastern Cape, President Thabo Mbeki deployed the IMT to the province in an effort to deal with the chronic management and administrative problems being experienced in the province. The IMT was specifically mandated to tackle the challenges of failed service delivery, poor back office support and inadequate discipline within four departments (Health, Education, Social Development and Public Works).

⁶¹ First report of the IMT, April 2003, p. 15.

⁶² *ibid*, p. 29.

⁶³ *ibid*, p. 32.

⁶⁴ *Ibid*, pp. 34 and 36.

⁶⁵ *Ibid*, p. 74.

⁶⁶ Provincial Department of Education, Annual Report, 2003/04, p. 172.

⁶⁷ Provincial Department of Education, Strategic Plan, 2003-06, p. 79.

⁶⁸ Provincial Department of Education, Strategic Plan, 2004-07, pp. 135-136.

The Department's strategic plan for 2005-09 again states that it 'has implemented a performance management system for senior managers.'⁶⁹ It also states that a performance management system for grades 1-12 'has been implemented.'⁷⁰ Yet, there is no evidence in the Department's annual report for 2003/04 to support this claim. The annual report states that senior management had signed performance agreements, but in regard to the remaining employees no concrete information is provided.⁷¹ Given the fact that the Department failed to extend its performance management system to some 6 100 employees between grades 9 and 12, it is highly unlikely that it has since been able to extend its performance management and monitoring system to all its 75 000 employees.

In the second, and final, report of the IMT published in March 2004, the IMT notes that across the four departments 'few performance agreements were in place' and 'very little effective monitoring of performance agreements is taking place.'⁷² In regard to the Department of Education, the second report notes that performance management within the Department was 'viewed with a high level of scepticism.' Despite getting senior managers to sign agreements in 2003/04 the IMT noted that the enforcement of agreements was a challenge and that a lack of 'commitment and capacity' within the Department threatened the Department's turn-around plans. In response to the turn-around plans of the IMT (and the tabling of the report in the Eastern Cape Legislature), the Department of Education confirmed in August 2004 that turn-around plans had not been included in any performance agreements, as no performance agreements had been 'completed' by the Department for the 2004/05 financial year.⁷³ The Department candidly admitted that overall 'no progress' had been made in terms of introducing a performance management system as required by the IMT.⁷⁴

In August 2004 the Standing Committee on Education noted, five months into the 2004/05 financial year, that performance agreements for 'senior management of the Department' had still not been completed. The Committee argued that this meant that there were 'no instruments in place to hold managers accountable.'⁷⁵ This clearly demonstrates that the Department's statement in its strategic plan for 2005-09 that it had 'implemented' a performance management system for grades 1-12 was very far from the truth.

5.2 Department of Health

The Eastern Cape Department of Health strategic plan for 2003-06 states that the Department had implemented 10 percent of its performance management system. It promised to complete the remaining 90 percent by the end of the 2002/03 financial year.⁷⁶ However, the presentation of implementation figures in this fashion is meaningless given that the Department fails to explain the extent of its performance management system (is it senior management only, or all employees?) or quantify these percentages (what does '10 percent complete' actually mean in terms of staff

⁶⁹ Provincial Department of Education, Strategic Plan, 2005-09, pp. 105.

⁷⁰ Ibid, p. 101.

⁷¹ Provincial Department of Education, Annual Report, 2003/04, pp. 119, 169.

⁷² Second Report of the IMT, March 2004, p. 44.

⁷³ Progress Report on the Implementation of the IMT Turn Around Plan, Department of Health, 4 August 2004, p. 1.

⁷⁴ Ibid, p. 6.

⁷⁵ Recommendations/Resolutions of the Portfolio Committee on Education, Aug. 2004, p. 1.

⁷⁶ Provincial Department of Health, Strategic Plan, 2003/04, p. 35.

numbers?). The Department's 2002/03 annual report notes that all senior managers (that is those over grade 12, 72 posts out of a total staff compliment of 28 585) had completed performance agreements.⁷⁷ This is, of course, substantially less than 10 percent.

In its strategic plan for 2005-10 the chief directorate of integrated human resource management is said to be 'working on' the 'roll-out' of a performance management system.⁷⁸ Despite this apparent undertaking, the strategic plan does not contain any targets or timeframes for the implementation of a performance management system.⁷⁹ The second IMT report noted in March 2004 that there was still 'no prevailing performance culture' in the Department.⁸⁰ It noted that:

the whole performance management process of setting objectives, assigning responsibility, measurement of performance and performance review, should become a routine management process, which is not the case at the moment.⁸¹

In August 2004, responding to the turn-around plans of the IMT, the Department indicated that these plans had been included in all senior management performance agreements for the 2003/04 financial year. The Department also reported that the turn-around plans would 'be included in the current year's performance agreements.'⁸² However, this statement implies that performance agreements had not yet been signed with senior managers for the 2004/05 financial year, despite it being five months into that financial year. The Department's Standing Committee noted in December 2004 that not 'all managers' had signed performance agreements. The Committee argued that 'for the purpose of accountability' all managers had to sign agreements by the end of January 2005 (10 months into the financial year).⁸³ The Department responded to this finding in January 2005 and promised to ensure that all 'senior managers' signed by the end of that month.⁸⁴

5.3 Department of Public Works

The Eastern Cape Department of Public Works 2003-08 strategic plan notes that the implementation of a performance management system had commenced for employees within the Department from grade 13 upwards.⁸⁵ At the end of the 2001/02 financial year the Department had 4013 employees, of whom 17 were located in grades 13 and above.⁸⁶ At the end of the 2002/03 financial year it had 21 such posts.⁸⁷ The Department noted in its annual report for 2001/02, under Programme 1: Administration, that one of its objectives was to implement a performance management system. To this end, it noted that 'all' senior managers

⁷⁷ Provincial Department of Health, Annual Report, 2002/03, p. 149.

⁷⁸ Department of Health, Strategic Plan 2005-10, p. 22.

⁷⁹ Ibid, pp. 25-27.

⁸⁰ Second Report of the IMT, March 2004, p. 94.

⁸¹ Second Report of the IMT, March 2004, p. 100.

⁸² Progress Report on the Implementation of the IMT Turn Around Plan, Department of Education, 1 Aug. 2004, p. 15.

⁸³ Recommendations/Resolutions of the Portfolio Committee on Health, Dec. 2004, p. 1.

⁸⁴ Department's Response to Recommendations/Resolutions of the Portfolio Committee on Health, Jan. 2005, p. 1.

⁸⁵ Department of Roads and Public Works, Strategic Plan 2003-08, p. 11.

⁸⁶ Department of Roads and Public Works, Annual Report, 2001/02. p. 7.

⁸⁷ Department of Roads and Public Works, Annual Report, 2001/03. p. 40.

had signed performance contracts during the year.⁸⁸ In its annual report for 2002/03 the Department fails to mention performance management and, interestingly, Programme 1: Administration, no-longer lists the implementation of a performance management system as one of its objectives.⁸⁹

The Department's strategic plan for 2004-07 notes that the Department has implemented a performance management system for those employees from grade 12 and up.⁹⁰ At the end of the 2003/04 financial year there were 125 employees in the Department between grades 9-12 and 20 above grade 12, out of a total staff compliment of 4452.⁹¹ The Department's strategic plan for 2005-09 notes that it is the responsibility of Programme 1: Administration to 'create a culture of performance management.' The second IMT report notes that despite all senior managers signing performance agreements 'the prevailing organisational culture [in the Department] is not conducive to performance management.' It continues by noting that there was 'a poor understanding of the direct relationship between performance and career advancement/salary progression/monetary rewards.'⁹² In its response to the tabling of the second IMT report in the Legislature, the Department argued that its management performance agreements were based on its business plan for 2004/05 which included turn-around projects. However, it says that there is a 'risk of failure' in this regard due to the 'non-availability of resources.'⁹³

It is clear that one of the weaknesses apparent in the Department of Public Works is that it does not recognise that one of the problems that it faces is its lack of performance management. When articulating the constraints the Department works under, and the measures it plans to overcome them, the Department fails to mention that there is a lack of performance management within the Department. This inevitably means that no measures are put in place to overcome this problem.⁹⁴

5.4 Department of Social Development

The Eastern Cape Department of Social Development strategic plan for 2003-06 notes that the Department has a duty to 'enter into performance agreements with its managers' because it is a 'tool which links directly to financial planning and expenditure management.' In this regard the plan notes that all senior managers will have signed performance agreements by the end of March 2003.⁹⁵ It also states in its operational plan (as a key performance indicator) that over the course of the coming financial year a 'performance management system' and a 'departmental work place skills plan' would be 'implemented.'⁹⁶

In its 2004-07 strategic plan the Department restates verbatim what it said in regard to the importance of establishing a performance management system, but this time it omits any information relating to who was to sign performance agreements and by

⁸⁸ Department of Roads and Public Works, Annual Report, 2001/02. pp. 18 and 24.

⁸⁹ Department of Roads and Public Works, Annual Report, 2002/03. p. 41.

⁹⁰ Department of Roads and Public Works, Strategic Plan 2004-07, p. 10. The plans notes that one of the Department's strategic objectives is to 'facilitate a culture of performance management,' p. 21.

⁹¹ Department of Roads and Public Works, Annual Report, 2003/04. p. 149.

⁹² Second Report of the IMT, March 2004, pp. 109 and 116.

⁹³ Progress Report on the Implementation of the IMT Turn Around Plan, Department of Public Works, no date (but must be August 2004), no page numbers.

⁹⁴ Department of Roads and Public Works, Strategic Plan 2005-09, pp. 24-28.

⁹⁵ Provincial Department of Social Development, Strategic Plan, 2003-06, p. 82.

⁹⁶ Ibid, p. 31.

when.⁹⁷ Despite making a commitment to implement such a system in the previous year the Department notes in its operational plan that a 'performance management and development system (PMDS)' will be 'implemented, monitored and evaluated' during the forthcoming financial year.⁹⁸

In regard to performance management, the Department's strategic plan for 2005-10 once again simply restates (verbatim) the Department's previous comment in regard to the importance of performance management.⁹⁹ In terms of delivering this system, the Department notes in its operational plan that over the coming financial year it will implement a 'performance management and development system (PMDS)' which will be 'implemented, monitored and evaluated'.¹⁰⁰ By contrast the second IMT report notes that senior managers had not had their performance management contracts aligned to the Department's turn-around strategy.¹⁰¹ However, in August 2004, responding to the turn-around plans of the IMT, the Department indicated that turn-around plans had been included in all senior management performance agreements, presumably for the 2003/04 financial year. The Department also noted that performance management and 'development systems' had been rolled out to all 24 area offices.¹⁰²

In a draft human resources plan for 2006-10 the Department admitted that performance agreements were 'not adhered to properly' and not aligned to the Department's operational plans. This draft document notes that an absence of funds prevented the establishment of a 'fully functional performance management system'.¹⁰³

5.5 Department of Housing, Local Government and Traditional Affairs

In the Eastern Cape Department of Housing, Local Government and Traditional Affairs annual report for 2002/03 the Department noted its intention to see all 1656 staff members sign performance agreements, attend quarterly performance reviews and have valid workplace plans. However, during the 2002/03 financial-year no staff members attended performance reviews, no workplace plans were agreed too and only nine performance agreements were actually signed. The Department blamed this failure to meet its targets on 'service delivery priorities' but offered no explanation of what these priorities were.¹⁰⁴ This was despite the fact that MEC Nkwinti had promised the Legislature in February 2002 that the 'institutionalised laxity' of managers within his Department would be 'turned around'.¹⁰⁵

In the Department's strategic plan for 2003-06 it noted that only 5 percent of staff had signed performance agreements and stated that this was due to 'poor management support and apathy on the part of the officials in accepting the system.' The plan noted that 'resistance in accepting the change' was making the implementation of the performance management programme 'very slow.' The Department promised that its Performance Management Unit would 'work very hard' to have a system in place by

⁹⁷ Provincial Department of Social Development, Strategic Plan, 2004-07, p. 95.

⁹⁸ Ibid, p. 38.

⁹⁹ Provincial Department of Social Development, Strategic Plan, 2004-07, p. 72.

¹⁰⁰ Ibid, p. 25.

¹⁰¹ Second Report of the IMT, March 2004, p. 132.

¹⁰² Progress Report on the Implementation of the IMT Turn Around Plan, Department of Social Development, 5 Aug. 2004, pp 1-3.

¹⁰³ Department of Social Development, Human Resources Plan, 2006-10 (Draft), p. 25.

¹⁰⁴ Department of Housing, Local Government, and Traditional Affairs, Annual Report, 2002/03, p. 64.

¹⁰⁵ 'Housing Dept lacks vital staff,' *Daily Dispatch*, 11 Feb. 2002.

the end of the 2002/03 financial year.¹⁰⁶ This state of affairs prompted the Department's Standing Committee in November 2003 to order the Department to enforce the Public Service Act and implement the performance management programme 'to ensure there is efficiency and effectiveness.' The Committee ordered the Department to report back to it stating what progress it had made in this regard by December 2003.¹⁰⁷

In the Department's strategic plan for 2004-09 the Department noted its intention to sign performance agreements with all its 1449 staff members by the end of the 2003/04 financial year.¹⁰⁸ Despite this, in its annual report for 2003/04 the Department noted that only six performance agreements had been signed, only 205 performance reviews had been completed and no staff had had their work plans validated.¹⁰⁹

5.6 Provincial Treasury

The first mention of a performance management system appears in the Eastern Cape Department of Finance 2002/03 annual report where it states that a system had been implemented and 80 percent of employees had signed workplan agreements.¹¹⁰ The report does not state, however, how the system is monitored or how many staff members actually had their performance assessed during the year. In the Department's strategic plan for 2004-07 the Department notes that a new performance assessment system had been introduced in July 2003 to ensure alignment with the Treasury's strategic and operational plans. The Department notes that new agreements had been signed with all employees down to grade 11.¹¹¹ In the Department's annual report for 2003/04 it notes that 95 percent of employees had signed performance and work plans, but under 'deviation from planned performance' it acknowledges that quarterly reviews had still 'to be performed.'¹¹² While it is an encouraging sign to note that 95 percent of employees have signed performance agreements, there seems little point in doing so if these agreements are not monitored and quarterly reviews are not held.

5.7 Performance Management in the remaining Departments

The inadequate implementation of performance agreements in the above Eastern Cape government departments is mirrored in other provincial departments:

- The Eastern Cape Office of the Premier noted in its 2003/04 annual report that 94 percent of employees had completed their performance plans. However, the Department's annual report notes that 34 employees did not sign performance plans. Given that as at the end of the financial year the Department had a staff compliment of 294, this means that actually 88

¹⁰⁶ Department of Housing, Local Government and Traditional Affairs, Strategic Plan 2003-06, p. 72.

¹⁰⁷ Department of Housing, Local Government, and Traditional Affairs, Standing Committee Minutes, Nov. 2003.

¹⁰⁸ Department of Housing, Local Government and Traditional Affairs, Strategic Plan 2004-09, p. 13. It is not clear how the Department intends to sign 1449 performance agreements in 2003/04 given that it reported in its annual report for 2003/04 that it had 1086 approved posts.

¹⁰⁹ Department of Housing, Local Government, and Traditional Affairs, Annual Report, 2003/04, p. 51.

¹¹⁰ Provincial Treasury, Annual Report, 2002/03, p. 18.

¹¹¹ Provincial Treasury, Strategic Plan, 2004-07, p. 16.

¹¹² Provincial Treasury, Annual Report, 2003/04, p. 81.

percent of employees signed agreements.¹¹³ Despite this relatively high percentage, questions must remain about the effectiveness of the system used within the Office of the Premier given that its Strategic Plan for 2005-10 notes that one of the Office's objectives is to implement its performance management system 'effectively.'¹¹⁴

- The Eastern Cape Department of Transport noted in its 2005-2008 three year annual performance plan that a performance management system had been implemented and quarterly and annual reviews had taken place during the 2003/04 financial year. However, as an objective for the 2004/05 financial year the Department set itself the task of signing agreements with all staff, suggesting that not all staff signed during 2003/04.¹¹⁵ This is confirmed by the Department's annual report for 2003/04 which notes that only senior managers 'signed their performance agreements by target date.'¹¹⁶ This is despite the fact that the Standing Committee on Transport ordered the Department to implement its performance management system and report back on its progress in doing so by the end of December 2003.¹¹⁷ The inadequacy of the system in place is confirmed by the Department's strategic plan for 2005-10 which notes that the implementation of the performance management system was proving to be 'challenging.'¹¹⁸ Standing Committee minutes in December 2004 show that senior management in the Department had signed performance agreements, but the Committee worryingly urged the Department 'to monitor its managers in line with their performance agreements.'¹¹⁹
- As far as the provincial Department of Agriculture is concerned, there is no mention of a performance management system in either its 2002/03 or 2003/04 annual reports. The Department does acknowledge, however, in its 2005-08 strategic plan that motivating its staff was a 'primary challenge' which is could only overcome with the implementation of an effective performance management system.¹²⁰
- The Eastern Cape Department of Economic Affairs, Environment and Tourism noted in its 2002/03 annual report that it was unable to introduce a performance management system in the year as it had hoped. No explanation was given for this failure.¹²¹ In 2003/04 the Department indicated that it had managed to get 73 percent of its employees to sign performance agreements (688 out of 955) but noted that no performance reviews actually took place.¹²² The Department's operational plan for 2005/06 notes that it intends ensuring that all performance agreements are signed, and performance reviews held.¹²³

¹¹³ Office of the Premier, Annual Report, 2003/04, pp. 62, 64 and 159.

¹¹⁴ Office of the Premier, Strategic Plan, 2005-10, p. 32.

¹¹⁵ Department of Transport, Annual Performance Plan (3 Year) 2005/06-2007/08, p. 12.

¹¹⁶ Department of Transport, Annual Report 2003/04, p. 11.

¹¹⁷ Recommendations/Resolutions of the Portfolio Committee on Transport, Nov. 2003, p. 1.

¹¹⁸ Department of Transport, Strategic Plan 2005-10, p. 112.

¹¹⁹ Recommendations/Resolutions of the Portfolio Committee on Transport, Dec. 2004, pp. 1-

2.

¹²⁰ Department of Agriculture, Strategic Plan 2005-08, p. 13.

¹²¹ Department of Economic Affairs, Environment and Tourism, Annual Report, 2002/03, p.

35.

¹²² Department of Economic Affairs, Environment and Tourism, Annual Report, 2003/04, p.40.

¹²³ Department of Economic Affairs, Environment and Tourism, Operational Plan, 2005/06, p.

20.

One of the problems that contributes to the poor introduction of performance management systems within the province is the lack of staff within departments to implement and monitor such systems. The Standing Committee on Education noted in August 2004 that there was no Chief Director, or Director, for the Human Resources Directorate within the Department. According to the Committee this meant that delays were experienced with regard to 'HR matters.'¹²⁴ In December 2004 the same Committee noted that 'performance management reviews were not completed because of the absence of relevant committees and shortages of supervisors.' The Committee recommended that performance reviews take place by the end of the 2004 calendar year.¹²⁵ In response to this recommendation the Department informed the Committee in January 2005 that performance assessments of its managers could not be completed by the end of the calendar year. The Department blamed this on 'unforeseen delays' and 'backlogs from 2002/03, 2003/04 final [sic] years.' It promised to ensure that performance reviews for the 2004/05 financial year took place before the end of the financial year.¹²⁶ It is worth noting that the Department had a 19 percent vacancy rate in its human resources directorate at the end of the 2003/04 financial year.¹²⁷

In January 2003 the Standing Committee on Health ordered the Department to strengthen its human resources management.¹²⁸ In its annual report for 2003/04 the Department noted that one of its constraints in terms of human resources was its lack of capacity 'of personnel on HR functions.'¹²⁹ At the end of the 2003/04 financial year the Department had a 67 percent vacancy rate within its human resources directorate.¹³⁰

Other Departments do not break down their vacancy rates in their annual reports in such a way to enable human resource directorate shortages to be assessed but it is likely that many other departments lack appropriate skills within their human resource directorates given that they all experience shortages of professional and managerial staff.

What is clear from this analysis of performance management in provincial departments is that in general most departments have only introduced the system at senior management level. This means that only a very small percentage of departmental public officials have signed performance agreements. What also becomes evident is that even where systems are in place, the monitoring of these systems is totally inadequate. It is clear that resources and time are expended on developing and implementing senior management performance management systems only for there to be no in-year monitoring of managerial performance. This not only defeats the whole object of performance management but also demonstrates that funds are being used in a fruitless and wasteful manner.

¹²⁴ Recommendations/Resolutions of the Portfolio Committee on Education, Aug. 2004, p. 2.

¹²⁵ Recommendations/Resolutions of the Portfolio Committee on Education, Dec. 2004, p. 2.

¹²⁶ Department's Response to Recommendations/Resolutions of the Portfolio Committee on Education, Jan. 2005, no page numbers.

¹²⁷ Department of Education, Annual Report, 2003/04, p. 173.

¹²⁸ Recommendations/Resolutions of the Portfolio Committee on Health, Jan. 2003, p. 1.

¹²⁹ Department of Health, Annual Report, 2003/04, p. 34.

¹³⁰ *Ibid.*, pp. 109-110.

6. Legislative Oversight of consultant spending

Given the increasing reliance on consultants and specialised services it is somewhat surprising to note that no mention could be found of this issue in any Portfolio Committee minutes over the past two financial-years. Whereas these committees have made numerous comments in regard to staff shortages, and a number of observations in relation to staff training and performance management systems, not a single comment could be found relating to the excessive use being made of consultants by departments. It is of concern that portfolio committee members have not made a concerted effort to link these related problems and address them in a holistic manner. Clearly, the over reliance on consultants cannot be separated from the staff shortages and lack of training apparent in all provincial departments.

It should be pointed out that the PSAM has not been able to establish if the Standing Committee on Public Accounts has addressed the issue of consultant use in the Eastern Cape because it has not supplied the PSAM with any Committee minutes since 2000. Recently, the Committee informed the PSAM that it has not produced any publicly available Committee minutes since the 1999/2000 financial-year.

7. The Interim Management Team and Consultants

In its first report the IMT identified as one of its 'prime concerns' the fact that 'managers have a significant reliance on outsiders for the work that is normal business – donors and consultants are seen as only [sic] solutions.'¹³¹ In a separate section dedicated to the use of consultants by the public service in the province, the report identified three key areas where consultant appointments were most common. These areas were: management support; technical services; project management; management of service delivery and information technology.¹³² The report acknowledged that one of the emerging trends within departments was to see 'consultants appointed to appoint and manage other consultants.' The report also notes how the purpose of consultant services was 'not always described or explained' and, 'in most instances' the duration of contracts could not be established.¹³³

In the second IMT report produced in March 2004, it is stated that one of the principal transversal issues that departments faced was the 'marked over-reliance on the support of consultants.' The report blamed this on the 'historic use of consultants, the number of interventions, and most importantly the real lack of skilled managers and management systems.'¹³⁴

While these observations from the IMT go some way towards demonstrating the extent of the problem within provincial departments, perhaps the most significant insight that can be gained from the IMT in this regard is its own reliance on consultants. The IMT identified a number of turn-around strategies which it developed to try and improve the delivery of services within the province. However, because of the chronic lack of capacity within the four departments it assisted, many of these strategies had to be implemented by consultants.

¹³¹ First report of the IMT, April 2003, p. 24.

¹³² Ibid, p. 63.

¹³³ Ibid. In regard to the Department of Public Works, the report made the observation that 'most' of the work the Department completed by done by the private sector, ibid, p. 34.

¹³⁴ Second IMT Report, p. 25.

The IMT report notes that back office support was a major problem within departments. It stated that 'because of the scale of the problems in this area, it was decided that outside assistance in the form of service providers be brought in to ensure that the back offices became functional.'¹³⁵ Consultants were also appointed by the IMT in the following, and other, areas:

- A 'private company' was appointed to audit the IT needs of the provincial government.¹³⁶
- In an attempt to improve internal controls the IMT appointed 'service providers' to help the four departments establish audit committees.¹³⁷
- To assist departments with the implementation of resolution 7 a 'service provider' was appointed by the IMT to develop a management information system.¹³⁸
- To ensure the effective management of disciplinary processes after it left the province the IMT suggested the appointment of consultants.¹³⁹
- The Rapid Infrastructure Delivery Agency, established by the Coega Development Corporation, was contracted to assist with the fast tracking of projects.¹⁴⁰
- A 'consortium of service providers' was appointed to help the Department of Education create four corporate service centres.¹⁴¹
- Consultants were appointed to determine 'hospital quality improvement steps.'¹⁴²

On the one hand, the fact that the IMT itself resorted to such extensive use of consultants demonstrates the desperate shortage of capacity that exists within the four departments placed under joint management. On the other hand, the strategy of employing consultants to fill the gaps in the current capacity of Eastern Cape government departments represents the short-sightedness of the IMT strategy for addressing the province's service delivery problems. Ultimately, as the PSAM has consistently warned, there are no short cuts or quick fixes to developing an accountable and efficient public service in the Eastern Cape.¹⁴³ The creation of an accountable and efficient public service will require, among other things, more effective strategic planning and budgeting to fill vacant posts. It will also require the political will of oversight committees and executive members responsible for departments to ensure that effective performance management systems are implemented.

¹³⁵ Ibid, p. 35.

¹³⁶ Ibid, p. 36.

¹³⁷ Ibid, p. 38.

¹³⁸ Ibid, p. 39. Resolution 7 was passed in 2002 by the Public Service Coordinating Bargaining Council and sought to transform and restructure the public service by redeploying excess staff and creating jobs.

¹³⁹ Ibid, p. 50.

¹⁴⁰ Ibid, pp. 52-54.

¹⁴¹ Ibid, p. 69.

¹⁴² Ibid, p. 93.

¹⁴³ See for example, 'No quick fixes to solve provincial woes – PSAM', *Daily Dispatch*, 20 May 2003.