

PARLIAMENT OF THE PROVINCE OF THE WESTERN CAPE

ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

FRIDAY, 1 DECEMBER 2017

COMMITTEE REPORTS

1. **REPORT OF THE PARLIAMENTARY OVERSIGHT COMMITTEE ON THE ANNUAL REPORT OF THE WESTERN CAPE PROVINCIAL PARLIAMENT FOR THE YEAR ENDED 31 MARCH 2017, DATED 17 NOVEMBER 2017**

1. **Introduction**

The Annual Report programme for the 2016/17 financial year was advertised in newspapers, inviting stakeholders and members of the public to attend and participate in the discussions.

The Annual Report of the Western Cape Provincial Parliament (WCPP) was tabled for the 2016/17 financial year in terms of section 60(1) of the Financial Management of Parliament and Provincial Legislatures Act [Act No.10 of 2009], (FMPPLA) and referred to the Parliamentary Oversight Committee on Thursday, 31 August 2017 (refer to "ATC 55-2017"). The Annual Report (AR) of WCPP serves to provide a record of the activities and performance of the Administration of WCPP and to promote accountability for decisions made during the financial year under review. The performance of WCPP is measured against the performance targets and budget outlined in the Strategic Plan and Annual Performance Plan of WCPP.

The purpose of FMPPLA is to regulate the financial management of Parliament and provincial legislatures in a manner consistent with its status in terms of the Constitution; to ensure that all revenue, expenditure, assets and liabilities of Parliament and provincial legislatures are managed efficiently, effectively and transparently; to provide for the responsibilities of persons entrusted with financial management; and to

provide for matters connected therewith. In compliance with the spirit of section 4 of the Act, the Committee considered the AR of the WCPP to maintain oversight of the financial management of the WCPP for the financial year in question.

The members of the Parliamentary Oversight Committee (POC) deliberated on the sections of the Annual Report of the WCPP for the 2016/17 financial year, as follows:

- 1.1. Part A: General Information,
- 1.2. Part B: Performance Information,
- 1.3. Part C: Governance,
- 1.4. Part D: Human Resource Management, and
- 1.5. Part E: Financial Information.

2. Overview

The Committee met on 27 October 2017 at 08:00 where it was briefed by the Auditor-General of South Africa (AGSA) on the FMPPLA audit outcomes of the 2016/2017 financial year for WCPP. After the briefing by the AGSA, the Committee was briefed by the Audit Committee (AC) whose role is to ensure that WCPP functions according to good governance principles, complies with accounting and audit standards and monitors that appropriate risk management arrangements are in place. The AC also monitors the adequacy and reliability of the financial information provided by WCPP.

The methodology of the Committee was to meet with these stakeholders to benefit from their findings and possible concerns with the aim of assisting the Committee to have a constructive oversight engagement with WCPP.

The Committee met with WCPP whereafter introductory comments were made by the Speaker and the Secretary to Provincial Parliament.

A page by page oversight discussion ensued with the management of WCPP.

3. Inputs received from the public

Members of the public were provided an opportunity to pose questions or make oral submissions, based on the contents of the 2016/17 Annual Report of WCPP. However, no members of the public were present to pose questions or to make oral submissions.

4. Findings

4.1 The Committee noted from the comments of the Auditor-General that:

- 4.1.1 WCPP received a clean audit, with no findings on laws and regulations; nor pre-determined objectives.
- 4.1.2 WCPP has materially underspent the budget on a comparable basis to the amount of R11, 4 million (6, 9%).

4.2 The Committee noted from the comments of the Audit Committee that:

- 4.2.1 Internal Audit identified the Disaster Recovery Plan as a major risk area,
- 4.2.2 The following emerging risks were identified, which needs to be monitored by the WCPP, as follows:
 - 4.2.2.1 GRAP: Directive 8 - Transitional reporting and that the 2017/18 transitional arrangements end. WCPP must ensure that full disclosure is in place by March 2018.
 - 4.2.2.2 FMPPLA transitional arrangements: Section 14 of the Act will be effective after the first election of the National Assembly since the Act came into effect.
 - 4.2.2.3 Other Supply Chain Management (SCM) issues such as Centralised Database, BBBEE certificates, provincial database and the E tenders Portal. Provincial Treasury still plays a key role for the WCPP. This could change in the future when the FMPPLA implementation takes effect.
 - 4.2.2.4 During the 2016/17 internal audit planning, 79 risks were identified within WCPP. Of the 79 risks, 50 required assurance coverage.
- 4.2.3 The Enterprise Resource Planning (ERP) project, that was scheduled to be implemented in 2016/17, was postponed to the 2017/18 financial year due to technical implementation challenges.
- 4.2.4 WCPP achieved 50 out of its 57 planned targets for the 2016/17 financial year.
- 4.2.5 The Institution participated in various national legislative and outreach activities, such as the Youth and Women's Parliaments, National Council of Provinces (NCOP) Provincial Visit Week and the High-Level Panel engagement.
- 4.2.6 A procedural hub has been established during the financial year under review, to assist the Secretary, as the Chief Procedural Officer of the Institution, to improve the provision of administrative and procedural support to the plenaries, committee activities and members of WCPP in general.
- 4.2.7 WCPP recorded close to 100% compliance to the requirements of FMPPLA.
- 4.2.8 The Institution utilised the assurance services of the Department of the Premier with regards to the internal audit function. Four internal audit reports were produced for the 2016/17 financial year under review.
- 4.2.9 WCPP approved and implemented its Enterprise Risk Management Framework and Strategy.
- 4.2.10 The Oversight and Accountability Policy, as well as the Public Participation Strategy were concluded by the Executive Authority of the Institution.
- 4.2.11 A disclosure form of one Member was not submitted as per the required 60- day period.
- 4.2.12 The Institution commenced a process of functional enhancement, whereby it ensures that its resources are utilised optimally.
- 4.2.13 WCPP reported a collection of its own revenue (receipts) of R325 000. This is an increase of R268 000, from the 2016/17 beginning-of- financial- year estimation of R57 000 by the Institution.
- 4.2.14 During the financial year under review, the Supply Chain Management Unit received no unsolicited bid proposals or any that were concluded on.
- 4.2.15 The Institution paid 99% of its invoices that were received within 30 days.
- 4.2.16 The Institution indicated that it dealt with the asbestos occurrence which was present in the parliamentary precinct.

5. Recommendations

- 5.1. The Committee RECOMMENDED that:
- 5.1.1 WCPP and the Audit Committee briefs it on the terms of reference of the Audit Committee, as approved by Cabinet, in supporting the internal audit function of the Institution to manage the risks that are identified and placed on the internal risk register, including any major areas for improvement.
 - 5.1.2 WCPP identifies a potential risk on its risk register, the last-minute cancellation of members training when the logistical arrangements were already confirmed for attendance to institutions such as the University of the Witwatersrand. These cancellations could potentially result in fruitless and wasteful expenditure.
 - 5.1.3 WCPP reflects, in all of its future annual performance plans, the donor funds that were received by WCPP.
 - 5.1.4 The Audit Committee briefs it on the physical assurance engagement that was approved and completed in the internal audit plan of the 2016/17 financial year.
 - 5.1.5 The Audit Committee briefs it on the identification and completion of the risks that were identified during the 2015/16 and 2016/17 financial years.
 - 5.1.6 The Audit Committee briefs it on the Disaster Recovery Plans for the ICT Audit that was noted by Internal Audit during the 2016/17 financial year.
 - 5.1.7 WCPP briefs it on why no consultants were appointed in terms of the Historical Disadvantaged Individual criteria.
 - 5.1.8 The Rules Committee engage WCPP on Oversight and Accountability Policy, as well as the Public Participation Strategy.
 - 5.1.9 The WCPP brief the POC, on a quarterly basis, on the Enterprise Resource Planning (ERP) project.

6. Information requested

- 6.1 The Committee REQUESTED that WCPP provide the Committee with the following information by 14 December 2017:
- 6.1.1 A report on the functional enhancement process of the Institution, which includes the implementation stages of the project and the progress made thus far. The report should include the stakeholder consultation sessions that were held in the rollout of the project.
 - 6.1.2 A report which highlights the terms and conditions which are attached to the funding received from the Legislative Sector Support (LSS) and expenditure incurred when ensuring the training of members.
 - 6.1.3 A report to verify the total activities where there were opportunities for questions to the Premier without notice, including a report to verify the total activities where there were subjects for discussion put through debate.
 - 6.1.4 A report which reflect the correct strategic objective performance indicators aligned to the Annual Performance Plan on the Institution, as reflected on page 30 of the 2016/17 Annual Report of the Institution, including how these indicators will be met by 2020.
 - 6.1.5 A report on the domestic and international travels that the Speaker embarked on during the financial year under review.

- 6.1.6 A report which defines the performance indicator “percentage compliance with the Supply Chain Management Manual Checklist”; as indicated on page 37 of the Annual Report.
- 6.1.7 Details of the legal advice that was provided by the respective legal consultants, as outlined in Table 17.1 on page 90 of the Annual Report.
- 6.1.8 A report on the statistics which are associated with the Institution’s assurance over significant risk, by overseeing the implementation of combined assurance principles, as highlighted on page 4 of the briefing document of the Audit Committee.

7. Conclusion

The Committee commends WCPP for maintaining an unqualified audit with no findings on predetermined objectives or compliance with laws and regulations.

The Committee will continue to engage with the Institution on its budget, FMMPLA implementation, and outstanding matters that were identified in the aforementioned sections, which contains the Committee’s resolutions and request for information.

In addition, the Institution is commended for submitting financial statements that were free of material misstatements.

8. Acknowledgments

The Chairperson expressed the appreciation of the Committee for the inputs of the various role-players, such as the Auditor-General of South Africa and the Audit Committee, to enhance the oversight work of the Committee which relates to the Annual Report of WCPP for the year ending 31 March 2017. In addition, the Committee thanked the presiding officers and the WCPP administration for their efforts and contributions in this regard.

2. REPORT OF THE STANDING COMMITTEE ON FINANCE ON THE 2016/17 ANNUAL REPORTS OF PROVINCIAL TREASURY AND ITS ENTITY THE WESTERN CAPE GAMBLING AND RACING BOARD.

The Standing Committee on Finance, having considered the Annual Reports of Provincial Treasury and the Western Cape Gambling and Racing Board for the 2016/17 financial year, reports as follows:

1. Introduction

Annual Reports are key instruments by which the Western Cape Provincial Treasury (the Department) and its Entity the Western Cape Gambling and Racing Board (the Board) reports on its performance during a financial year. The Department’s performance and that of its Entity is measured against set targets and budgets as outlined in its Strategic Plans and its Annual Performance Plans for the period under

review. In addition hereto, it accounts for the success of each Programme implemented.

The Annual Report Programme for the 2016/17 financial year was advertised in various newspapers, inviting stakeholders and members of the public to attend and participate in the discussions. The Committee deliberated on Part A: General Information, Part B: Performance Information and Part D: Human Resource Management of the Annual Reports of the Department and its entity.

For the year under review the Department received its fourth consecutive clean audit report. It was also awarded 4th place (jointly) at the National Batho Pele Excellence Awards in the category “Best Ethical and Professional Department”.

2. Overview

The consideration of the Annual Reports of the Department and the Board took place on 24 October 2017. As part of its oversight function, the Committee considered the Annual Reports as per Standing Rule 105(1) of the Western Cape Provincial Parliament. It provides standing committees with the power to consider Departmental Annual Reports submitted in terms of the Public Finance Management Act (Act 1 of 1999).

The Minister in his introductory remarks elaborated on “Taking the Budget to the People”. He indicated that he has actively engaged with the district municipalities to ensure that the community as a whole has a better understanding of what the budget entails. He informed the community during public engagements about the budget and various stages of the projects in their regions and requested that they conduct oversight over the projects by informing the Department of any irregularities and faults.

The Committee commenced with a page-by-page consideration of Provincial Treasury’s Annual Report followed by that of the Board.

3. Provincial Treasury

3.1 Background

- 3.1.1 Minister Meyer, in his foreword remarks on the Annual Report of Provincial Treasury informed the Committee of the challenges experienced due to budget cuts and the impact thereof.
- 3.1.2 Minister Meyer, in his Medium Term Budget Policy Statement (MTBPS), incorporated a provincial risk statement which identified water security and the drought experienced in the Western Cape as a major risk to the economy, employment and environment.
- 3.1.3 He listed the following fiscal and budget policy principles that underpinned the planning and budgeting processes:

- 3.1.3.1 Allocative efficiency to achieve a balanced allocation of resources that reflects the projects of government and considers programme effectiveness based on evidence.
- 3.1.3.2 Fiscal sustainability from a provincial perspective that focuses on maintaining stability in key government programmes and managing risks in a constrained economic and fiscal environment. The main focus would be on the appropriate balancing of a fiscal aggregate that ensures a sustainable fiscal position in the medium to long term.
- 3.1.4 A Fiscal Risk Strategy was included into the main budget to deal with unforeseen and unavoidable expenditure caused by the current drought and recent disasters in the Western Cape. An amount of R75 million was made available for drought relief and for the disaster management in Knysna, including other areas in the Western Cape.
- 3.1.5 Fiscal consolidation entails reducing government expenditure and/or increasing revenue. A key mechanism is the reduction of personnel to ensure sustainable budgets. The Western Cape capped its budget process to ensure the lowest personnel expenditure ratios in the main budget.
- 3.1.6 Fiscal discipline ensures that all provincial departments and entities remain within budget limits and avoids irregular, fruitless and wasteful expenditure.
- 3.1.7 The 2014 Public Sector Supply Chain Management Review conducted by National Treasury provided an assessment of the current SCM system and provided a roadmap for reform. The SCM Review published in 2016 provided insight into the progress made since the inception of the review to date.
- 3.1.8 The Office of the Chief Procurement officer accelerated measures to make it easy for business and government to transact; and at the same time ensure that government purchase what it needs at the right time, the right price in the correct quantities and that the purchased items are delivered to the right location.
- 3.1.9 The use of technology, via the business intelligence tools and data analyses of procurement information, was strengthened to present SCM performance information to departments to enable better procurement governance requirements and to support improving procurement planning initiatives within departments.
- 3.1.10 Provincial Treasury is currently working with National Treasury on the Central Supplier Database to improve on service delivery. This is to streamline supplier relationship management.
- 3.1.11 Provincial Treasury listed four strategic objectives for the year under review. These are to:

- Provide management and administrative support;
- Improve the understanding and application of accounting standards and financial reporting within municipalities;
- Improve the application of accounting practices in line with the reporting framework, prepare provincial consolidated financial statements and gradually drive finance governance reform; and
- Develop, monitor and advise on norms and standards of corporate governance within municipalities.

3.2 Findings

- 3.2.1 A review of the current SCM legislative framework by National Treasury is underway. This will culminate in a single public procurement legislation addressing all the legislative and regulatory inefficiencies in the system.
- 3.2.2 National Treasury is in the process of re-writing its policy regulations. The Central Supply Chain Database has been written into the new Preferential Procurement Regulations. In addition hereto there is a disclaimer written into the Central Supply Chain Database to address risks. Provincial Treasury is also in the process of putting mechanisms in place to ensure that the risks associated with the Database are addressed.
- 3.2.3 The Central Supply Chain Database has been identified as one of the key risk areas for the province. National Treasury is currently supporting ± 400 institutions on the Central Supply Chain Database and cannot always deal with requests made by provinces.
- 3.2.4 The Preferential Procurement Policy Framework Regulations, Cost Containment Instructions, Transversal contract requirements for various initiatives, revised functionality requirements on the Central Supplier Database, Government Commerce, revised B-BBEE sector codes, Local Content Instructions, Construction Industry Development Board standards and leasing standards were issued by National Treasury. This will further impact on the work of Provincial Treasury.
- 3.2.5 The Integrated Financial Management Systems (IFMS) Unit has successfully migrated BAS versions from 4 to 5 and updated all linked codes in PERSAL with minimal disruptions to service. The clean-up of system data in preparation for the eventual move to the IFMS has been a key focus area.
- 3.2.6 Approximately 120 000 B-BBEE companies countrywide has to be re-registered and captured onto the Central Supplier Database. The Provincial Treasury also assisted and supported provincial departments and municipalities to improve their management practices, financial practices and operations systems to achieve National Outcome 9: A responsive, accountable, effective and efficient local government system, and National Outcome 12: An efficient, effective and development orientated public service.

These initiatives assisted provincial departments and municipalities to enhance socio-economic opportunities, to support the development of expertise, to improve systems, and processes, to reduce inefficiencies, to enhance a high adherence to ethics, and to build a government that is accountable to its people.

3.2.7 Organisational environment

3.2.7.1 Provincial Treasury has implemented a number of initiatives to establish a pipeline of public sector financial management specialists. E.g. Chartered Accountant Academy, Essay Writing Competition and Bursary Programme and placement of bursary obligators in provincial departments.

3.2.7.2 The Minister informed the Committee that Nedbank, the Department of Education and Provincial Treasury embarked on a bursary programme to grant bursaries to six best performing schools. He indicated that 15 bursaries are awarded annually for maths, economics and accounting students. The students form part of a three year bursary programme after which they are entered into an internship programme where their skills are utilised in the public service. In addition hereto Nedbank hosts a competition on, the best essay writing for previously disadvantaged schools. An overall amount of R301 000 was awarded to the winning schools. The qualifying criteria for the winning schools are provided by the Department of Education as they had the results of the schools across all districts.

3.2.8 Human Resource Management

3.2.8.1 The Western Cape Government is committed to taking a consistent and transparent fiscal policy approach to ensure fiscal consolidation, fiscal discipline and sustainability. The Fiscal consolidation entails reducing government expenditure and/or increasing revenue.

3.2.8.2 In every Vote there will be vacant posts that are not funded. Each Vote has to manage its Compensation of Employees (COE) upper limits to ensure that it does not exceed a certain percentage of its total budget, as this will result in fiscal erosion. During the Medium Term Expenditure Framework engagement with departments, the budget in a Vote is balanced with a head count. Posts are then filled once funding becomes available. The Minister indicated that National Treasury has made funding available for staffing capacity. He indicated that the funding for staffing should take a balanced approach.

3.2.8.3 Provincial Treasury indicated that the two vacant funded Chief Director posts are in the process of being filled. Provincial Treasury does not have a funding plan for organisational development where critical posts are outlined and funding is sourced from other less critical posts.

3.2.8.4 Employment Equity/Diversity Management

- 3.2.8.4.1 Provincial Treasury informed the Committee that it developed a new Employment Equity Plan in the 2016/17 financial year. They indicated that there are two parts to the new Employment Equity Plan. The first part is the numeric goals and targets, and the second part deals with barrier identification as well as affirmative measures. Both sections of the plan are to be read in conjunction with one another as it informs the other.
- 3.2.8.4.2 Currently no progress has been made in terms of the 50% target related to Senior Management Services (SMS) for woman in management positions. The Committee was informed that Treasury was 27% compliant and that the target can only be achieved as vacant posts become available. They indicated that an Employment Equity Forum has been established but that implementation has proven to be challenging. They indicated that the targets are monitored from the shortlisting stage as a mechanism to achieve their target at the recruitment and selection stage.
- 3.2.8.4.3 Provincial Treasury informed the Committee that the target indicator for the financial year under review for people with disabilities is 5% and that Treasury has only achieved 1%. The Department is working on interventions to ensure that people with disabilities apply for positions within Provincial Treasury. Provincial Treasury informed the Committee that vacant posts are being advertised in organisations where the disabled are able to see the posts and subsequently apply for it.
- 3.2.8.5 Consolidated Financial Statements for the 2016/17 Financial Year Treasury indicated that the Annual Consolidated Financial Statements cannot be submitted as the financial statements of the Department of Agriculture is still outstanding. The Department of Agriculture and the Auditor-General are in disagreement on the classification of goods and services and transfer payments. The Auditor-General is in the process of consulting its technical unit on how to finalise the matter. According to Provincial Treasury, the outstanding transfer payments will affect the appropriation statement and will at a later stage be dealt with in the Adjustments Appropriation where the matter will be brought to the attention of the Committee.

3.3 Written and oral submission

The public was allowed an opportunity to provide inputs on the Annual Report.

- 3.3.1 Mr Mbiko from the Nyanga Development Forum addressed the Committee on the challenges experienced in obtaining information from the City of Cape Town on the:

- 3.3.1.1 Mayoral Urban Regeneration Programme; and
 3.3.1.2 Violence Prevention through Urban Upgrade Project.

3.4 Information Requested

- 3.4.1 The Committee REQUESTED that Provincial Treasury provide the Committee with the following:
- 3.4.1.1 List of schools and students that/who have received funds under the Provincial Treasury and Nedbank Joint Bursary Programme as well as the criteria used and/or applied in granting funds to students;
 - 3.4.1.2 Copy of Provincial Treasury's Employment Equity Plan and its Workforce Plan;
 - 3.4.1.3 Report that clarifies the content of the term "various" under Nature of the Project relating to Programme 2: Department of the Premier, on page 122, of the Annual Report;
 - 3.4.1.4 Update on the status of the accommodation for the Board;
 - 3.4.1.5 Copy of the Board and Provincial Treasury's Social Economic Report;
 - 3.4.1.6 List of consultants utilised by Provincial Treasury; and
 - 3.4.1.7 Report on the R18.6 million redistribution to the Kenilworth Racecourse.

4. Recommendations/Actions

- 4.1 The Committee RESOLVED to invite Provincial Treasury to brief it on:
- 4.1.1 The reasons for the inability of the Department of Agriculture to table their 2016/2017 Annual Report by 30 September 2017; and
 - 4.1.2 The key findings of the Report into the sustainability of the Casino and Horse Racing Industry, once finalised.
- 4.2 The Committee RESOLVED to engage with the relevant authorities regarding Mr Mbiko's queries.

5. Western Cape Gambling and Racing Board (Board)

5.1 Overview

The Chairperson of the Board, Mr Arendse, and the Chief Executive Officer, Mr Abrahams, made introductory remarks which was followed by a page-page consideration of the Annual Report of the Board.

The Western Cape Gambling and Racing Board is a Public Finance Management Act (Act 1 of 1999) (PFMA) Schedule 3C provincial public entity mandated to regulate gambling and betting in the Western Cape.

The Board is authorised to have seven Board Members. During the year under review, the Board only had six members for a period of eight months. This was challenging when a quorum was required to decide on matters during Board meetings. Despite this constraint, all scheduled Board meetings were held and the Board was able to achieve its approved targets as set out in its Annual Performance Plan for the 2016/2017 financial year.

5.2 Background

During the year under review the Board achieved its set targets and honoured its mandate by processing 8 727 licence applications. The Board conducted 1 202 assessments on license holders and deliberated on nine disputes. The Board was instrumental in assisting punters with 16 self-exclusions. The Board conducted 32 Financial Intelligence Centre Act (Act 38 of 2001) (FICA) audits and 29 raids on illegal gambling establishments, where 61 devices were confiscated. The Board complied with all of its PFMA requirements and has received a clean audit for the financial year under review.

5.3 Findings

5.3.1 Patron dispute

A Patron dispute is defined in the Western Cape Gambling and Racing Act (Act 4 of 1996) (the Act) as an alleged non-payment of winnings by a licensed holder licensed by the Board. A dispute is lodged by either the license holder or the patron. The Compliance Department investigates the dispute once it has been referred. The case, if valid, is then escalated to the Board to make a ruling on the matter. A report is drafted on the findings and submitted to Legal Services. A written decision is drafted quoting the relevant legislation and sent to both parties.

For the year under review the Board received nine patron disputes. Two of the disputes investigated were decided in favour of the patron and the remainder of the disputes were found in favour of the institution. There was one dispute with a casino and the other with the bookmakers.

5.3.2 Research

The Board, on finalisation of its research into the socio-economic impact of regulated gambling, engaged with its stakeholders for comment. The Board is currently reviewing its strategies and will implement them in line with its approved Annual Performance Plan. All comments from various stakeholders on the research pertaining to the socio-economic impact of regulated gambling study will be taken into consideration.

5.3.3 Financial Intelligence Centre Act Audits

The Board is considered a supervisory body in terms of FICA and the licence holders are considered as accountable institutions. There are certain statutory duties that pertain to the Board and the licence holders. To ensure compliance the Board and the license holder must perform certain functions in terms of the FIC Act.

The Board conducts annual FICA Compliance Audits and holds regular meetings with the Financial Intelligence Centre. They also signed a Memorandum of Understanding with the Financial Intelligence Centre.

The license holder has to adopt certain processes to detect and deal with money laundering. They have to comply with certain statutory thresholds that is prescribed within which they have to report on payments they have received from members of the public. They have to appoint risk officers and must have certain policies in place. The Board would then conduct FICA audits on these establishments based on this criteria.

5.3.4 Illegal Gambling

The Board, for the year under review, received approximately 90 allegations of illegal gambling and reported that all 90 cases were investigated. The Board is currently engaging with agencies such as the South African Police Services Legal Services, the Flying Squad, the Dog Unit, Specialised Commercial Crime Unit, Directorate of Public Prosecution, the Hawks, Metro Police and the Western Cape Liquor Authority, to equip them in identifying illegal gambling sites and providing them with training on the Boards legislation relating to illegal gambling. The Board signed a Memorandum of Understanding (MOU) with the South African Police Service to receive training on the Western Cape Gambling and Racing Act (Act 4 of 1996). The MOU contains training dates, persons who will receive training and the content of the training information. The MOU was signed in the 2016/2017 financial year.

Devices that are confiscated during a raid are used as evidence in court cases. Once the matter is concluded and a guilty verdict is received, the devices are handed over to the Board for demolishing. Provincial Treasury provides written confirmation that the devices may be destroyed and the Boards Compliance unit supervises the process. The Board indicated that national government reported a R1.9 billion annual loss due to illegal gambling.

5.3.5 Community Police Forum (CPF)

The Board indicated that they conduct regular visits to the following CPF's Fisante Kraal, Wynberg, De Gamas Kop, Ceres and Paarl. They indicated that they interact with the Wynberg CPF on a regular basis.

5.3.6 Broad Based Black Economic Empowerment (B-BBEE)

The consultative process of engaging license holders on the amended B-BBEE codes and the B-BBEE Amendment Act (Act 46 of 2013) has been concluded. The Board has imposed revised B-BBEE conditions on all licence holders.

The Board looked at each operator's current progress and imposed justifiable conditions on the operators as prescribed in the Broad Based Black Economic Empowerment Act (Act 46 of 2013). The conditions are structured in such a manner that Bookmakers are able to give effect and subscribe to tangible conditions in practise.

The Broad Based Black Economic Empowerment Act does not impose levels to the codes but the Board has imposed levels that the gambling industry must subscribe to. The license conditions also outlines the reports that has to be submitted to the Board and operators attendance of Committee meetings. In addition hereto operators have to

submit quarterly reports, as well as an annual B-BBEE Rating Certificate as part of every license holder's annual renewal process.

5.3.7 Board Accommodation

Accommodation constraints remain one of the Board's major challenges. It hampers the Board's ability to enhance its efficiency and effectiveness in that it does not adequately allow for resource expansion or optimal use of space.

The Board indicated that two possible sites for accommodation have been provided to them by the Department of Transport and Public Works namely:

- The vacant plot at Karl Bremmer located at Frans Conradie Drive, Bellville West; and
- The vacant plot at Two Rivers, located at Alexander Hospital, in Pinelands.

The Board was requested to indicate its preference. The preference was submitted and a response is being processed.

5.3.8 Revenue increase

During the year under review, the Board collected R4 203 994 more in revenue as follows:

Total revenue from exchange Transactions (page 9 and page 63 of the Boards Annual Report)	R4 203 994
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None exchange Transactions

Actuarial Valuation (page 32 of the Boards Annual Report)	(229 406)
Profit on disposal of assets (page 32 of the Boards Annual Report)	<u>75 533</u>
Total	<u>R4 050 121</u>

5.3.9 R18.6 million distribution to Kenilworth Race Course

The R18 679 118 represents the 3% contemplated in regulation 71 of the Western Cape Gambling and Racing Regulations as follows:

- Regulation 71 of the Regulations requires a bookmaker to pay a levy of 3% of winning bets;
- Regulation 72 of the Regulations requires that the Chief Executive Officer (CEO) of the Board pay the whole amount received to the Totalisator licence holder;
- Regulation 73 prescribes the use of such a levy by the Totalisator licence holder; and
- Regulation 74 provides for the CEO of the Board to cease payment to the Totalisator licence holder if they do not comply with the provisions of regulation 73.

5.3.10 Self-sufficiency of the Board

The Board concluded its Report on self-sufficiency and is currently in discussions with Provincial Treasury. Once the discussions are concluded the Board will revert back to the Committee on the findings and outcomes.

6. Information requested

6.1 The Committee REQUESTED that the Board provide it with a report on the:

6.1.1 Revenue lost due to illegal gambling; and

6.1.2 Boards investigation into its self-sufficiency status.

7. Conclusion

The Chairperson thanked the Minister, the Head of Department and the Western Cape Gambling and Racing Board for the preparation and responses to the questions raised by the Committee members.

3. **REPORT OF THE STANDING COMMITTEE ON HUMAN SETTLEMENTS ON THE 2016/17 ANNUAL REPORTS OF THE DEPARTMENT OF HUMAN SETTLEMENTS, THE WESTERN CAPE RENTAL HOUSING TRIBUNAL AND THE WESTERN CAPE HOUSING DEVELOPMENT FUND.**

The Standing Committee on Human Settlements, having considered the Annual Reports of the Department of Human Settlements, the Western Cape Rental Housing Tribunal and the Western Cape Housing Development Fund, for the 2016/17 financial year, reports as follows:

1. Introduction

Annual Reports are key instruments by which the Department of Human Settlements (the Department) and its Entities, the Western Cape Rental Housing Tribunal (the Tribunal) and the Western Cape Housing Development Fund (the Fund), report on their performance during a financial year. The Department's performance and that of its Entities are measured against the set targets and budgets as outlined in their Strategic Plans and Annual Performance Plans for the period under review. In addition hereto, it accounts for the success of each Programme implemented.

The Annual Report Programme for the 2016/2017 financial year was advertised in various newspapers, inviting stakeholders and members of the public to attend and participate in the discussions. The Committee deliberated on Part A: General Information, Part B: Performance Information and Part D: Human Resource Management of the Annual Reports of the Department and its Entities.

2. Overview

The consideration of the Annual Reports of the Department and its Entities took place on 19 October 2017. Standing Rule 105(1) of the Western Cape Provincial Parliament provides standing committees with the power to consider Departmental Annual Reports submitted in terms of the Public Finance Management Act (Act 1 of 1999).

The Minister of Human Settlements, Mr Madikizela, as well as the Head of Department, Mr Mguli, made introductory remarks.

3. The Western Cape Housing Development Fund

3.1 Overview

The Western Cape Housing Development Amendment Act (Act 2 of 2005) provides for the abolition of the Western Cape Housing Development Board. The Fund will be regarded as dormant until March 2019, when it will be disestablished. It will however continue to exist as an unlisted public entity being administered by the Department. All assets, liabilities and income of the Fund have been amalgamated. The income and expenditure is managed through the Provincial Revenue Fund. The Fund will still submit financial statements up until the official disestablishment in March 2019.

The Fund has received a clean audit report on the financial statements for the 2016/17 financial year.

3.2 Findings

3.2.1 Western Cape Housing Development Amendment Bill [B 2–2017]

3.2.1.1 The Bill was referred to the Standing Committee on Human Settlements (the Committee) on 15 August 2017.

3.2.1.2 The Department briefed the Committee on the Bill on 23 August 2017. After due deliberation and consideration, the Committee undertook to conduct three public hearings on the Bill.

3.2.2 Purpose of the amendments to the Western Cape Housing Development Amendment Act (Act 2 of 2005)

3.2.2.1 The purpose of the amendments to the Act is to provide the Department with the powers to acquire and dispose of immovable properties for human settlement development.

3.2.2.2 It provides the Premier with the power to disestablish the Fund by proclamation in the *Provincial Gazette*.

3.2.2.3 Further hereto, it will effect technical corrections and administrative amendments to the Act.

3.2.3 Acquisition of immovable property

- 3.2.3.1 The Provincial Cabinet has the power to approve acquisition of properties of a market value equal to or above the prescribed value.
- 3.2.3.2 The Provincial Minister has the power to approve the acquisition of properties of a market value below the prescribed value.
- 3.2.3.3 The process of acquisition must be fair, equitable, transparent and cost effective. It should also provide for fair, equitable, transparent and competitive bidding procedures as well as the publication and awarding of bids.
- 3.2.3.4 All property acquired by the Department must be registered under the name of the Western Cape Provincial Government.

3.2.4 Disposal of immovable property

- 3.2.4.1 The Provincial Cabinet has the power to approve the disposal of properties of a market equal to or above the prescribed value.
- 3.2.4.2 The Provincial Minister has the power to approve the disposal of properties of a market value below the prescribed value.
- 3.2.3.3 The process of disposal must be fair, equitable, transparent and cost effective. It should also provide for fair, equitable, transparent and competitive bidding procedures as well as the publication and awarding of bids.
- 3.2.3.4 The Provincial Minister approves the disposal of property in terms of the national and provincial policy directives. The disposed property must be used for housing development.

4. Rental Housing Tribunal

4.1 Overview

The Chairperson of the Tribunal, Mr Cloete, and the Head of Department made introductory remarks followed by a section by section consideration of the Tribunal's Annual Report.

The Tribunal was established in 2001 in terms of Section 7 of the Rental Housing Act (Act 50 of 1999). The purpose of the Tribunal is to harmonise relationships between landlords and tenants in the rental housing sector. The Tribunal provides a free dispute resolution service and deals with issues pertaining to unfair business practices.

The activities of the Tribunal are funded from money appropriated by the Western Cape Provincial. The Head of Department, the Accounting Officer, is responsible for any money appropriated.

4.2 Findings

4.2.1 Complaints received

The Tribunal reported that 3 110 official complaints were registered on its complaints database for the 2016/17 financial year. A total of 429 cases were referred for hearings and only 205 cases were heard while the others were solved through mediation.

4.2.2 Call centre

The Call Centre is managed by SA Commercial. It receives the majority of complaints directed to the Tribunal. All calls are recorded for quality control purposes and a monthly report is submitted to the Tribunal for monitoring, evaluation, input and planning purposes. The Call Centre received 10 631 cases for the 2016/2017 financial year.

4.2.3 Helpdesk

The Department of Human Settlement's Helpdesk reported that it has attended to 3 266 rental queries from the public for the 2016/2017 financial year. They informed the Committee that enquires from members of the public range from official complaints, to advice requested in terms of the rights of landlords and/or tenants.

4.2.4 Captured cases

There was an increase in the number of complaints received by tenants that were unlawfully evicted. The Tribunal informed the Committee that these complaints were dealt with expediently.

The Tribunal reported an increase of 335 cases in comparison to the 2015/16 financial year. The increase is attributed to referrals, marketing strategies by the Tribunal and Economic property market factors.

4.2.5 Hearings conducted

The Department reported that a total of four cases are dealt with per day. They indicated that 429 cases have been referred for hearings and 205 cases have been heard in the 2016/2017 financial year. Due to the sensitive nature of the complaints received by the Tribunal, rulings are as far as possible provided on the same day. This is to provide relief to vulnerable tenants and to restore possession and services which were disconnected by landlords.

4.2.6 Warrants of execution

In the 2016/17 financial year 90 warrants of execution were issued for monetary non-compliance.

4.2.7 Review of applications

4.2.7.1 Section 17 of the Rental Housing Act (Act 50 of 1999) provides for an aggrieved party to approach the High Court of South Africa in the specific area of jurisdiction to review a Ruling. The review application is commonly referred to

as an appeal application. No review applications were dealt with in the 2016/17 financial year.

4.2.7.2 In the absence of uniform national rules regulating the manner in which proceedings of the Tribunal are conducted, the Tribunal has drafted Practice Directives for legal practitioners.

4.2.7.3 The purpose of these directives is to create uniformity and to enhance the effective management of complaints. The Practice Directives will be submitted to the National Department of Human Settlements to consider when drafting the regulations in terms of the Rental Housing Amendment Act (Act 35 of 2014).

4.2.6 Human recourses

4.2.6.1 Tribunal members

Tribunal members are appointed by the Provincial Minister of Human Settlements in terms of the Rental Housing Act (Act 50 of 1999). The Minister has the power to appoint candidates who have expertise in property management, housing development and consumer matters pertaining to rental housing. The Tribunal consists of not less than three and not more than five members. The Act prescribes that a Tribunal member's appointment must be for a period not exceeding three years. The Minister however can re-appoint a member whose term has expired for an additional three years.

4.2.6.2 Tribunal personnel

4.2.6.2.1 The Rental Housing Tribunal is provided with administrative and technical support by the Western Cape Department of Human Settlements.

4.2.6.2.2 The Complaints Management Unit is split into two, namely the Metropolitan Unit and the Non-Metropolitan Unit. The units are managed by two complaints managers who manages 12 case officers. Two of the posts are based in the George Office and the remaining 10 posts are based in Cape Town.

4.2.6.2.3 The Court Management component is headed by a clerk of the court and is assisted by two administrative officers.

4.2.6.2.4 A new component, namely the Complaints Administration, was established to improve first-line resolution of complaints received by the Tribunal.

4.2.7 Expenditure

The Tribunal was awarded a budget of R12 352 000, which was spent in the 2016/17 financial year. The Tribunal's budget is managed within Programme 1 of the Department of Human Settlements.

5. The Department of Human Settlements

5.1 Overview

5.1.1 The Department focused on the following three main priorities for the 2016/17 financial year:

- The upgrading of informal settlements to provide basic services to all;
- Strengthening of private partnerships to increase the delivery of affordable houses to people earning above the free subsidy threshold; and
- The allocation of free subsidised state houses to vulnerable individuals.

All targets set by the Department were met for the 2016/17 financial year. The Auditor-General did not differentiate between the targets set which resulted in the Auditor-General expressing an unqualified audit opinion.

5.1 Findings

5.1.1 The Department informed the Committee that challenges were being experienced in achieving its set targets due to a growing population and rapid urbanisation.

5.1.2 As part of the Department's process to improve integrated development, 25 municipalities were provided with technical support including skills transfer to improve on human settlement planning at municipal level.

5.1.3 As part of the Department's research projects four research papers were concluded. These are:

- 5.1.3.1 An assessment on the Finance Linked Individual Subsidy Programme;
- 5.1.3.2 A socio-economic research paper on the George informal settlements;
- 5.1.3.3 An enumeration study for select informal settlement pockets in the Metro; and
- 5.1.3.4 A research paper on Contested Title deeds that related to the title deeds backlog.

5.1.5 A task team was implemented by the Department to expedite the transfer of title deeds through the Title Deed Restoration Programme. The process ensured that 9 767 title deeds were transferred to beneficiaries. Due to this intervention the Department overachieved on its target of 7 000.

5.1.6 The Department developed a policy to assess the eligibility of subsidy applicants that are disabled to fill a gap in the National Housing Code. The Code allows for single person households to qualify for a full subsidy and in instances where the individual has a disability, but the disability is not defined. The policy fills this gap by using the award of a permanent disability grant by the South African Social Security Agency as a basis for testing the eligibility for a human settlement subsidy. This is an important milestone for the Department and the Province, since no national policy exists that addresses this category.

- 5.1.7 A Departmental Partnership Strategy was developed by the Department to form mutually beneficial partnerships which are monitored and strategically maintained. The purpose of the Strategy is to explore how the Department can create, maintain and promote sustainable partnerships to meet its mandates, goals and objectives. The Strategy would focus on measurable, realistic and time based outcomes and will establish consistent mechanisms for partnership implementation and interaction.
- 5.1.8 The Department included additional targets under Programme 3: Housing Development. The Human Settlement Development Grant (HSDG) paid to contractors with women and youth representation was misstated by the Department. The evidence provided by the Department indicated that the HSDG schedule was not appropriately accumulated and that the HSDG schedule did not correspond with the evidence provided. The Department indicated that 30% of opportunities be provided to women and youth respectively. The targets relating to women and youth were not met due to the shortage of women and youth contractors in the market. The Auditor-General did not differentiate between the targets set, which resulted in the Auditor-General expressing an unqualified audit opinion.

6. Resolution

The Committee RESOLVED to meet with the Office of the Auditor-General to discuss the opinion expressed with regard to the Human Settlements Development Grant paid to contractors with women and youth representation (As stipulated on page 113 in paragraphs 20 and 21 of the Department's Annual Report).

7. Information requested

- 7.1 The Committee REQUESTED that the Department provide it with a report on the:
- 7.1.1 Cases which the Tribunal had to make rulings on;
 - 7.1.2 Cases considered by the Tribunal originating from non-Metropolitan areas;
 - 7.1.3 Historically Disadvantaged contractors and their progression in terms of development; and
 - 7.1.4 Number of households who have not yet received their title deeds, the municipalities in which they are located, the reasons for the delay in receiving title deeds and the estimated date of transfer. The report should also indicate what the waiting period for a title deed from a specific municipality is.

8. Conclusion

The Chairperson thanked the Minister, the Head of Department and the Western Cape Rental Housing Tribunal for the preparation and responses to the questions raised by the Committee members.

4. REPORT OF THE STANDING COMMITTEE ON LOCAL GOVERNMENT ON THE 2016/2017 ANNUAL REPORT OF THE DEPARTMENT OF LOCAL GOVERNMENT

The Standing Committee on Local Government, having considered the Annual Report of the Department of Local Government, for the 2016/17 financial year, reports as follows:

1. Introduction

The Annual Report is a key instrument in which the Department of Local Government (the Department) reports on its performance during a financial year.

The Department's performance is measured against the set targets and budgets as outlined in its Strategic Plan and Annual Performance Plan for the period under review. In addition hereto, it accounts for the success of each Programme implemented.

Standing Rule 105(1) of the Western Cape Provincial Parliament provides standing committees with the power to consider Departmental Annual Reports submitted in terms of the Public Finance Management Act (Act 1 of 1999).

The Annual Report Programme for the 2016/17 financial year was advertised in newspapers, inviting stakeholders and members of the public to attend and participate in the discussions.

The consideration of the Annual Report of the Department took place on 26 October 2017 and the Committee deliberated on Part A: General Information, Part B: Performance Information and Part D: Human Resource Management.

2. Overview

2.1 The Minister of Local Government, Environmental Affairs and Development Planning, Mr Bredell, as well as the Head of Department, Mr Paulse, proceeded with introductory remarks.

2.2 In his remarks the Minister expressed his condolences to all the communities of the Western Cape that were affected by fires, storms and other related disasters during the period under review. In the Department's 2016/17 Performance Plan, a number of commitments were made under the theme of the "whole of society approach". That means that every community, institution, organisation and stakeholder has a role to play in development.

- 2.3 Learning from the 2011 Local Government elections, the Department played an important role in preparing municipalities for the 2016 elections, assisted councillors after the elections and helped councils with their first meeting.
- 2.4 The Department works with partners in the local government environment to facilitate the review of the Local Government Fiscal Framework, in relation to the liquidity of municipalities and the cost of service delivery. It is an ongoing process that focusses on the sustainability of Local Government not only in the Western Cape but in general.
- 2.5 The Department provided direct support to local municipalities' firefighting services. Due to the financial situation of district municipalities, 10 fully equipped, purpose built firefighting Hazmat vehicles were procured and handed over to rural municipalities across the province.
- 2.6 Climate change is a continuous challenge and due to a lower than expected rainfall, the province faces a critical water shortage. The Minister informed the meeting that he and the Head of Department briefed the National Portfolio Committee on Water and Sanitation on the water situation in the province. The City of Cape Town also briefed the Portfolio Committee. Mr van Rooyen, Minister of Cooperative Governance and Traditional Affairs; Ms Mokonyane, Minister of Water and Sanitation; and the Department of Agriculture also attended the briefing.
- 2.7 The Committee was informed that the Premier and Minister Bredell were invited to brief the President's Coordinating Forum on the water situation.
- 2.8 The Department also successfully launched the Municipal Engagement Application to ensure effective communication between municipalities and communities.
- 2.9 The Committee then proceeded to a page-by-page consideration of the Annual Report.

3. Findings

- 3.1 Because of various factors and influences it is difficult to budget for drought relief, therefore the budget for drought relief constantly changes. The Department is then required to adjust their plans and budget on a regular basis, for example, due to the demand for boreholes. The Department struggles to find people to drill boreholes which influences the price and budget.
- 3.2 Disaster Management needs to always plan for the worst case scenario and for that reason Disaster Management will commission all departments in November to plan for the "Day Zero" water crisis.

- 3.3 The Department investigated all fires it had to deal with to assist it with its planning and training. Fires in the informal settlements are of utmost importance because of the threat to human lives. The installation of smoke alarms assists the Department to prevent fires through early warning which leads to saving lives and properties.
- 3.4 There are various causes for fires, however climate change does have an impact in relation to the size of the fires, due to high winds and longer dry seasons, etc. The Department is working closely with the University of Stellenbosch that looks at causes of fires at informal settlements, which informed the Department's Smoke Detector Programme.
- 3.5 E-Governance is an exciting Programme of the Western Cape Government and is definitely the way of the future. It is an effective way to communicate with the community in a particular municipal area. We live in a technological environment and the majority of citizens have smart phones facilitating better communication.
- 3.6 Partnerships with the private sector and stakeholders is an ongoing process and will form part of the Department's operations to ensure adequate service delivery.
- 3.7 The organisational structure was negotiated with the Corporate Services Centre (CSC) in the Department of the Premier and a project plan was signed off by the Head of Department and accepted by the CSC. Unfortunately the project timeframes were not adhered to. Flowing from meetings with senior officials from the CSC a revised plan with actions and timeframes was submitted, which the Head of Department will hold them to.
- 3.8 The Committee expressed its concern with regard to the representivity of women and Africans (black persons) on senior manager level and noted the Department's Employment Equity Plan targets with regard to gender and race.
- 3.9 A comprehensive assessment of the Integrated Development Plans of municipalities was done and many conformed to the prescripts of Section 26 of the Municipal Systems Act (Act 32 of 2000). However, there were a few municipalities that struggled with the three year projection of the financial plans, however during the final assessments all municipalities completed it.
- 3.10 The Citizen Engagement Application was piloted within high, medium and low capacity municipalities. They were Swartland, Overstrand, Oudtshoorn, Langeberg and Lainsburg Municipalities. Municipalities were requested to nominate ten citizens representing the demographic area of the municipality. There is constant feedback from them and the municipalities on the functions of the application.

- 3.11 The Committee noted the progress and improvement in the management of Oudtshoorn Municipality, since it was placed under administration and commended the Department for its intervention.
- 3.12 All 402 Ward Committees were established as required, of which 401 are functional, with the exception of Ward 4 at Beaufort West Municipality which was only established recently. The Committee also congratulated the Department for the translation of the Ward Committee Handbook in Braille.

4. Information requested

The Committee REQUESTED that the Department provide it with the following:

- 4.1 A list of the training modules councillors attended as part of the Department's Capacity Building Programme for newly elected councillors;
- 4.2 A progress report on the performance of ward committees and the mechanisms put in place by the Department to monitor their performance;
- 4.3 A breakdown of the 11 867 work opportunities created through the Community Work Programme in Municipalities;
- 4.4 A demonstration on the Citizen Participation Application;
- 4.5 A briefing on the Department's organisational structure and the status of the restructuring project. The CSC to attend this briefing; and
- 4.6 A briefing on the e-Citizen and e-Governance strategy and how it impacts on the operations of the Department.

5. Conclusion

The Acting Chairperson thanked the Minister and the Head of Department for the preparation and responses to the questions raised by the Committee.