

PARLIAMENT OF THE PROVINCE OF THE WESTERN CAPE

ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

MONDAY, 23 NOVEMBER 2015

COMMITTEE REPORTS

- 1. Report of the Standing Committee on Transport and Public Works on the 2014/15 Annual Reports of the Department of Transport and Public Works and its Entity Government Motor Transport for the year ended 31 March 2015.**

The Standing Committee on Transport and Public Works, having considered the annual reports of the Department of Transport and Public Works and its trading entity, Government Motor Transport, for the year ended 31 March 2015, referred to it, reports as follows:

1. Introduction

As part of its oversight function, the Standing Committee on Transport and Public Works (hereinafter “the Committee”) considered the annual reports of the Department of Transport and Public Works (hereinafter “the Department”) and its trading entity, Government Motor Transport (GMT), on 22 October 2015. Annual reports are the key instruments for departments to report on performance measured against their performance targets and budgets as outlined in their Strategic Plans and Annual Performance Plans.

The Annual Report Programme for the 2014/2015 financial year was advertised in 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 Trading Entity.

Members of the public were also given an opportunity to pose questions and make oral submissions.

2. Department of Transport and Public Works

2.1 Overview

The Department is called upon to play a significant role in all aspects of service delivery to the people of the Western Cape.

The Department achieved an unqualified audit opinion for the year under review and its Annual Report was voted as the best in the Province, as well as the best overall report of all government departments in the country.

In order to contribute to the efficiency of public transport services, the Department continued to interact and maintain good relations with strategic partners in the industry.

Road safety awareness and education interventions were implemented throughout the Province with a focus on schools and communities at risk.

The Department spent 97% of its budget compared to 98,28% in the previous year. This 3% underspend, in monetary terms, amounted to R 178,8 million against a R5,9 billion budget. Underspending was mostly as a result of vacancies that were not filled.

Significant progress has been made in terms of the filling of senior posts. There has been a substantive drive and effort from the Department in this regard.

It is important to note that the Annual Report covers the first year that the traffic management function was successfully transferred from the Department of Community Safety to the Department of Transport and Public Works.

2.2 Findings

2.2.1 The Department has entered into an operating contract with the Municipality of George and a private operator for the provision of public transport services in the George Local Municipality. This is funded by the Department in terms of an allocation made to the George Municipality, who in turn is responsible to make payment to the vehicle operating company. The operating company started operations in December 2014.

2.2.2 Disgruntled taxi operators who operate without licenses must approach the provincial regulatory entity with an application for an operating license. The onus therefore rests on the taxi operator to apply for the license. The City of Cape Town then conducts a needs analysis of a particular area and this will then determine where the demand is and whether the particular route has been oversubscribed or not. Based on the needs analysis, the Department, as the regulatory entity, will consider the application and will then refer it to the City of Cape Town who is the planning authority. The City of Cape Town will then advise the Department on whether to grant that operating license or not.

2.2.3 With regard to the lawlessness that is happening within the taxi industry, the Department together with the City of Cape Town conduct regular operations for impoundments. If taxi operators do not have the required operating license for a particular route, they cannot operate on that particular route. This is the fundamental cause of violence as taxi operators encroach upon those operators

who have licenses for specific routes.

- 2.2.4 There has been a slight increase in road deaths. Pedestrian safety and fatalities remain a concern. There are four elements of road safety, namely, evaluation, enforcement, educational outreach and the engineering component relating to unsafe infrastructure. The Department does not have the capacity to carry out the enforcement element to the fullest. The trend shows that the largest number of fatalities occurs in urban areas and more than 40% of these fatalities are pedestrians. Enforcement must be made more effective and in order to do this the Department has fostered relationships within the City of Cape Town as well as with municipalities within the urban areas. Alcohol and speed are the main causes of fatalities. More than 60% of pedestrians who are knocked down have ethanol in their systems. Interventions to reduce road crash fatalities include the introduction of the Average Speed Over Distance (ASOD) infrastructure and providing Automatic Number Plate Recognition technology capability. The Swartland municipality has indicated that they have had positive feedback from the community regarding the ASOD system and that this has assisted in lowering the number of road fatalities in the area.
- 2.2.5 The Western Cape Provincial Traffic Service is the only provincial traffic service that renders a 24 hour service in the country. Traffic officers are overburdened at the moment as they are facilitating the escorting of the transportation of wind turbines on a daily basis and get called upon to assist with the controlling of protest action as and when the need arises. Traffic services have, over a period of two years, successfully confiscated drugs to the value of over R90 million on our national roads.
- 2.2.6 Provincial traffic officers earn much less than officers from the City of Cape Town. However, remuneration is prescribed by the Public Service Commission. This gave rise to fierce competition between the local and provincial authorities, the latter then struggling to retain officers.
- 2.2.7 Traffic officers are fully trained to deal with incidents of drinking and driving and fatigue. The National Road Traffic Act (Act 93 of 1996) gives a traffic officer the power to prohibit a driver from driving further if he/she is not fit to drive a vehicle. However, this must be done within the prescripts of the law and within the ambit of a justifiable reason.
- 2.2.8 As a result of a historical process the district municipalities have acted as the Department's agents delivering the maintenance responsibilities on some of the province's roads. In essence this is a provincial government responsibility and the Western Cape is the only province where this type of relationship exists. The Department is investigating whether this arrangement is an economically viable model for the future or whether this responsibility should rather reside within the organisational structure of its Roads Unit.
- 2.2.9 Although the Department is the implementing agent in terms of infrastructure development, it is of grave concern that the Department is 82% off target with regards to the construction of education and health facilities as well as general building works.

- 2.2.10 With reference to the Cape Town Central City Regeneration projects, the submission for the Sea Point Main Road project is en route to Cabinet for approval to dispose of the property.
- 2.2.11 A transgression in conflict with the State Information Technology Act (Act 38 of 2002) to the value of R41 million by an official resulted in a substantial gain to the Department. In this case the official had not followed the correct procurement procedure and had given approval to a contractor to procure information technology infrastructure and equipment. The rates that were quoted by the contractor were very competitive. This was therefore a gain in terms of the benefit to government. The same official was dismissed by the Department on another matter just prior to the former case being finalised.
- 2.2.12 The interim contract with bus operators has been in place for many years and continues on a month to month basis. It has been put into place by the national Department of Transport to subsidise operations within the metro area, which is supported through the public transport operations grant. The provincial government is not empowered, in terms of the National Land Transport Act (Act 5 of 2009), to be a contracting authority unless it is done in agreement with a municipality. For this reason, the Western Cape Government is not in a position to go out and tender to replace the interim contract. This must be done by the contracting authority which, in terms of the National Land Transport Act, is the City of Cape Town.
- 2.2.13 The disparity that exists within the levels of representivity within the Department in terms of gender and race is of concern.

2.3 Input received from the Public

- 2.3.1 Mr J Andrews addressed the Committee on the Elsenburg evictions and the alleged lack of consultation with the community. However, the matter is being dealt with by the State Attorney and is therefore considered *sub-judice*.
- 2.3.2 Mr B Mbiko addressed the Committee on the allocation of funds for roads in Nyanga and the Scholar Control Programme and was informed that the aforementioned roads are local roads and not provincial roads.
- 2.3.3 Ms J Mtshayi addressed the committee on a claim she had made to the Road Accident Fund. Although the management of this fund does not fall within the mandate of the Department, it undertook to assist Ms Mtshayi by putting her in contact with the relevant people who may be able to assist her.

3. Information requested

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

- 3.1 With regard to the provision of public transport services in the George municipality and in light of the operating contract that was entered into by the Department and the George municipality with a private operator:
- A copy of the audited financial statements once the contract has been in operation for a year;

- Copies of any agreements that may be in place among the three parties clearly outlining respective roles and responsibilities;
 - A comprehensive monthly report on the status of operations;
 - A list of the Directors of the company;
 - Articles of Association of the company;
 - The name of persons employed by the operating company; and
 - Whether there is refusal by the private company to provide the above-mentioned information to the Department.
- 3.2 A report indicating the financial impact of the fraud and corruption cases as well as the nature of the cases;
- 3.3 In terms of the education, health and general building facilities, the names of the projects completed as well as those not completed, inclusive of time-frames; and
- 3.4 The number of incidents involving under-performing staff as well as the nature of the under-performance.

4. Recommendations

The Committee RECOMMENDED that the Department:

- 4.1 Investigate ways of retaining provincial traffic officers by offering more competitive remuneration;
- 4.2 Extend key invitations to the Committee to attend key departmental events; and
- 4.3 Should promote employment equity within its organisational structure by finding ways of correcting the imbalance that exists in relation to gender and race.

5. Resolutions

The Committee RESOLVED to invite the Department at a future date to brief it on the ASOD Technology to reduce road crash fatalities by providing the Committee with a comprehensive statistical analysis on the specific infrastructure.

6. Government Motor Transport

6.1 Overview

GMT is a crucial component to the service delivery capacity of the arms of government. It encompasses a wide range of functions and is the only trading entity within the Department of Transport and Public Works. It operates as an independent business unit responsible for vehicle fleet management services to provincial and national government as well as to other entities. It received a clean audit for the year under review.

There has also been a considerable drive to deal with outstanding debt from certain key clients. GMT has also been acknowledged and approached by other provinces as well as by countries abroad to share its operational model so that these provinces and countries can use it to improve their operations and delivery.

6.2 Findings

- 6.2.1 GMT is committed to contribute towards the reduction in greenhouse emissions and has embarked upon various methods to achieve this and to show its commitment to climate change principles. It has reduced the engine sizes of its fleet from 1600 engine capacity to 1400 engine capacity. In terms of light duty vehicles, petrol vehicles have been replaced by diesel vehicles. Furthermore, GMT has also introduced a couple of hybrid vehicles and these are closely monitored. The aim is to monitor carbon emissions to determine the effect it would have on emission statistics. GMT has not started to accumulate any statistical data as yet as these interventions have only been introduced recently. The number of low emission vehicles introduced into the GMT pool is 10.
- 6.2.2 Drivers who commit offences are reprimanded in terms of guidelines issued by the Corporate Services Centre of the Department of the Premier through a disciplinary process where the outcomes range from verbal warnings, written warnings to dismissals. The traffic violation itself has been categorised lately to fines that can be paid off, or if it exceeds a particular speed then the offender must appear in court. This is referred to as 'no admission of guilt' type of offences. It is the responsibility of the user departments to discipline the drivers of GMT vehicles. GMT facilitates the process by documenting the offence and passing the information onto the local authorities. Currently, all offences are issued in the name of the proxy as the responsible official for the fleet as a whole. GMT started this pilot project in September 2014 with the City of Cape Town where the offence, before being transferred onto paper, is electronically sent to GMT. GMT is awarded 14 days to provide the City of Cape Town with the name of the driver. The name of the driver is then captured onto the GMT's fleet system by the client and is then forwarded to the City of Cape Town where it gets incorporated into their system. GMT however still records the transgression as a case. GMT has started a similar project with a company called Traffic Management Technologies which represents some of the other local authorities. In light of this the amount of paperwork has decreased considerably and the driver identification process has been fast-tracked.
- 6.2.3 The wage negotiation has resulted in an increase in cost in terms of employee expenditure. Within GMT there are few vacancies as it operates with a substantial number of contract staff additional to the establishment because the establishment has not been approved yet. Therefore the increase in personnel expenditure is fundamentally as a result of increases in salary and not as a result of increase in vacancies.
- 6.2.4 GMT has a surplus of R1,763 billion. In terms of treasury regulations the provincial treasury is fully entitled to draw back into the revenue fund surpluses that remain at the end of the financial year. However, the surplus as mentioned above is not purely cash. It is a figure that is calculated in terms of accrual accounting. There are commitments that must still be honoured such as the money received from user departments for the purchasing of additional vehicles as well as the conversion work that has commenced but not paid for. There is currently a process underway whereby the surplus funding is addressed through tariff adjustments for the current as well as the next financial year. As at the end of the financial year the cash reserves for GMT amounted to R739,9 million.

- 6.2.5 In terms of irregular expenditure, it must be noted that GMT works within the overall administration of the Department. The Department has a subsistence and travel circular in terms of a finance instruction which covers and indicates that no business class tickets are to be booked unless there is an extraordinary reason. In this case special approval is needed. The purpose of the business class flight as reported was to recover an amount of R10 million from the Department of Justice. GMT was compelled to use this flight to secure the meeting time with the Department of Justice. There were no other flights available at the time. The Department's effort to recover the money was successful.
- 6.2.6 Regarding the insourcing of the repair and management function, the emphasis is mostly on the management part. The repair and maintenance function remains external in the hands of the private sector. It refers to managing the requests from client departments and allocating the work to prospective service providers. This function is jointly done by GMT and a private company. As a result, GMT does not have complete control over who gets the work as well as who negotiates the best unit prices. This function will now be insourced so that GMT has complete control over spending and the allocation of work in order to ensure that employment equity principles are upheld.
- 6.2.7 Most of the traffic violations are speed related. "Misuse of vehicle" cases are regarded as alleged misuse. Misuse complaints are referred to the respective departments for follow up. The traffic violations are referred to departments for follow up by providing the name of the driver to the relevant department. GMT does highlight excessive transgressions in terms of speed and reports this to the respective transport control officers within the departments.
- 6.2.8 The turnover rate of staff is relatively high due to the fact that most staff are employed on a contract basis.
- 6.2.9 There appears to be a trend where lower skilled employees do not receive pay progression while the higher levels all receive pay progression. The same applies to performance rewards. This could impact on the motivation and productivity of staff.
- 6.2.10 Employment equity principles are lacking within GMT.
- 6.2.11 Mr Riaan Wiggill was compensated R382 320 for consulting services during the review period while also being employed as a Deputy Director: Financial Support Services within GMT. Mr R Wiggill, a chartered accountant, was appointed as an employee of the Department but his services could not be retained as the Department could not offer him competitive remuneration. Mr Wiggill subsequently resigned and was then appointed as a consultant to GMT.

7. Information requested

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

- 7.1 The organogram of staff within the different management positions; and
- 7.2 The number of students, interns and contracts awarded in relation to the Expanded Public Works Programme as well as the internship programmes.

8. Conclusion

The Committee notes its appreciation for the response of the Department of Transport and Public Works and Government Motor Transport to the scrutiny of the Annual Reports and wishes to thank the Minister and Head of Department for their contributions and efforts in this regard.

2. The Standing Committee on Human Settlements, having considered the annual reports of the Department of Human Settlements and its entities the Western Cape Rental Housing Tribunal and the Western Cape Housing Development Fund for the 2014/2015 financial year, reports as follows:

1. Introduction

Annual reports are key instruments in which departments and entities report on their performance during a financial year. The departments and entities report on their attainment of predetermined targets and budgets as outlined in their Strategic Plans and Annual Performance Plans for the period under review. In addition hereto the success of each programme implemented is accounted for.

2. Overview

As part of its oversight function, the Standing Committee on Human Settlements (hereinafter “the Committee”) considered the Annual Reports of the Department of Human Settlements (hereinafter “the Department”) and its entities the Western Cape Rental Housing Tribunal and the Western Cape Housing Development Fund on 10 November 2015.

The consideration of these Annual Reports took place as per Standing Rule 105 (1) of the Western Cape Provincial Parliament. This rule provides standing committees with the power to consider annual reports submitted in terms of the Public Finance Management Act (Act 1 of 1999).

The Chairperson permitted the Minister to address the Committee on the Department’s Annual Report. The Committee then proceeded to a section by section consideration of the annual reports of the Department, the Western Cape Rental Housing Tribunal and the Western Cape Housing Development Fund.

3. Findings: Department of Human Settlements

3.1 Audit Outcome

The Department received a clean audit for the 2014/2015 financial year. It exceeded its targets by delivering a total of 18 806 housing opportunities against a target of 17 583. A total of R1 935 billion was spent on the delivery of housing opportunities which included service sites, the provision of infrastructure and houses.

3.2 Policies and legislative prescripts

3.2.1 The Department:

3.2.1.1 Expressed its commitment to the Provincial Strategic Objectives and the National Outcomes by implementing a number of initiatives which support its intention to deliver on its mandates;

3.2.1.2 Implemented a revised debt reduction policy during the period under review. This became the catalyst for the Department exceeding its target for the number of debtors reduced. It also made provision for more debtors to qualify for a debt reduction or for bad debt to be written off. The Department reduced the number of debtors by 1 147 to the value of R51 906 045.31 and cancelled 504 bonds. The bond cancellation contributed to the department's strategic objective to promote security of tenure; and

3.2.1.3 Developed and approved a policy to improve the transferring of title deeds for New Greenfields Subsidy Housing Projects, focusing on the Upgrading of Informal Settlements Programmes (UISP). Forest Village has been identified as an area where serviced sites will be provided to persons who do not qualify for a top structure.

3.2.2 The Framework for the Selection of Housing Beneficiaries for ownership based subsidy projects was approved by the Provincial Cabinet in October 2013. The purpose of the Framework Policy was to define norms and standards for beneficiary selection thereby enhancing fairness and transparency in the selection of beneficiaries.

3.4 Housing Delivery

The Department:

3.4.1 Implemented new innovative methods to improve performance and to enhance service delivery. In addition hereto, it implemented better systems and processes to ensure compliance with relevant legislative prescripts and standards in terms of supply chain and expenditure management; and

3.4.2 Indicated that eradicating the housing delivery backlog is challenging. This was attributed to the continued informal sale of houses by beneficiaries. The Department in conjunction with National Government is currently working on a programme to eradicate the current housing backlog by dealing with the current challenges that contribute to the backlog.

3.5 Assistance provided to municipalities

The Department:

3.5.1 Provided assistance to municipalities by aiding them with the implementation of their Housing Demand Database (HDDB). A total of 24 local municipalities have already uploaded their HDDB. Further hereto, the HDDB has been updated to include farm workers for housing opportunities; and

- 3.5.2 Deployed Professional Resource Teams (PRTs) to support municipalities in developing credible human settlement pipelines that will enable the Department to approve projects that are ready for implementation. This will ensure that the planning process is streamlined and provides for lower risks during the implantation phase of the housing projects.

3.6 Human Resources

- 3.6.1 Human resources form an integral part of the Department's ability to achieve its objectives. During the 2014/2015 financial year the Department achieved a vacancy rate of 6.6% due to the appointment of permanent staff to improve the continuity and efficiency of the Department's workforce. Further hereto, the Department's equity profile indicates that more males as opposed to females are employed in senior management positions.
- 3.6.2 The Department has included professionals in specialised fields on its organogram in an attempt to systematically minimise the utilisation of consultants. The Department indicated that employing professionals with specialised skills is challenging, as government cannot compete with the remuneration provided in the private sector.

4. Information requested

The Committee REQUESTED that the Department provide it with a:

- 4.1 List of Historically Disadvantaged Individuals (HDI's) currently employed by the Department; and
- 4.2 Report on the Department's findings on fraud and corruption.

5. Western Cape Rental Housing Tribunal

5.1 Background

The Western Cape Rental Housing Tribunal (hereinafter "the Tribunal") was established in 2001 in terms of Section 7 of the Rental Housing Act (Act 50 of 1999) (hereinafter "the Act"). 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 Tribunal is funded through the Department and consists of five members, which includes a chairperson and a vice chairperson. The members have extensive expertise in property management, housing development and consumer related matters pertaining to the rental housing sector. The Tribunal falls under the Directorate Communications and Stakeholder Relations.

5.2 Findings

- 5.2.1 During the business improvement study a number of challenges were identified in the Tribunal's ability to fulfil its mandates. It came to light that a number of legal mandates within the Act were not attended to. The organogram structure for the Court Management Section only provides for one level nine clerk to deal with the Court Management Section's legal mandates. To ensure that the Court

Management Section fulfils its mandate, two posts from the non-metro region were temporarily utilised to provide human resource capacity.

- 5.2.2 SA Commercial provides a call centre service for the Tribunal. The Service Level Agreement with SA Commercial is jointly managed by the Tribunal and the Department of the Premier.
- 5.2.3 Approximately 85% of the calls received by the Call Centre relates to deposit refunds, questions on lease agreements, advice regarding the rental housing sector eg. failure to pay rental and failure to do maintenance.
- 5.2.4 During the 2014/2015 financial year the Help Desk Unit within the Department of Human Settlements attended to 3 842 queries received from the public as opposed to the 5 026 queries received in the 2013/2014 financial year.
- 5.2.5 The Tribunal's e-mail account indicates a total of 3 755 e-mailed queries received for the 2014/2015 financial year. Previously the monitoring of e-mails linked with the case management system proved to be problematic, but have since improved when access was granted to the Administration Unit via the Outlook facility.
- 5.2.6 The George office was identified as a suitable central access point for all municipalities in the Eden District where rental housing complaints may be lodged. A Service Level Agreement in this regard is yet to be drafted. The Rental Housing Amendment Act, (Act 35 of 2014) makes provision for the implementation of rental housing information offices in level 3 accredited municipalities. The final mandates for the Rental Housing Amendment Bill was adopted on 25 March 2014.
- 5.2.7 During the 2013/2014 financial year an increase of 211 captured cases were reported by the Tribunal. During the previous financial year a total 3053 captured cases were reported and during the current financial year a total of 3282 cases were reported. The increase in case loads is attributed to the marketing strategies implemented by the Tribunal to create public awareness of the rights and responsibilities of landlords and tenants.
- 5.2.8 The Tribunal heard approximately four matters a day. Approximately 507 cases were referred to the Tribunal during the 2013/2014 financial year, of which 330 were heard. During the 2014/2015 financial year the Tribunal reported a total of 500 pending cases and a total of 257 that were heard. In addition hereto, only 3 group cases were heard, of which two were finalised and one that still remains pending.
- 5.2.9 A total of 75 warrants of arrests were executed in the 2013/2014 financial year and 98 warrants of execution were issued for monetary non-compliance in the 2014/2015 financial year.

6. Information requested

The Committee REQUESTED that the Department provide it with the Tribunal's Business Improvement Plan.

7. The Western Cape Housing Development Fund

7.1 Background

The Western Cape Housing Development Fund (hereinafter “the Fund”) is a statutory body which was established under the Western Cape Housing Development Act (Act 6 of 1999). The Fund is an unlisted public entity in terms of Section 47(2) of the Public Finance Management Act (Act 1 of 1999) (as amended by Act 29 of 1999) and is a subsidiary of the Western Cape Provincial Government Department of Human Settlements. The mission of the Fund is to manage the primary property portfolio which is provided as a social service. The Fund holds housing stock used to provide housing to the poor.

7.2 Findings

7.2.1 The Western Cape Housing Development Amendment Act 2005 (Act 2 of 2005) provide for the abolition of the Western Cape Housing Development Board (hereinafter “the Board”). The legislative processes which provide for the disestablishment of such statutory bodies have not been finalised. Despite the disbandment of the Board, the Fund continues to exist as an unlisted public entity administered by the Western Cape Provincial Department of Human Settlements.

7.2.2 The Fund prepared its financial statements for the 2014/2015 financial year in accordance with the Generally Recognised Accounting Practices (GRAP) reporting framework.

7.2.3 The Auditor-General issued a qualified opinion on the financial statements of the Fund. The qualified opinion by the Auditor-General was based on the misstated valuation and recognition of properties, which were in contravention of the GRAP requirements for property, plant and equipment. The Department relied on the information published on the Deeds website and the Municipal Valuation Roll which was incorrect.

7.2.4 The Department anticipates that the fund will be disbanded by the 2018/2019 financial year.

8. Oral submission by a member of the public

Mr M Mbiko, a member of the Nyanga Development Forum, addressed the Committee on the key policy developments and legislative changes as indicated on page 34 in the Department’s Annual Report.

He requested that Minister Madikizela addresses the Nyanga and Gugulethu communities on the selection guidelines for the Individual Housing Subsidy Programme and the Addendum to the policy to improve title transfer in new green field’s subsidy housing projects focusing on the Upgrading of Informal Settlements Projects (UISP).

The Minister undertook to engage the Nyanga and Gugulethu communities on the above.

9. Information requested

The Committee REQUESTED that the Department provide it with an action plan to address the Auditor-General's qualified opinion on the Housing Development Fund's financial statements to acquire an unqualified opinion.

10. 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.

The Chairperson also extended a word of thanks to members of the public for their attendance and to Mr Mbiko for his oral contribution.

3. REPORT OF THE STANDING COMMITTEE ON FINANCE ON THE 2014/2015 ANNUAL REPORTS OF PROVINCIAL TREASURY AND 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 2014/2015 financial year, reports as follows:

1. INTRODUCTION

The consideration of the annual reports of Provincial Treasury (hereafter "the Department") and its entity the Western Cape Gambling and Racing Board (hereafter "the Board") took place as per Standing Rule 105(1) of Western Cape Provincial Parliament which gives standing committees the power to consider, amongst others, departmental annual reports submitted in terms of the Public Finance Management Act (Act 1 of 1999).

2. OVERVIEW

The consideration of the annual reports took place on 20 October 2015 and commenced with the Chairperson opening the meeting and welcoming all in attendance. The Minister of Finance, Dr I Meyer as well as the Head of Department, Mr Z Hoosain, proceeded with introductory remarks. The impact that the global economic climate has on the fiscal policy of both provincial and national government was highlighted. Both the World Bank and the International Monetary Fund (IMF) have in its October World Economic Outlook (WEO), downgraded the country's growth projection to 1,4% in 2015 and to 1,3% in 2016. This represents a 0,6% and 0,8% percentage point downgrade respectively.

The Committee then proceeded to a page-by-page consideration of the Annual Report of Provincial Treasury. Mr M Mbiko, a member of the public, addressed the Committee following the consideration of the report by the Committee.

Officials from Provincial Treasury were excused before the Committee proceeded with the consideration of the Annual Report of the Board. The Chairperson, Ms A Lapoorta delivered opening remarks and indicated that during the period under review, the Board

focused on raising awareness with regard to the negative impact of gambling. Following the introductory remarks, the Committee proceeded to a page-by-page consideration of the Annual Report of the Board.

3. FINDINGS

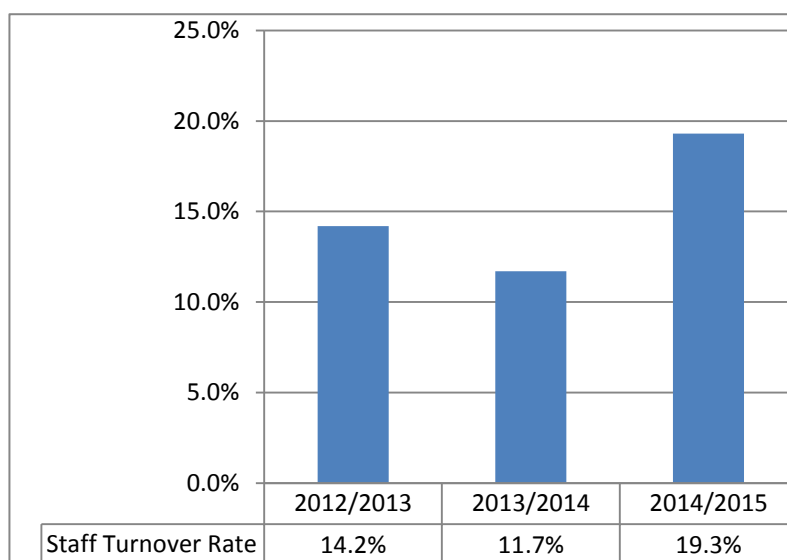
3.1 Provincial Treasury

- 3.1.1** The Department received a clean audit for the past six financial years. The support the Department provided to municipalities and other provincial departments contributed to the attainment of clean audits for 12 of the 13 departments within the Province. This support includes the preparation of the Municipal Economic Review and Outlook (MERO) and Provincial Economic Review and Outlook (PERO), which provides economic intelligence as supporting information in the development of strategic documents.
- 3.1.2** The Department (together with the Department of Local Government) identifies priority areas for support through structured engagements such as the Municipal Governance Review and Outlook (MGROW) and the Local Government Medium Term Expenditure Committee (LGMTEC) processes.
- 3.1.3** National Treasury has taken a policy decision to not expand on any further borrowing and both National and Provincial departments will have to fund the shortfall resulting from the outcomes of the salary agreement settlements themselves. The salary increase of 7% agreed to was 1,4% higher than the 5,6% projected for. For the next three years this will result in a R3,7 billion shortfall within the Provincial budget. The Minister will in the adjustment appropriation budget make the necessary adjustments to accommodate the R 400 million shortfall for the 2015/2016 financial year.
- 3.1.4** The Department is supporting the Western Cape Provincial Parliament (WCPP) with the implementation of the Enterprise Resource Planning (ERP) system. The Department has also submitted a request for exemption, with regards to the implementation of the Generally Recognised Accounting Practice (GRAP) standards, for all legislatures and are awaiting a response. Departmental representatives serve on the WCPP ERP steering committee to assist with implementation and accompanying change management.
- 3.1.5** The Department previously utilised a partial electronic e-procurement system and a service provider was appointed to capture hard copy documents that was submitted manually. The Department is now utilising the Integrated Procurement System (IPS) which is entirely web-based, including an electronic interface with suppliers. This system is used to accept tenders for quotes below R500 000. The system also interfaces with a compulsory registration link to the supplier database which is a governance model and tool. This database supports e-procurement through accessing information like tax clearance certificates, Broad Based Black Economic Empowerment (BBEE) certification and conflict of interest documents. The IPS was implemented in a phased approach, commencing with smaller departments such as Provincial Treasury and the Department of Community Safety, and with specific commodities only. As at the end of the financial year, all departments had migrated to the IPS.

- 3.1.6** The Department has applied to the South African Association of Chartered Accountants (SAICA) to establish a training office for public sector chartered accountants, replicating the training office at National Treasury. The terms of reference for the training office was finalised following the end of the year under review. The Department anticipates having between 5 and 10 trainee accountants which they will avail to departments to assist with the creation and interpretation of financial statements.
- 3.1.7** A number of adverse audit outcomes for municipalities across the Province relate to Supply Chain Management (SCM) practices and for this reason Provincial Treasury has instituted a number of initiatives aimed at supporting municipalities in this regard. This includes a SCM focus group, a SCM help desk and a new Accounting Officer's System (AOS).
- 3.1.8** The Department's Public-Private Partnership (PPP) unit is staffed by five persons including one Director responsible for infrastructure. The Department is currently supporting the Department of Education in exploring accommodation options via a PPP. Existing PPP's include, amongst others, the operation and maintenance of the Chapman's Peak Drive.
- 3.1.9** The Department incurred irregular expenditure as a result of a technical definition related to a provision of sections 16(1) and 16(7) of Public Services Act (Act 103 of 1994). The previous Accounting Officer's contract ended on 31 December 2014 and ten months of this contract was deemed irregular as he was older than 65 during this period. The Department has requested National Treasury to condone the irregular expenditure and is awaiting a response in this regard.
- 3.1.10** The Department, in conjunction with Nedbank (who is the Province's corporate banker) have for the past six years awarded bursaries to deserving students. The Department and Nedbank each cover the cost for six bursaries and the Department administers the bursaries. When students have completed their studies they are placed within the Department.
- 3.1.11** During the period under review Cabinet approved that the full amount of R252 598 000 for Transversal Projects (Regional Socio- Economic Programme in the Department of Environmental Affairs and Development Planning, Internal Control in Provincial Treasury, the Municipal Financial Support Programme in Provincial Treasury and the Broad Band Project in the Department of the Premier) was to be distributed between the respective Votes.
- 3.1.12** The Department held two supplier open days for service providers from the critical supplier list within the Eden District. The open days were focused on specific commodities within the health and security sectors.
- 3.1.13** When there are changes to the financial environment (such as regulations or reporting requirements), staff within the Department require training on its implementation and interpretation. Because of this the Department cannot always anticipate what training will be required for future years. They however do project for at least the training that will take place as per the Workplace Skills Plan.

- 3.1.14** Councillors also receive training on SCM regulations to assist them in the interpretation of reports which in turn strengthens their oversight capacity.
- 3.1.15** The Western Cape is a pilot site for the implementation of the Integrated Financial Management System (IFMS). National Treasury indicated that all departments within the province should be on the LOGIS system so that when the migration to the IFMS takes place and a central instruction is issued, all departments can implement it in the same manner. Provincial Treasury and the Department of Health in discussion with regard to how the migration to LOGIS will be implemented within the Department.
- 3.1.16** There has been an improvement in the timing of the transfers of Municipal Financial Support Grant transfers from the Department to municipalities. For the year under review all municipalities, with the exception of Mosselbay and Stellenbosch municipalities, received grants. Instead of transfers taking place in January and February as was done previously, transfers took place during October 2015 with further transfers taking place in November 2015.
- 3.1.17** The Department has not attained all its targets related to their key activities under the Workforce Planning Framework. Targets not yet attained include a reduction in the vacancy rate to 10% as per the Department of Public Service and Administration's (DPSA) target, and the target of 50%, as a minimum for women in Senior Management Services (SMS).
- 3.1.18** The Committee expressed its concern with regard to the fluctuations in staff turnover rates and the increase in turnover rate since the 2013/2014 financial year, as illustrated in the graph below. The Committee added that the high turnover rate has a negative impact on the rapport that the Department builds with municipalities and other provincial departments.

Graph 1: Provincial Treasury Staff Turnover Rate for previous three financial years.



Source: 2012/2013 Provincial Treasury Annual Report, pg 110.
 2013/2014 Provincial Treasury Annual Report, pg 105
 2014/2015 Provincial Treasury Annual Report, pg 89

- 3.1.19** The Department has expedited the revision of its Human Resources (HR) Plan to address various staffing issues. The Head of Department indicated that he has expressed his dissatisfaction with the recruitment timelines and have instituted monthly meetings with the Corporate Services Centre (CSC) to receive feedback on recruitment and selection processes, including reasons for delays should there be any.
- 3.1.20** The Department's utilisation of consultants resulted in an expenditure of R30 212 000, which included an R 6 726 000 contract with Makana Technologies & Solutions for implementing the migrating of all departments to LOGIS. This expenditure on consultants is an increase from the R21 455 000 spent on consultants during the 2013/2014 financial year.
- 3.1.21** Mr Mbiko addressed the Committee on his challenges with regard to obtaining clarity on budgetary allocations for the Nyanga area by the City of Cape Town Metropolitan Municipality. He also acknowledged Mr Hoosain's assistance as acting as a liaison with the Department of the Premier.

3.2 Western Cape Gambling and Racing Board

- 3.2.1** The Board's own revenue is not sufficient to cover its capital and operational expenses. For the year under review the Board received R 10 406 000 to allow it to fulfil its mandate and mission which is to control and regulate the gambling and betting industries in the Western Cape.
- 3.2.2** During the period under review the Board focused on raising awareness with regards to the negative impact of gambling. This included:
- 3.2.2.1** A theatrical production at schools as a means of highlighting the dangers of irresponsible gambling. The production took place at schools in Salt River, Bellville and Camps Bay and was targeted at Grade 11 and 12 learners;
- 3.2.2.2** A quarterly magazine highlighting the Board's achievements and the assistance which the Board is able to provide to the public at large; and
- 3.2.2.3** A responsible Gambling Summit held from 12 to 14 March 2015 attended by regulators, members of the industry and interested parties.
- 3.2.3** The Board has submitted proposed amendments to the Western Cape Gambling and Racing Regulations to the Minister of Finance. These amendments relate to general operational matters as well as an increase in taxes. The Minister obtained legal advice, suggesting that the amendment process should however be separated so as to first address the increase in taxation and then to address general operational matters. It is anticipated that the *Provincial Gazette* period for comments on the first set of amendments (taxation increases) will be concluded by the end of the 2015 calendar year.
- 3.2.4** When players apply to be excluded from gambling premises their names are added to the National Gambling Board's (NGB) self-exclusion register. The Board expressed concern that the self-exclusion register is not up to date and that they will have to consider what measures they can utilise to ensure that it is maintained.

- 3.2.5** The BBBEE conditions for the year under review was that casinos should have a level 2 rating. The Board has engaged with the industry and owners were requested to present challenges they might face in attaining a level three rating as per the new BBBEE codes. The Board also requested owners to do complete a mock scorecard based on the new codes. Based on the outcomes which will be received by 19 November 2015, the Board will make a decision on how to proceed.
- 3.2.6** The Western Cape was one of the few provinces that had an open ended application process for bookmaker licenses and as a result the majority of bookmakers applied for licenses in the Province. The Board has changed its approach and will now issue four Request for Applications (RFA's) each quarter for the first year following which the process will be reviewed again. The new approach allows the Board to curb overstimulation and in certain areas and promote interests in other areas.
- 3.2.7** Officials from the Department of Transport and Public Works have since June 2015 visited the Board's office with the view of ascertaining their space requirements and are awaiting the outcomes of this assessment.
- 3.2.8** The Board commissioned research related to the socio-economic impact of gambling in the Province. The cost associated with the research project was R300 000.
- 3.2.9** The Board has not yet appointed a consultant to assist with the change management process related to the organisational redesign process. The Racing and Betting Department has merged with the Licensing, and Gambling and Compliance departments and if challenges emerge then the Board will reconsider the appointment of a consultant.
- 3.2.10** National power outages impacted on the attainment of the target of maintaining uptime of over 95.9% for all information systems per annum. The power outages, together with the fact that the system battery only lasted for two hours (it was subsequently upgraded) resulted in the attainment of only 91% uptime for all information systems per annum.

4 INFORMATION REQUESTED, RECOMMENDATIONS AND RESOLUTIONS

Provincial Treasury

- 4.1** The Committee REQUESTED Provincial Treasury to:
- 4.1.1** Provide a progress report on the implementation of the Integrated Financial Management System (IFMS) following the engagement with National Treasury on 22 October 2015;
- 4.1.2** Provide the baseline as well as the progress to date for the following key activities as contained within the Workforce Planning Framework and Key Strategies to Attract and Recruit a Skilled and Capable Workforce:

- 4.1.2.1 Reduce the vacancy rate to 10% as per the Department of Public Service and Administration (DPSA) target;
 - 4.1.2.2 Reduce the time to fill a post to no longer than six months, as per the DPSA target;
 - 4.1.2.3 Reduce the number of contract employees to less than 5% of the workforce;
 - 4.1.2.4 Meet the combined national target of 5% of the total workforce for interns and learners;
 - 4.1.2.5 Meet and maintain national target of 50% as a minimum for women in senior management services; and
 - 4.1.2.6 Meet and maintain national targets of 2% as a minimum for people with disabilities and to implement measures to reasonably accommodate their needs;
- 4.1.3 Provide an explanatory background for the following tables in Section D: Human Resources:
- 4.1.3.1 Promotion by salary band (Table 3.4.7);
 - 4.1.3.2 Promotions (Table 3.5.4); and
 - 4.1.3.3 Terminations (Table 3.5.5);
- 4.1.4 Provide an overview of the terms of reference/brief and hourly rate for each of the consultants utilised during the 2014/2015 financial year; and
- 4.1.5 Provide a progress report on measures instituted to address the high vacancy and turn-over rates within the Department, including measures directed at attracting and retaining young people.
- 4.2 The Committee RECOMMENDED that Provincial Treasury continue supporting municipalities with regard to construction procurement planning, particularly in municipalities where construction has been identified as a potential growth sector.
- 4.3 The Committee RESOLVED to invite the Department at a future date to brief it on the proposed amendments to the gambling and racing regulations as well as its anticipated implications once the Gazette period has concluded.

Western Cape Gambling and Racing Board

- 4.4 The Committee RESESOLVED to invite the Board at a future date to brief it on the findings of the report on the socio-economic impact of gambling in the Province.

5. CONCLUSION

The Chairperson expressed the Committee's appreciation to the Minister and Board Chairperson for their introductory remarks and to the Department, Board members and staff members for their response to the questions posed. He also thanked members of the public for their attendance.

4. REPORT OF THE STANDING COMMITTEE ON LOCAL GOVERNMENT ON THE 2014/2015 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 2014/2015 financial year, reports as follows:

1. Introduction

The consideration of the Annual Report of the Department of Local Government (hereafter “the Department”) took place as per Standing Rule 105(1) of the Western Cape Provincial Parliament which give standing committees the power to consider, amongst other, departmental annual reports submitted in terms of the Public Finance Management Act (Act 1 of 1999).

2. Overview

The consideration of the Annual Report took place on 27 October 2015 and commenced with the Chairperson opening the meeting and welcoming all in attendance. The Minister of Local Government, Environmental Affairs and Development Planning, Mr A Bredell as well as the Acting Head of Department, Mr G Paulse then proceeded with introductory remarks. In his remarks the Minister reported that the Department has introduced the delivery of a dignity basket of services, referring to services that people require to live a dignified life. Based on an independent assessment by institutions such as, amongst other, the Government Communication and Information Services (GCIS), the Acting Head of Department reported that municipalities in the Province are amongst the top performers in respect of improved access to water, sanitation, refuse removal and electricity.

The Committee then proceeded to a page-by-page consideration of the Annual Report following which Alderman D Qually, Provincial Chairperson of the South African Local Government Association (SALGA), addressed the Committee.

3. Findings

3.1 Following the end of the year under review, the Head of Department, Dr H Fast, was seconded to the Department of the Premier to steer the Energy Provincial Game Changer in alignment of the Provincial Strategic Plan. Mr G Paulse was subsequently appointed as Acting Head of Department in her stead.

3.2 The Department is in the process of developing a governance model based on the outcomes of surveys they will undertake amongst municipalities. The model compares a range of indicators between municipalities across the Province.

3.3 The Department reported that there has been an increase in the number of municipalities that have requested assistance with regard to how to implement its developmental local government mandate.

3.4 The Department deployed an engineer to assist Oudtshoorn Municipality to address capacity shortages at its Waste Water Treatment Works and the consequent pollution of the Olifants River. The Olifants River is one example of

a broader challenge the Province is facing with regard to the pollution of rivers (another example being the Breede River) as a result of, amongst other, informal settlements that have no or limited infrastructure to deal with waste water and pesticides from agricultural activities.

- 3.5** The Department co-funded the development of a compliance model that allows municipalities to track its compliance to legislation and regulations applicable to the local government sphere. It is an electronic system that notifies municipalities when key milestones, such as the submission of reports or strategic documents are due. All municipalities in the Province are currently utilising this model which has been extended to now also allow the Department to track the compliance of municipalities.
- 3.6** The Department has noticed an increase in the demand for the assistance of their Community Development Workers (CDW's) at projects initiated by other departments. They have consequently started keeping track of the reasons for this increased demand. An independent consultant was appointed to undertake an impact assessment (of 10 % of projects across three municipal districts) that CDW's were involved in. When assistance is required by other departments a cost sharing approach is utilised and in the event that CDW's have to work overtime or over weekends the requesting department must cover this cost.
- 3.7** The Minister reported that historically the Department struggled to get political buy-in for its CDW programme.
- 3.8** Knysna municipality requested the Minister of Local Government to undertake an independent assessment relate to the tender process for the development of its Integrated Strategic Development Framework. The assessment found that there had been various supply chain management procedural deficiencies. A member of the public has subsequently referred the matter to the office of the Public Protector.
- 3.8.1** The Special Investigations Unit's (SIU) investigation in Swellendam Municipality emanates from 2011 and relates to the development of the Swellenmark and Swellengate malls. The SIU found that there were certain statutory failings during the development process but that these were not criminal in nature.
- 3.8.2** The SIU investigation in George Municipality emanates from the period 2004 to 2010 and involves the former Municipal Manager and the establishment of the George Housing Association. The matter is ongoing.
- 3.8.3** The SIU investigation in Stellenbosch Municipality emanates from 2009 and relates to the tender process for the construction of a stadium. Criminal cases have been opened and the investigation is ongoing.
- 3.8.4** The SIU investigation in Oudtshoorn involves the former Municipal Management and various payments to a contractor. Four criminal cases (including one case of fraud) were opened but was found by the SIU to not be prosecutable.

- 3.9** A survey undertaken by the Department in 2011 found that there are low rates of protected disclosures within municipalities. The Department has subsequently assisted municipalities in the development of anti-corruption strategies.
- 3.10** The National Department of Co-operative Governance and Traditional Affairs (CoGTA) has indicated that by 2019 all municipalities in the country should have an operational Community Worker Programme (CWP). The CWP is administered in municipalities through an agency.
- 3.11** As part of the Local Government Turn-Around Strategies (LGTAS) for Laingsburg and Prince Albert municipalities, a planner from the Department of Environmental Affairs and Development Planning has been placed at the municipalities on a shared services basis.
- 3.12** Not all training provided to departmental staff require payment. The Provincial Training Institution, Kromme Rhee, for example, provides training free of charge so an over attainment in targets related to training opportunities does not always result in increased budget expenditure.
- 3.13** The Committee expressed concern with regard to the high vacancy rate and utilisation of sick leave in the Department.
- 3.14** Alderman Qually, from the South African Local Government Association (SALGA), addressed the Committee on challenges that municipalities continue to face. These include unfunded and underfunded mandates and the reporting burden placed on municipalities. SALGA received an undertaking from the NCOP Deputy Chairperson that the rationalisation of legislation and regulations affecting municipalities will be addressed.

4 INFORMATION REQUESTED, RECOMMENDATIONS AND RESOLUTIONS

- 4.1** The Committee REQUESTED the Department to submit the following to the Committee:
- 4.1.1** With regards to the SIU investigations, the SIU report related to Swellendam and Oudtshoorn municipalities and the background to the investigations being undertaken in Stellenbosch and George municipalities; and
- 4.1.2** A report on the support provided to Knysna Municipality with regard to complaints received in respect of the Integrated Strategic Development Framework tender process.
- 4.2** The Committee RECOMMENDED that in future, the Annual Report should include a footnote indicating the distinction between persons who have exited the Department, and persons who's contracts have concluded but are subsequently permanently appointed.
- 4.3** The Committee RESOLVED to invite the Department brief it on the following on a date to be determined:

- 4.3.1 The hazard awareness programmes conducted in the 26 schools across the Province;
- 4.3.2 The content of gender mainstreaming support provided to Overstrand, Oudtshoorn and Cape Agulhas local municipalities and the West Coast District Municipality;
- 4.3.3 A breakdown of performance rewards awarded to staff during the 2014/2015 financial year as well as the Department's broader approach to performance management; and
- 4.3.4 The Terms of Reference/brief provided to GAB Consulting as well as the outcomes of the impact assessment of projects that CDW's were involved in.

5 Conclusion

The Chairperson expressed the Committee's appreciation to the Minister for his frankness about the Department's performance as it strengthens the relationship between the Committee and the Department so that the necessary changes required to improve the lives of communities can be implemented. The Chairperson also thanked the departmental officials for their responses to the questions posed, and Alderman Qually and members of the public for their attendance and participation.