

PARLIAMENT OF THE PROVINCE OF THE WESTERN CAPE

ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

MONDAY, 28 NOVEMBER 2016

COMMITTEE REPORTS

1. REPORT OF THE PARLIAMENTARY OVERSIGHT COMMITTEE ON THE 2015/2016 ANNUAL REPORT OF THE WESTERN CAPE PROVINCIAL PARLIAMENT, DATED 16 NOVEMBER 2016

1. Introduction

The Annual Report of the Western Cape Provincial Parliament (hereinafter “WCPP”) was tabled for the 2015/16 financial year in terms of section 60(1) of the Financial Management of Parliament and Provincial Legislatures Act (Act No.10 of 2009), hereinafter “the Act” or “FMPPLA” and referred to the Parliamentary Oversight Committee (hereinafter “the Committee”) on Wednesday, 31 August 2016. The Annual Report of WCPP serves to provide a record of the activities and performance of the administration of Parliament and to promote accountability for decisions made during the year by Parliament’s administration. 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.

2. Overview

The Committee met on 1 November 2016 at 08:00 where it was briefed by the Auditor-General (hereinafter “the AG”) on the FMPPLA audit outcomes of the 2015/2016 financial year for WCPP. After the briefing by the AGSA, the Committee was briefed by the Audit Committee (hereinafter “the 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 the WCPP.

The Committee’s methodology was to first meet with these bodies to benefit from their findings and possible concerns to assist the Committee to have a constructive oversight engagement with the WCPP.

The Committee met with WCPP thereafter where introductory comments were made by the Speaker and the Secretary to Parliament. The 2015/16 Annual Report of WCPP is the first report on the five-year Strategic Plan 2015/16 – 2019/2020. A page by page oversight discussion ensued with the management of the WCPP.

3. Findings

3.1 The Committee noted that the Auditor-General:

- 3.1.1 Disclosed that, according to note 2.1 and 41 of the financial statements, an accounting change occurred in the Institution during the 2015/16 financial year, from the modified cash standard to the Standards of Generally Recognised Accounting Practice (hereinafter “GRAP”).
- 3.1.2 Expressed an opinion that the financial statements presented fairly, in all material respects, the financial position of the Western Cape Provincial Parliament as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with the south african standards of GRAP and the requirements of the FMPPLA.
- 3.1.3 Reported that WCPP maintained an unqualified audit with no findings on predetermined objectives or compliance with laws and regulations.
- 3.1.4 Found no material findings related to pre-determined objectives, procurement, contract management and human resources and compensation.
- 3.1.5 Reported that the corresponding figures for 31 March 2015 have been restated as a result of errors that were discovered during the 2015/16 financial year, in the financial statements of the WCPP.
- 3.1.6 Did not identify any significant deficiencies in the internal control systems of the WCPP.
- 3.1.7 Highlighted that the WCPP was busy performing an investigation into an allegation of possible misappropriation of funds through fraudulent claims as at 31 March 2016.

- 3.2 The Committee also noted that the Audit Committee:
- 3.2.1 Indicated that there were no unresolved matters relating to operational and compliance controls implemented or in the process of being implemented by WCPP.
 - 3.2.2 Highlighted that the WCPP's Internal Control Unit consisted only of one employee who reports to the Chief Financial Officer. This reality limited the unit's ability to increase its coverage on its number of inspections for the financial year under review.
 - 3.2.3 Has noted some aspects of the system of Internal Control applied by WCPP that were in need of improvement, such as:
 - 3.2.3.1 Oversight Visits: Risk of loss and injury to members of WCPP due to inadequate security services that were provided during external public hearings or visits by the Standing Committees.
 - 3.2.4 Reported that any changes to the accounting policies, other than those reported by the AG, were adequately presented in the annual financial statements.
 - 3.2.5 Acknowledged that progress has been made with the rollout of the Enterprise Wide Risk Management and the alignment of the key risks of the Legislature that is attached thereto.
 - 3.2.6 Highlighted that it will monitor the following risks that could impact negatively on WCPP such as:
 - 3.2.6.1 Treasury Regulations;
 - 3.2.6.2 FMPPLA- the introduction of GRAP in WCPP;
 - 3.2.6.3 FMPPLA- Supply Chain Management regulations and adherence to National Treasury rules which change continuously;
 - 3.2.6.4 Cash-flow management under budgetary constraints;
 - 3.2.6.5 Reputational and service delivery risks due to budgetary constraints;
 - 3.2.6.6 All systems that supports GRAP; and
 - 3.2.6.7 The successful implementation of an Enterprise Resource package that will support the operation and effective GRAP accounting disclosure.
 - 3.2.7 Noted the commitment of the Secretary and his team to address the control deficiencies reported, and to once again achieve a clean audit with no findings. This is an achievement under the circumstances as there was a change of Secretary and at the same time the onerous implementation of FMPPLA and GRAP standards during the financial year under review.
 - 3.2.8 Conducted four internal audit assurance engagements for the year under review, namely;
 - 3.2.8.1 Oversight visits;
 - 3.2.8.2 Performance management;
 - 3.2.8.3 Transfer payments; and
 - 3.2.8.4 Plenary support.
- as indicated on page 66 of the 2015/16 Annual Report

- 3.2.9 Acknowledged that the WCPP has established an Enterprise Risk Management Committee to assist the Accounting Officer in executing its duties as it relates to risk management.

4. Resolutions

- 4.1 The Committee RECOMMENDED that WCPP:
 - 4.1.1 Briefs the Committee on its organisational structure;
 - 4.1.2 Briefs it on the challenges that were experienced during the implementation of the Enterprise Resource Planning System initiation that took place during the 2015/16 financial year;
 - 4.1.3 Briefs it on the band of employees who received performance rewards for the 2015/16 financial year, including an explanation to the reasons why the rest of the Institution's staff did not receive such a reward;
 - 4.1.4 Briefs it on the internal control weaknesses which relates to oversight visits, risk losses, treasury and supply chain management regulations, as well as the cash- flow challenges that was experienced by the Western Cape Provincial Parliament during the 2015/16 financial year; and
 - 4.1.5 Develops and implements a mechanism that may reduce the costs associated with institutional catering.

5. Information requested

- 5.1 The Committee REQUESTED that the WCPP provide it with the following:
 - 5.1.1 A report that indicates whether the WCPP has focused on value-added auditing during the 2015/16 financial year, as indicated on page 4 of the Audit Committee briefing document to the Committee;
 - 5.1.2 A detailed report which highlights the total number of sub-processes that required internal audit coverage for the 2015/16 financial year, as indicated on page 7 of the Audit Committee briefing document to the Committee;
 - 5.1.3 A report on the benefits that were derived from the launching of Project Grow by the WCPP for the 2015/16 financial year, as indicated on page 20 of the Annual Report;
 - 5.1.4 A copy of the Oversight and Accounting Policy document that was submitted to the Executive Authority for approval, as indicated on page 21 of the Annual Report;
 - 5.1.5 A detailed report that highlights the mechanism used to measure the outcomes of the outreach programmes of the Public Education and Outreach unit of the WCPP, as indicated on page 22 of the Annual Report;
 - 5.1.6 A list of the heritage assets in WCPP, as per the asset management plan, including the market value of these heritage assets, as indicated on pages 53 and 155 (Note 12) of the Annual Report;
 - 5.1.7 A copy of the rectified draft age profile of employees of the WCPP, as indicated on page 84 (table 9.9) of the Annual Report;
 - 5.1.8 A report on the misconduct and disciplinary hearings that were finalised by the WCPP during the financial year under review, as indicated on pages 90-91 of the Annual Report;

- 5.1.9 A detailed report on the investigation of the WCPP into an allegation of possible misappropriation of funds through fraudulent claims, as indicated on page 97 (Note 20) of the Annual Report;
- 5.1.10 A copy of Directive 8: Transitional Provisions for Parliament for the Provincial Legislatures of GRAP as prescribed by the Accounting Standards Board, and complied with by the WCPP, as indicated on page 138 of the Annual Report; and
- 5.1.11 A breakdown of all overseas travel for the 2015/16 financial year, as indicated on page 167 (Note 28) of the Annual Report.

6. Conclusion

The Committee commends Western Cape Provincial Parliament 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, FMPLA implementation, and outstanding matters that were identified in the aforementioned sections, which contains the Committee's resolutions and request for information.

7. Acknowledgments

The Chairperson expressed the Committee's appreciation for the responses of the various role-players to the oversight work of the Committee related to the WCPP AR for the year ending March 2016 and thanked the Auditor-General of South Africa, Audit Committee, Internal Audit, presiding officers and the WCPP administration for their efforts and contributions in this regard.

8. Public Participation

The Western Cape Provincial Parliament's Annual Report Programme for the 2015/2016 financial year was advertised in newspapers inviting stakeholders and members of the public to attend and participate in the discussions.

Members of the public were also given an opportunity to pose questions and to make inputs during the discussions. No input was received.

2. Report of the Standing Committee on Transport and Public Works on the 2015/16 Annual Reports of the Department of Transport and Public Works and its Entity Government Motor Transport for the year ended 31 March 2016

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 2016, 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 27 October 2016. 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 2015/2016 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.

2. Department of Transport and Public Works

2.1 Overview

The Department plays a significant role in all aspects of service delivery to the people of the Western Cape.

The Department was required to generate a saving of R25 million in its compensation of employee’s budget as its contribution to the overall compensation of employee savings for the Provincial Government. If this compulsory saving is excluded, the Department spent 99.16% of its final appropriated budget.

The Department maintained a clean audit report for the fourth consecutive year.

The filling of vacancies in terms of employment equity targets remains a challenge for the Department especially in terms of attracting Africans and females.

2.2 Findings

2.2.1 The promotion of employment equity within the Department’s organisational structure to correct the imbalance in terms of race and gender is concerning and has consistently been raised by the Committee. The Department has managed to improve their gender representivity in their senior management team from 20% women in the 2014/2015 financial year to 31% women in the year under review. The Department has been less successful in rectifying the race balance. It has only been able to add one African male to its senior management team.

2.2.2 A total of 248 bursaries were offered to deserving young students in the transport, engineering and built environment fields through the Masakh’iSizwe Bursary Programme. The main objective of the Professional Development Programme is to address the skills shortage in the transport, built and engineering fields by enabling employees to gain and maintain

professional registration. Architectural studies are divided into 3 disciplines namely, technology, technical and architectural. In order for an individual to be registered as an architect, that individual must have completed a Master's degree. Initially, when the Masakh'iSizwe Programme started, the Department awarded bursaries for architectural studies but soon realised that it was difficult to gain entrance to this course because of the stringent requirements. It must be noted that, in the Western Cape, only the University of Cape Town offers Architecture as a course. The Department has therefore decided to focus on the technical and technological aspects of Architectural studies, where the admission requirements are far less stringent. Bursaries are also awarded for the disciplines of Geomatics and Property Studies and the Department is working closely with the University of Cape Town in order to improve the intake of students to these specific disciplines.

- 2.2.3 Phase 1 of the maintenance work to the Leeuwenhof Residence is currently underway and is due for completion at the end of October 2016. The total expenditure to date is approximately R9 million. Expenditure projections for Phase 2 have not been finalised. Maintenance work mostly relates to structural dampness. The rising damp is caused by the fact that there are three underground streams. The stream flow stems from the mountains and flows through the estate leading to substantial problems in this heritage building. The work that must take place during the next phase will include the redirection of the water flow around the main building to limit further or ongoing problems. Phase 2 will then specifically deal with this issue. One of the important considerations is investigating the possibility of utilising the water from the streams and thereby minimising the amount of municipal water that is utilised on the heritage site. The last time maintenance work was done on this property was in 2007.
- 2.2.4 The George Integrated Public Transport Network (GIPTN) is a project aimed at providing a quality public transport service that is reliable, affordable, safe, convenient and accessible and contributes to a better quality of life for all. At the heart of the Project is an empowerment model that sees public transport operators who were operating minibus taxis or bus services in George forming a company to deliver the new scheduled bus service. The George Municipality, with the support of the Western Cape Government, has entered into a contract with an operating company, George Link, to manage operations of the GIPTN. Clause 32 of the operating contract relates to the finances of the operating company and stipulates that George Link must provide the Department with proof that the company is a registered concern. It also stipulates that the operating company must submit its annual financial statements to the Department. The former has been received by the Department, the latter has been outstanding for the last two years. The South African Police Services (SAPS) have issued a report stating that there is a potential threat to the Directors of George Link and for this reason they are hesitant to distribute their annual financial statements for fear of it getting into the wrong hands. The Department has granted the operating company until the end of November 2016 to submit their annual financial statements. If these are not received by this date, the Department will take the necessary steps against the company. In terms of further

implementation and roll out of the GIPTN, phases two and three have been moderated and refined. Phase 4A is relates to Thembaletu which will be rolled out on 11 December 2016. Moderation then takes four months and thereafter the Project will be rolled out to Borchers, Parkdene and Conwill by April 2017.

- 2.2.5 A Knowledge Management Strategy and Implementation Plan was developed to improve the Department's efficiency and effectiveness. This Plan contained five phases namely, a maturity assessment, an audit assessment, developing the knowledge management framework, the strategy and the implementation plan. All phases were completed in March 2016. The Department has further developed a number of focus areas which are in the process of being implemented, namely, training and development (creating new knowledge), informal learning (mentoring and coaching), organisational assets (interpretation of reports), business intelligence (best practices) and stakeholder management and engagement (inward and outward communication). The Department has received an international award in recognition of the work done in this regard.
- 2.2.6 The Sea Point Main Road (Tafelberg) property was offered to the market with the tender process closing in June 2015. During November 2015, the Provincial Cabinet granted approval for the disposal of the property to the successful bidder. A subsequent court challenge has made further consultation necessary. This process has been concluded and the Provincial Cabinet needs to take a decision after having due consideration for the representations that were made, whether they will resile from the contract. The Provincial Cabinet has indicated that they require a financial model to be developed by the Department in order to assist them in making a decision. There has therefore been an undertaking by the Premier, on behalf of the Provincial Cabinet, that the financial model, once developed, will be advertised to allow interested parties to comment. This financial model is near completion and has been compiled by the Department in consultation with the Social Housing Regulatory Authority to establish the applicability of the model.
- 2.2.7 The contract for the upgrading of the Parkview, Wesfleur and Willems Vallei Primary Schools was awarded to a company called Filcon. The tender amount at the time was R106,4 million. It was an open bid that was advertised in the Government Tender Bulletin, the I-tender website and in the Register of Projects from the Construction Industry Development Board. The contract was cancelled due to non-performance and the replacement contract value was R116,6 million. The schools had to be completed before the Department could institute any claim for losses or damages incurred against Filcon. The schools received practical completion in December 2015. Subsequently, final completion of the schools was undertaken. The Department is presently engaging with Legal Services in the Department of the Premier to initiate claims for actual damages suffered. In terms of the guarantor, Filcon does not have any assets.
- 2.2.8 Irregular expenditure during the year was partly attributed to the extension of contracts and advance payments. Four officials were implicated, two of

whom left the employ of the Department during the investigation process. The remaining two officials were subjected to disciplinary action and a sanction was levelled against the one employee. This person was given a final written warning as well as two months suspension without remuneration. The amount of the irregular expenditure incurred was R3,2 million. In terms of the relevant prescripts from Provincial Treasury, even though irregular expenditure was incurred it can be condoned by the relevant authority if value was received. In this particular case, R604 000 was not in this category and the Department is recovering this amount through a legal process from the company involved and not the employees.

- 2.2.9 The Western Cape Provincial Property Committee was established in terms of Regulation 3 (1) of the Western Cape Land Administration Act (Act 6 of 1998). The Committee consists of officials from provincial and national government departments and four external members not employed by government with proven property expertise. The Provincial Property Committee's Annual Report, as provided for in the Regulations, has not been tabled in the Western Cape Provincial Parliament. The Department has now undertaken to ensure that proper and complete records are maintained so that this provision is adhered to.
- 2.2.10 The Department has continued to develop the Provincial Public Transport Institutional Framework in preparation for the implementation of improved public and non-motorised transport in partnership with selected municipalities. The selected municipalities include the Stellenbosch, Saldanha and Overberg District municipalities. The plan is to compile a detailed context specific public and non-motorised transport plan while implementing the initiatives in an incremental way.
- 2.2.11 The Provincial Land Transport Framework encompasses aspects around the rail network. Rail is a national competence and does not fall under the control of the Province. However, the Province has the ability to influence the actions of the national department through interactions and engagements. The rail network beyond the Metropolitan area is owned by Transnet and not the Passenger Rail Agency of South Africa (PRASA) and any commuter services will need to be done in terms of an agreement that grants PRASA permission to utilise those particular lines. At the moment PRASA is focusing their attention on stabilising the rail situation in the metropolitan area.
- 2.2.12 The Better Living Model is one of the key game-changer interventions of the Western Cape Provincial Government. The intention of this model is to unlock the value of state property for the benefit of the people of the province. Approval was granted for the former Conradie Hospital site in Pinelands to be used as a pilot development.
- 2.2.13 Traffic Officers are deployed through the Provincial Traffic Centres. The Department does not deploy Traffic Officers directly to township areas. These areas are served by Traffic Officers from the City of Cape Town. The Department however embarks on joint ventures with the City of Cape Town when there is a specific focus.

- 2.2.14 Uber forms part of the e-hailing services. The Department has no contractual agreement with Uber and this means that there is no operating license granted by the Department to Uber. Uber as a company does not apply for an operating license, the operator themselves apply for this license. The contract is therefore between the operator and Uber. The operating licence issued to the operator was based on the original view that a cashless system would be utilised. Uber then changed the conditions between themselves and the operator which then caused the operator to be operating contrary to the operating conditions that were agreed upon between itself and the Provincial Regulatory Entity (PRE). The PRE issues each operator with a licence and there is ambiguity around the phrasing relating to cash in the operating license. The Department has no legal right to intervene in the event of a dispute. However, the Department is trying to resolve some of the matters to ensure that conflict, which would put the public's lives at risk within the public transport industry, is minimised.
- 2.2.15 Taxi related violence is of concern to the Committee. Before the Department drafted its Conflict Management Action Plan (CMAP) all stakeholders would get involved with mediation, conflict resolution and enforcement whenever there was an outbreak of taxi violence. Therefore, the purpose of the CMAP was primarily to define roles and responsibilities. By documenting the specific roles and responsibilities of all the different stakeholders, the Department is now able to work together with all Government Departments in a coherent way as these roles and responsibilities have been clearly defined. The Department's responsibility to take the lead in conflict resolution would depend on the type of dispute. SAPS would take the lead for violent conflict and Provincial Traffic will take the lead for impounding illegally operating taxis. The Vrygrond dispute relates to the Vrygrond Taxi Association that is aligned to the Congress for Democratic Taxi Associations (CODETA). It has prevented legal taxi operators from the Steenberg and Retreat Taxi Associations from entering into Vrygrond. The Vrygrond Taxi Association has also put illegal operators from its association onto specific routes that other operators have rights to. The process that was subsequently followed was that the illegally operating taxis was impounded and a section 7820 enquiry was issued by the PRE in terms of the actions of the Vrygrond Taxi Association. This in turn led to recommendations that were made to the PRE to de-register the Association. The matter has now been taken to the High Court.
- 2.2.16 Amendments to the Western Cape Transport Infrastructure Act (Act 1 of 2013) are in the process of being drafted for submission to the Western Cape Provincial Parliament in 2016/2017. The purpose of the amendments is to replace the old Roads Ordinance and the Advertising of Roads and Ribbon Development Act (Act 21 of 1940) where the control of advertising alongside the road reserves was solely under the control of the province. The Department subsequently became aware that their legislation is in conflict with the City of Cape Town's By-laws in terms of advertising controls. In addition, the installation of telecommunication equipment within the provinces' road reserves was not regulated and monitored in terms of the necessary approvals from the Department.

- 2.2.17 The unfunded vacant posts within the Directorate Traffic Services has been a focus point of the Committee. The Department was able to secure the funding for the Traffic Centre Management positions. These positions are in the process of being advertised. One Senior Management position within the Directorate Traffic Services was filled. In addition, the Department has received funding to appoint an additional 29 graduates in the 2015/2016 year as well as funding for a further 30 Traffic Officers that graduated in 2016.
- 2.2.18 The conceptual proposal to realign the Borchers Quarry Interchange on the N2 linking the Cape Town International Airport and Philippi industrial areas was completed in 2015. The first Phase which comprised the addition of a third lane on the N2 between the Borchers Quarry interchange and the R300 commenced in 2015. There are informal settlements within the road reserve that will be impacted by the construction. The Department is engaging with the Department of Human Settlements in this regard in terms of relocating the people living within the road reserve.
- 2.2.19 The system of certifying buildings as green buildings in South Africa is managed by the Green Building Council of South Africa. It is a non-profit organisation that has created rating tools to assess different types of buildings. The basic mechanism of each tool is made up of 9 different categories, namely, management, materials, indoor air quality, energy, transport emissions, water, land use, ecology and innovation. The Council has recently also added a social economic development category which is what was achieved at the Karl Bremmer Hospital site.
- 2.2.20 In the year under review, there was an opportunity in terms of making greater advances to balance gender and race equity within the Department when four Senior management positions and 53 professional specialist positions were filled. This opportunity was missed by the Department to address their Employment Equity imbalance.
- 2.2.21 The Committee further expressed its concern that in the year under review the Regional Centre Manager posts were slow to be filled.

3. Information requested

- 3.1 The Committee REQUESTED that the Department provide it with the following:
- 3.1.1 The names and designations of the Committee members serving on the Property Portfolio Committee;
 - 3.1.2 The date when the operating company, George Link, was incorporated to manage the operations of the George Integrated Public Transport Network;
 - 3.1.3 The names of the schools where 77 Grade R classrooms received practical completion; and
 - 3.1.4 The names and location of the five properties that were disposed of as well as the names and location of the 19 properties that were acquired.
- 3.2 The Committee further REQUESTED that the Department, having set a deadline of 30 November 2016 for the submission of the audited financial

statements (two years outstanding) by George Link, inform the Committee as to whether the deadline has been met.

4. Recommendations

The Committee RECOMMENDED that the Department set specific targets to achieve representivity in terms of gender (female) and race (African) and report back to the Committee in this regard. These specific targets must be included in the next Annual Performance Plan of the Department that will be tabled with their Budget in the next financial year.

5. Resolutions

The Committee RESOLVED that it would undertake oversight visits in 2017 to the:

5.1 George Municipality to focus on –

- operations;
- the vandalism that took place the buses and the current situation;
- compensation to operators affected;
- ownership of the vehicle operating company;
- training offered to the vehicle operating company;
- performance of the vehicle operating company;
- the impact on the allocation of operating licences; and
- the impact that the GIPTN has had on SANTACO and implications thereof;

5.2 Wesfleur, Parkview and Willems Vallei Primary Schools to follow up on the completed remedial development;

5.3 Shared Services Centre in Khayelitsha and the Karl Bremmer Hospital site that have been designed to Five Star, Green Star Standard.

6. Government Motor Transport

6.1 Overview

GMT is a crucial component to the service delivery capacity of the many 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. GMT has maintained its clean audit status.

6.2 Findings

6.2.1 The GMT accumulated surplus increased from R1,763 billion in 2014/2015 to R2,024 billion in 2015/2016 of which R750 million has been invested by the Provincial Treasury. This investment placed with Provincial Treasury generates interest and this forms part of GMT's model to finance its operations in order to limit increases in tariffs. The funds invested with Provincial Treasury can be utilised at their discretion but the Department

has put forward a strong case to utilise the funds for projects and programmes that have a transversal impact to benefit the Provincial Government in its priority programmes. The R750 million was made up of two tranches, R500 million that was transferred in the 2015/2016 financial year and a further R250 million that was transferred in the current financial year. The Department is satisfied that the remaining funds in GMT's main account is sufficient to cover its liabilities.

- 6.2.2 The new organisational structure for GMT has been approved and is in the process of being implemented.
- 6.2.3 The disparity that exists within the levels of representivity within GMT in terms of gender and race is concerning. The Department is attempting to ensure that it attracts people who have the necessary experience and competence and who are prepared to work for government.
- 6.2.4 The first Phase of relocating designated GMT components from its current facility in the Cape Town CBD to new premises in Maitland was delayed. Construction was constrained with the liquidation of the main contractor. The liquidation resulted from an application brought forward by the main contractor's domestic sub-contractor and Directors for non-payment. Completion of this Project was at 74.35% when the contract was cancelled. A completion contractor was identified to complete the Project. However, this contractor failed to produce a certificate of security that provides a guarantee to the Department. This guarantee is a requirement for appointment and, when it was not produced, the completion contractor was not appointed.

The Department has now undertaken the process to appoint the second contractor on the initial list. It is envisaged that the first Phase will now be completed in the second quarter of 2017 provided that the new contractor provides the Department with the guarantee.

- 6.2.5 GMT's fleet consists of 5 229 vehicles. These vehicles are allocated to the 13 Provincial Departments and the entities attached to specific departments. Some of the vehicles are also allocated to National Departments. Each vehicle allocated is placed on the respective provincial department's asset register. The respective departments are responsible to ensure that all trips are authorised. If there is any alleged misuse of a vehicle, it is reported through a reporting line to GMT and then forwarded to the relevant department for investigation. All vehicles are fitted with a tracking device.
- 6.2.6 GMT ordered a total of 410 replacement vehicles during the year under review to replace vehicles that have reached the end of their economic life cycles. The fleet was disposed of through an auction process.
- 6.2.7 All speed and traffic violations are investigated, including that of provincial traffic vehicles and emergency medical services, to determine whether these vehicles were used at the time of the violation for official duty.

- 6.2.8 The number of accident cases relates to all losses, accidents as well as to minor damages to vehicles. Third party claims are settled by GMT and then claimed back from the relevant department.
- 6.2.9 Fuel expenditure has decreased due to the significant drop in the petrol price. Other reasons for fuel expenditure reduction include the use of more fuel efficient vehicles, the renewal of the fleet, the acquisition of more modern vehicles that are lighter on fuel, the use of hybrid vehicles and the use of electronic fuelling devices fitted to all vehicles. Cases of irregularities are investigated and if malpractice is discovered, it is referred to the South African Police Services.
- 6.2.10 There are two categories of students that are employed within GMT under the PAY 1000 and Internship Programmes. GMT also employs those who have been placed on the Expanded Public Works Programme.
- 6.2.11 Key contributing factors to the under expenditure includes the fact that the purchase contract for all vehicles is a nationally arranged contract which commenced late in the financial year as suppliers are inclined to attend to the largest order first. Another contributing factor was the Information technology modules not being placed into production yet, operational expenditure where the fuel expense was less than budgeted for as well as the decrease in the cost of maintenance as a result of the renewed fleet and more fuel efficient vehicles. GMT curtails its expenditure because of the trading account principles that dictates that funds can be retained. The funds can then be utilised in the next financial year for the same expenditure items.
- 6.2.12 Vehicle repair and maintenance work are outsourced. GMT will be responsible for the management of this function in the 2016/2017 financial year. Presently, the third party collects a rebate on all repair and maintenance work. The cost of the rebate could be saved and improved quotations can then be negotiated.
- 6.2.13 The vacancy rate is 11.5%. The vacancies are mostly at the lower levels. Higher level posts have been redesigned and will be filled in 2016/2017 in terms of the new organisational structure focussing on employment equity targets.
- 6.2.14 Of concern to the Committee is that an opportunity arose during the year to fill four vacancies. These vacancies appear to have been filled with no regard to race or gender equity.
- 6.2.15 The type of misconduct addressed at a disciplinary hearing was fraud where an employee was required to obtain a driver's license within a one year period and then produced a fraudulent licence. The employee was dismissed immediately.

7. Information requested

The Committee REQUESTED that the Entity provide it with the value of the third party claims that were processed.

8. Recommendations

The Committee RECOMMENDED that, in terms of the revised organogram for GMT, the Department set specific targets to make GMT more representivity in terms of gender (female) and race (African) and feedback to the Committee in this regard. These specific targets must be included in the next Annual Performance Plan of the Department that will be tabled with their Budget in the next financial year.

9. Resolutions

The Committee RESOLVED that it would invite the Department, in 2017, to brief it on the specific proposals that the Department is making to Provincial Treasury with regards to the invested reserves whose origin is GMT.

10. 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.

3. Report of the Standing Committee on Environmental Affairs and Development Planning on the 2015/16 Annual Reports of the Department of Environmental Affairs and Development Planning and its Entity, CapeNature, for the year ended 31 March 2016.

The Standing Committee on Environmental Affairs and Development Planning, having considered the Annual Reports of the Department of Environmental Affairs and Development Planning and its Entity, CapeNature, for the year ended 31 March 2016, referred to it, reports as follows:

1 Introduction

As part of its oversight function, the Standing Committee on Environmental Affairs and Development Planning (hereinafter “the Committee”) considered the Annual Reports of the Department of Environmental Affairs and Development Planning (hereinafter “the Department”) and its Entity, CapeNature, on 26 October 2016. 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 2015/2016 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.

2. Department of Environmental Affairs and Development Planning

2.1 Overview

The Department obtained a clean audit for the year under review. It achieved 98.7% programme expenditure on its budget, which includes R3.6 million compulsory savings on the cost of employment.

The Department developed three legislative tools, namely, the Revised Biodiversity Offset Guideline, the Draft Model By-law on Waste Management for municipalities and the Draft Western Cape Biodiversity Bill. The Environmental Implementation Plan for 2015/2020 was published in the *Provincial Gazette* and, together with the Department of Agriculture, the Agriculture Climate Response Strategy was launched in May 2016.

Achievements during the year include the fact that 98% of the Environmental Impact Assessment applications were finalised within the legislative timeframe. The Report on the State of Air Quality Management was completed as well as Phase 1 of the Municipal Integrated Waste Management Infrastructure Assessment. The Western Cape Provincial Biodiversity Strategy and the Western Cape Provincial Coastal Management Programme was approved. The Departmental Spatial Planning and Land Use Management Strategy and the Support and Capacity Building Strategy to support municipalities were also reviewed.

The Department's Annual Performance Plan for 2015/2016 comprised 75 performance indicators. Of these indicators, 67 were achieved, 6 were partially achieved and 2 indicators were not achieved.

2.2 Findings

2.2.1 The Greenest Municipality Competition aims to promote improved service delivery that restores community pride and a commitment to a caring environment. It also focuses on improved integrated and sustainable development strategies. Municipality participation is voluntary. In 2016, 14 municipalities participated in comparison to the previous year where 21 municipalities participated. The lack of participation is concerning and the Department has decided to take a firm stand next year in order to encourage municipalities to participate. The next competition will also see the non performing municipalities showcased. There are multiple categories for this competition. Climate Change Response accounts for 15% of the total score, Biodiversity Management, Coastal Management and Urban Beautification accounts for 20%, Air Quality Management accounts for 15%, Waste Management accounts for 20% and Leadership Compliance and Institutional Arrangements account for 10% of the total score. In order to win, municipalities have to do well in all these categories. Eden District Municipality and Hessequa Municipality displayed excellence in all of these categories. Awards are also issued per category, and include a monetary

incentive. However, this project may be under threat as a result of budget cuts. A decision will have to be made whether these funds should be used on a competition or if the Department should embark on a different project to increase its monitoring of municipalities as per the categories mentioned above. The competition is therefore at risk depending on the prioritisation stance the Department may decide to take.

- 2.2.2 GreenCape is a sector development agency that supports businesses operating within the green economy in the Western Cape. Their aim is to help unlock the investment and employment potential of green business, technologies and manufacturing thus contributing to improve the resource efficiency, carbon intensity and resilience of the regional economy. A good relationship exists between the Department and GreenCape. The Department serves on the advisory panel of GreenCape and has quarterly engagements with them. There are also a number of joint projects. The limited available funding for the implementation of the Green Economy Strategy has forced the Department to work very closely with organisations such as GreenCape, as well as with other Provincial Government Departments. In this instance, the Department has worked closely with the Department of Agriculture, the Department of Human Settlements and the Department of Economic Development and Tourism.
- 2.2.3 The Genius of SPACE project used biomimicry to explore appropriate technology solutions to improve water quality and minimise waste in the Langrug Informal Settlement. Biomimicry is an approach to innovation that seeks sustainable solutions to human challenges by emulating nature's time-tested patterns and strategies. Langrug Informal Settlement was selected for this Project because of its location. The community of Langrug was part of the design phase of the Project and this ensured greater participation and ownership of the project. The Department was investigating ways of treating the grey water which pollutes rivers in the area and came up with innovative solutions which can be replicated elsewhere. The community was then informed on how they can play a role in the maintenance of these structures. Blocks S and T in Langrug have been completed. The Project is dependent on the gravity flow of the grey water and getting the community to dispose of waste at the disposal site. The water then runs into the tree gardens and the micro-organisms found in the soil then breakdown. This is how the biomimicry, through a filtration process, is assimilated by the plants and organisms and allows for a sustainable solution that can be replicated in the entire Langrug Informal Settlement area.
- 2.2.4 The intention of the Green Economy Indicator Report is to undertake year on year tracking so that a set of indicators are established that encompasses the entire green economy portfolio of the Western Cape. It aims to analyse what funds are being spent on and the impact of this spending on the environment.
- 2.2.5 The Eco-invest Project paves the way for future investment in ecosystem goods and services through the development of viable project ideas which enhance the natural resources of the province while promoting economic and job opportunities. It has been used by the Department to assist in

conceptualising what needs to be done in the biodiversity economy. The Department is working closely with CapeNature because access to natural resources and the utilisation of those natural resources must be co-ordinated between the two institutions. There were two investment cases identified in terms of eco-invest, namely, waste products from alien invasive clearing and carbon sequestration through the planting of Elephants Food (Spekboom) which is an excellent absorber of carbon. These projects have elicited investment interest from the private sector.

- 2.2.6 In terms of measures in place to reduce carbon emissions, the National Department of Environmental Affairs is in the process of promulgating a Climate Change Bill. It has been envisaged that the Bill will be referred to provinces in 2017. For now, the Department has policies in place and, from an air quality perspective, have controls in place. There are particular industries that are now required to be registered on the Department's Green House Gas Inventory to declare what they are emitting. However, this is not firmly regulated other than through Air Quality Management Regulations.
- 2.2.7 There are two principle custodians for land audits, namely, the Department of Transport and Public Works, who is the main custodian of all provincial owned land, and the Department of Human Settlements. The Department plays a role in respect of the assessment of key strategic sites and this has been facilitated by a joint task team comprising the Western Cape Provincial Government and the City of Cape Town. This process unfolded under the banner of the Transient Audit Development Assessment of Development Opportunities Project. The Department perceives its participation in this process as an opportunity to facilitate the reversal of the apartheid era legacy. For this reason, the current Game Changer Project on the Provincial Dashboard for the former Conradie Hospital site is, while experimental in nature, indicative of the overall objective of using public owned land to facilitate residential development closer to the transit corridors and centres of employment. It also facilitates the integration of socio-economic groups.
- 2.2.8 The Department has had to reinvent its development planning role as a consequence of the planning law reform process. One of the outcomes has been the Department, together with Provincial Treasury and the Department of Local Government, facilitating joint planning within the municipal sector in particular.
- 2.2.9 The Development Planning Intelligence Directorate was established a year ago in terms of Programme 7. The First Generation Strategy is the Department's business plan to commence the evidence driven value chain within the Department to provide the necessary evidence for decision making and also to participate productively in the transversal systems. The purpose of the strategy is to inform decisions taken in terms of research priorities that are needed. It also assists the Department with their support functions to other directorates, especially to municipalities with regards to their Integrated Development Plans and their Spatial Development Frameworks. The Department is therefore involved in integrated spatial planning at a transversal level.

- 2.2.10 The Department has been involved, on an adhoc basis, over the past four years in the establishment of small fishing harbours. The first level of involvement is at the level of spatial planning and economic frameworks. The Department participated in a series of workshops that were arranged by the Department of Agriculture, Forestry and Fisheries. The workshops were also attended by members of the public and municipalities after which the National Department facilitated an overall report back forum. The Constitution of the Republic of South Africa, 1996, confers authority on the different spheres of Government to perform certain functions in specific areas of service delivery. In this instance the role of the Department of Agriculture, Forestry and Fisheries, the Department of Public Works and the affected municipalities regarding the management of small harbours is obscured. A meeting has been arranged with the municipalities to provide feedback on progress made in this regard. The meeting has been scheduled to take place in November 2016. Municipalities are apprehensive about this responsibility because they do not have the funds to establish and maintain it.
- 2.2.11 The prevention of poaching is the principle mandate of the Department of Agriculture, Forestry and Fisheries and the Department's role is to intervene if and when there are joint blitzes to assist in terms of law enforcement. The Department has engaged with the National Department of Environmental Affairs and requested the National Department to develop a holistic strategy so that the matter of poaching can be addressed from different angles, particularly the social angle. The forum responsible for this work is the Green Scorpions.
- 2.2.12 Education on waste minimisation reductions has taken on a different format due to capacity and resource constraints within the Department. The Department has therefore opted to make available an electronic educational tool on waste reduction to the education sector. It has facilitated sessions at 19 schools in the Breede River Valley, Eden and Central Karoo regions, of which 23 educators attended. The Programme is also directly linked to the respective municipalities in the areas.
- 2.2.13 There is a Schedule attached to the Western Cape Land Use Planning Act (Act 3 of 2014) that repeals old order legislation. However, in terms of the transitional implementation, it was recognised that the Department would have to undertake a staggered approach of introducing, per municipality, the publication in the respective *Provincial Gazette* of the implementation of the Act and, by implication, the repeal of the old order legislation. As soon as the by-laws, which are aligned to the Spatial Planning Land Use Management Act (Act 16 of 2013) and the Western Cape Land Use Planning Act (Act 3 of 2014) are in place, the proclamation in the *Provincial Gazette* would serve as the date when that particular municipality must use the new legislation. However, any planning applications that were in the system before the date of proclamation must be processed in terms of the old order legislation.
- 2.2.14 The Department is of the view that, although the Commissioner for the Environment was listed as Schedule 3, Part C of the Public Finance

Management Act (Act 1 of 1999), it was not necessary to pursue the establishment thereof.

- 2.2.15 Section 24G of the National Environmental Management Act (Act 59 of 2008) provides for instances where individuals have commenced with activities that require environmental authorisation without getting the necessary authorisation in the first instance. These activities have a detrimental effect on the natural environment. When the non-compliance is discovered, the Department issues a pre-compliance notice and the transgressor then has the opportunity, through the mechanism of Section 24G, to apply for condonation and pay an administrative fine before an authorisation is processed. If the transgressor elects not to do this, the Department cannot compel him to do so. However, the Department would then take the route of prosecution. If the Section 24G applicant abandons that application, the Department automatically institutes criminal action. Section 24G has since been amended to allow the Department to defer S24G applications. This means that the Department can put the application on hold, prosecute, and in addition, issue a Section 24G fine. Section 24G was originally a voluntary disclosure process where the intention was for individuals to come forward and admit to illegal activity.
- 2.2.16 After allocating nearly 50% of its budget to CapeNature, approximately 70% of the remaining budget was allocated to cost of employment. The Department has been requested by Provincial Treasury to institute a forced saving of R4.1 million which was later reduced to R3.6 million. When an employee resigns, funding of that specific post is reviewed and re-prioritised.
- 2.2.17 The Environmental Officer Specialised Production Post within the Directorate Environmental Governance, Policy Co-ordination, Planning, Compliance and Enforcement, received a 16 notch increase on remuneration. The person occupying this post is the Chief Investigator. This person has subsequently been recognised by National Government as being the top Environmental Crime Investigator in the country. The 16 notch increase is allowed within the Occupational Specific Dispensation and was initiated in order to retain the expertise.
- 2.2.18 One of the reasons for the Department's success during the year was the stability of its senior management structure. The race and gender profile equates to 54% female and 46% male. There would be an opportunity to add Employment Equity consideration at senior management level when a vacancy arises. Until this happens, the focus will be to attract competent candidates at middle management level, focusing on gender (female) and race (African).
- 2.2.19 The Department spent 0.5% of its total wage bill on performance bonuses. The performance assessment process is done in accordance with regulations.

3. Information requested

- 3.1 The Committee REQUESTED that the Department provides it with the following:
 - 3.1.1 A report on the Eco Invest Project that enhances natural resources and also provides economic and job opportunities;
 - 3.1.2 The results of the Greenest Municipality Competition that was held in 2016 clearly outlining the selection criteria as well as the names of the participating municipalities;
 - 3.1.3 The first draft of the Development Planning Intelligence Management Strategy;
 - 3.1.4 A progress report on developments at the Elandsbaai Fishing Corridor with specific reference to the creation of small scale harbours;
 - 3.1.5 A progress report on the process to amend the Constitution of the Western, 1998, to align it to the Constitution of the Republic of South Africa, 1996, in respect of the proposed amendment to the provision relating to the Commissioner for the Environment; and
 - 3.1.6 A report, after the Department has completed its audit investigation, outlining the names of the municipalities that are using the old order legislation to process planning applications that were made before the new legislation came into effect. As this cannot go on indefinitely, time-frames for ceasing the utilisation of the old order legislation must be clearly stipulated.

4. Resolutions

- 4.1 The Committee RESOLVED to invite the Department in 2017 to brief it on:
 - 4.1.1 The results of the Feasibility Study for Alternative and Sustainable Infrastructure and Services for Settlements; and
 - 4.1.2 Programme 3: Compliance and Enforcement, with specific reference to the role of the Green Scorpions, Litigation cases, Section 24G Applications and the Biodiversity Crime Unit.
- 4.2 The Committee further RESOLVED that it would undertake an oversight visit in February 2017 to the newly completed Grootvadersbos Nature Reserve to gain an understanding of the biodiversity and conservation issues linked to the Reserve and its impact on economic growth and tourism in the area.

5. CapeNature

5.1 Overview

CapeNature is mandated to manage and protect the rich and internationally recognised biodiversity in the Western Cape. The Western Cape holds 57% of the water resources in the country and a total of 92% of the land managed by CapeNature comprises mountain catchment areas, in which the reserves are situated. In the delivery of this mandate, CapeNature drew on strong leadership supported by the Department and guided by the Western Cape Nature Conservation Board (hereinafter “the Board”). CapeNature’s Annual Performance Plan for 2015/2016 comprised 30 performance indicators. Of these indicators, 17 were over achieved, 10 were achieved and 3 indicators were partially achieved. CapeNature

emphasises a people-centred approach by promoting access through their various programmes and also through their eco-tourism, people and conservation programmes. These programmes contributed to job creation, environmental education and bringing people into nature.

CapeNature has undertaken, in future, to prevent what has transpired with regards to the Auditor-General's finding on deficiencies relating to control in respect of visitor numbers.

Notwithstanding this, the eco-tourism and marketing programmes are functioning well. The quality of their work is not only recognised in the Western Cape but also internationally through the eco-certification awards which they have been presented with.

While CapeNature experienced the impact of a volatile economic climate, they managed their cash flow and expenditure accordingly with proper budget management processes in place. CapeNature has achieved an unqualified audit report and they have undertaken to work on the deficiencies that were identified in terms of the one indicator going forward.

5.2 Findings

- 5.2.1 While creating 1257 work opportunities and employing 497 Full-time Equivalents, CapeNature managed to direct 16 280 learners through their education programmes.
- 5.2.2 CapeNature also managed to increase their protected areas estate by 9000 hectares with limited financial resources through innovative stewardship programmes.
- 5.2.3 CapeNature manages 110 land parcels but only 26 of their reserve clusters have access points that have tourism offerings. Due to the product offering, some of these reserves have multiple access points and very often control is outsourced to private companies. In some instances where servitude arrangements are in place, the reserves are managed by private land owners. The result is inaccuracies in the issuing and capturing of permit forms and this forms the basis of the Auditor-General's findings.
- 5.2.4 A recent report by the Centre for Scientific Research has highlighted substantially more climate change risks than what was reported in the Entity's Annual Report. The report showed greater intensity of flooding and rain, particularly for the Southern Cape. Problems already being experienced are an increase in alien invasive vegetation, fire intensity and frequency and also the fact that intense fires are occurring out of season as a consequence of climate change. These challenges are being mitigated by the establishment of partnerships with municipalities, private land owners and fire agencies.
- 5.2.5 The generation of income is important. It is one of the three main objectives of the Board as contained in the Western Cape Nature Conservation Board Act (Act 15 of 1998). Various strategies have been

identified to generate greater income. These include, focusing on the Green Economy Framework, levies for international filming at the reserves, conferencing facilities at the environmental education centres and exploring the option of game sales.

- 5.2.6 The underspending during the year under review related to the Grootvadersbos Infrastructure Project which was delayed by 58 days due to heavy rainfall.
- 5.2.7 Eco-tourism certification is a criterion that was developed in Australia. Australia is a leader in sustainable tourism development practices. The Australians have developed stringent criteria against which nature reserves and eco-tourism products can be assessed. Three of CapeNature's reserves were awarded eco-certification. Of the three, one reserve is along the West Coast and two reserves are along the Garden Route. CapeNature is the first biodiversity conservation institution in Southern Africa to be a part of this programme.
- 5.2.8 After fire arm, people and drug trafficking crime, biodiversity crime is currently ranked the fourth highest criminal activity at an international level. Due to competent employees within the environmental conservation team, crime events are tracked and processed. The Prosecuting Authority agreed that 50% of the revenue collected from these fines be allocated to CapeNature.
- 5.2.9 CapeNature, together with the Western Cape Education Department and through their environmental education network, embarks on engagements and follow up engagements with schools to create environmental awareness. Its strategy is to work with schools within and around a 50 km radius from a reserve.
- 5.2.10 CapeNature reserves are used for spiritual, cultural and traditional purposes. They have developed a policy to guide employees in granting access to protected areas. The sites are used by traditional healers, Rastafarians and church groups. It is also used for cultural initiations. CapeNature allows sustainable harvesting to take place on some of its sites. Communities have benefitted from the harvesting of sour figs for their own income generation.
- 5.2.11 The bursary policy is an internal policy for the benefit of CapeNature employees and is focused on those employees who do not have any tertiary qualifications.
- 5.2.12 Three employees were dismissed as a result of abscondment and one employee for repudiation.

6. Conclusion

The Committee notes its appreciation for the response of the Department of Environmental Affairs and Development Planning and CapeNature to the scrutiny of the Annual Reports and wishes to thank the Minister and Head of Department, Chief Executive Officer of CapeNature and the Chairperson of the CapeNature Board for their contributions and efforts in this regard.

4. REPORT OF THE STANDING COMMITTEE ON ECONOMIC OPPORTUNITIES, TOURISM AND AGRICULTURE ON THE ANNUAL REPORTS OF THE DEPARTMENT OF AGRICULTURE AND ITS ENTITY, CAPE AGENCY FOR SUSTAINABLE INTEGRATED DEVELOPMENT IN RURAL AREAS (CASIDRA) FOR THE YEAR ENDED 31 MARCH 2016, DATED 22 NOVEMBER 2016.

1. Introduction

The Annual Report programme for the 2015/16 financial year was advertised in newspapers, inviting stakeholders and members of the public to attend and participate in the discussions.

Members of the Standing Committee on Economic Opportunities, Tourism and Agriculture deliberated on Part A: General Information, Part B: Performance Information and Part D: Human Resource Management of the Annual Reports of the Department of Agriculture and its Entity, Cape Agency For Sustainable Integrated Development In Rural Areas (hereinafter “Casidra”).

2. Overview

As part of its oversight function the Committee considered the Annual Reports of the Department and its Entity on 4 November 2016. The Annual Report is the key instrument to report departmental performance measured against the performance targets outlined by the Department of Agriculture and its entity, Casidra in its Strategic Plan, Annual Performance Plan and its budget.

Before proceeding to the consideration of the respective Annual Reports, the Minister for Economic Opportunities, Minister A Winde, and the Head of Department, Ms J Isaacs, were given an opportunity to make opening remarks.

The Committee then proceeded to the consideration of the Annual Report of the Department of Agriculture. The Department’s role is to create opportunities for growth and job creation in the Province, particularly in the rural areas in the Western Cape.

For the consideration of the Annual Report of Casidra, the Chief Executive Officer, Mr M Brinkhuis, provided the introductory and opening remarks.

Both the Department and Casidra received clean audit outcomes from the Auditor-General for the 2015/16 financial year.

3. Input received from the public

Members of the public were given an opportunity to give input on the Annual Report of the Department of Agriculture. No input was received.

4. Findings/Concerns

4.1 Department of Agriculture

4.1.1 The Department has received R12 million from national government for drought relief. During the 2015/16 financial year, the Department spent R34 million on drought relief activities, some of which were redirected from the Comprehensive Agricultural Support Programme (CASP) allocation.

- 4.1.2 Elsenburg College was also affected by student protests. This matter was dealt with by the Department and students have continued with exams.
- 4.1.3 The Department is unable to service the demands of all its smallholder, subsistence and commercial farmers due to a lack of human resource capacity, as well as financial constraints. Drought support was being dealt with, with no additional technical capacity.
- 4.1.4 The availability of water is a challenge, as water is a natural resource that cannot be generated. Even though farms will not have the same determinations as a metro region for water restrictions in cities, farmers will have to manage their own dam levels.
- 4.1.5 In terms of job creation in the agricultural sector, there has been growth in the canola and citrus sectors. Most commodities in the Western Cape have seen good growth, which has resulted in job creation.
- 4.1.6 Fracking will affect agricultural land, primarily in livestock farming. The Department's responsibility is to protect agricultural land. The argument against fracking is that the land is often not rehabilitated after the process is completed. If fracking is allowed, then the relevant parties should be held accountable for that land, once the extraction of oil or gas is completed. The challenge is that the farmers do not own what lies below the farmland. Even if the farmer sells the land, the rights belong to the national government, and therefore, there is uncertainty as to how much a farmer will be remunerated for the farm. However, the country is in need of energy to sustain the economies in the cities, and there has been mass movement from rural to urban areas. Factors to be considered in terms of fracking, will be whether there is land that can be sacrificed, and what resources will need to be protected.
- 4.1.7 Climate change is a challenge. If the Karoo becomes drier, the carrying capacity for livestock will become smaller, which will negatively affect farmworkers and employment in the area.
- 4.1.8 The Department struggles to recruit agricultural economists and veterinarians, as it cannot compete with the remuneration offered by the private sector.
- 4.1.9 The Committee urged the Department to provide more detail on their under-achievements in future Annual Reports.
- 4.1.10 With budget cuts, the Department had to relook at prioritised posts to be filled. The Department also dismissed employees during the 2015/16 financial year, due to absconding from work, being drunk on duty and theft.
- 4.1.1 The Department was urged to employ more people with disabilities at senior management level.

4.2 Cape Agency for Sustainable Integrated Development in Rural Areas (Casidra)

- 4.2.1 Casidra is a government entity but operates as a business in the rural economy. The Entity is involved in land reform issues and assists the Department of Agriculture with its food gardens.
- 4.2.2 During the year under review, a restructuring of functions took place within the organisation where jobs and functions were aligned in order to service clients and the Department of Agriculture better.

- 4.2.3 In the 2015/16 financial year, Casidra completed the development of, and implemented its Casper computer software. Casper is a project management tool, utilised within Casidra, to roll-out, monitor and report on projects.
- 4.2.4 The Committee met with the Commission on Restitution of Land Rights and Casidra on 24 August 2016. During this meeting the Commission stated that they would engage with the Amalienstein community to inform them that there was no valid land claim on the Amalienstein land and that they would invite Casidra and the Committee to this engagement. The Commission, however, has not interacted with Casidra on this matter since that meeting. Casidra stated that they would engage with Mr D Smit from the Commission regarding the way forward for Amalienstein.
- 4.2.5 Basic Conditions of Employment were addressed during labour relations and employee wellness programme meetings with farmers and agri workers. Casidra's Human Resource Manager visits farms and records any labour related issues that are reported.

5. Recommendations

5.1 The Committee RECOMMENDED that:

- 5.1.1 The Department brief the Committee on market access for black farmers;
- 5.1.2 The Department brief the Committee on the Philippi Horticultural Area; and
- 5.1.3 Casidra update the Committee in the form of a briefing on the impact of the Smart Agri climate change action plan, with a link to conservation agriculture.

6. Information requested

6.1 The Committee REQUESTED that the Department provides the Committee with the following information by 25 January 2016:

- 6.1.1 The research report, which indicated that a five percent increase in the value of deciduous fruit and table grapes exports will create 4 261 and 2 073 new jobs respectively, as indicated on page 10 of the Department's 2015/16 Annual report; and
- 6.1.2 A list of staff members that were suspended during the 2015/16 financial year, and how long each suspension lasted.

6.2 The Committee REQUESTED that Casidra provides the Committee with the following information by 25 January 2016:

- 6.2.1 An update in the form of a report on the 100 Land Reform Projects for emerging farmers in the 2015/16 financial year, as indicated on page 4 of the Entity's 2015/16 Annual report; and
- 6.2.2 A list of areas that benefitted from the revolving LED Growth Fund of Casidra, as indicated on page 11 of the Entity's 2015/16 Annual Report.

6. Conclusion

The Chairperson thanked the Minister, Department and Casidra for their preparation and responses to questions raised by the Committee members.

The Chairperson reiterated the Committees' appreciation for the clean audit outcome of the Department and its Entity, Casidra, for the year under review.

5. REPORT OF THE STANDING COMMITTEE ON ECONOMIC OPPORTUNITIES, TOURISM AND AGRICULTURE ON THE ANNUAL REPORTS OF THE DEPARTMENT OF ECONOMIC DEVELOPMENT AND TOURISM AND ITS ENTITIES, WESTERN CAPE TOURISM, TRADE AND INVESTMENT PROMOTION AGENCY (WESGRO), SALDANHA BAY INDUSTRIAL DEVELOPMENT ZONE LICENCING COMPANY (SOC) LTD AND WESTERN CAPE LIQUOR AUTHORITY FOR THE YEAR ENDED 31 MARCH 2016, DATED 22 NOVEMBER 2016

1. Introduction

The Annual Report programme for the 2015/16 financial year was advertised in newspapers, inviting stakeholders and members of the public to attend and participate in the discussions.

Members of the Standing Committee on Economic Opportunities, Tourism and Agriculture deliberated on Part A: General Information, Part B: Performance Information and Part D: Human Resource Management of the Annual Reports of the Department of Economic Development and Tourism and its entities; Western Cape Liquor Authority, Western Cape Tourism, Trade and Investment Promotion Agency (hereinafter “Wesgro”) and Saldanha Bay Industrial Development Zone Licencing Company (SOC) Ltd, on 28 October 2016.

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

2. Overview

The Committee considered the Annual Reports of the Department of Economic Development and Tourism and its entities, Western Cape Liquor Authority, Wesgro and Saldanha Bay Industrial Development Zone Licencing Company (SOC) Ltd. The Committee engaged the Western Cape Liquor Authority on its 2015/16 Annual Report. The Entity has however been transferred to reside under the oversight responsibility of the Department of Community Safety, therefore, this Entity will report to the Standing Committee on Community Safety for the 2016/17 financial year.

Before proceeding to the consideration of the Annual Reports, the Minister, the Head of Department, the respective Chief Executive Officers and Chairpersons of the Entities were given an opportunity to make opening remarks.

In the year under review, the Department of Economic Development and Tourism, and its Entities, received clean audits for its 2015/16 Annual Reports. The Committee made findings and recommendations based on its interaction with the Department and the Entities’ 2015/16 Annual Reports.

3. Findings/Concerns

3.1 Western Cape Tourism, Trade and Investment Promotion Agency (Wesgro)

3.1.1 The 2015/16 financial year experienced tough economic conditions, including difficulties created by the changing global environment and

British Exit (Brexit) from the European Union, both of which created uncertainty in the tourism and trade sectors. The Committee, therefore, urged Wesgro to revisit trade promotion opportunities, specifically to repackage the Western Cape's international trade offerings to both the United Kingdom and the European Union since the occurrence of Brexit.

- 3.1.2 In the year under review, Wesgro delivered on three core mandates, namely: trade promotion, investment promotion and tourism promotion. Most of Wesgro's investment deals were created outside of the Cape Town metro.
- 3.1.3 In the year under review, the Entity has been restructured and many of the units have been changed. 19 people left the employ of Wesgro during the financial year, of which 13 were resignations, three employees' contracts expired and three left for reasons unspecified. However, most of the vacancies reflected in the Entity's 2015/16 Annual Report have been filled.
- 3.1.4 Wesgro over-achieved on the value of the investment deals that it targeted in the year under review, even though they did not achieve the number of investment deals that were targeted. This was due to the overall global decline in Foreign Direct Investment (FDI), which affected this Province.
- 3.1.5 Wesgro should be commended for its Air Access Strategy bringing nine international flights, and creating 400 000 direct two-way seats between the Western Cape and key international destinations.
- 3.1.6 Wesgro should be commended for its new, improved website and access to country profiles.
- 3.1.7 The Committee noted that Wesgro achieved its first clean audit and should be commended for its work over the past two years, given the downturn in the current economic climate.

3.2 Saldanha Bay Industrial Development Zone Licencing Company (SOC) Ltd (SBIDZ)

- 3.2.1 The SBIDZ plans to open for business in the course of 2017.
- 3.2.2 The SBIDZ experienced challenges with regard to enterprise development and skills development. The Entity has secured funding for training and the next phase is to take learners into the workplace to complete their training.
- 3.2.3 The Artisan Development Programme is on track in terms of the implementation phase; the challenge however is whether suitable candidates will apply that match the entry requirements to qualify to enroll for the Programme. Skills programmes have been introduced for those candidates that do not meet the required entry requirements, with the idea that these skills acquired in the skills programme will be transferred into the successful completion of the Artisan Development Programme.
- 3.2.4 The Entity has initiated a coaching and mentoring programme with the Department of Social Development for young students as a means of addressing substance abuse problems within the Saldanha Bay community.
- 3.2.5 The SBIDZ was urged to diversify its Board of Directors in terms of gender representivity. The Board was found to be lacking with regard to female representation.
- 3.2.6 The Entity has developed a Supplier Development Database for Small, Medium and Micro Enterprises (SMMEs) that have an interest in working with the oil and gas industry. Companies are encouraged to register on the database. The Committee urged the SBIDZ to upskill local community

members so that they can benefit from the growth opportunities of the Entity.

- 3.2.7 The Entity's Annual Report did not contain a list of companies used as consultants during the 2015/16 financial year.

3.3 Western Cape Liquor Authority

- 3.3.1 The Western Cape Liquor Authority has processed all outstanding liquor license applications that were considered defective in terms of being incomplete or lacking relevant documentation. Most of the backlog of applications was due to incomplete applications that needed to be completed in full, since the Western Cape Liquor Act (Act 4 of 2008), hereinafter "the Act", clearly states that if an application is incomplete the application must be rejected. There are 119 applications currently with the Presiding Officer and once these applications are dealt with the backlog will be clear.
- 3.3.2 There are many challenges in the process of converting informal liquor traders to formal liquor traders. Most of the liquor applications that were rejected were from applicants residing in residential areas.
- 3.3.3 The turnaround time for the processing of a liquor application is four months, as stipulated by the Act. The Entity indicated that a liquor license application took between four and seven months to process, whether the application is complete or not complete. The Committee noted that four to seven months was too long to process an application and urged the Entity to reduce this turnaround time and unnecessary red tape, to establish an ease of doing business.

3.4 Department of Economic Development and Tourism

- 3.4.1 The Department receives its statistics on the number of jobs it has created primarily from Statistics South Africa, these statistics however are inferred or estimated figures. The Department is looking at a new template that will focus on a more quantifiable method that will align its programmes to Project Khulisa in terms of job creation. In addition, this will allow the Department to measure how many jobs were created in the relevant sectors as well.
- 3.4.2 Urbanisation is happening at a rapid rate in South Africa. The challenge will be to change the way cities work, so that economic growth and development continues. The more economic growth and skills development a city has the more investment it will attract.
- 3.4.3 The Department is building a skills base within the Saldanha Bay IDZ Licencing Company so as to enable the entity to meet the demands of the first investors. Previously, the oil and gas industry struggled with a low oil price for purchasing oil and gas at 26 Dollars a barrel, which meant that the sector was stagnant. Currently, the oil purchase price is at almost 50 Dollars a barrel, which has given the Department time to develop the skills needed for the SBIDZ.
- 3.4.4 Seven of the 18 vacant posts, as indicated on the organogram of senior management on page 19 of the 2015/16 Annual Report, have been filled and interviews are currently being held to fill the other vacant senior management posts.

- 3.4.5 The Department needs to update its website regularly. News of the Department has not been updated since August 2016, speeches delivered by either the officials or the Minister have not been uploaded since 2015, copies of the departmental annual reports have not been updated since the 2014/15 financial year, and no copies of the strategic plan and business plan were uploaded for the 2015/2016 financial year.
- 3.4.6 In an effort to ease the country's dependence on coal for electricity, a national programme was created to convert Liquefied Natural Gas (LNG) to energy. This function was recently allocated to Coega Industrial Development Zone and Richards Bay Coal Terminal, and the SBIDZ was not considered for Phase 1 of the programme. Minister Winde therefore sent correspondence to the National Minister of Energy, Ms Tina Joemat-Pettersson requesting the Minister to review this decision.

4. Inputs received from the public

Members of the public were given an opportunity to give input on the Annual Reports of the Department and its Entities.

Mr M Mbiko from the Nyanga Development Forum addressed the Committee on his intentions of converting 18 sites in the Nyanga area into tourism routes. One of these areas lies within the confines of Cape Town International Airport. Mr Mbiko requested that Minister Winde provide him with information on the process to be followed to apply for the establishment of a tourism route. Mr Mbiko further informed the Committee that 20 people were trained in the National Qualifications Framework (NQF) level 4 tourism programme and were promised, by the City of Cape Town, that the project was going to be elevated to NQF level 5 and 6. The City of Cape Town, however, has not come back to the Forum on this.

Mr Mbiko referred to "Enterprise Development", on page 43 of the Department's 2015/16 Annual Report, and requested from the Minister on the procedure to be followed for the Nyanga community to access enterprise development initiatives offered by the Department, as there are over 300 informal businesses in Nyanga and various dilapidated structures that were not being utilised. Some of these structures belong to the Local Economic Development section of the City of Cape Town.

Mr Mbiko provided the Committee with an informal trading plan for the Nyanga Urban Node, which includes areas of the Nyanga Transport Interchange and areas along Sithandatu Street, Great Dutch Street, Ntlangano Crescent and Emms Drive.

Minister Winde and the Head of Department, Mr Solly Fourie, undertook to engage with Mr Mbiko on the above matters within 14 days.

5. Recommendations

5.1 The Committee RECOMMENDED that:

5.1.1 The Department of Economic Development and Tourism and Wesgro brief the Committee on the trade and investment initiatives in the city and

surrounding rural areas; and the ten investment projects, as indicated on page 29 of Wesgro's 2015/16 Annual Report.

- 5.1.2 The Department of Economic Development and Tourism briefs the Committee on its Quarterly Report and update the Committee on the progress of Project Khulisa.
- 5.2 The Committee further RESOLVED to conduct an oversight visit to the SBIDZ during the 2017/18 financial year.

6. Information Requested

- 6.1 The Committee REQUESTED that the SBIDZ provide the Committee with a list of consultants used by the SBIDZ during the 2015/16 financial year, by 25 January 2016.
- 6.2 The Committee REQUESTED that the Western Cape Liquor Authority provide the Committee with a detailed report indicating the top suburbs in the Western Cape where the most liquor license holders are located, by 25 January 2016.
- 6.3 The Committee REQUESTED that the Department of Economic Development and Tourism provide the Committee with a list of areas where the Department conducted the Citizen Survey, as indicated on page 27 of the 2015/16 Annual Report, by 25 January 2016.

The Committee further REQUESTED that the Department provide it with regular Quarterly Economic Bulletin publications.

7. Conclusion

The Chairperson thanked the Minister, Department and its Entities for their preparation and responses to questions raised by the Committee members.

6. REPORT OF THE STANDING COMMITTEE ON LOCAL GOVERNMENT ON THE 2015/16 ANNUAL REPORT OF THE DEPARTMENT OF LOCAL GOVERNEMENT, DATED 3 NOVEMBER 2016

1 Introduction

Annual Reports are the key instruments for departments to report on performance measured against performance targets and budgets as outlined in its Strategic Plan and Annual Performance Plan.

As part of its oversight function, the Committee considered the Annual Report of the Department of Local Government on 3 November 2016.

The Committee Report highlights the Committee's findings, concerns and recommendations related to the performance of the Department during the year under review.

2. Overview

The Minister of Local Government, Environmental Affairs and Development Planning, Mr A Bredell, as well as the Head of Department, Mr G Paulse, proceeded with introductory remarks. In his remarks the Minister reported that the Department's investment in bulk infrastructure has unlocked many housing projects which contributed to improved access to basic services. The Head of Department reported that the 2015/16 reporting period was the start of the new five year cycle in government planning and the first year of implementation of the new five year Strategic Plan.

The Committee then proceeded to a page-by-page consideration of the Annual Report.

3. Findings/Concerns

- 3.1 The Department reported that the top ten list of most performing municipalities is dominated by municipalities from the Western Cape. Statistics sourced by the Department from a municipal IQ report and Stats South Africa indicated that the majority of municipalities in the Western Cape are leading municipalities when it comes to delivering free basic services.
- 3.2 97% of the Municipal Infrastructure Grants transferred to municipalities had been spent by the end of June 2016.
- 3.3 The Department contributed R6.6 million towards drought relief in the Western Cape. Oudtshoorn, Prince Albert and Witzenberg municipalities were declared local hydrological drought stricken areas.
- 3.4 Investment in bulk infrastructure has unlocked many housing projects which have contributed to improved access to basic services.
- 3.5 Interaction between municipalities, ward committees and communities are not functioning at a desired level. A Bulk SMS System, a cell-phone based application, as mentioned on page 4 of the 2015/16 Annual Report, has been identified to improve communication with citizens for 20 category B municipalities.
- 3.6 In terms of establishing partnerships, Santam provided sponsorship towards fire awareness radio campaigns and the Hans Sidel Foundation assisted the Department in addressing capacity building for municipalities. Sasol donated protective clothing to the Western Cape Disaster Management Centre and Hazmat equipment to assist in disaster prevention.
- 3.7 The Department started a process of procuring fully equipped purpose built firefighting vehicles which will be used in rural municipalities across the Province. The firefighting vehicles forms part of a three-year project that will see a total of R 37 million transferred from Provincial Treasury to the Department of Local Government to enhance firefighting capacity across the Province. The first 10 vehicles have been identified to be used in the

Cederberg, Matzikama, Bergriver, Witzenberg, Beaufort West, Prince Albert, Laingsburg, Hessequa, Kannaland and Overberg municipalities. The vehicle for Hessequa Municipality has been delivered and the vehicles for the other regions will be delivered during the next two months.

- 3.8 The decline in economic growth has impacted on municipalities over the last year. There is a concern around the financial sustainability of local governments. During long term financial planning, the Department identified that needs exceeded what municipalities can afford. The Integrated Development Framework is a methodology where the Department in co-operation with other Government Departments, Development Finance Institutions and Private Sector will implement catalytic economic infrastructure projects that will generate income for the municipalities and improve their financial viability.
- 3.9 Performance assessments of municipalities are done on a quarterly basis and are conducted by the Department. The recommendations of the assessment reports are forwarded to the respective municipality. The analysis and recommendations of the performance assessment reports are verified and signed off by the municipal managers. The individual municipality would then send feedback on the performance assessment report if the analysis and recommendation of the Department requires amendments. The Department of Local Government does however not have verification processes in place to confirm that the information provided by municipalities is accurate. The Department is therefore in the process of developing a verification mechanism to be included in the performance monitoring processes of municipalities.
- 3.10 The increase in debt is affecting the audit outcomes and weakening the financial position of municipalities. The Department of Local Government and Provincial Treasury instated support plans and programmes to assist municipalities experiencing challenges.
- 3.11 The Department provided assistance to municipalities through the water and electricity demand management programme. In the 2014/15 financial year, the Department assisted Bitou, Beaufort West, Cederberg, Kannaland, Matzikama and Swellendam municipalities that have recorded the highest distribution losses. In the 2015/16 financial year R1, 437 million was transferred to Matzikama, Kannaland, Hessaqua, Prince Albert and Cape Agulhas municipalities for the replacement of ageing water and electricity meters, which resulted in a positive impact on the beneficiary municipality's revenue stream.
- 3.12 The disparity in the levels of representivity within the Department in terms of gender and race on senior management level is of concern.
- 3.13 The Committee expressed concern with regard to the high vacancy rate of crucial posts.
- 3.14 The Provincial Executive in liaison with the Minister for Co-operative Governance and Traditional Affairs (CoGTA) intervened in Oudtshoorn on

critical governance issues. An Administrator was appointed with effect from 31 July 2015 to assist with the intervention.

- 3.15 Departmental indicator targets are based on the outcomes of Integrated Development Plans (IDP's), sometimes resulting in targets sets at a lower achievement level and an over achievement of these targets are the result.
- 3.16 The Department of Local Government and the National Department of Co-operative Governance and Traditional Affairs (CoGTA) are supporting ten municipalities with the Back to Basics Programme.

8. Inputs received from the public

Members of the public were given an opportunity to give input.

Mr Mbiko enquired on the process to get the community of Nyanga involved in providing input in the drafting of local government's Integrated Development Plan (IDP) programmes.

9. Recommendations

The Committee RECOMMENDED that the Department:

- 5.1 Make use of footnotes in its Annual Report document to explain changes of target indicators. For example, on page 7 of the 2015/16 Annual Report, the column with the heading "Departmental Receipts", where the description of "Commissions" as a departmental receipt has been renamed to "Sales of good and services other than capital assets", a footnote should explain that a process of renaming took place.
- 5.2 Correct the abbreviated "MPAC" for Municipal Public Accounts Committee to "WCAMPAC", as it is abbreviated on page 6 of the 2015/16 Annual Report, so that it correctly refers to the association as the Western Cape Association of Municipal Public Accounts.
- 5.3 Provide assistance to the member of the public, Mr Mbiko, in addressing his enquiry regarding Integrated Development Plans.
- 5.4 Brief the Committee on its organisational structure.

10. Information requested

The Committee REQUESTED that the Department submits the following by 25 January 2016:

- 6.1 An update on the Western Cape Association of Municipal Public Accounts conference.
- 6.2 A report on the financial benefits of the investment made through the Water and Electricity Demand Management Programme and the positive impact it had on the beneficiary municipality's revenue stream.

- 6.3 A report on the benefits gained by the Department in appointing an Administrator in Oudtshoorn Municipality to deal with the non-functional Municipal Council and associated governance issues in this municipality.
- 6.4 A list of appointments and assessments done in accordance with the Municipal Systems Act (Act 32 of 2000).
- 6.5 A copy of the Good Governance practice notes, as indicated on page 27 of the Annual Report.
- 6.6 A copy of the Drought Relief report.
- 6.7 A copy of the memorandum of understanding or the service level agreement between the Department of Local Government and the Hans Sidel Foundation, Santam and Sasol.
- 6.8 A copy of the audit report on the audit conducted on the Municipal Complaints Management System.
- 6.9 A detailed expenditure report including timeframes on the R 37 million that was transferred from Provincial Treasury to the Department of Local Government to enhance firefighting capacity within the Province.

11. Conclusion

The Committee wishes to express its appreciation to the Minister, the Head of the Department and officials of the Department for the information provided by them.