



Wes-Kaapse Provinsiale Parlement Western Cape Provincial Parliament IPalamente yePhondo IeNtshona Koloni

Ref Number: 11/4/3

The Standing Committee on Finance, having considered the Annual Reports of Provincial Treasury and the Western Cape Gambling and Racing Board for the 2014/2015 financial year, reports as follows:

1. INTRODUCTION

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

2. OVERVIEW

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

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

Officials from Provincial Treasury were excused before the Committee proceeded with the consideration of the Annual Report of the Board. The Chairperson, Ms A Lapoorta delivered opening remarks and indicated that during the period under review, the Board focused on raising awareness with regard to the negative impact of gambling. Following the introductory remarks, the Committee proceeded to a page-by-page consideration of the Annual Report of the Board.

3. FINDINGS

3.1 Provincial Treasury

- 3.1.1** The Department received a clean audit for the past six financial years. The support the Department provided to municipalities and other provincial departments contributed to the attainment of clean audits for 12 of the 13 departments within the Province. This support includes the preparation of the Municipal Economic Review and Outlook (MERO) and Provincial Economic Review and Outlook (PERO), which provides

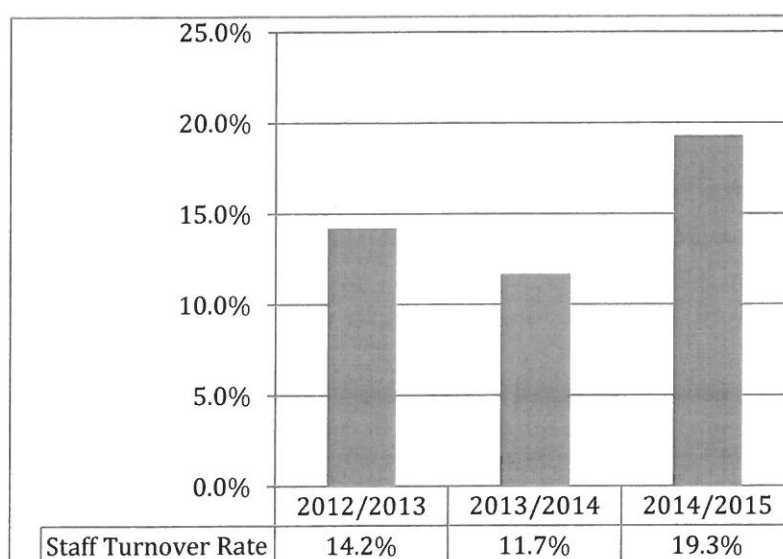
economic intelligence as supporting information in the development of strategic documents.

- 3.1.2** The Department (together with the Department of Local Government) identifies priority areas for support through structured engagements such as the Municipal Governance Review and Outlook (MGROW) and the Local Government Medium Term Expenditure Committee (LGMTEC) processes.
- 3.1.3** National Treasury has taken a policy decision to not expand on any further borrowing and both National and Provincial departments will have to fund the shortfall resulting from the outcomes of the salary agreement settlements themselves. The salary increase of 7% agreed to was 1,4% higher than the 5,6% projected for. For the next three years this will result in a R3,7 billion shortfall within the Provincial budget. The Minister will in the adjustment appropriation budget make the necessary adjustments to accommodate the R 400 million shortfall for the 2015/2016 financial year.
- 3.1.4** The Department is supporting the Western Cape Provincial Parliament (WCPP) with the implementation of the Enterprise Resource Planning (ERP) system. The Department has also submitted a request for exemption, with regards to the implementation of the Generally Recognised Accounting Practice (GRAP) standards, for all legislatures and are awaiting a response. Departmental representatives serve on the WCPP ERP steering committee to assist with implementation and accompanying change management.
- 3.1.5** The Department previously utilised a partial electronic e-procurement system and a service provider was appointed to capture hard copy documents that was submitted manually. The Department is now utilising the Integrated Procurement System (IPS) which is entirely web-based, including an electronic interface with suppliers. This system is used to accept tenders for quotes below R500 000. The system also interfaces with a compulsory registration link to the supplier database which is a governance model and tool. This database supports e-procurement through accessing information like tax clearance certificates, Broad Based Black Economic Empowerment (BBEE) certification and conflict of interest documents. The IPS was implemented in a phased approach, commencing with smaller departments such as Provincial Treasury and the Department of Community Safety, and with specific commodities only. As at the end of the financial year, all departments had migrated to the IPS.
- 3.1.6** The Department has applied to the South African Association of Chartered Accountants (SAICA) to establish a training office for public sector chartered accountants, replicating the training office at National Treasury. The terms of reference for the training office was finalised following the end of the year under review. The Department anticipates having between 5 and 10 trainee accountants which they will avail to departments to assist with the creation and interpretation of financial statements.

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

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

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



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

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

3.2 Western Cape Gambling and Racing Board

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

concern that the self-exclusion register is not up to date and that they will have to consider what measures they can utilise to ensure that it is maintained.

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

4 INFORMATION REQUESTED, RECOMMENDATIONS AND RESOLUTIONS

Provincial Treasury

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

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

Western Cape Gambling and Racing Board

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

5. CONCLUSION

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

D JOSEPH (MPP)


Chairperson: Standing Committee on Finance

