**1. Budgetary Review and Recommendation Report on the performance of the Department of Sport and Recreation, Boxing South Africa and the South African Institute for Drug-free Sport for the 2015-16 financial year, 25 October 2016**

The Portfolio Committee on Sport and Recreation, having considered the performance of the Department of Sport and Recreation, its entities and submission to National Treasury for the medium-term expenditure framework period of the department, reports as follows:

**1. INTRODUCTION**

**1.1. The role and mandate of the portfolio committee is to:**

* Consider legislation referred to it;
* Exercise oversight over the Department of Sport and Recreation (SRSA) and statutory bodies reporting to the Minister of Sport and Recreation, namely Boxing South Africa (BSA) and South African Institute for Drug-free Sport (SAIDS);
* Consider international agreements referred to it;
* Consider the Budget Vote of the Department of Sport and Recreation;
* Facilitate public participation in its processes;
* Consider all matters referred to it in terms of legislation, the Rules of Parliament and resolutions of the National Assembly.

**1.2. The role and mandate of the Department of Sport and Recreation**

The Department of Sport and Recreation is the primary government institution responsible for formulating and implementing policy on sport and recreation. It reports to and advises the Minister of Sport and Recreation (the Minister) who, in conjunction with Cabinet, takes final responsibility for government policy. SRSA is headed by a director-general, who is responsible for ensuring that sport contributes towards maximising access to sport and recreation and encouraging world-class performance which strengthens social cohesion and nation-building.

**1.3. Role and Mandate of the Public Entities Boxing SA and SAIDS**

The South African Institute for Drug-free Sport and Boxing South Africa are public entities that fall under section 3 of the *Public Finance Management Act, Act 29 of 1999.* These two entities are trading entities within the department of Sport and Recreation. The PFMA allows for the accounting officer of the department to, amongst other reporting responsibilities in the department, be responsible for the submission by the department or constitutional institution of all reports, returns, notices and other information to Parliament, the relevant provincial legislature, an executive authority, the relevant treasury or the Auditor-General, as may be required by the Act.

**1.4. Purpose of the BRR Report**

The Money Bills Procedure and Related Matters Amendment Act, Act 9 of 2009, sets out the process that allows Parliament to make recommendations to the Minister of Finance to amend the budget of a national department. In October of each year portfolio committees must compile Budgetary Review and Recommendation Reports (BRRRs) that assess service delivery performance given available resources and evaluate the effective and efficient use and future allocation of resources, and may make recommendations on future use of resources. The BRRRs serve as source documents for the Standing/Select Committees on Appropriations/Finance when they make recommendations to the Houses of Parliament on the Medium-Term Budget Policy Statement (MTBPS). The comprehensive review and analysis of the previous financial year’s performance, as well as performance to date, form part of this process.

**2. OVERVIEW OF THE KEY POLICY FOCUS AREAS**

**2.1. Key Government policy documents**

The BRR Report has been informed by the 2016 State of the Nation address *(SONA 2016),* which strongly highlighted the need for a good working relationship between government and business in order to ensure that the economy grows and there is a conducive environment for business to invest. Indeed this is important for sport to be conducted in a manner that bring confidence and attracts investment, as investment in sport remains conservative due to the tough economic conditions. The negative publicity that certain sporting codes continue to attract, like the FIFA corruption scandal particularly where South Africa is being implicated for the 2010 FIFA World Cup, doping in sport and the match-fixing in cricket are some of the impediments that continue to hamper investor confidence in sport. Another important issue highlighted during the SONA 2016 is around curbing fruitless and wasteful expenditure by government departments. These has included certain immediate measures that should be implemented, and these are:

* Overseas trips should be curtailed and those requesting permission needed to motivate strongly and prove the benefit to the country.
* Ensuring that the size of delegations is greatly reduced and standardised.
* Instituting further restrictions on conferences, catering, entertainment and social.
* Cutting out the Budget Vote dinners for stakeholders hosted by government departments in Parliament after the delivery of budget speeches.

The *Medium-Term Strategic Framework (2014-2019)* is a key policy document that has been taken into consideration. Sport and Recreation South Africa has aligned itself with the National Development Plan (NDP) and signatories towards the implementation of Outcome 14, which seeks to create *empowered, fair and inclusive citizenship*. Social inclusion is an important condition for social cohesion. All members of society, regardless of their race, sex, belief, or class should therefore participate in processes aimed at promoting social cohesion. Sports and Recreation can potentially play a significant role in these processes. At the heart of this process, is the implementation of the transformation scorecard, to ensure that you can effectively change the demographic profile of Team South Africa to reflect the population of the country. These efforts are to be done for main reason, first as a moral thing to, because it is the right thing to do, but secondly for strategic reasons, which will mean that it is essential for long-term survival, growth and competitiveness.

The National Sport and Recreation Plan continues to be the policy guideline that has been used to deliver sport and recreation opportunities in order to ensure that South Africa becomes an active and winning nation. This is being implemented in a phased-in manner, which will ensure that change is introduced slowly but surely, largely due to fact that the plan is not fully funded. As a result, so far only 23% of the NSRP objectives have been achieved and a further 40% partially achieved.

The role of South Africa to influence the development of world sport was increased by its election to the Chairpersonship of the Intergovernmental Committee for Physical Education and Sport (CIGEPS) in February 2016. In addition to this South Africa has been identified as one of the 4 countries that should pilot Quality Physical Education which has been developed by the United Nations Educational, Scientific and Cultural Organisation (UNESCO). The country continues to fulfil its responsibilities with the UN SDPIWG, UNESCO and WADA amongst others. As a member of the African Union Sport Council Region (AUSC), the country is represented in the Sport Development Committee, the Women and Sport Committee and the Committee on Sport for the disabled of the AUSC.

**2.2. Outcome-based Approach**

The following are the strategic outcome-oriented goals of the department over the medium term:

* Increase the access of South Africans citizens to Sport and Recreation
* Provide mass participation opportunities
* Advocate transformation in sport and recreation
* Develop talented athletes by providing them with opportunities to excel
* Support high performance athletes to achieve success in international sport.

**3. SUMMARY OF PREVIOUS KEY FINANCIAL AND PERFORMANCE RECOMMENDATIONS OF COMMITTEE**

**3.1. 2014-15 BRRR recommendations**

* **Summary of key financial and non-financial performance recommendations made by the Portfolio Committee on Sport and Recreation**

During the 2014-15 BRRR process the committee had made a number of recommendations to the executive for implementation. These recommendations include the following:

* Advocate for building of sport facilities in rural communities which will benefit not only schools but the general communities living in the rural areas.
* Ensure that Community Sport programme receives attention and the necessary resources for its full implementation
* Oversee that the department is able to align its strategic plans with the Annual performance plans to ensure compliance with the National Treasury and AG
* Increase the roll-out of the club development programme to include more clubs and expand to other provinces.
* Ensure that there is proper consultation with the DBE and Schools which have identified as sport focused schools and that there are properly signed service level agreements between all the parties involved.
* Ensure that there is quality equipment delivered to schools and clubs in order to encourage participation in sport amongst learners and community members
* Prioritise transformation and monitor on quarterly basis the federation’s performance towards the transformation targets.

The broader themes that encapsulates these recommendations, are the provision of adequate sport facilities in rural communities, monitoring of performance targets for transformation in sport federations, implementing the recommendation of AGSA, the need for provision of quality sport equipment and sport programmes and improved working relations between SRSA and DBE on the school sport programme. The committee had been emphasising the issue of ensuring that the department is able to fill all the critical vacancies, requesting for more funding to implement the NSRP fully, and ensuring that the National Treasury allocated the 15% P-component of the Municipal Infrastructure Grant (MIG) to SRSA, since municipalities had been unable to build sport facilities.

* **Evaluation of response by Department and Minister of Finance**

Due to a constrained fiscal outlook, the Minister of Finance indicated that there was limited space for additional funding that the department had requested, but that such an option would be reviewed should the economic outlook improve. Many departments were requested to cut down on fruitless and wasteful expenditure and to ensure total fiscal discipline.

The most significant response was the indication that National Treasury together with the Department of Cooperative Governance and Traditional Affairs (CoGTA) and SRSA had agreed that, whilst the MIG would remain in the CoGTA Vote, SRSA would determine the sport infrastructure projects for up to R300 m in order to ensure that there was delivery of sport facilities in areas that were needy. This was a step in the right direction to ensuring that funds allocated for sport infrastructure would be used for that purpose. This decision will mean that SRSA is able to use the MIG outside the formula that is normally used. Whilst the portfolio committee had hoped for a response that gave SRSA total control of the sport infrastructure budget, it welcomes the decisions for an increased say by SRSA into the use of MIG. In addition, National Treasury has allocated addition R24 m to the Infrastructure Support Programme, to ensure that SRSA builds capacity and is able to carry its advocacy and its capacity to oversee the support and delivery of sport infrastructure.

* **Evaluation of the response by Minister responsible for Vote 40**.

Whilst there has not been any direct response of the BRRR to the committee by the Minister, the department has been able to give a response on a regular basis regarding the progress of the recommendation raised. These include the consequence management undertaken with regard to irregularity in Boxing SA, the CFO and CEO have been suspended and the committee was informed of this in April 2016.

The other element that has come from the AGSA this year is that, as recommended in the previous year that the department should align its strategic plans with the annual performance plans to ensure compliance with the National Treasury and AG, there were no findings of this nature this financial year. The monitoring of federations on transformation has been extended to other 11 federations. The work is still continuing with the EPG in this regard.

**3.2. 2016 -17 Committee Budget Vote Report**

* **Summary of 2016 -17 Committee Budget Vote Report Recommendations**

The budget of the department and the entities BSA and SAIDS during the 2016 -17 financial year was presented, having taken into consideration the significant negative economic changes. These economic conditions resulted in the country revising its growth forecast to 0.9% in 2016, considerably lower than the 5% required by the NDP in 2019. Other factors affecting the economy include the weakened rand against most currencies, the depression in commodity prices, poor mining and manufacturing outputs, and a slow-down in exports due to lower demands from major trading partners. As a result of these changes and difficult economic conditions, notwithstanding the #FeesMustFall protest actions and the unprecedented drought, including the sharp decline of the rand in December, it has become more apparent now for the department to become more prudent in their spending and prioritise their plans to ensure efficiency and effective use of resources.

The decision by National Treasury to give SRSA a chance to determine allocations of R300 million of the P-component of the MIG, outside the formula, during the 2016 -17 financial year is another fundamental change in the work of the department. The procurement of services relating this amount will be done in collaboration with COGTA. To this effect an additional R6 m was allocated to the Infrastructure Support Programme to ensure that SRSA is able to build capacity in order to deliver on this mandate.

It is within these conditions that the Portfolio Committee on Sport and Recreation had recommended that the Minister of Sport and Recreation amongst other things deliver the following:

* Emphasise the need for provincial departments to budget for sport and recreation from their equitable share budget allocated by provincial treasuries;
* Ensures that the department has clear performance indicators in line with the mandate of the sub-programmes within each programme.; Ensure that the budgets cuts and reduction of programmes, is done in the most cost-effective ways to improve the delivery of programmes within the allocated resources;
* Ensures that the department is adequately resources and prepared to roll-out the sport infrastructure support programme through the use of the ring-fenced amount of the MIG;
* Ensures that both entities, SAIDS and Boxing SA, adequately implement the recommendations of AGSA in order to address the challenges related to governance;
* Ensure that the process of preparing draft legislation is expedited during the 2016-17 financial year.

**4. OVERVIEW OF REVISED STRATEGIC PLAN AND ANNUAL PERFORMANCE PLANS**

**4.1. SRSA**

The 2016-17 APP of the department outlined the policy priorities that the department intended to implement in line with the NSRP and in pursuit of broader goals contained in the NDP. It is important to highlight that this year the department has been preparing for hosting the 2022 Commonwealth Games in Durban, and Team SA has managed to win 10 medals at the 2016 Rio Olympic Games. The success of Team SA at the 2016 Rio Olympic Games is key to the realisation of the NDP goal of promoting social cohesion.

An allocation of R1.028.6 billion has been made available to SRSA for the 2016 -17 financial year, and this will increase to R1.075.0 billion in the 2017-18 financial year. The department intends to allocate R2.1 billion over the medium term to the Active Nation programme, which will account for 64% of the departmental total expenditure over the medium term. This support by the department to this programme is meant to provide citizens with access to sport and recreation activities through mass participation in sport and recreation.

Sport infrastructure plays a vital role in the implementation of the NSRP, especially in creating an enabling environment which puts sports facilities at the centre of ensuring access to sport opportunities. For the 2016-17 financial year, National Treasury agreed to give SRSA access to the R300 million of the P-component of the 15% Municipal Infrastructure Grant (MIG), to manage through COGTA, in building sport infrastructure. The department was also given an additional R6 million to build capacity for Programme 5, Sport Infrastructure Development directorate.

**4.2. Boxing SA**

The strategic plan of Boxing SA has also not changed and the 2016-17 APP targets for the financial year have remained the same. There has been progress with filling of key vacant posts, the appointment of the CFO and the process to recruit a CEO. The committee expects that all the vacancies will be filled by the end of the financial year. An allocation of R11.1 million has been apportioned to Boxing SA in the 2016-17 financial year, and the total budget will be R13.5 million. Boxing SA is expected to raise its own revenue to make up the difference. The main focus of the Boxing SA programmes is improving governance and administration, boxing development and boxing promotion.

Boxing has been operating largely with limited funding, with more than 60% of its budget allocated to administration as opposed to programmes, for the most part owing to the legal challenges it had faced relating to broadcasting rights, which is the main source of funding in sport. This matter has been resolved and Boxing SA has entered into an agreement with SABC to broadcast boxing.

**4.3. SAIDS**

For the 2016-17 financial year SAIDS has been allocated R21.8 million to implement its programmes. The total budget of the entity for the 2016-17 financial year is R27.8 million. The shortfall will be made up by an additional R3 million from the National Lotteries and other revenue sources. The funds will be spent within the three core pillars of support, namely Administration, Deterrence and Education. The performance regarding these three programmes will be measured through the implementation of 9 key performance areas.

**5. OVERVIEW OF KEY DEVELOPMENTS IN THE ORGANISATIONAL AND SERVICE DELIVERY ENVIRONMENTS OF THE DEPARTMENT FOR FINANCIAL YEARS 2015-16 AND 2016-17 IN THE MTEF CYCLE**

The environment to which the department delivers a service is important to understand, because to some extent it exposes some **inter and intra governmental cooperation** dependency. SRSA has some programmes that are critical to their service delivery mandate which are linked to activities the Departments of Health, Basic Education, Cooperative Governance and Traditional Affairs, and Arts and Culture.

The provincial budget allocation as prescribed by Nation Treasury through the **equitable share formula** is a challenge for provinces with smaller populations such as the Northern Cape, and seems to favour provinces with a higher population density in addition to some level of development, like Gauteng and KwaZulu-Natal. The formula is used for an equitable share of the budgets to provinces and municipalities in order for them to provide services and perform prescribed functions. Through this process budgetary conditions as well as other requirements are set to ensure the money is used as allocated. The impact of this allocation for SRSA is that the departmental allocation of resources for the conditional grant is impacted by the demographics of the provinces, thus affecting provinces with the lowest population who are in serious need of the sport development grant.

Linked to the allocation of equitable share is the Conditional Grant allocation. Four provinces that receive the Conditional Grant do not receive adequate equitable share funding to implement programmes because their voted funds are predominantly used for administration and compensation of employees. Gauteng, Free State, Limpopo and Northern Cape rely on only the Conditional Grant for programme implementation, which poses a threat to the job security of the support staff at district and local level, who are employed through the 6% allocation of the grant.

Through the **MINMEC and HEADCOM (Heads of Departments Committee) platforms** between national and provincial departments of sport and recreation there will be continuous engagement to mitigate the risks of managing concurrent functions. The intention is to ensure that there is clear alignment of all policy initiatives to the NSRP. The Chief Directors' forum will ensure that all the decisions taken are properly implemented in provinces.

SRSA has only managed to implement 23% of the **NSRP** targets and partially achieved the other 40%, and it should be taken into consideration this will have an impact on the achievement of the targets within the stipulated timeframes. The fact that the NSRP continues to be implemented with limited funding it requires the department to reprioritise focus areas and implement it in stages.

Sport in society depends largely on sponsorship, which is predominately private sector dependent. As a result, **SRSA with a budget** of just over a R1 billion, has the responsibility of ensuring that it is able to fund both the mandate of development of sport and elite, which is high performance, whilst also providing for recreation. It is imperative that, in view of the constrained economic environment and the National Treasury indication that there is no funding for new programmes, SRSA should find innovative ways of generating revenue for sport. The possibility of introducing legislation prohibiting alcohol advertising will make it difficult for sport to secure funding. The areas that have been looked at to generate alternative revenue include **sport ticket levy** and the **15% P-component of the MIG.**

Enforcing the*Bidding and Hosting of International Sport and Recreational Events Regulations*, 2010, especially when not approved by the Minister or Cabinet, should be increased as required by the 2010 promulgated regulations, as it sometimes sells the country short and puts a burden on the already small budget of the department. The regulation requires that all sporting bodies requiring to bid events, should first apply and comply with the requisite documentation. The same is also used to penalise federations that are not transformed.

C**hallenges that SRSA** has to contend with, with limited resources and service delivery demands, include:

* + Provinces' lack of proper needs analysis regarding equipment and attire had resulted in schools receiving attire they did not require. The quality of the attire was also of concern;
  + Insufficient training and skills development for teachers,
  + Proper technical skills training for teachers to coach sport and physical education classes,
  + The need to transform sport across all levels, has necessitated the department to initiate programmes and projects to address the problem areas, based on the audit information,
  + Lack of adequate sport facilities in municipalities and the change of government policy with regard to the provision of sport facilities has further complicated the matters,
  + SRSA will continue to lobby for the full control of the 15% P-component of the MIG in order to ensure that sport facilities are considered when infrastructure is budgeted for,
  + The completion of the facility audit and the small number of schools participating in sport remains a serious concern. In the last regard the department had indicated that they had a target of 6400 school out of 25 000 to participate in school sport, and this figure has been revised to 3000 school,
  + The national federations' need to expand their reach from the former model C to be more inclusive of previously disadvantaged schools,
  + Provincial departments have challenges of submitting performance data from district offices, this is largely due to distances and a lack of technology support in these offices, thus this result in a negative impact on SRSA when it report to National Treasury, DPME and portfolio committee.

To this effect the department has put together a service delivery plan in order to address these challenges. These service delivery plans include amongst other things the service delivery standards, the Batho Pele arrangement with beneficiaries, where issues relating to the consultation, courtesy that SRSA offers to its stakeholders and openness and transparency and this plan also includes the service delivery information tool.

**Organisational environment**

The department has been implementing the new organisational structure, which was signed off by the executive authority, and it was suited to the challenges of the NSRP. So far the skills audit has been concluded and the matching and placing criteria also finalised to pave a way for placement of existing staff in a new structure and updating the payroll system. The staff complement includes both the young and the matured. The department has an establishment of 233 posts after an addition of 18 posts that arose in the new organisational structure. Currently there are 183 filled positions compared to 50 vacant posts.

Although there has been, for a number years, a high vacancy rate, the portfolio committee had been raising this concern and would monitor progress in this regard. Some of the critical posts that were filled during the cause of the financial year under review, were that of Chief Financial Officer, Chief Director: marketing and Director of Scientific Support amongst others.

The transition to the new structure has been a slow process and in the main, the department has been working through a task team system. In this way, staff is able to get involved in various spheres of work and are not confined to their functional units only. The labour relations are stable in the department.

**Boxing SA**

The environment of Boxing SA shows hopes of stabilising after the Minister of Sports and Recreation appointed a new board and consequently the appointment of the CFO and CEO towards the end of the 2015-16 financial year. The lack of leadership has been a major setback for Boxing SA and it remains to be seen how the new board and executive management will steer the entity towards a more stable direction.

During the 2015 -16 financial year Boxing SA was able to partner with SRSA and SABC regarding the Boxing-is-back programme, which is televised on SABC 2 every Friday. This is the first major milestone of restoring boxing back and attracting sponsorship.

The absence of a clear athlete development plan for boxers is another major issue that should be tackled. This is because Boxing SA mandate is to regulate and promote professional boxing, so it becomes imperative that SANABO, which is an amateur boxing structure, gets involved in the development of boxers. There is a need for the two main structures of boxing to work together in addressing the development of boxing from grassroots level and collaboration on licensees across the board.

The conflict of promoters in provinces and court battles with promoters continue to be a major hindrance to the development of boxing. These court cases have cost the entity a large amount of money in litigation and have delayed important programmes of the entity. In view of the relatively small amount that Boxing SA receives as a grant from SRSA, it will be important to set clear governance structure within Boxing SA and put boxing and boxers at the forefront of their agenda.

**South African Institute for Drug-free Sports (SAIDS)**

The recent global developments around doping in sports saw the Russian Olympic team being implicated and subsequently banned from participating at the 2016 Rio Olympic Games. This latest doping scandal bears testimony of the important mandate that SAIDS has in ensuring that competitive sport in South Africa is played on fair, transparent and ethical grounds.

It is also worth noting that the South African Doping Control Laboratory in Bloemfontein had been closed for the better part of the year, which had presented a challenge of having to send the samples to Europe for testing, which created an unprecedented escalation of cost for the entity due to the currency exchange rate. It is important to note the importance of having a laboratory that is fully compliant with the WADA code in order to save costs.

**6. Overview and assessment of financiaL AND SERVICE DELIVERY performance**

**6.1. Overview of Vote allocation and spending (2014-15 - 2017-18)**

Table 1: SRSA 2016-17 budget per programme

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Programme** | **Audited Expenditure** | **Audited Expenditure** | **Medium-term Expenditure Estimate** | |
| **R million** | **2014-15**  **M** | **2015-16**  **M** | **2016-17**  **M** | **2017-18**  **M** |
| Administration | 105.1 | 114.4 | 134.9 | 138.2 |
| Active Nation | 624.7 | 652.1 | 648.7 | 682.8 |
| Winning Nation | 83.1 | 56.5 | 91.1 | 93.5 |
| Sport Support | 148.8 | 153.9 | 137.6 | 144.9 |
| Infrastructure Support | 4.9 | 2.8 | 16.3 | 15.6 |
| **Total** | **966.8** | **979.9** | **1,028.6** | **1 075.0** |

Source: SRSA 2015-16 Annual report and SRSA 2016-17 APP

Expenditure in the 2015-16 financial year was at R979.9 million (99.9%) indicating an improvement from the 99.6% achieved in the 2014-15 financial year. The allocation for 2015-16 was R980.8 m. Budget allocated for the Winning Nation Programme had reduced from R83 m in 2014 -15 to R57 m in 2015 -16, and R56.5 m (98%) of this allocation was spent. The major allocation expenditure of the departmental budget in the 2015 -16 financial year continues to be Active Nation Programme, which spent R652.1 m (66%) of the total expenditure, followed by the Sport Support Programme at R153.9 m (15%).

The economic classification indicates that the R718.6 m (73%) of the budget is spent on transfers and subsidies to provinces, departmental agencies and federations. The other portion of about R265.5 m (27%) goes towards current payments which will include the compensation of employees at R82.3 m (31%) and goods and services at R183 m (69%).

The spending remains at 99.9% of the total allocation, when compared to the 79% of the achievements of the total targets that were set in the beginning of the year. This disjuncture reflects the lack of relation between the expenditure and performance information on service delivery. At the same time, it highlights the environment in which the department has to work, which indicates that there is less funding and more work to be covered with the little budget, but it could also be a reflection of inability to set clear targets which are realistic to the resources that are available.

**6.2. Public Entities**

Table 2: Expenditure trends of public entities

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Programme** | **Audited Expenditure** | | **Medium Term Expenditure Estimate** | |
| **R million** | **2014-15**  **M** | **2015-16**  **M** | **2016-17**  **M** | **2017-18**  **M** |
| Boxing SA | R7.9 | R10.4 | R11.0 | R11.5 |
| SAIDS | R18.5 | R19.8 | R21.9 | R23.0 |

Expenditure of Boxing SA increased from R7.9 m in 2014-15 to R10.4 m in 2015-16. The main cost driver were legal fees, which increased from R296 656 in 2014-15 to R5.9 m in 2015-16. These costs resulted from a number of disputes lodged with the CCMA and the labour court by former employees but will also include other litigation that Boxing SA had been involved in. The CCMA matters are still in progress.

Insofar as SAIDS is concerned the expense increased from R18.5 m in 2014-15 to R19.4 m in 2015-16, largely due to increased cost of doping control. The closing of the laboratory in Bloemfontein had tremendous cost implications for the entity, which resulted from having to send the samples to Qatar for testing. The increased demand of doping education as well had a major impact on the finances of SAIDS.

**6.3. Financial Performance 2015-16**

**6.3.1. Administration**

The main purpose of the Administration programme was to provide overall and centralised support services, thus administering, guiding and managing Sport and Recreation is the core business of this programme. The total expenditure on this programme was R114.4 m (99.9%) of the total allocation of R114.5 m in 2015-16, an compared to the 2014-15 financial year, where there was expenditure of R105.1 m (98%) from R106.5 m allocated in that financial year. There was a major reduction on spending for office accommodation in the 2015-16 financial year, where the department was able to spend R5.5 m (69.2%) of the R7.9 m budget.

The largest spend is current payments, with compensations of employees taking up R69.3 m (61%) of the total spend of the programme in 2015-16. The increase in spending on this item compared to R59.6 m (58%) in the 2014-15 financial year can be attributed to the ongoing recruitment process to fill vacant posts. Goods and services incurred expenditure of R42.9 m (38.2%) of the total costs of the Administration programme compared to R42.8 m (41.7%) in the 2014-15 financial year. This decline in expenditure can be attributed to the reduced spending on operating leases, entertainment, property payments and legal services including external audit. This is in line with the National Treasury request that all departments ensure that they cut costs and use the available resources more sparingly and effectively.

Close scrutiny of the performance information indicates that the department was able to achieve 75% of the planned targets in this programme. They achieved 6 of the planned 8 targets. The two that were not achieved are payment of suppliers within 30 days and achieving quarterly APP targets. There is a concern regarding the late payment of suppliers. Whilst the department attributes this to a system failure and to some extent some disputed invoices, it is important that these are closely monitored and are compliant with the law. The AG has also raised this matter with the department.

**6.3.2. Active Nation**

The purpose of the Active Nation programme is to support the provision of mass participation opportunities in sport and recreation. One of the objectives of this programme is to improve the wellbeing of the nation by stimulating lifelong participation in active recreation through facilitating the delivery of at least 3 programmes. The spending focus over the medium term on this programme should be on promoting mass participation in sport and recreation through the mass participation and sport development conditional grant, which supports school sport, club development, sporting hubs, sport academies and sport councils, and accounts for the dominance of expenditure on transfers to provinces in the programme.

The largest expenditure on this programme was transfers to the provinces, where R570.7 m (87.5%) of the R652.1m was spent on this programme in 2015-16. It should be noted that there was an overexpenditure of R866 000 within the transfers and subsidies line item due to household expense which was not budgeted for. During the 2014-15 financial year the department had spent R561.m budget; spending R624.7 m on the Active Nation Programme. Community Sport received a large virements portion of R17.5 m, and there were virements amounting to R12.1 m out of the school sport programme in 2014-15. There was a notable increase of about 21% in the expenditure of Community Sport sub-programme, from R79.9 m in 2014-15 to R100.8 m in 2015-16. To this effect a virement of R24.6 m was made in the sub-programme to supplement the shortage from the appropriated R87.6 m. The total virements made in the Active Nation Programme, are R23.1 m. School Sport sub-programme spent R13.3 m (47.5%) of the appropriated allocation of R27.9 m which had decreased from R16.3 m spent in 2014-15.

These figures indicate that the programme was only able to achieve 60% of its planned target despite the inflationary increase of budget, from R624.7 m in 2014-15 to R652.1 m in 2015-16. All in all 6 out 10 targets were achieved. The low achievement of planned targets came as a result of reduced numbers of participants in the school sport programme and the number of people actively participating in organised sport and active recreation events. The other targets that were not met include the number of schools, hubs and clubs provided with equipment and/or attire as per the established norms and standards, and the number of athletes (learners) supported by the sports academies. The overall performance was influenced by non-submission of appropriate evidence from provinces to support the claimed performance.

**6.3.3. Winning Nation**

The purpose of the programme is to support the development of elite athletes. One of the crucial objectives of this program is to contribute to nation building by financially supporting, monitoring and evaluating the services delivered by the South African Sports Confederation Olympic Committee (SASCOC) in preparing and delivering South African teams for participation in selected international multi-sport code events on an ongoing basis. The spending focus over the medium term was on providing scientific support to athletes as reflected in the scientific support subprogramme. The recognition systems subprogramme was introduced in 2011-12. Expenditure in this subprogramme has fluctuated from inception, mainly due to financial incentives paid to athletes for their achievement at international events in 2011-12 and 2013-14. These payments were made through transfers to the South African Sport Confederation and Olympic Committee and are reflected under transfers to non-profit institutions.

Expenditure on the Winning programme, reduced drastically by 32% from R83.1 m in 2014-15 to R56.5 m in 2015-16 financial year. All the three sub-programmes (Scientific support, Major events support and recognition system) experienced shortfalls. Major support had an average percentage of 127% expenditure (R8.7 m) from the allocated R6.8 m. Whereas recognition system sub-programmes only spent 85% of their budget, despite an overachievement of recognition and honouring events that were held, 4 compared to 3 planned events.

The department was able to achieve 86% of the planned targets in this programme. There were 6 out of 7 targets that were achieved. The only target that was not achieved was the number of major international events receiving intra-governmental support per year. During the 1st quarter it was reported that the World triathlon event was not approved and the Zone IV Karate event was not processed, this is owing to non-compliance with the regulation that requires the Executive Authority or Cabinet to approve the hosting of such events. Since no approval was granted due to late submission of requests no support was granted to federations.

The National Treasury raised a concern regarding transfers funds to the Sports Trust using the allocation that is earmarked for sports federations, indicating that these payments should not be allowed since the Sports Trust is not a sports federation. In this regard the department had been advised to revise this classification in the Adjustments Budget, after which payment could be made, and the department had also not responded to repeated requests to explain what these funds were to be used for.

**6.3.4. Sport Support**

The purpose of the Sport Support programme is to develop and maintain an integrated support system to enhance the delivery of sport and recreation. The objective of this program was to contribute to uniting the country by supporting 60 national sports federations and other non-governmental organisations that offer sport and recreation opportunities to all South Africans in 2015-16 financial year.

Expenditure in this programme increased from R148.8 m in 2014-15 to R153.9 m in the 2015-16 financial year. The department was able to spend 99.9% of the appropriated budget in this programme. The bulk of the money, R145.3 m was spent on Sport and recreation service providers, where transfers and subsidies to federations and government entities claimed R118.3 m of the total expenditure in this sub-programme. It is commendable that the sub-programme was able to achieve 100% of its planned targets within the allocated budget, where they spent 99.9% of their allocated funds. All the seven targets on the sub-programme were achieved and 4 of these were exceeded.

**6.3.5. Infrastructure Support**

The purpose of the Infrastructure Support programme is to regulate and manage the provision of sport and recreation facilities. The objective of this programme is to improve levels of participation in sport and recreation by facilitating the provision of adequate and well-maintained facilities.

During the 2015-16 financial year the department had allocated R2.9 m to Infrastructure Support programme compared to R5.7 m allocated in 2014-15 financial year, and managed to spend R2.8 m (96.5%) during 2015-16 financial year when only R4.9 m (85.9%) of the total allocations to the programme was spent in 2014-15 financial year. It is also worth noting that the targets that were set for this programme were all achieved. A process of doing facility audit was initiated during the 2015-16 financial year, where all provinces had completed their facility count and SRSA had also verified these results.

**6.4. Public Entities**

**6.4.1. Boxing SA (BSA)**

During the 2015-16 financial year Boxing South Africa generated an amount of R23.5 m through the Grant and subsidy of R15 m from SRSA, Public contributions and donations of R5.1 m, sanctioning fees of R2.5 m and licence fees of R586 000 amongst other revenue streams. This was a huge improvement from the R13.5 m that was generated in the 2014-15 financial year.

An amount of R15.5 m was spent on the Administration programme in the 2015-16 financial year, showing increased spending on this programme when compared to the R9.3 m that was spent in 2014-15. The programme consists of three sub-programmes of the Board, Office of the CEO and Corporate Services and Stakeholder mobilisation and lobbying. The sub-programmes managed to achieve only 4 of the 10 targets for the year. Delays in filling the senior management positions and the shortage of staff due to resignations and suspensions had hampered the business of the entity. SRSA had seconded five of its officials to assist Boxing SA in HR, SCM, IT, personal assistant to Administrator, including the Administrator, until the appointment of the CEO was effected.

During the 2015-16 financial year Boxing SA spent R2.1 m (77.7%) from the allocated amount of R2.7 m for the Boxing Development Programme. This was an improvement from the R0 expenditure in the 2014-15 financial year. However, only 1 of the 9 targets was achieved in this sub-programme. It is important that the entity enforces compliance with the regulations and that all licensees become compliant. The budget must also align to the mandate of the entity.

The third programme of Boxing SA, Boxing Promotion, managed to spend R2.5 m (69.4%) of the allocated R3.6 m budget. Only 2 of the planned 9 targets were achieved. There is a need to ensure that there is a proper strategic alignment and allocation of resources.

It is important to note some of the findings that the Auditor General made with respect to Boxing South Africa. Regarding predetermined objectives the AGSA indicated that the reported performance information was not reliable and useful for Programme 1: Governance and administration, and Programme 2: Boxing development. Evidence could not be provided to support reported targets. Thus the Portfolio Committee on Sport and Recreation recommending that Boxing SA should develop and implement action plans to resolve these audit findings.

The AGSA also made findings in relation to compliance with legislation, indicating that the financial statements submitted for auditing contained various misstatements corrected by management, and therefore management had to ensure that financial statements submiteed for audit purposes had been reviewed adequately. The following findings were also made:

* + Awarding contracts to suppliers who did not submit tax clearance certificates or who did not declare their interest in the client;
  + Procurement of goods and services with the value between 10 000 and 200 000.00 was made without obtaining at least three quotations;
  + Contracts and quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the State;
  + The entity did not take effective and appropriate steps to collect all money due to it. The entity is expected to ensure that all the licencees pay their licence fees and also collects money for the staging of fights.

Insofar as the financial health of the entity is concerned the AGSA had found that the debtors collection period is 341 days, and creditors payment period is 129 days. In this regard the AGSA had recommended that the new CFO and CEO must develop and implement policies and procedures on the collection of debts.

Other matters of interests include the following:

* + Irregular expenditure: BSA incurred an amount of 2 691 100 (89% identified by the auditors), up from R1 920 772 (24% identified by the auditors) that was incurred in 2014-15 financial year;
  + Fruitless and wasteful expenditure: An amount of R235 264 (100% identified by the auditee), down from R386 343 (97% identified by the auditors);
  + Investigation of unauthorised, irregular fruitless and wasteful expenditure: An amount of R7 073 203 in unauthorised expenditure is being investigated and R2.5m in fruitless and wasteful expenditure was also being looked at.

**6.4.2. South African Institute for Drug-free Sport (SAIDS)**

The entity managed to receive an unqualified audit outcome with findings from the Auditor General during the 2015-16 financial year. SAIDS was able to generate a revenue of R30.3 m compared to R25.6 generated in the 2014-15 financial year. The revenue was generated mainly from the grant of SRSA (R19.8 m), National Lottery (R7.5 m), and doping control sales (R2.4 m).

During the 2015-16 financial year the entity incurred expenditure of R34.7 m, up from the R24.3m incurred in 2014-15. A large deficit of about R4.3 m resulted from this over expenditure, largely due to increased costs for doping control, which was initially budgeted at R12.4 m and ended up being R18.9 m, thus exceeding the budget. The costs related to doping control had increased substantially from the R11.6 m incurred in the 2014-15 financial year. The other cost driver was the administration expenses, which increased from R7.3 m in 2014-15 to R9.1 m in 2015-16, and the education programme which incurred R3.7 m in the 2015-16 financial year, compared to R3.2 m in the 2014-15 financial year.

When evaluating the performance targets for the 2015-16 financial year, SAIDS had three main programmes, i.e. a doping control and drug testing, a results management programme and an education, research and outreach programme. Eleven of the fourteen targets were achieved and only three were not achieved, which indicates an achievement of about 78.5%.

Only one of the four targets were achieved in the doping control and drug testing sub-programmes, largely owing to the closure of the laboratory in Bloemfontein, which meant that the tests had to be sent to Qatar. It also reduced the number of tests that were conducted as a result. All targets were achieved in the other two programmes; Result management and Education, research and outreach.

The findings of the Auditor General regarding SAIDS include material omissions in submitted financial statements in line with legislation, where material misstatements were identified in the areas of revenue, conditional grant and current liabilities. The AG also found that the entity did not take effective and appropriate steps to collect all money owed to it. It was recommended that the CFO and CEO should review the financial statements adequately and implement debt collection measures. The other findings related to compliance with legislation, namely that SAIDS:

* + Awarded contracts to suppliers who did not submit tax clearance certificates or who did not declare their interest in the client;
  + Awarded contracts and quotations to bidders who did not submit a BBBEE certificate;
  + Awarded contracts without following the SCM regulations.

The AGSA had raised another finding in relation to the financial health of the institute, namely that the liquid assets available to the entity were insufficient to satisfactorily cover its debts as they become due. The AGSA recommended that management should prioritise expenditure management and ensure that long outstanding debt was collected to enable the operations of SAIDS to be effectively financed.

Other matters of interests raised by the AGSA include:

* + Irregular expenditure: SAIDS incurred an amout of R6 562 000 (100% identified by the auditors). The AGSA recommend that the officials who incurred/permitted the irregular expenditure should be held accountable. The R4 561 000 incurred as a result of expenditure exceeding budgeted amounts was largely due to costs for courier and the currency exchange rate for sending samples to Qatar for testing;
  + Investigation into unauthorised, irregular and fruitless and wasteful expenditure: There was an investigation into the amount of R6 562 000. However, the irregular expenditure of R1 931 000 was condoned after the investigations were completed.

**6.5. MTEF 2016-17 Allocations**

Due to the constrained economic outlook, the request for providing additional funding has been limited by the National Treasury, and departments, public entities and Constitutional institutions were asked to reprioritise funds within their existing baselines to fund emerging priorities. Should the fiscal outlook improve, recommendations for additional funding might be considered in future budget processes. Difficult choices have to be made between spending priorities and sequencing of programme implementation. As a result of these budgetary constraints, departments are required to efficiently manage cost pressures related to changes in the inflation rate, exchange rate or any other factors affecting input prices.

SRSA can only implement the NSRP partially or in phases until such time that there is enough funding for full implementation. The 2015-20 Strategic Plan focuses strongly on the important role of the department in nation-building and fostering social cohesion. Strong emphasis is placed on the alignment of the 2015-20 Strategic Plan to sub-outcome 3 of Outcome 14 of the 2014-19 MTSF (medium-term strategic framework). The NSRP objectives will be pursued in the medium term as SRSA has aligned its Strategic plan and APP to the 2014-19 MTSF.

The department has been allocated R3 billion in the medium term, and of that, R2 billion will be allocated to the Active Nation Programme and R417.3 million to the Sport Support programme. The allocation will fund only a small portion of the implementation of the NSRP. The key deliverables for this expenditure will be ensuring that participation in sport events increases from 9 150 in the 2015-16 financial year to 15 000 in the 2017-18 financial year, and that efforts to transform sport are also allocated R107.6 million in the 2015-16 financial year as part of ensuring commitment towards changing the landscape of South African sport to reflect the demographics of the country.

**6.5.1. 2016-17 SRSA Budget Analysis per Programme**

Table 3: SRSA Budget Analysis per Programme

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Programme** | **Audited Expenditure** | **Audited Expenditure** | **Revised Estimate** | **Medium Term Expenditure Estimate** |
| **R million** | **2013 -14** | **2014 -15** | **2015 -16** | **2016 -17** |
| Administration | 114.6 | 105.1 | 119.9 | 134.9 |
| Active Nation | 607.6 | 624.7 | 627.5 | 648.7 |
| Winning Nation | 231.4 | 83.1 | 76.0 | 91.1 |
| Sport Support | 115.8 | 148.8 | 148.5 | 137.6 |
| Infrastructure Support | 9.3 | 4.9 | 7.4 | 16.3 |
| **Total** | **1,073.8** | **966.8** | **979.4** | **1,028.6** |

National Treasury (2016)

**6.5.1.1. Programme 1: Administration**

The allocation to this programme accounts for 13.1% of the total allocation of the departmental budget. This programme has seen 16.9% increase of budget allocated to it, from R115.5 million in 2015 -16 financial year to R134.9 million allocated in 2016 -17 financial year. The purpose of this programme is to provide strategic leadership, management and support services to the department. It is able to perform these duties through the creation of its six sub-programmes, and these are:

* Ministry
* Management
* Strategic support
* Corporate Services
* Office of the Chief Financial Officer
* Office Accommodation

The administration programme, therefore has a task of achieving the following targets during the 2016 -17 financial year:

* 100% Moderation of performance assessment that were concluded for previous cycle by the end of the following financial year
* Train 60 employees
* Conduct 1 client satisfaction survey
* Pay creditors in 30 days

It is worth noting that the Administration programme, whose budget for 2016 -17 financial years is R134.9 million, has allocated R132.6 million (98.2%) of its budget towards current payments, in order to meet its obligations for compensation of employees (R77.2 million) and render goods and services (R55.4 million). This essentially implies that there is little budget that remains for implementing programmes, since about R2.2 million (1.7%) of what remains is allocated to payments for capital.

It is important to highlight that each sub-programme under the Administration Programme is set out to achieve a specific outcome which should be measured as per SMART principles and is also relevant to the mandate of the department. The sub-programmes achieve the objectives through other programmes that have allocated resources to implementation of the NDP through the NSRP. The significance of this is that it would be important that each of the six sub-programme can be measured through key performance areas in order to ensure that the allocated resources per sub-programme derive value for money.

The performance of the department is measured through the MPAT score developed by the Department of Monitoring and Evaluation has developed. The sub-programme Ministry is supported by the department, and the Minister’s mandate and performance is monitored and evaluated by the President, which will include their political programme within the department. As a result the department is expected to allocate resources to support the Ministry in order to allow the minister to discharge his political responsibilities. SRSA will continue to work towards improving its score of 2.6 received in 2014 -15, by implementing the improvement plans as determined by the Department of Monitoring and Evaluation.

The Minister’s travel and accommodation is processed by the Presidency after a process of ensuring, fit for purpose and alignment to the mandate and strategic objectives of the department. Only after approval has been granted is the department, as a cost-centre for the ministry, tasked with ensuring that cost-containment measures are complied with. In order to accommodate the cost-containment measures- the Minister of Finance has requested all - departments to adhere to the national travel and accommodation policy and the instructions on conference costs. It is expected that SRSA will adhere to the policy as prescribed by the National Treasury.

Boxing SA will be supported by the internal audit function of SRSA, and the portfolio committee has advised SRSA that whilst it supports the assistance that SRSA is providing to Boxing SA, this should not compromise its oversight function over the entity or weaken its own governance control processes.

The mandate of the Strategic support sub-programme is becoming increasingly important in directing and monitoring the programmes towards ensuring that the department is able to achieve the National Sport and Recreation Plan’s goals. The department is therefore required to strengthen its internal capacity for this purpose.

Corporate services needs to be strengthened in order to become effective. It has been more than three years since the department has been busy with the review of bills, which are critical to the delivery of the departmental mandate. The 2016 -17 APP has also indicated that SRSA will be tabling the bills this year, including regulations related to SASREA and Hosting and Bidding of International Events.

Under fleet, facilities and security management the department has replaced the SRSA-owned VIP Protection vehicles in Cape Town with vehicles from the Government Garage. The same principle applied to the vehicles in Pretoria, depending on mileage and condition. As indicated in the cost-containment measures, it will be expected that SRSA will also ensure that they follow the new guidelines to limit the value of vehicle purchases for political-office bearers.

**6.5.1.2. Programme 2: Active Nation**

SRSA has allocated R648.7 million (63%) to the Active Nation programme for the 2016 -17 financial year, up from R629.0 million that was allocated in 2015 -16. Of these allocated funds, about R594.2 million (91.4%) is set aside for transfers and subsidies and only R54.5 million (8.6%) will be used for compensation of employees. The purpose of this programme is to support the provision of mass participation opportunities in sport and recreation. There are five sub-programmes that are tasked with implementation of mechanisms to realise this purpose:

* Programme Management: Active Nation
* Active Recreation
* Community Sport
* School Sport
* Provincial Sport Support and Coordination

The department has indicated that School Sport is the flagship programme, which is the programme to which most resources will be channelled, including in the provincial allocations through the DORA allocated funds. These funds are a sizeable portion of the departmental funds that have been allocated to the Mass Participation and Sport Development Grant. SRSA has indicated that through the annual evaluation of the grant, they have identified that four provinces, i.e. Gauteng, Free State, Northern Cape and Limpopo, do not receive adequate equitable share to implement programmes, because they rely heavily on the grant, however they have brought this to the attention MinMEC to provide further clarity.

The success on the Active Nation programme will be measured by the achievements on these strategic objectives for the 2016 -17 financial year:

* To facilitate the delivery of 3 active recreation campaigns or programmes with a specific focus on designated groups as contribution to improving the overall well-being of the nation through 2020;
* Inspire lifelong physical activity by providing 2 structured sport promotion programmes to community members by 2016 -17 financial year;
* Increase learners’ access to sport at schools by supporting 3 national school sport championship for learners in 2016 -17 financial year;
* Support the provision of sport and recreation mass participation opportunities in all 9 provinces by providing management and financial support through the mass participation and development grant and evaluating this support through the compilation of 1 evaluation report in 2016 -17 financial year.

There are 10 key performance indicators in this programme, thus ensuring that all the sub-programmes have specific deliverables that can be measured. Key changes include the reduction of targets of recreational promotional campaigns from 7 that had been planned for 2015 -16 to 3 in the 2016 -17 financial year. The changes have been necessitated by the call for austerity measures and innovative use of resources. The few recreation programmes that the department has will suffer the consequences of such actions. The Move for Health Day, an international event created by the World Health Organisation to promote physical activity is being reviewed to partner with the Department of Health. The other event affected by austerity measures is the Golden Games, which will also be implemented to accommodate budget cuts. An allocation of R1.1 million has been done for Active Recreation in 2016 -17, this is an improvement from the R0 allocation of 2015 -16 financial year.

It should be noted that the department has not been directing any funds towards the recreation sub-programme, but has been focused on sport related programmes. This phenomenon, as indicated by the budget cuts, indicates the level of seriousness with which SRSA treats recreation and prioritising sport over it.

The revival of the partnership with loveLife will see the department channelling R38.5 million to loveLife from the R56.3 million that has been allocated to Community Sport during 2016 -17 financial year. The purpose of this is for loveLife to use its youth projects during the Youth Camps and National School Sport Championships.

**6.5.1.3. Programme 3: Winning Nation**

SRSA has set aside R91.1 million for the Winning Nation programme in the 2016 -17 financial year, which will increase to R93.5 million in the 2017 -18 financial year. A total of seven targets have been set for this programme. This allocation shows a decline of R3.9 million from the allocation of 2015 -16 financial due to austerity measures. The main purpose of the programme is to provide support to the development of elite athletes and coaches through a sport science programme in partnership with selected sport schools and high performance centres. The Ministerial Bursary programme, which currently manages 60 athletes, is managed in this programme.

South Africa participated in the Olympic Games and Paralympics in Rio de Janeiro in August 2016, and SASCOC, the entity responsible for delivering high performance sport in the country, is expected to prepare Team SA. During the deliberations with SASCOC, it was stated that its mandate was unfunded and mainly reliant on the Lottery for funding. An allocation of R29.5 million over the MTEF period has been set aside for SASCOC through the Scientific Support sub-programme. In order for the programme to succeed, it’s important that service level agreements are signed, and that the transfer of payments take place on time. Proper mechanisms of accountability for public funds must be in place, and as required by Section 32 of the PFMA, SRSA is expected to produce quarterly reports and it is important that those that receive transfers from them should cooperate with them.

The programme also manages the transfers of payments to SAIDS and for 2016 -17 financial year an allocation of R21.8 million has been set aside. SRSA is a signatory to WADA and SAIDS is the implementing agency. SAIDS is expected to work very close with the Central Drug Authority (CDA), a statutory body which has been established in terms of the *Prevention of and Treatment for Substance Abuse Act, Act 70 of 2008,* to develop, review and implement the National Drug Master Plan.

Within the programme, there is a major event sub-programme, which provides institutional and inter-governmental support that have been approved in line with the *Bidding and Hosting of International Sport and Recreational Events Regulations.* These regulations were promulgated in 2010 and will be strictly applied. As indicated in the 2016 -17 APP, the event organisers whose applications comply with the procedures as contained in the regulations will be eligible to request for authorisation for the bidding and hosting of events from the Minister. During the 2016 -17 financial year four major events are anticipated:

* African Sprint Canoe Championships: 1-3 April, Roodeplaat, Pretoria.
* 2016 CANA Senior Aquatics Championships: 2-9 October, Mangaung.
* World Masters Squash Championships, October, Johannesburg.
* 2016 FISAF International Fitness and Hip-Hop Unite World Trials: September, Cape Town.

The preparation for hosting 2022 Commonwealth Games in Durban is also underway and an allocation of R6 million has been availed through the reprioritisation process. During this process resources were re-allocated within SRSA Budget Vote in order to coordinate and manage the Games. It is also an Olympic year, and SRSA will be hosting “Ekhaya hospitality Centre” at the Rio Olympic Games from 5-21 August 2016 and at the Paralympic Games (7-18 September 2016) as part of promoting South Africa as a sport tourism destination in line with the NDP.

**6.5.1.4. Programme 4: Sport Support**

The programme has an allocation of R137.6 million for the 2016-17 financial year, compared with R154 million allocated in the 2015-16 financial year. Sport and recreation service providers sub-programme receives the lion's share of the budget, with R130.9 million (95.1%) towards the funding of federations. The portfolio committee will still expect SRSA to ensure that there are punitive measures in place and that the federations sign the agreement to comply.

A total of 60 national federations will be offered financial and non-financial support. SRSA has also prioritised 16 federations who will be capacitated to optimally deliver on the vision of active and winning nation. Intensive support has been provided to one of these federations each year since 2012. Each of the previous beneficiaries of these support received a once-off allocation of R10 million. Beneficiaries were netball in 2012, tennis in 2013, basketball in 2014, boxing in 2015, and hockey in 2016.

There was no real term increase for Boxing SA from R10.5 million allocated in the 2015-16 financial year to R11 million in the 2016-17 financial year. However, there is an effort to assist Boxing SA to improve its audit results in order to attain clean audit status. Boxing SA had relocated to SRSA in order to reduce costs and focus on improving its governance systems.

Implementation of the agreement signed with Jamaica in 2015 would commence in 2016-17 and the department expected that mutually beneficial agreements with Cuba, India; Russia and Australia would be signed in the new financial year. These are in line with the departmental strategy on International Relations that was drafted in 2013.

The programme also works with the Eminent Persons Group (EPG) in order to monitor the rate of transformation in sport. The EPG has provided the department with an accurate baseline of transformation in South African sport. An agreement has been signed with the ‘Big 5’ federations in this regard and EPG will begin to track the performance and meeting of the targets by these federations. All the 11 priority federations are also being engaged in this regard to ensure that the priority federations set the standards and are transforming in line with the Transformation Charter.

**6.5.1.5. Infrastructure Support**

The programme has three sub-programmes. The objective of this programme is to improve levels of participation in sport and recreation by facilitating the provision of adequate and well-maintained facilities. The department lobbies municipalities for the development of sport and recreation facilities. This programme has received a significant boost to be able to carry its mandate, where National Treasury has allocated an additional R6 million in order to capacitate the department to provide adequate support to municipalities as they implement and use the ring-fenced R300 million of the P-component of MIG. This has been done so after thorough consultations with the National Treasury and CoGTA.

This allocation will increase the departmental allocation from R6.8 million that was in the 2015 -16 financial year to R16.3 million in the 2016 -17 financial year. The department briefed the committee about a list of 30 infrastructure projects they had identified for the year, which will see them using the R300 million allocations with CoGTA.

**6.5.2. Entities Budget Analysis**

Table 4: Budget of entities of department.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Audited Expenditure** | | **Medium Term Expenditure Estimate** | | |
| **R million** | **2013-14**  **M** | **2014-15**  **M** | **2015-16**  **M** | **2016-17**  **M** | **2017-18**  **M** |
| **Boxing SA** | **R6.5** | **R7.9** | **R10.4** | **R11.0** | **R11.5** |
| **SAIDS** | **R14.0** | **R18.5** | **R19.8** | **R21.9** | **R23.0** |

**6.5.2.1. Boxing SA**

SRSA has set aside R11 million to Boxing SA for the 2016-17 financial year, a slight increase from R10.4 million allocated in 2015-16 financial year. Boxing SA is expected to deliver its mandate through its main sub-programmes, such as governance and administration, boxing development and boxing promotion.

BSA was delaying the inclusion of the marketing and communications position on the organogram until there was enough money to pay for it. In the interim the BSA chairperson was handling the board's communication, and BSA would fill the senior positions as soon as they set up the full structure. A process to fill the vacant post of CEO is still underway and a submission had been forwarded to the Minister of Finance and the Minister of Sport and Recreation for approval. BSA was looking at collection of fees from licensees and broadcasting was strengthening BSA financially. Most income was received from sponsors related to events. With broadcasting in place statistics from SABC was needed in order to assess the value for money from broadcasts on SABC. The delay was caused by the need to gather statistics for one year, after which BSA could make a proposal to the sponsors.

The portfolio committee had raised a concern regarding the disputes that may impede the development of boxing in the Eastern Cape, and as result the Minister and Boxing SA had intervened in that regard. A joint committee of both provincial structures has been set up to address the concerns.

**6.5.2.2. South African Institute for Drug-free Sport (SAIDS)**

SAIDS's budget allocation increased slightly from R19.8 million in the 2015-16 financial year to R21.9 million in the 2016-17 financial year. The National Lottery provided an additional R3 million for 2016-17 financial year, to ensure that SAIDS is able to comply with the World Anti-Doping Code (WADA Code).

The SAIDS mandate will increase significantly when the currently reviewed legislation is enacted. The South African Institute for Drug-Free Sport Act, Act 14 of 1997, is being reviewed to incorporate aspects that deal with the appointment of the acting chairperson of the board and the random testing of athletes in schools sport events. The current legislative framework is seen weak in doping control and drug testing.

The good work of SAIDS is seen through the global recognition of its drug testing programme that covers up to 30 high-risk sport codes. Its education, research and outreach programme has been tailored to the needs of its target audience, which makes it easier to share and assists in anti-doping awareness campaigns at sport events.

For a number of years the Auditor-General has been pointing out that the governance structure of SAIDS needed to pay closer attention to internal controls and had to develop policies and procedures for the procurement of goods and services in line with the PFMA.

**6.6. Concluding comments on financial and service delivery performance**

The financial performance of SRSA continues to inspire confidence in how the department is able to channel its resources effectively and efficiently to achieve its goals. Whilst the department receives little funding compared to all the other national departments, it continues to ensure that sport programmes are implemented in order to ensure social cohesion and nation building. The two entities reporting to the Minister, Boxing SA and SAIDS, have also been performing, albeit not consistently. Boxing SA continues to experience challenges regarding governance and compliance to legislation.

The economic climate remains the greatest concern for funding of sport and recreation in the country. The department continues to deliver programmes through funding from National Treasury, which is largely transferred to provinces and federations. Without any major sponsorship in sport, full implementation of the National Sport and Recreation Plan will continue to be implemented in phases.

Compliance of federations with the established regulations for securing funding remains a challenge. Whilst some federations are able to submit their business plans and annual reports to the department on time, the majority continue to experience challenges in this regard, leading to funds being transferred late in the year. By the end of the third quarter only 48 federations had complied, in sharp contrast with the two federations that had complied by the end of the second quarter. Many federations are still largely run by volunteers who work on a part-time basis in sport. The key factor remains adherence to good governance principles of accounting and ensuring that development programmes of sport are driven and reach the rural areas.

Building of sport and recreation facilities remains a key driver of ensuring that communities in rural areas are able to access sport and recreation opportunities. The discussions of SRSA, National Treasury and CoGTA on the Municipal Infrastructure Grant (MIG) allocations to municipalities should be concluded as soon as possible so that there can be no further delays in rolling out sport infrastructure development in communities. The Portfolio Committee had noticed during its oversight in various provinces that municipalities are not effectively using the P-component of the MIG, to build sport facilities, thus delaying the necessary transformation of sport. On average provinces spent just 4% of the MIG to build sport facilities, and this situation needs to change if the NSRP objectives are to be achieved, where building of sport infrastructure is identified as an enabler to participate in sport.

School Sport remains the priority programme of the department, which is evident in the budget allocations to departmental programmes, where 64% of the departmental budget is spent on this programme. Only 50% of South African schools are registered on the programme and the National Schools Sport Championships continue to attract more than 10 000 participants. The department has been experiencing challenges in implementing the MoU that was signed with Department of Basic Education (DBE) in 2011. There are two main challenges relating to implementing the MoU: One relates to funding of programmes, there has been little funding coming from DBE in this regard, making it difficult to ensure that all learners and schools are able to participate fully in the programme. The other challenge relates to the programme, namely the ability of DBE to organise intra-school leagues and ensuring that these activities do take place. The portfolio committee will continue to encourage discussion and will seek to engage the political heads of both departments in this regard.

**7. FINANCE AND SERVICE DELIVERY PERFORMANCE ASSESSMENT**

It should be noted that during the 2014-15 financial year the department was able to spend R966.8 m (99.6%), which is slightly less than 99.9% achieved in the 2013-14 financial year. The majority of these funds were transferred to provinces and entities. During the 2014-15 financial year the department managed to transfer R699 m (72.3%) of its budget to provinces and entities, down from R814.2 m transferred in 2013-14. As a result the department is wholly dependent on the provinces and entities for its delivery and performance. The monitoring tools need to be enhanced to ensure that there is no delay and misrepresentation of reporting lines and items.

The performance continued to show improvement in SRSA with the achievement of 91% its targets. National federations continue to receive financial aid - 64 federations received financial aid, whilst the department has indicated that 16 of the national priority federations would be signing their transformation scorecard with the EPG. The department has managed to fill of 33 of the 71 vacancies that existed in 2014-15. There was R3.5 million in underspent funds (Compensation of Employees, R1.8 million, and Goods and Services, R1.7 million) and funds not transferred (R29 000).

Boxing SA could not submit performance information for the audit. However, the AG had found that BSA had irregular expenditure of R1 920 772 (89% identified by the auditors), of which the root cause was a lack of monitoring controls for compliance with procurement processes.

The AGSA had found that SAIDS had incurred irregular expenditure to the amount R6.5 m, of which he condoned R1.9 m after the investigations were completed.

**8. COMMITTEE'S OBSERVATIONS AND RESPONSE**

**8.1. Technical issues**

SRSA has been seized with the task of conducting a facility count and during the 2015-16 financial year, and has reported that all provinces have completed the task. The next phase will include a facility audit, which has been reported to be expensive but will be done incrementally and in stages. It is envisaged that the whole process will take approximately 7 years to complete. The technicality is the fact that the process requires the use of images of facilities, setting of coordinates for proper location, the use of software to ensure that the facility can be found on the national database, and categorising of the facility. A number of municipalities have no such capacity, and the services have to be completely outsourced as SRSA does not have such capacity.

Auditor General has over the past three financial years raised concern regarding the challenges in the department's reporting on predetermined objectives, indicating that there were material misstatements which were corrected on the performance report. This was in relation to the delays experienced by SRSA when obtaining information from provincial departments. In this regard the AGSA had recommended that the department and provincial departments agree on a system that will be used to report on performance information for the customised sector indicators. The committee will continue to monitor compliance regarding the implementation of the action plan by the department in this regard.

**8.2. Governance and operational issues**

The Auditor General has fora number of years raised concern about the lack of information technology (IT) plan at SRSA, however the department has also indicated that the entire IT system was the competency and function of SITA. The main concern was the lack of implementation of the required preventative or detective control in order to mitigate the IT risk factors, and to this effect the AG could not get an assurance from the leadership to address this issue. It remains the committee’s concern to ensure that the department and its entities develop an action plan to address the matters raised by the AG, these will be monitored on a quarterly basis by the committee.

Whilst the payment of suppliers within thirty days is a matter of importance, it is equally important for the department to ensure that it complies with this, as it can create a problem for small businesses. Equally important is ensuring that the companies that provide services with the department and its entities do provide the necessary documentation on time and in accordance with the law. The portfolio committee views this issue as important as it pertains to compliance with the PFMA.

The plan of action of the department to intervene in the entities is crucial, precisely where there has been a recurrence of non-compliance with the AG findings, for instance, SAIDS has been found not to have complied with the PFMA provisions within Supply Chain Management (SCM). It is similarly noteworthy that procurement and payment of goods that were never delivered to Boxing SA required some attention and investigation. Proper internal controls is therefore paramount, especially when the AG has indicated that such controls should be in place. The next best thing is to monitor the implementation of the plan of action to address the deficiencies that have been highlighted failure of which will result in ensuring that there is consequence management.

**8.3. Service delivery performance**

SRSA has achieved a clean audit for the third consecutive year, albeit with a reduced overall achievement of performance targets of 79% from the 91% achievement of 2014 -15 financial years. This was largely due to the decision to reduce the number of participants in the National School Sport Championship, to accommodate available resources, the inability to reach a target of proving schools and hubs with attire, due to increased cost of purchasing, the provinces not being able to submit evidence to support claimed performance amongst other reason.

The committee was concerned about the slow pace of transformation in federations and their lack of meeting the target as agreed on the transformation scorecard. A further emphasis was made that the attitude of some of these federations to meet their transformation targets was unacceptable. The committee out a caution for the department to observe the kind of behaviour that will allow for compliance in one year and non-compliance the following year, particularly where federations were looking for just a lift of sanctions in order to be allowed to bid for hosting international events.

Funding of federations appears to entrench the status quo, where the most lucrative federations get more funding and smaller federations getting less funding. SRSA needs to explore the model that will ensure that big federations that are able to generate own funds gets a small allocations and smaller one are adequately assisted.

The portfolio committee has been concerned about the slow pace of performance regarding the implementation of the MoU for school sport between SRSA and DBE. A review of the Memorandum of Understanding was eminent and this was to be done taking into consideration the proposed changes in the School Sport system and the National Championship model. The committee will continue monitoring these developments in order to ensure that there is collaboration and equitable share of resources and good working relations for School Sport between the departments of Sport and Recreation and Basic Education.

The ability of SRSA to deliver successfully the building of sport facilities through the newly acquired role of working closely with COGTA to determine the building of facilities outside the MIG formula, would clearly enhance the argument with the National Treasury that the whole of the 15% P-component of the MIG should be transferred to SRSA for the delivery of sport infrastructure. It is the wish of the committee to have the fund fully transferred to the department of Sport and Recreation, because COGTA and SALGA have on numerous occasions reported that they have only spent on average 4% of the grant. The committee has also observed during its oversight the lack of sport facilities in many municipalities and how municipalities have shifted funds of sport infrastructure to other programmes.

The portfolio committee has noted in a serious light the concern of the National Treasury regarding the transfer of funds to Sports Trust using the allocation that is earmarked for sports federations. The concern is particularly important since it will create a challenge when it comes to accountability. But of much concern is the lack of response to this question of National Treasury by the department.

**8.4. Financial performance including funding proposals**

SRSA received an unqualified audit report with no findings (green), SAIDS received an unqualified audit report with findings (yellow) and BSA received a qualified audit report with findings (purple). Regarding BSA the AGSA found 23 areas for which action plans should be developed.

The department was able to spend 99.9% of its allocated budge during the 2015 -16 financial year and achieved 79% of its targets down from 91% that was achieved in 2014-15 financial year. The staging of the National School Sport Championship over two seasons had become a costly event and provinces had expressed difficulties of sending the teams. The impact that it had had gone as far as them not being able to reach the set targets of a number of participants in the school sport programme and the number of people actively participating in organised sport and active recreation events. The committee would like to see more of the alignment between the expenditure and the outcomes. Whilst the AGSA did not make any findings this year regarding the alignment of the APP and the Strategic Plan, it is critical that there financial performance is in line with the service delivery performance.

SASCOC was able to deliver Team SA to a number of multi-coded events including the All Africa games in Congo in September 2015. As custodian of high performance sport, the work with federations in this regard is important. There are a number of deliverable from the National Sport and Recreation Plan that SASCOC must fulfil, however currently the NSRP continues to be unfunded and therefore, hence the limitation in that regard. The mandate of SASCOC requires additional funding for them to be able carry out the following:

**Winning nation**

* Talent identification and development
* Athlete and coach support programme
* Domestic competitions
* International competitions
* Recognition system

**Enabling environment**

* Clubs
* Sports Councils (Confederations)
* Athletes’ Commission
* Coaches’ Commission
* Administrators and Technical Officials’ Commission
* Academy system

**Transversal issues**

* Code of Conduct
* Geo-political sports boundaries
* Amateur vs Professional sport

Boxing South Africa has been experiencing administrative challenges as well as legal battles to deal with. An administrator had been seconded from SRSA for the better part of 2015-16 until the appointment of the new senior management staff, these included the CEO and CFO. The entity had spent all of its budget however they have underperformed. The lack of internal controls is a risk that should be attended to. The entity has received a number of findings from the AGSA to address in order to avoid the wastage of resources.

SAIDS has done well with its programme of doping control. The closure of the laboratory in Bloemfontein had an impact on the delivery of programmes including the number of tests to be conducted, since the samples had to be sent to Qatar. As a result the unexpected increased costs were incurred as a result. Over the year the AGSA has been making findings on the lack of adhere to the legislation by the entity, with respect to its Supply Chain management. Action plans are necessary in order to curb any fruitless and wasteful expenditure.

**9. Summary of reporting requests**

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| --- | --- | --- |
| **Reporting matter** | **Action required** | **Timeframe** |
| Progress report on the facility audit. | Briefing  Written Plan | March 2017 |
| Action plans to address findings by the AG in relation to SAIDS and Boxing SA | Written  Briefing | February 2017 |
| Quarterly reports of the SRSA, SAIDS and Boxing SA. | Briefing | March 2017 |
| Transformation scorecard progress report | Brief | March 2017 |
| Presentation of the proposal for the tax on ticket sales | Brief  Written | February 2017 |
| Progress report on the new sport infrastructure development which being done in conjunction with COGTA for the allocated R300 m of the MIG outside formula | Brief | February 2017 |
| Progress to recover the irregular and fruitless and wasteful expenditure from those responsible with the entities | Brief | March 2017 |
| Progress report from the EPG regarding performance of the federations on the transformation scorecard. | Brief | March 2017 |
| Progress regarding the amendment bills | Brief | February 2017 |
| Proposals for the signing of the MoU with DBE and status to date | Brief | March 2017 |
| Progress report of the federations that have representation in the School Sport coordination committee | Brief | March 2017 |
| Proposal for the review of the School Sport system including the National School Sport Championship | Brief  Written | April 2017 |
| Classification of Sport Trust as advised by the National Treasury | Brief | February 2017 |

**10. RECOMMENDATIONS**

Based on the analysis of the budget of Sport and Recreation SA, BSA and SAIDS for the year under review (2015-16), the committee recommends that the Minister of Sport and Recreation emphasise the following imperatives and urgent matters:

**10.1. SRSA**

10.1.1. Ensuring that the Community Sport programme receives attention and the necessary resources for its full implementation;

10.1.2. Ensuring that there is value for money when it come to the financial performance of the department and the service delivery targets;

10.1.3. Ensuring that there is alignment between the annual performance plan and the budget allocated;

10.1.4. Ensuring that the provincial departments of sport and recreation accounts for the funds that they have been allocated in accordance with National Treasury regulations and the PFMA;

10.1.5. Completion of the proposal for alternative funding for sport through tax on ticket sales in order to ensure that the NSRP is adequately funded and ensuring that it is subsequently presented to the Davis Tax Committee (DTC);

10.1.6. Sharing the information regarding sport development programmes in the provinces, especially those provided in rural areas including rural sport infrastructure development;

10.1.7. Ensuring that the department is compliant with the classification of Sport Trust as an entity, this comes as a result of the concern National Treasury regarding the transfer of funds to The Sports Trust with allocation meant for sport federations;

10.1.8. Consultation with the DBE and schools which have identified as sport focused schools to ensure that there are properly signed service level agreements between all the parties involved and value for money for service delivery standards that have been set;

10.1.9. Delivering the appropriate and quality equipment to all targeted schools and clubs in order to encourage participation in sport amongst learners and community members;

10.1.10. Advocating for building of sport facilities in rural communities which will benefit not only schools, but also the general communities living in the rural areas;

10.1.11. Providing adequate financial resources to support the EPG in order to ensure that federations are transforming and that the EPG is able to monitor targets on quarterly basis;

10.1.12. Enforcing that the sport development and school sport programme are broadened towards rural and disadvantaged areas in order to increase access to sport opportunities.

10.1.13. Improving cooperation and collaboration with the Departments of Basic Education and Health in order to increase participation in sport and encourage healthy lifestyles;

10.1.14. Pursuing the discussions with the Minister of Basic Education regarding the allocation of funds for school sport intra-school programme and the review of the Memorandum of Understanding;

10.1.15. Ensuring that there is a systematic approach to identify talent at schools by federations including the establishment of school sport in their governance structure;

10.1.16. Capacitating the sport infrastructure programme, in order to ensure that it is able to fulfil its role of supporting the municipalities to build sport facilities through the allocated 15% P-component of the MIG outside the formula;

10.1.17. Ensuring that the sport infrastructure development programme funded though the MIG and Ministerial outreach programmes is more biased towards rural and disadvantaged areas.

**10.2. Boxing SA**

10.2.1. Ensuring that management monitor compliance using a procurement checklist, that BSA include compliance with SCM in individual performance contracts for SCM officials and that officials who incurred/permitted the irregular expenditure are held accountable;

10.2.2. Ensuring that the leadership of Boxing SA is stable and has developed the necessary policies and controls;

10.2.3. Enforcing consequence management regarding compliance with legislation;

10.2.4. Ensuring that management develop and implement the approved HR plan which is suitable to work and demands of the entity;

10.2.5. Ensuring that the entities develop plan of actions management monitor compliance using a procurement checklist, that BSA include compliance with SCM in individual performance contracts for SCM officials and that officials who incurred/permitted the irregular expenditure are held accountable.

**10.3. SAIDS**

10.3.1. Ensuring that officials are trained on technical matters and that a skills review of officials in the entity should be undertaken to ensure proper placement;

10.3.2. Enforcing the development of plan of action and the implementation thereof as per the AGSA recommendations;

10.3.3. Enforcing compliance with regard to the SCM prescripts and adherence to PFMA provisions that relate to procurement of goods and services;

10.3.4. Enforcing consequence management for the recurring irregular expenditure in SAIDS and lack of implementation of AG recommendation with regard to following proper procedure in SCM.

**11. APPRECIATION**

The committee appreciates the 100% clean audit on service delivery performance of the Department and the continued improvement of their performance targets. The leadership of SRSA, Boxing, SAIDS and SASCOC are commended for the valuable input that has helped the committee to prepare this report. Members of the committee for sterling work done in scrutinising and deliberating on the annual reports of the department and entities, whilst the views may differ, there is one common goal and commitment, which is to improve the lives of people of South Africa through prioritising their needs. Lastly staff for putting all the work together.

Report to be considered.