



PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA

COMMITTEES

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MEETING NOTES

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DATE: 07 November 2016

SUBJECT: Prep notes: AG Presentation on NDoT Annual Report and presentation by NDoT

Notes on AG Annual Report findings on NDoT and Presentation by NDoT:

On 30 September 2016 the Annual Reports of the entities were tabled in Parliament. The Annual Report of the Department of Transport, however, was only tabled on 31 October 2016.

The NDoT provided the following reasons for failure to submit the AR on time:

The Department disputed the disclosure of assets of the eNaTIS on the Financial Statements with the Office of the AG on 6 September 2016. A response was provided on 23 September 2016. Amended Financial Statements will then be provided to the AG to consider the amended Financial Statements and also to consider any amendment to the AR. The AR and Financial Statements and the Audit Report on those statements will be tabled as soon as the AG has finalised its Audit Report and has provided the Department with a signed AR.

During the meeting called by SCOPA on 1 November 2016, the Department expanded on the reason given above and indicated how they worked with the AG in order to ensure that the AR was finalised and tabled. SCOPA highlighted that had it not been for improper actions and lack of leadership at the time of the invalid renewal of the contract with TASIMA, this report would have been tabled on time and the eNaTIS assets and operation would have been part of the Department assets already. SCOPA members further highlighted their concern over the fact that the contracted to transfer of skills and the operations of the system was not done in the final year of the contract and cautioned departments to refrain from only trying to implement such clauses during the final year of these types of contracts instead of starting with the skills transfer from the first day of contracting with service providers.

For purposes of these notes I have incorporated the information relating to the Department from the 2014 and 2015 BRRR reports in order to compare past findings and recommendations to the current findings indicated by the AG.

These notes should be read in conjunction with the Research reports to complement each other.

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In considering the AR, members could raise the following questions in the discussion with the AG:

Whether, in the AGs opinion -

- Is sufficient information provided by the department on complex matters?
- Is the report original, or are key portions copied from previous reports?
- Is each measurable objective specified in the APP reported on in the report?
- Is the service delivery information consistent with the mandate of the department?
- Does management demonstrate a commitment to address concerns raised by oversight bodies (incl. SCOPA, Audit committees, AGSA)?
- Does the Department have sufficient resources (incl. HR) to achieve objectives, if not what plans are in place to address shortcomings?
- The nature of the qualification (where applicable) as well as the root causes?
- Has the Department been receiving repeated qualifications? Is it the same matters? Have they been resolved? Effectiveness of the AC, control environment, and management commitment to address queries?
- The extent of compliance with legislation including that of Public entities under the same executive authority's responsibility?
- The extent of adjustments made to the financial information after submitted to AGSA for audit (readiness for preparation and completion of AFS)?
- Errors identified relating to the previous financial year?
- Any unusual transactions that do not relate to the purpose of the Department?
- Can the AG indicate the extent & the nature of unauthorised expenditure, as well as uncleared unauthorised expenditure and the impact of unauthorised expenditure to service delivery in the future of the Department and each entity?

In considering the AR, members could raise the following questions in the discussion with the NDoT:

- Several spelling mistakes were made throughout the document.
- NDoT website is not updated to reflect all annual reports (currently it does not have the annual reports for 2013/14 or 2014/15).
- It is worth noting that for each year under review 2012/13, 2013/14 and 2015/16 the Accounting Officer signing the Annual Report was an Acting DG, except for the 2014/15 AR where Mr Selepe was the DG.
- Why is there reference to projects which were finalised after the reporting timeframe in the narrative of the report as well as in the Forewords?

- Why is the tabling of the AARTO Amendment Bill and the NLTA Amendment Bill to Parliament for consideration not mentioned in the AR as part of the processing thereof, given that these targets are indicated in the Strat plan and APP of the Department for the reporting timeframe?
- Why does the Department make use of a vehicle rental agency instead of using the services on offer from g-FleeT which is an entity of the Gauteng Provincial Department of Roads and Transport and which is generally used to procure or rent vehicles from for use by departments, ministers and judges?
- Was there a lack in planning on the budget projection sides in 2014/2015 which led to the increasing need and practice by the Department of transferring funds from projects to cover short falls and over expenditure in others? How will the department ensure that next year's budget is sufficient to cover all programmes in order to limit the need to transfer funds to cover over expenditure in projects?
- In the 2012/13 AR it was already indicated that eNaTIS was transferred to RTMC under TIS (in the current AR NDoT states it was not yet transferred at the date of the SCA judgment), in the current AR reference is also made to acquisition of eNaTIS equipment – are these part of the asset register and are those assets linked to eNaTIS for the previous years that were reported on currently in the asset register? Is the only issue the updating of the register to reflect the current assets linked to eNaTIS? Is the system not the property of the NDoT as was stated by Tasima in the public hearings meeting (surely then the system and all assets purchased in line therewith outside of operations and management thereof could be on the asset register)?
- In 2007, National Treasury issued a Practice Note stipulating that the Road Traffic Management Corporation (RTMC) must collect the transaction fees and pay all of the transaction fees that it collected over to the Department. The Department must transfer all the fees received from the RTMC into the National Revenue Fund. Income from transaction fees that was paid into the National Revenue Fund is requested back on the Adjusted Budget of the Department as a self-financing allocation to cover the cost of maintaining the eNaTIS system. The Department indicated in the 2013/14 and 2014/15 AR that this was the practice until April 2012, at which point there was a decision and agreement between the Department and the RTMC that the transaction fees belonged to the RTMC. At what point did the practice note change? If that is the case and the monies are due to RTMC, is this because the transfer of eNaTIS to RTMC was in fact done in 2012/13 per that annual report (which means the indication in the current annual report that the transfer had not occurred at the time of the SCA hearing last year is incorrect). How has the past non-compliance of RTMC with the 2007 practice note (as reported by the NDoT in past ARs) been rectified if at all? How will the payment to Tasima per the court orders, and the NDoT 2015/16 AR which states the RTMC is to reimburse the Department for having made this payment, affect the budget allocation of the RTMC next year?
- Progress on the STER was reported in this AR, but as was discussed in the APP and Strat Plan briefing this has been removed from the plans. Will this be reintroduced into the Department plans and if so when?
- NATMAP was indicated in the 2014/15 AR as to be finalised in 2015/16. The NATMAP target date for submission to Cabinet was indicated to have changed during the APP and Strat Planning briefings to 2017. Is this date still accurate as the Minister's foreword indicated that NDoT is endeavouring to ensure that all outstanding legislation is concluded during 2016/17, particularly the NATMAP 2050. Please provide the updated list of legislation proposed for submission to the committee during the current 2016/17 financial year as the committee only has AARTO and NLTA amendment bills before it and there are several other pieces of legislation outstanding.
- Minister did not mention the Rustenburg BRT project in her foreword, however, it is mentioned later in the AR.

- In the 2014/15 AR progress was mentioned on the N2 Wild Coast project and in the presentation to the committee this year the following was presented as part of notable achievements for 2015/16: "The N2 Wild Coast project has been granted full support by the PICC which indicated that a monetary contribution could be available from the fiscus." Why is the 2015/16 AR silent on this?
- In the 2014/15 AR there was mention made of a 40% of the S'hamba Sonke Programme being allocated to Operation Tselanthe (pothole patching programme), this is not mentioned in the 2015/16 AR; Was/Is this being done?
- There is a pattern of having a low number of taxis scrapped being reported each year in the AR since 2012/13 to 2014/15. During 2015/16 the set target was exceeded, however, the set target is considerably lower than it was in previous years. The finalisation of the review of the taxi recap programme is important in order to have a better defined SMART target for this programme.
- It should be noted that the Department received donor funding in total of R8 074 000. Despite the majority of this going towards travel costs, the department was found to have over spent on travel costs. It is proposed that members enquire whether the Department is applying the Treasury guidelines on austerity measures applicable to the travel arrangements of officials and the size of delegations, as well as whether the Department has a policy or strategy in place to cut down of the travel costs so incurred.

Steps taken by NDoT on recommendations made in BRRR reports in the past as indicated in the Annual Reports:

AR	Steps indicated as taken
2014/15	<p>Adequate reviews were performed to ensure that our targets are in line with the SMART principle and that our performance indicators are clear and have been defined for easy understanding. We are currently improving our controls to ensure validity, usefulness and reliability of all sector reports.</p> <p>As per the current management and audits reports by the Auditor-General (AG), tremendous progress has been made to address findings made by the AG in previous years. Implementation of action plans to address critical audit findings is monitored on a continuous basis.</p> <p>Compliance to supply chain management controls and processes is monitored continuously and the process of ensuring a full asset count and verifications has been prioritised with the due date set for November 2015.</p> <p>Advertisement and filling of vacant posts has been prioritised by the Department. Formal recruitment processes are followed at all times.</p> <p>Key steps are being taken internally to ensure that the entity oversight function is improved. The Department is currently assessing its structural options and is benchmarking with sister Departments for best practices.</p> <p>The DoT Strategic Plan 2015 – 2020 and Annual Performance Plan 2015/16 have been assessed by the DPME, through the MPAT process, and found to be aligned with the MTSF and NDP.</p>
2015/16	Measures that were put in place to prevent and / or detect irregular expenditure are as follows:

- Where appropriate, cases of irregular expenditure are referred to the department's legal services to determine whether any official can be held liable for the irregular expenditure.
- Cases of irregular expenditure are referred to the department's Directorate: Investigations and Forensics for investigation when an investigation is required.
- Relevant managers are requested to take disciplinary steps against officials who makes or permits irregular expenditure.
- The Bid Adjudication Committee will not consider condoning irregular expenditure until a legal opinion has been obtained where applicable and disciplinary steps were considered.
- The contract management system monitors all payments against orders that are placed, and will detect payments that exceed the contract value.
- The contract management system will detect any payments that are approved for processing for which no order was placed.
- Payments for all procurements must be processed via Supply Chain Management so that any irregular procurement can be detected before payment.
- To prevent the occurrence of not completing the internal order and requisition forms, the Supply Chain Management component does not make any approval documents or letters of acceptance available until the internal order and requisition forms are completed.
- Initiatives to train all officials who are involved in the approval of procurement matters will continue.

Reporting matter	Action required	Timeframe
The Department should submit an Action Plan to address the findings of the AGSA	Written plan from the Department of Transport	16 October 2015
The Department should submit quarterly reports on strategies to address the financial health status of C-BRTA	Written plan from the Department of Transport and C-BRTA	Quarterly reports within 60 days of the adoption of this report by the National Assembly.
The Department should submit quarterly reports on strategies to address the financial health status of RAF	Written plan from the Department of Transport and RAF	Quarterly reports within 60 days of the adoption of this report by the National Assembly
The Department should submit quarterly reports on strategies to address the financial health status of SAMSA	Written plan from the Department of Transport and SAMSA	Quarterly reports within 60 days of the adoption of this report by the National Assembly
PRASA should report quarterly on inroads made into the implementation	Written plan from PRASA	Quarterly reports within 60 days of the adoption

of the Rolling Stock Modernisation Project		of this report by the National Assembly
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BRRR and AG reports table

	BRRR 2014	BRRR 2015	AG Report 2015	AG Report 2016
NDOT	<p>Predetermined Objectives</p> <p>The AG made the findings on these in 2009/10, 2010/11 and 2013/14.</p> <p>Compliance with Laws and Regulations</p> <p>The AG raised that there was non-compliance with laws and regulations in 2010/11, 2011/12, 2012/13 and 2013/14.</p> <p>OBSERVATIONS</p> <p>Predetermined Objectives</p> <p>The Committee noted that the performance indicators of the Department were not well defined and targets were not specific. The Committee noted that targets were not met in the Integrated Transport Planning, Civil Aviation and Rail programmes. In the 2012/13 financial year, 21 out of 31 targets were not achieved in the Integrated Transport Planning programme</p>	<p>The Department and all its entities submitted their APPs on time and there was improvement on the reliability and usefulness of information. Furthermore, the Department and entities received unqualified audit reports. However, the Department and its entities have not been implementing recommendations and corrective measures by the AGSA and the Committee.</p> <p>Compliance with legislation</p> <p>Human Resources</p> <p>The Committee noted that the AGSA identified material non-compliance with legislation by the Department, ACSA, C-BRTA, PRASA, RTIA, RTMC, SAMSA and SANRAL. The Department did not fill funded vacant posts within 12 months in contravention of public service regulations. The Department had a vacancy rate of 22.16% for the financial year.</p>	<p>The Department received an unqualified audit opinion for the ninth consecutive year.</p> <p>Programme 4: Road Transport</p> <p>Important targets were not reliable when compared to source information or evidence provided. The AGSA attributed this to a lack of frequent review of the validity of reported achievements against source documentation.</p>	<p>The Department has, for the first time in several years, received a qualified audit with findings.</p> <p>The portfolio's overall outcomes have regressed due to the department receiving a financially qualified audit outcome with material findings on compliance with legislation and no findings on predetermined objectives. This is due to the department not having sufficient appropriate records for the E-Natis assets disclosed in the financial statements. Key areas of material non-compliance relates to failure to prevent irregular and fruitless and wasteful expenditure, asset management and</p>

<p>leading to underspending in the programme area.</p> <p>The reported performance information was not valid, accurate and complete when compared to the source information or evidence provided. These findings had been raised with the Department and entities in previous financial years.</p> <p>The Committee further queried whether the Department and entities aligned their Strategic Plans and APPs with the NDP. There was a need for the Department to align these reports with the NDP.</p> <p>Supply Chain Management</p> <p>During its meetings with the Department and entities, the Committee noted the lack of effective controls to ensure compliance with internal policies with regard to supply SCM. The Committee was not convinced that adequate monitoring controls were in place to ensure</p>	<p>Irregular expenditure, fruitless and wasteful expenditure</p> <p>The transport portfolio incurred a total of R2.4 billion (95%) in irregular expenditure as a result of non-compliance with supply chain management (SCM).</p> <p>The Committee noted that the Department did not take effective and appropriate steps to prevent irregular expenditure. The Department did not take effective and appropriate steps to prevent fruitless and wasteful expenditure. Furthermore, the Department did not take effective and appropriate steps to prevent unauthorised expenditure.</p> <p>Financial Statements</p> <p>The financial statements submitted for auditing by the Department contained material misstatements in the areas of assets, revenue, expenditure and certain disclosure notes.</p> <p>Supply Chain Management</p>	<p>Strategic Planning and Performance Management</p> <p>A five-year Strategic Plan that covers current year (2014/15) was not prepared by the Accounting Officer, as required by Treasury Regulation 5.1.1.</p> <p>Expenditure Management</p> <p>The Department did not take effective steps to prevent unauthorised, irregular, fruitless and wasteful expenditure, as required by section 38(1)(c)(ii) of the PFMA and Treasury</p>	<p>material misstatements to financial statements submitted for audit.</p> <p>The status of key controls of the department remained stagnant due to slow response by management and accounting officer in implementing audit recommendations from the previous financial year.</p> <p>The following key controls should be improved to support reliable financial reporting and compliance with key applicable legislation:</p> <ul style="list-style-type: none"> • Effective management of vacancies. • Enhanced oversight to detect misstatements prior to commencement of the audit process. • Proper record keeping to support financial reporting. • Effective compliance monitoring.
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<p>adherence to the internal policies and procedures, as well as compliance with laws and regulations.</p> <p>Human Resource Management</p> <p>The Committee noted that the Department had a vacancy rate of 25% and that vacant posts were not advertised within 6 months after becoming vacant and these posts were not filled within 12 months. The Committee was of the opinion that the Department lacked effective HR management to ensure that adequate and sufficiently skilled resources were in place. This affected service delivery in the Department and entities.</p> <p>Information Technology (IT) Controls</p> <p>The Committee noted the challenge in the Department with IT management controls and the impact thereof on confidentiality, integrity and availability of financial information. The Committee will engage with the Portfolio Committee on Public Service and Administration,</p>	<p>The Committee noted the lack of effective controls to ensure compliance with internal policies with regard to supply SCM and the AG's findings in this regard at SANRAL, RTMC, RTIA, PRASA and ACSA. The Committee noted that the main root cause of these findings were key officials lacking the appropriate competencies.</p> <p>Material Misstatements to Financial Statement</p> <p>The Committee noted the material misstatements to financial statements at the Department, Driving Licence Card Account, PRASA, RSR, RTIA, RTMC, SAMSA, SANRAL and ACSA. Root causes were again identified as key officials lacking appropriate competencies and slow responses by management. The Committee further noted that the root causes for material misstatement at the Department were identified by AGSA as a lack of consequence for poor performance and transgressions and vacancies in key positions.</p> <p>Predetermined objectives</p>	<p>Regulation 9.1.1. The irregular expenditure incurred was due to the contract that was extended without following prescribed procurement process. This matter had been identified during the prior year audit.</p> <p>Management of Vacancies</p> <p>Funded vacant posts were not filled within 12 months, as required by Public Service Regulation 1/VII/C.1A2. Similarly, the AGSA had made a similar finding in 2013/14.</p>	<p>The level of assurance provided has remained stagnant. Senior management and the Accounting Officer need to put in more concerted efforts to implement and monitor action plans to address prior year audit findings to prevent a recurrence of the material non-compliance matters. The takeover of the E-Natis system and related assets will need to be carefully managed to prevent a recurrence of the qualification in audit opinion on this matter. The internal audit, the audit committee and the minister have provided assurance and contributed towards sustained key controls, particularly those relating to performance management.</p> <p>For programmes 3 (Rail), 4 (Road) and 7 (Public Transport) there were an improvement in the quality of the annual</p>
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<p>as well as Performance Monitoring and Evaluation on the ICT management.</p> <p>Material Misstatements to Financial Statement</p> <p>The Committee noted the opinion from the AG that internal controls implemented were not effective in ensuring that the financial statements submitted for auditing were free from misstatements in the disclosure notes. There is a need for a turnaround strategy by the Department to address this finding.</p> <p>Financial Health of Entities</p> <p>There was a need for the Department to develop a funding plan to ensure the financial sustainability of the entities.</p> <p>Legislative Delays</p> <p>The Committee noted the impact of delays in the processing of legislation on the Department and entities. During the interactions with entities, it became apparent that delays in the processing</p>	<p>The Committee noted that lack of consequences for poor performance and transgressions were the root causes for the findings at the Department and SAMSA.</p> <p>Information technology (IT) controls</p> <p>The Committee noted that IT audit outcomes indicated that the transport portfolio designed, but not implemented IT controls. This resulted in the portfolio experiencing challenges with IT management controls.</p> <p>Legislative delays</p> <p>During interactions with the Department in the 2014/15 financial year, the Committee reiterated the impact of delays in the processing of legislation on the Department and entities, especially at SAMSA and C-BRTA as it was hindering the entities from executing their mandates.</p> <p>Performance of the Department</p> <p>The Committee noted the impact of delays in stakeholder consultations on the performance of the Department. The Committee was concerned about delays in the</p>	<p>Leadership</p> <p>Inadequate reviews performed on the financial and performance information and inadequate monitoring over compliance with laws and regulations. Again, this is recurring finding as it was raised by the AGSA in 2013/14.</p> <p>Financial and Performance Management</p> <p>Inadequate systems were in place to support the information disclosed</p>	<p>performance reports and no material findings were reported for these.</p> <p>There was a stagnation in compliance with legislation and a regression in the quality of the financial statements.</p> <p>Material misstatements could not be corrected this year, whereas in 2014/15 the corrections ensured that no qualifications were given.</p> <p>Unauthorised and irregular expenditure decreased over 3 years and follow up action.</p> <p>Slow response by management (Accounting officer and senior management).</p> <p>Instability or vacancies in key positions.</p> <p>Lack of consequences for poor performance and transgressions.</p>
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of legislation were negatively affecting the ability of entities to optimally fulfill their mandates. In the case of the RAF, the Committee noted that legislative delays had a material financial impact (R14 billion growth in liabilities in one year). Amendments to the Ports Regulator Act were required in order to give the Regulator more powers and resources to execute its mandate. PRASA had a clear outlook in terms of its strategic objectives, but the Department should provide clarity in terms of policy imperatives. The delay in the implementation of the Adjudication of ARTO Act and data management remains a concern.

The Committee requested in its BRR interaction that the Department provide the Committee with a status report on outstanding legislation.

National Scholar Transport Policy

The Committee noted that the National Scholar Transport Policy had been withdrawn in the period under review leading to under-

implementation of the National Scholar Transport policy after Cabinet approval.

Roll out of Bus Rapid Transport (BRT) system

There did not seem to be a uniform approach with the implementation of the BRT system in the different metros or cities and this posed challenges to the Committee pertaining to its oversight over the system.

Mandates of PRASA, Transnet and Ports Regulator

There was a need for the Department of Transport and the Department of Public Enterprises to develop a holistic approach that would spell out the roles and responsibilities of the various agencies that would seek to achieve complementarity and not competition.

Moloto Corridor Development

Progress made on the implementation of the Moloto Corridor Development project was noted. Delays with regard to the handover of the Gauteng portion of the Moloto road was noted.

in the annual financial statements.

Table: Annual Performance Targets

Total targets set	77
Targets achieved	58/77
Targets not achieved	19/77
Success rate	75.3%
Total budget spent	R49.1 billion or 108%

(Source: Department of Transport (2015))

The department will need to focus more attention in ensuring that action plans are implemented to address prior year audit findings and that sustainable solutions are implemented to prevent a recurrence of findings in the area of compliance with key applicable legislation and financial reporting. Vacancies and stability of leadership at the department continue to pose significant challenges regarding the operations of the department and the creation of a control environment to ensure that basic financial, performance reporting and compliance with laws and regulations are enforced.

AG met with the minister on 21 July 2016. The outcomes were discussed with the minister and the status of the implementation of the above commitments

<p>expenditure in the programme area. The Committee agreed that the provision of transport falls within the competence of the Department of Transport. The Committee will meet with the Department to expedite the finalisation of the policy to ensure that it is implemented without undue delay.</p> <p>Lack of a Comprehensive National Road Safety Strategy</p> <p>The Committee noted that there was no uniform National Road Safety Strategy applicable to the transport entities. There was a need for the Department to develop an all-encompassing and holistic Government road safety approach that would spell out the roles and responsibilities of the various DoT agencies and sister Departments in a manner that would seek to achieve complementarity and not competition.</p> <p>Integrated Transport Planning</p> <p>The Committee noted the absence of integrated transport planning at national, provincial and</p>	<p>RECOMMENDATIONS</p> <p>The Committee recommends that the Minister ensure the following:</p> <ol style="list-style-type: none"> 1 The advertising and filling of vacant posts should be prioritised in the Department. 2 Effective steps should be implemented to prevent irregular expenditure. Officials who incurred irregular, fruitless and wasteful expenditure should be duly disciplined. Proper record-keeping should be implemented for information supporting compliance and procurement process. Implement consequence management for staff members who fail to comply with applicable legislation. 3 The Department and entities should capacitate their Finance and SCM departments with appropriately skilled and competent personnel to prepare credible financial statements. Furthermore, management should ensure that information used to prepare financial statements was accurate and reliable. Staff should be retrained and reskilled to ensure that they comply with legislation. 		<p>were followed up with the minister. New commitments were solicited from the minister and certain of the prior year's commitments were reinforced.</p> <p>Implemented commitments were:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Management of vacancies. <input type="checkbox"/> Request regular feedback on the progress of the implementation of the Moloto Corridor project once the implementation begins. <input type="checkbox"/> To monitor and evaluate all deliverables on the rolling stock. <p>In progress commitments are:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Request regular feedback from Transport on key issues impacting entities in the portfolio. <input type="checkbox"/> Enhance performance and consequence management. <input type="checkbox"/> Contract management over all entities in the portfolio resulting in the
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<p>municipal levels. The Department should brief the committee on its plans to achieve transport integration.</p> <p>Operation Phakisa</p> <p>As the project was launched during the BRRR meetings, the Committee did not have sufficient time to engage with the Department and SAMSA on it. The Committee will therefore engage with the Department and entity on a regular basis on the maritime programme.</p> <p>RECOMMENDATIONS</p> <p>The Committee recommends that the Minister ensure the following:</p> <p>1 That adequate reviews are performed to ensure that targets are in line with the SMART principle. Performance indicators should be clear and easy to understand and controls should be put in place to ensure that information reported by the public entities is valid, adequate and complete.</p>	<p>4 Control processes should be adhered to in the SCM processes. There should be consequences for poor performance and failure to comply with applicable legislation.</p> <p>5 The AGSA's recommendations to address root causes should be implemented.</p> <p>6 The Department should provide the Committee with quarterly updates on strategies to improve the financial health status of the C-BRTA, RAF and SAMSA as there was uncertainty as to whether the entities would be able to fund their future obligations.</p> <p>7 The Department should monitor and engage with its provincial counterparts on the implementation of the PRMG to ensure that money is used for its intended purpose as an extension of the two-way Key Performance Indicator (KPI).</p> <p>8 The implementation of BRT systems should be standardised in terms of implementation of policy and reporting.</p>		<p>significant irregular expenditure.</p> <ul style="list-style-type: none"> <input type="checkbox"/> Implementation of the action plan to address the prior year audit findings. <input type="checkbox"/> Management of the take-over of major IT-related contracts. <p>New commitments identified as:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Regular feedback of the asset management exercise at ACSA. <input type="checkbox"/> Request regular progress reports on the investigations being conducted at PRASA. <p>The Portfolio Committee is advised to follow up on the following:</p> <ol style="list-style-type: none"> 1. Regular monitoring of the action plans to ensure that the identified deficiencies are addressed to avoid repeat findings and continued noncompliance. PC must request management to provide feedback on
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2 The Committee was concerned that recommendations on findings that had been made by the Auditor-General in previous financial years had not been implemented and therefore recommends that recommendations made by the Auditor-General be implemented. Action plans and their implementation by the Department and entities are to address the critical audit findings. The Committee reiterated during its deliberations that audit committees in the Department and public entities should monitor risks and quarterly progress. The finance departments of the Department and entities should further be capacitated with the appropriate skills to prepare credible financial statements.

3 That established controls and processes are adhered to at all times in the Department and entities when procuring goods and services. The contract management system should be implemented to allow for a full asset count. Officials in the SCM units should be adequately

The Committee requested additional matters for the Department to report on:

Reporting matter	Action required	Timeframe
The Department should submit an Action Plan to address the findings of the AGSA	Written plan from the Department of Transport	16 October 2015
The Department should submit quarterly reports on strategies to address the financial health status of C-BRTA	Written plan from the Department of Transport and C-BRTA	Quarterly reports within 60 days of the adoption of this report by the National Assembly.
The Department should submit quarterly reports on strategies to address the financial health status of RAF	Written plan from the Department of Transport and RAF	Quarterly reports within 60 days of the adoption of this report by the National Assembly

the implementation and progress and of the action plan during quarterly reporting.

2. Regular assessments of the status of internal controls, especially regarding financial statement and performance reporting preparation and filling of key vacant posts to ensure stability of leadership, must be undertaken by management to address deficiencies as and when they arise. PC must request management to provide quarterly feedback on status of key controls.
3. The accounting officers/authorities should intensify their focus on ensuring that transgressors are held accountable and that action is taken as required by the PFMA. Action

<p>trained on the latest applicable prescripts. Adequate corrective measures should be put in place to address transgression of the applicable prescripts.</p> <p>4 That the eNaTIS system transfer progress plan be monitored. The Committee will request regular feedback on the progress made to take over the system from the service provider.</p> <p>5 The advertising and filling of vacant posts, especially key vacant posts, be prioritised in the Department and that the prescribed recruitment processes be followed at all times. The Portfolio Committee will monitor the progress of the Department in filling key vacancies.</p> <p>6 The Committee further recommends that the Minister monitor the process with regard to oversight over the public entities and would request regular feedback on key concerns at these entities.</p>	<p>The Department should submit quarterly reports on strategies to address the financial health status of SAMSA</p>	<p>Written plan from the Department of Transport and SAMSA</p>	<p>Quarterly reports within 60 days of the adoption of this report by the National Assembly</p>	<p>taken against repeat transgressors should be done so in a timely manner, in order to eliminate repeat findings. List of action taken must be provided quarterly to PC for follow up.</p> <p>Basis for qualified opinion Movable Tangible Capital Assets AG was unable to obtain sufficient appropriate audit evidence whether movable tangible capital assets disclosed in note 32 to the financial statements were properly accounted for as AG was not provided with complete and accurate asset register and did not get access to certain premises where the assets were located due to the ensuing litigation against the department as explained in more detail in paragraph 5.12 of the accounting officer's report and note 32 to the financial</p>
	<p>PRASA should report quarterly on inroads made into the implementation of the Rolling Stock Modernisation Project</p>	<p>Written plan from PRASA</p>	<p>Quarterly reports within 60 days of the adoption of this report by the National Assembly</p>	
<p>The Committee would ensure that the AGSA's recommendations are implemented by the Department. The Committee would further request regular feedback from the Department on key issues impacting entities as identified through the oversight process.</p> <p>The Committee undertook to engage with Portfolio Committees on Police and on International Relations and</p>				

<p>7 That the financial sustainability of entities be prioritised. The Minister has to ensure that entities have adequate human and financial resources available to achieve predetermined objectives. The Committee will engage with National Treasury on this matter.</p> <p>8 That the Strategic and APPs of the Department and entities are aligned to the NDP.</p> <p>9 Legislative delays should be addressed as a matter of urgency. The Committee will regularly request updates from the Department on outstanding legislation.</p> <p>10 The Committee commends the unqualified and clean audits received by the Department and its entities, but recommends an increased focus on service delivery.</p> <p>The Committee requested additional matters for the Department to report on:</p>	<p>Cooperation on the cross-border transport challenges. The Committee would further engage with the Portfolio Committee on Water and Sanitation to address challenges with regard to water licences, as raised by SANRAL and PRASA.</p>		<p>statements. AG was unable to confirm these tangible capital assets by alternative means. Consequently, AG was unable to determine whether any adjustments to movable tangible capital assets stated at R335, 465, 000 was necessary.</p> <p>Intangible Capital Assets</p> <p>AG was unable to obtain sufficient appropriate audit evidence whether intangible capital assets disclosed in note 33 to the financial statements were properly accounted for as AG was not provided with complete and accurate asset register and did not get access to certain premises where the assets were located due to the ensuing litigation against the department as explained in more detail in paragraph 5.12 of the accounting officer's report and note 33 to the financial</p>
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Reporting matter	Action required	Timeframe
Turnaround strategy to address AG recommendations Plan on introduction of new rolling stock	Written plan from PRASA	Within 90 days of the adoption of this report
Development of draft Funding Strategy	Written plan from Ports Regulator and follow-up meeting with Committee	Within 90 days of the adoption of this report
Development of draft Funding Strategy	Written plan from C-BRTA and follow-up meeting with Committee	Within 90 days of the adoption of this report

statements. AG was unable to confirm these intangible capital assets by alternative means. Consequently, AG was unable to determine whether any adjustments to intangible capital assets stated at R233, 860, 000 was necessary.

Qualified opinion

In the AGs opinion, except for the effects of the matter described in the basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Department of Transport as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with the Modified Cash Standard and requirements of the PFMA and the DoRA.

Additional Matter

Attention was drawn to the unaudited supplementary

Legislation status report	Written plan from the Department of Transport	17 October 2014 (the Department provided the information as requested)
Report on Upper Airspace Management in Southern African Development Community (SADC) region	Written plan from the Department of Transport	Within 90 days of the adoption of this report
Procurement Plan for 2015/16 Financial Year	Written plan from the Department of Transport	Within 90 days of the adoption of this report
Turnaround strategy to address AG recommendations	Written plan from RTMC	Within 90 days of the adoption of this report

information, as the information set out on pages 286 to 308 does not form part of the financial statements and is presented as additional information. The AG has not audited this schedule and accordingly, did not express an opinion thereon.

Report on other legal and regulatory requirements

In accordance with the Public Audit Act of South Africa, 2004 (Act no. 25 of 2004) (PAA) and the general notice issued in terms thereof, the AG has a responsibility to report findings on the reported performance information against predetermined objectives of selected programmes presented in the annual performance report, compliance with legislation and internal control. The objective of the tests was to identify

reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, AG did not express an opinion or conclusion on these matters.

Predetermined objectives

The AG performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected programmes presented in the annual performance report of the department for the year ended 31 March 2016:

- Programme 3: Rail Transport on pages 65 to 69
- Programme 4: Road Transport on pages 70 to 73
- Programme 7 : Public Transport on pages 87 to 92.

				<p>AG evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. AG further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPPI).</p> <p>AG assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.</p> <p>AG did not identify any material findings on the</p>
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usefulness and reliability of the reported performance information for the selected programmes.

Additional matters

Although the AG identified no material findings on the usefulness and reliability of the reported performance information for the selected programmes, AG drew attention to the following matter:

Achievement of planned targets

Refer to the annual performance report on pages 41 to 50 and 51 to 92 for information on the achievement of the planned targets for the year.

Compliance with legislation

AG performed procedures to obtain evidence that the Department had complied with applicable legislation regarding

financial matters, financial management and other related matters. AG's material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Annual financial statement and annual report

The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records as required by section 40(1)(a) and (b) of the PFMA.

Material misstatements in accruals and tangible capital assets were identified by the auditors in the submitted financial statements. The material misstatement in accruals were adequately corrected, however the material misstatement in

				<p>tangible capital assets were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a qualified audit opinion.</p> <p><i>Asset management</i> Proper control systems to safeguard and maintain assets were not implemented, as required by section 38(1) (d) of the PFMA and Treasury Regulation 10.1.1(a).</p> <p><i>Expenditure management</i> Effective steps were not taken to prevent irregular, fruitless, and wasteful expenditure, as required by section 38(1) (c) (ii) of the PFMA and Treasury Regulation 9.1.1.</p> <p>Internal control The AG considered internal control relevant to the audit of the</p>
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financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for qualified opinion and the findings on compliance with legislation included in this report.

Leadership

Instability in leadership positions resulted in inadequate reviews of the financial information and ineffective monitoring of compliance with laws and regulations. Slow response by leadership in implementing systems and processes to ensure proper record keeping of movable tangible and intangible capital assets to ensure complete, relevant and accurate information is accessible and available to support financial reporting due to amongst other things, the

			<p>ensuing litigation against the department as explained in more detail in paragraph 5.12 of the accounting officer's report and notes 32 and 33 to the financial statements.</p> <p><i>Financial and performance management</i></p> <p>Adequate systems and processes were not in place to ensure that the department obtains proper records of movable tangible and intangible capital assets on a regular basis from the service provider to ensure that complete, relevant and accurate information is accessible and available to support financial reporting, due to amongst other things, the ensuing litigation against the department as explained in more detail in paragraph 5.12 of the accounting officer's report and notes 32 and 33 to the financial statements.</p>
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				<p>Other reports AG drew attention to the following engagements that could potentially impact on the department's financial, performance and compliance related matters. AG's opinion is not modified in respect of these engagements that are either in progress or have been completed.</p> <p><i>Investigations</i> Investigations are being performed on the matters related to procurement and contract management. Investigations cover the period 1 April 2015 to 31 March 2016 and are still in progress. The outcomes are expected in 2016/17 financial year.</p>
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