

PARLIAMENT
OF THE
REPUBLIC OF SOUTH AFRICA

**ANNOUNCEMENTS,
TABLINGS AND
COMMITTEE REPORTS**

THURSDAY, 20 OCTOBER 2016

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ANNOUNCEMENTS

National Assembly

The Speaker

1. Membership of Committees

- (1) The following changes to Committee membership have been made:

(1) AFRICAN NATIONAL CONGRESS

Portfolio Committee on Agriculture, Forestry and Fisheries

Discharged: Tolashe, Ms NG [Alternate]
Mabe, Mr PP
Maxhegwana, Mr CHM

Portfolio Committee on Communications

Discharged: Van Schalkwyk, Ms SR

Portfolio Committee on Cooperative Governance and Traditional Affairs

Discharged: Mapulane, Mr MP

Appointed: Kekana, Mr E [Alternate]

Portfolio Committee on Defence and Military Veterans

Discharged: Nesi, Mr BA

Portfolio Committee on Energy

Discharged: Makhubele-Mashele, Ms LS

Portfolio Committee on Health

Discharged: Scheepers, Ms MA

Portfolio Committee on Home Affairs

Discharged: Nesi, Mr BA

Portfolio Committee on Labour

Discharged: Mantashe, Ms PT

Appointed: Mkongi, Mr BM

Portfolio Committee on Science and Technology

Discharged: Goqwana, Dr MB
Mjobo, Ms LN
Maphanga, Mr WB
Koornhof, Mr NJJvR [Alternate]

Appointed: Ndongeni, Ms N
Tuck, Ms A

Portfolio Committee on Small Business Development

Discharged: Ramakhoase, Mr TRJE
Zwane, Mr MJ

Portfolio Committee on Telecommunications and Postal Services

Discharged: Ndongeni, Ms N

Appointed: Manyoni, Mr TM

Portfolio Committee on Trade and Industry

Appointed: Van Schalkwyk, Ms SR

Portfolio Committee on Water and Sanitation

Discharged: Maluleke, Ms JM
Mnguni, Mr D

Appointed: Manana, Ms DP
Manyoni, Mr TM [Alternate]

(2) DEMOCRATIC ALLIANCE

Portfolio Committee on Environmental Affairs

Discharged: Stander, Ms T

2. Referral to Committees of papers tabled

(1) The following papers are referred to the **Portfolio Committee on Trade and Industry**:

- (a) Government Notice No 1207, published in Government Gazette No 40320, dated 30 September 2016: Draft National Gambling Amendment Bill, 2016: Invitation for the public to comment on the Bill, in terms of the National Gambling Act, 2004 (Act No 7 of 2004).

- (b) Government Notice No 1206, published in Government Gazette No 40319, dated 30 September 2016: Draft Liquor Amendment Bill, 2016: Invitation for the public to comment on the Draft Liquor Amendment Bill, 2016, in terms of the Liquor Act, 2003 (Act No 59 of 2003).
- (c) Government Notice No 1208, published in Government Gazette No 40321, dated 30 September 2016: Final National Liquor Policy, 2016: The Final National Liquor Policy is hereby published for Public Information, in terms of the Liquor Act, 2003 (Act No 59 of 2003).

National Council of Provinces

The Chairperson

1. Referral to Committees of papers tabled

- (1) The following papers are referred to the **Select Committee on Land and Mineral Resources** for consideration and report:
 - (a) Paris Agreement on Climate Change, tabled in terms of section 231(2) of the Constitution, 1996.
 - (b) Explanatory Memorandum to the Paris Agreement on Climate Change.

TABLINGS

National Assembly and National Council of Provinces

1. The Minister of Environmental Affairs

- (a) Government Notice No 892, published in Government Gazette No 40188, dated 5 August 2016: Adoption of Dangerous Goods, 2016, in terms of the National Environmental Management Act, 1998 (Act No 107 of 1998).
- (b) Government Notice No 891, published in Government Gazette No 40188, dated 5 August 2016: Activities identified in terms of section 24(2) that may be excluded from the requirement to obtain an environmental authorisation but that must comply with the Dangerous Goods Standard, 2016, in terms of the National Environmental Management Act, 1998 (Act No 107 of 1998).
- (c) Government Notice No 915, published in Government Gazette No 40207, dated 12 August 2016: Notice to the Paper and Packaging Industry, Electrical and Electronic Industry and Lighting Industry to prepare and submit to the Minister Industry

Waste Management Plans for Approval, in terms of the National Environmental Management: Waste Act, 2008 (Act No 59 of 2008).

- (d) Government Notice No 903, published in Government Gazette No 40199, dated 11 August 2016: Amendments to Waste Tyre regulations, 2009, in terms of the National Environmental Management: Waste Act, 2008 (Act No 59 of 2008).
- (e) Government Notice No 904, published in Government Gazette No 40200, dated 11 August 2016: National pricing Strategy for Waste Management, in terms of the National Environmental Management: Waste Act, 2008 (Act No 59 of 2008).
- (f) General Notice No 356, published in Government Gazette No 40088, dated 24 June 2016: Draft Strategy to address Air Pollution in dense low-income settlements: For comments, in terms of the National Environmental Management: Air Quality Act, 2004 (Act No 39 of 2004).
- (g) Government Notice No 849, published in Government Gazette No 40154, dated 22 July 2016: Section 24H Registration Authority Regulations, in terms of the National Environmental Management Act, 1998 (Act No 107 of 1998).
- (h) General Notice No 470, published in Government Gazette No 40173, dated 29 July 2016: Request for Communities or Individuals holding Traditional Knowledge associated with the use of *Pseudolachnostylis Maprouneifolia* and *Xeroderris Stuhlmannii*, in terms of the National Environmental Management: Biodiversity Act, 2004 (Act No 10 of 2004).
- (i) Government Notice No 864, published in Government Gazette No 40166, dated 29 July 2016: Alien and Invasive Species List, 2016, in terms of the National Environmental Management: Biodiversity Act, 2004 (Act No 10 of 2004).
- (j) Government Notice No 575, published in Government Gazette No 40021, dated 27 May 2016: Non-detriment findings, in terms of the National Environmental Management: Biodiversity Act, 2004 (Act No 10 of 2004).

2. The Minister of Telecommunications and Postal Services

- (a) International Telecommunications Regulations 2012, tabled in terms of section 231(2) of the Constitution, 1996.
- (b) Explanatory Memorandum to the International Telecommunications Regulations 2012.

- (c) The World Radio Communications Conference 2015 (WRC-15) Final Acts, tabled in terms of section 231(2) of the Constitution, 1996.
 - (d) Explanatory Memorandum to the World Radio Communications Conference 2015 (WRC-15) Final Acts.
 - (e) The Final Acts of the Plenipotentiary Conference of the International Telecommunications Union (ITU) – Guadalajara 2010, tabled in terms of section 231(2) of the Constitution, 1996.
 - (f) Explanatory Memorandum to the Final Acts of the Plenipotentiary Conference of the International Telecommunications Union (ITU) – Guadalajara 2010.
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COMMITTEE REPORTS

National Assembly

1. REPORT OF THE PORTFOLIO COMMITTEE ON JUSTICE AND CORRECTIONAL SERVICES ON THE JUSTICE ADMINISTERED FUND BILL [B26-2016], DATED 20 OCTOBER 2016

The Portfolio Committee on Justice and Correctional Services, having considered the Justice Administered Fund Bill [B26-2016], referred to it and classified as a section 75 Bill, reports the Bill without amendments.

The Committee wishes to report further as follows:

1. The Justice Administered Fund Bill was referred to the Committee on 15 October 2015.
2. The Bill was advertised for public comment in various newspapers. The Committee received one submission in response but there was no request to make a verbal submission before the Committee.
3. The Department of Justice and Constitutional Development administers certain funds on behalf of third parties. The Bill seeks to address existing gaps in the governance and administration of these

so-called Third Party Funds (TPF) by providing for the establishment of a Justice Administered Fund to regulate the management, control, investment and use of money in the Fund.

4. The Committee welcomes the provision of a legal framework for the administration of the TPF as an important step in the ongoing reform of the TPF environment. However, it is mindful that there is still a great deal more to be done if the Department is to achieve an unqualified audit opinion by the target date.

Report to be considered

2. The Budgetary Review and Recommendation Report (BRRR) of the Portfolio Committee on Basic Education on the performance of the Department of Basic Education for the 2015/16 financial year, dated 18 October 2016

The Portfolio Committee on Basic Education, having considered the performance of the Department of Basic Education, reports as follows:

1. Introduction

1.1 Purpose of the BRRR

Section 5 of the Money Bills Procedures and Related Matters Amendment Act 9 of 2009 sets out the procedure that allows the National Assembly, through its Committees, to make recommendations to the Minister of Finance to amend the budget of a national department. Through this procedure, committees are required to annually compile Budgetary Review and Recommendation Reports that assess the service delivery performance

of departments, given available resources. Committees are also expected to provide an assessment of the effectiveness and efficiency of the Department's use of available resources, and may include recommendations on the forward use of resources. The BRRR is also a source document for the Committee on Appropriations when making recommendations to the House on the Medium-Term. The annual reviews of expenditure and performance for 2015/16 forms part of this process.

1.2 The role and mandate of the Portfolio Committee

The Portfolio Committee on Basic Education is mandated by sections 55 and 92 of the Constitution of the Republic of South Africa (Act 108 of 1996) to oversee the activities and performance of the Department of Basic Education and its two statutory bodies, namely, the Council for Quality Assurance in General and Further Education and Training (Umalusi) and the South African Council for Educators (SACE). In this context, the Portfolio Committee on Basic Education focuses its work within the five constitutional mandates of Parliament, which are to process and approve legislation, conduct oversight, ensure public participation, process international agreements and facilitate co-operative governance. In addition to performing these constitutional mandates, the Committee engages in various activities and programmes focussing on the development and delivery of quality public education to all South Africans. The Committee also deals with matters referred to it by the Speaker or the National Assembly.

1.3 Core functions of the Department of Basic Education

The Department of Basic Education (DBE) derives its mandate firstly from the Constitution of the Republic of South Africa (1996), which requires education to be transformed and democratised in accordance with the values of human dignity, equality, human rights and freedom, non-racism and non-sexism. The Constitution guarantees access to basic education for all, including adult basic education. Secondly, the National Education Policy Act, 1996 Act 27 of 1996 (NEPA), inscribes into law the policies for the

national system of education, the legislative and monitoring responsibilities of the Minister of Education, as well as the formal relations between national and provincial authorities. In terms of the NEPA, the DBE's statutory role is to formulate national policy, norms and standards as well as to monitor and evaluate policy implementation and impact.

In line with its mandate, the Department has a vision of a South Africa in which all people will have access to lifelong learning, education and training opportunities, which will, in turn, contribute towards improving the quality of life and building a peaceful, prosperous and democratic South Africa.

In fulfilling its mandate over the next five years, the Department is guided by the Medium Term Strategic Framework (MTSF) designed to reflect the actions outlined in the National Development Plan (NDP).

1.4 Processes followed by the Portfolio Committee in arriving at this report

In compiling this BRRR, the Portfolio Committee assessed the performance of the Department of Basic Education with reference to the following:

- The strategic priorities and measurable objectives as set out in the 2015/16 and 2016/17 Annual Performance Plans.
- Expenditure trends drawn from the reports of the National Treasury;
- The 2015 and 2016 State of the Nation Address priorities; the reports of the Auditor-General of South Africa and the reports on the 2016 Budget Vote.
- The priorities of the Basic Education sector as set out in the 2014 – 2019 MTSF and the NDP
- The financial statements and annual report briefings, in terms of Section 65 of the Public Finance Management Act No. 1 of 1999, which requires the Ministers to table the Annual Reports and financial statements for the Department and public entities before Parliament.

- Findings of the Portfolio Committee’s oversight visits, including quarterly briefings.
- External sources assessing the performance of the Department.

The briefings on the annual performance and financial statements of the Department and its statutory bodies took place on 11 and 12 October 2016 in Parliament. The Portfolio Committee also met with the Auditor General on the audit outcomes on 12 October 2016.

2. Overview of the key relevant policy focus areas

2.1 Strategic Priorities of the Department

Since 2009, the focus of the education sector is on “improved quality of Basic Education” – Outcome 1. The strategic outcome oriented goals of the Department of Basic Education (DBE) in the 2015/16 and 2016/17 financial years are anchored on the 2014 – 2019 Medium Term Strategic Framework (MSTF) and the sector plan, Action Plan to 2019 - *Towards the realization of schooling 2030*. The overarching goal of the education sector remains to improve learner performance across all grades.

The MSTF outputs for the sector and the Department’s plans are aligned to and guided by the National Development Plan. The Department’s strategic outcome oriented goals per programme are aligned to the following six MSTF sub-outcomes:

- Improved quality teaching and learning, through the development, supply and effective utilisation of teachers;
- Improved quality teaching and learning, through the provision of adequate, quality infrastructure and learning and teaching support materials;
- Improving assessment for learning to ensure quality and efficiency in academic achievement;

- Expanded access to Early Childhood Development and the improvement of the quality of Grade R, with support for pre-Grade R provision;
- Strengthening accountability and improving management at the school, community and district levels;
- Partnerships for education reform and improved quality.

There are specific “non-negotiables” forming part of the key deliverables finding expression in the DBE’s plans and in provincial plans to fast-track some of the key imperatives of government in the basic education sector. All the non-negotiables are directly linked to the MTSF priorities for the sector. They include the provision of high quality LTSM and infrastructure; the monitoring, support and improvement of Districts; teacher development and placement; accelerating the provision of ICT through Operation Phakisa (Big Fast Results); the provision of Library Services; Rural Schools (Multi-grade, Farm and non-viable schools); the Curriculum with the focus being on MST, Reading and Inclusive Education); and, Social Mobilisation, partnerships, learner well-being and safety.

2.2 Overview of the service delivery environment and context for 2015/16 and 2016/17

The service delivery environment in the education sector comprises the Department of Basic Education (DBE) and the nine Provincial Education Departments (PEDs), including district offices and schools, working collaboratively to achieve Outcome 1 of government’s Programme of Action. For 2015/16, based on the 2015 School Realities which reflects the 10th school day statistics, the education sector (ordinary public and independent schools) comprised 12 814 473 learners, 416 093 educators and 25 691 schools.

The delivery environment in both 2015/16 and 2016/17 requires a model of provision which requires the National Department of Basic Education to focus on technical leadership, oversight, and the setting and maintenance of norms and standards in the basic education concurrent function.

For 2016/17, the DBE remains focused on the provision of quality basic education, particularly the six outputs covered in the Medium Term Strategic Framework and the non-negotiables.

The Department of Basic Education's Revised Strategic Plan for 2015/16 – 2019/20, tabled in March 2016, was revised with a view to reflect more explicitly the Department's core functions of policy development, monitoring the implementation of policy and the oversight role over provinces, as expressed in the National Education Policy Act (Act No. 27 of 1996). In so doing the Department set out to leave the sector functions of implementation to be covered in the different Provincial Education Departments' plans and programmes.

2.3 A Summary of previous key Performance Recommendations of the Portfolio Committee

2.3.1 Budgetary Review and Recommendation Report 2015

2.3.1.1 Responses from the Department of Basic Education

In the 2015 Budgetary Review and Recommendation Report (BRRR), the Portfolio Committee recommended that the Department address audit shortcomings which were highlighted by the Auditor General in order to avoid their recurrence in the future. These shortcomings include the following:

- Accruals and payables exceeding 30 days deemed unauthorised expenditure;
- The recurring challenge of the restatement of corresponding figures;
- Material non-compliance with legislation in respect of expenditure management (irregular and unauthorised expenditure), annual financial statements, procurement and contract management; and;

- Internal control deficiencies, including leadership oversight, systems to monitor financial and performance management and capacity of the internal audit.

Further key service delivery recommendations of the Portfolio Committee related to the following:

- Ensuring that officials who do not comply with legislation or are under-performing are held accountable;
- Intensifying the monitoring of the implementation of the textbook retrieval system;
- Ensuring that the Limpopo Province improves its performance, including its audit outcomes and spending in respect of the HIV and AIDS conditional grant;
- Considering an alternate, cost effective way of incentivising dedicated teachers and quality schools (other than the expensive Annual Teacher Awards Ceremony);
- Intensifying interventions in respect of the implementation of Inclusive Education, including the effective implementation of SIAS;
- Finalising the matter of learners who had been implicated in irregularities during the 2014 NSC Examination;
- Fast-tracking the completion of teacher profiling to enable effective reporting in future Quarterly and Annual Reports on important sectoral data that capture factors such as subjects they teach, school phases and geographical areas, which would further enable Parliament to monitor performance more effectively; and
- Collaborating with relevant role-players, to intensify support to Provincial Education Departments to ensure that they improve their expenditure in infrastructure budgets.

2.3.1.2 Progress report on the implementation of the Action Plan to address the A-G's 2014/15 audit findings

(a) Accruals and payables exceeding 30 days deemed unauthorised expenditure

Action Plan	Progress made
<p>Accruals: All infrastructure invoices must be paid within 30 days of receipt. The cash flow forecast to be developed to avoid over commitment during the financial year.</p>	<p>A consolidated cash flow projection has been developed and the expenditure of all projects are reconciled to the monthly cash flow forecast to ensure that they are in line with the projected expenditure.</p> <p><i>[It would appear that there was a slow response by management in addressing this challenge since it recurred in 2015/16]</i></p>
<p>Payables: A letter to be written to Implementing Agents (IAs) who transferred funds to the Department's ASIDI accounts. Regular meeting must be held with IAs. The accruals and payable should be one of the standing items.</p>	<p>A letter was written to the affected IAs indicating that they should refrain from transferring funds into the ASIDI account since it is in contravention with the PFMA. In meetings with the IAs, the matter has been re-emphasised to all IAs.</p>

(b) The recurring challenge of the restatement of corresponding figures

Action Plan	Progress made
<p>All units must conduct monthly reconciliation and submit to the Chief Financial Officer (CFO)'s office for verification.</p>	<p>The Department noted that the main cause of restatement was incorrect information from the IAs. Letters were written to the IAs to request them to submit signed reconciliations as well as any other information requested.</p>

(c) Internal control deficiencies, including leadership oversight, systems to monitor financial and performance management and capacity of the internal audit

Action Plan	Progress made
All Branches were informed that they must ensure that their Internal Controls are strengthened, reviewed and to monitor the implementation thereof.	It was reported that most Directorates are implementing Internal Controls. In the revised organisational structure of the Department, a sub-directorate was created to perform the internal control functions. It is envisaged that this will minimise internal control deficiencies.

(d) Material non-compliance with legislation in respect of expenditure management (irregular and unauthorised expenditure), annual financial statements, procurement and contract management: No response was received from the Department regarding progress in addressing this matter.

2.3.1.3 Service delivery issues

- (a) Progress in ensuring that the Limpopo Education Department improves its performance, including its audit outcomes and spending in respect of the HIV and Aids conditional grant:** The Department of Basic Education (DBE) reported that the Limpopo Department of Education (LDoE) would develop its Audit Action Plan with deadlines. Each official in the Department would be held accountable for their areas for their areas of responsibility. Given that the LDoE was now under Section 18, the Section 18 Team would lead the Auditor General (AG) interaction and audit monitoring. The S18 Team,

together with the LDoE officials, would focus on the following:

- Complete monthly employee verification;
- Pay all outstanding/backlog teachers' salaries;
- Pay all outstanding/backlog pensions;
- Conduct policy formulation;
- Sort out the infrastructure valuation in time for the 2016/17 YE (already started);
- Hold Implementing Agents (IAs) accountable;
- Improve Supply Chain Management (SCM), financial management and records management (both specifically with effect from 1 April 2016);
- Improve all Human Resource Management (HRM) issues; and
- Improve Risk and Security Management and Internal Control;

The DBE noted the key timeframes of resolving issues to include:

- 80% by 2016/17 Financial year;
- Outstanding issues during the 2017/18 financial year;
- The PED would hold regular audit improvement plan meetings to:
 - review progress on previous findings;
 - hold accountability meetings; and
 - Improve record keeping.
- The PED would conduct investigations of irregular expenditure and take appropriate action.

Support from the Department of Basic Education (DBE)

- The DBE and LDoE have agreed to work together with the aim of improving the audit outcome of Limpopo;

- The DBE team will evaluate and analyse the Audit Action Plan of Limpopo with the aim of assessing and identifying the root cause and the proposed relevant intervention measures, including creating realistic timeframes;
- The DBE will engage the LDoE and the S18 Team on an on-going basis with the aim of evaluating and reviewing the progress of the Audit Action Plan.

From the response of the Department as covered above, it is unclear as to the progress made in the 2015/16 financial year towards improving Limpopo's audit outcomes, and whether anyone was held accountable.

In respect of improving spending with respect to HIV and Aids grant, the DBE reported that the Limpopo Department of Education (LDoE) indicated that it has submitted all the procurement plans and needs to the Supply Chain Management (SCM) for all the grants, including HIV and Aids. This is the procurement plan that is in line with the approved business plan. This process will ensure that the LDoE realise all its planned activities and also improve spending in the current financial year. Notably, for 2015/16, the LDoE improved its spending on the HIV and AIDS grant to more than 95 per cent of its allocated budget.

- (b) Ensuring that officials who do not comply with legislation or perform poorly are held accountable:** The DBE reported that, through the Performance Management and Development System (PDMS), the Department is able to identify under-performers. Letters are written to DDGs signed by the DG requesting that Managers prepare a development plan to assist poor performers to improve their performance by identifying relevant courses and providing

the necessary mentorship. This is being monitored on a quarterly basis. Normal disciplinary processes are instituted where officials lack compliance with legislation.

- (c) **Intensifying the monitoring of the implementation of the textbook retrieval system:** The DBE reported that they have commenced with the process of developing a national policy to guide the provision and management of Learning and Teaching Support Material (LTSM). The Minister has approved the draft LTSM policy for public comments. The Department received the comments and is currently finalising the process. LTSM retention and retrieval form part of the key elements of LTSM provision and management addressed in the policy.

In the present term, the Department has developed an annual Sector Plan to guide and set timelines for provinces to procure and deliver LTSM for the new school calendar year. Subsequent to the release of the Sector Plan by the DBE, provinces then align their Management Plans to that of the DBE.

With regards to retention and retrieval, the Department issued a circular (S12 of 2013) to reiterate the Department's commitment regarding the provision of a textbook for every subject to each learner in the schooling system. The circular further communicates that the procurement of the required LTSM and its efficient retention are both essential components of LTSM provision as they will ensure greater access to LTSM for learners.

The SA-SAMS programme is currently providing for schools to track retrieval. In addition, the Department is in the process of rolling out an electronic procurement, delivery and

retrieval programme aimed to interface with the SA-SAMS programme.

(d) Intensifying interventions in respect of the implementation of Inclusive Education, including the effective implementation of SIAS: The Department is entrenching and deepening a multi-disciplinary approach in the implementation of Inclusive Education across Branches and Directorates from the DBE cascading to Provinces and Districts as in the following examples:

- Curriculum Differentiation and SIAS Policy Implementation require the involvement of the following critical Directorates through the following levels:
 - Teacher Development
 - Curriculum Management and Subject Advisory Services
 - Education Management and Governance Development
 - District and Circuit Management
 - Inclusive Education
- The implementation of CAPS for SASL is primarily a Curriculum responsibility and requires the involvement of the following Directorates across the levels:
 - Teacher Development
 - Curriculum Management and Subject advisory Services
 - Education management and Governance Development
 - Inclusive Education
 - Human Resource Planning

The Department noted that, for effective collaboration, the start should be integrated planning, monitoring and support

rather each entity working in isolation and should include the sharing of resources for each area of implementation to maximise gains whilst ensuring effective use of resources.

The Department further noted that, key to effective and successful implementation is the availability of resources in particular with regards to funding. For instance, SIAS implementation requires that the DBE prints and distributes the policy documents; and CAPS documents for SASL.

Other key areas requiring attention are to ensure the establishment and fully-functioning of district-based support teams (DBSTs) and school-based support teams (SBSTs) in every district and every school respectively in addition to finalising and implementing enabling systems such as the Norms and Standards for the Distribution of Resources (Funding and HR) for an Inclusive System.

(e) Finalising the matter of learners who had been implicated in irregularities during the 2014 NSC Examination: The DBE together with PEDs made some progress in resolving the irregularities by providing opportunities for the learners to present themselves at irregularity hearings. However, hearings could not be concluded in seven schools in the Eastern Cape and eleven schools in the Kwa-Zulu Natal province due to the following reasons:

- Learners had engaged the services of lawyers, who raised various reasons for not allowing the learners to present themselves at scheduled hearings.
- Learners could not be traced given that they had relocated and school principals were not aware of their whereabouts.

On the basis of the above and given the repeated attempts to convene these hearings,

- The 2014 implicated results of these learners were nullified and candidates allowed to write the 2016 NSC examination. This action was taken based on the notion that learners had already served their sanction period and therefore the results could be released.
- In cases where candidates wrote either the 2015 Supplementary or the 2015 November examination, as allowed by the Ministerial concession, these results were released.
- The above action was accepted by Umalusi and results were in the process of being released and candidates would be allowed to write the 2016 NSC examination, if they so desire.

(f) Fast-tracking the completion of the teacher profiling to enable the reporting in future Quarterly and Annual Reports on important sectoral data that capture factors such as subjects they teach, school phases and geographical areas, which would further enable Parliament to monitor performance more effectively: The process of teacher profiling has been slower than expected due to various challenges faced by PEDs. These include lack of personnel capacity in the district offices; shortage of equipment such as computers to allow more officials to work on capturing; and missing documentation in educator files which requires that educators resubmit.

The Department continues to monitor the implementation of the teacher profiling process in the provinces. PERSAL data as at 30 November 2015 was analysed and a comprehensive report was developed and presented to Senior Management and HEDCOM. As part of ongoing monitoring, the DBE compiles exception reports detailing identified gaps in

capturing. The exception reports are sent to PEDs on a quarterly basis to effect corrections.

- (g) **Collaborating with relevant role-players, to intensify support to Provincial Education Departments to ensure that they improve their expenditure on infrastructure budgets:** The DBE reported that they have strengthened their monitoring and oversight role as well as early warning mechanisms. To this effect, the following are being implemented in the current financial year:
- Strengthening project site visits to assess progress, to view problems, to gather information etc.;
 - Facilitating meetings between project partners where issues have to be dealt with and decisions taken;
 - Providing advice where possible and sharing the experiences/good practises; and
 - Providing specialist advice about contract and construction management issues.

Monitoring deals with both programme and project matters. Programme matters being monitored include the pattern of overall expenditure being achieved; comparisons of expenditure to projected cash flows; and progress being made with key groups of projects [e.g. Water, sanitation, libraries, laboratories, Grade R].

At the Project level the Department reported the progress being made as including that PSP appointments are being made timeously; planning and design processes are adhered to; the tender processes for the appointment of contractors are progressing in relation to the planned milestones; construction is progressing satisfactorily, [(e. on programme, on budget, at acceptable quality); and projects are being handed over and closed out. It should be noted that

during the oversight visit to Limpopo Province in September 2016, Members of the Portfolio Committee raised concern that some projects were not handed over timeously. It would be important that the Department ensure that this matter be addressed adequately.

3. Overview and Assessment of Financial Performance

3.1 Allocation versus Expenditure per Programme for 2015/16

Table 1: Allocation versus Expenditure per Programme for the 2015/16 Financial Year

Programmes	2015/16			Expenditure as % of Appropriation
	Appropriation	Actual Expenditure	Variance	
	R'000	R'000	R'000	
Administration	386 645	386 475	170	100.0%
Curriculum Policy, Support and Monitoring	1 837 965	1 797 740	40 225	97.8%
Teachers, Education Human Resources Development and Institutional Development	1 164 017	1 163 548	469	100.0%
Planning, Information and Assessment	11 959 764	11 511 906	447 858	96.3%
Educational Enrichment Services	5 938 035	5 936 456	1 579	100.0%
Total	21 286 426	20 796 125	490 301	97.7%

The budget allocation of the Department of Basic Education in 2015/16 was R21.3 billion, which represented a nominal increase of R1.6 billion, or 8.1 per cent from 2014/15. The majority of the (R16.8 million) consisted of

transfers and subsidies, mainly to provinces and municipalities. This means the Department had an available budget of R4.5 billion for operations.

Actual expenditure in 2015/16 was R20.8 billion or 97.7 per cent of the allocated budget compared to 99.2 per cent in 2014/15. The unspent balance of R490.3 million at the end of 2015/16 is more than in 2014/15, when R161 million was unspent. Table 1 shows that the main contributors to the under-spending in 2015/16 were Programme 2 that had spent 97.8 per cent and Programme 4, which spent 96.3 per cent.

3.1.1 Reasons for Deviations in the above Programmes

- **Programme One: Administration (Underspent: R170 000)** - There were no material variances in this programme.
- **Programme Two: Curriculum Policy, Support and Monitoring (Underspent: R40.2 million)** - The under-spending on this programme was mainly on the Expanded Public Works Programme (EPWP) Grant due to issues of administrative delays in capturing the required data into the EPWP electronic system. The major problem was that EPWP changed the reporting system, capturing in the new electronic system was a challenge as this system was not included in the original plan and the agreement signed by both the Director-General of the DBE and Public Works.
- **Programme Three: Teachers, Education Human Resources Development and Institutional Development (Underspent: R469 000)** - There were no material variances on this programme.
- **Programme Four: Planning, Information and Assessment (Underspent: R447.9 Million)** - The under-spending on this programme was mainly on the ASIDI programme. The process of consultation on rationalisation of schools took longer than anticipated and it impacted on the spending trends for the ASIDI project.

- **Programme Five: Educational Enrichment Services (Underspent: R1.6 Million)** - There were no material variances in this programme.

3.2 Allocation against Actual Expenditure for the 2015/16 Financial Year

Economic Classifications	2015/16			Expenditure as % of Appropriation
	Appropriation	Actual Expenditure	Variance	
	R'000	R'000	R'000	
CURRENT PAYMENTS				
Compensation of Employees	439 640	439 472	168	100.0%
Goods and Services	2 037 526	2 102 316	(64 790)	103.2%
Interest on rent and land	47 524	47 524	0	100.0%
TRANSFERS AND SUBSIDIES				
Provinces and Municipalities	16 813 584	16 818 562	(4 978)	100.0%
Provinces and Municipalities	15 631 771	15 631 771	0	100.0%
Departmental agencies and accounts	1 103 789	1 104 391	(417)	100.0%
Foreign government and international organisations	16 478	20 998	(4 520)	127.4%

Non-profit institutions	60 055	60 055	0	100.00%
Households	1 306	1 347	(41)	103.1%
PAYMENTS FOR CAPITAL ASSETS	1 947 645	1 387 737	559 908	71.3%
Building and other fixed structures	1 932 786	1 374 762	558 024	71.1%
Machinery and Equipment	14 779	12 795	1 804	87.8%
Software and other tangible assets	80	0	80	0%
PAYMENTS FOR FINANCIAL ASSETS	507	514	(7)	101.4%
Total	21 286 426	20 796 125	490 301	97.7%

3.2.1 Deviations and Mitigation Measures

- Goods and Services** - The over-spending on this item was due to the procurement and provision of school furniture for non ASIDI schools that was not budgeted for under the ASIDI allocation. The Department aimed to ensure that during the adjustment, budget funds are shifted from the capital budget to cover the remaining commitments on this item.
- Transfers and subsidies** - The over-expenditure on this item was due to the transfers to foreign/international organisations which are made in Dollars and EUROS. At the time of the transfer the exchange rate was higher than projected. The Department would in future estimate the exchange rate based on the value of the Rand at the time of receipt of these invoices and

request National Treasury approval to increase the amounts to be transferred to these organisations.

- **Payments for Capital Assets:** The under-spending on this item was mainly in respect of the ASIDI project and was due to the rationalisation of schools. The process of consultation for the mergers of schools took longer than anticipated. The consultation on the rationalisation of schools had been completed in some areas.

3.2.2 Report of the Auditor-General's on the Department's audit outcomes

The Department received an unqualified audit opinion for 2015/16 as in previous years. The emphasis of matters raised by the Auditor-General include the following:

- **National textbooks cataloguing process:** The audit revealed deficiencies in the process of establishing national catalogues of text books to be procured by Provincial Education Departments for distribution to schools. The Department did not comply with certain aspects of the supply chain requirements as prescribed by the National Treasury in the Treasury Regulations. This was due to the lack of tracking and monitoring of compliance with Treasury Regulations during this process.
- **Predetermined objectives:** The reported performance information was unreliable when compared to the source information, in Programme 2 (Curriculum Policy Support and Monitoring), Programme 3 (Teachers, Education Human Resources and Institutional Development) and Programme 4 (Planning, Information and Assessment). Notably, there were no material findings in respect of the reliability of information in Programme 5 which had findings in 2014/15.

3.2.3 Additional matters raised included:

- **Expenditure management:**
 - The accounting officer did not take effective steps to prevent irregular expenditure amounting to R599 million, in contravention of section 38(1) (c) (ii) of the PFMA and treasury regulation 9.1.1.
 - The accounting officer did not take effective steps to prevent unauthorised expenditure amounting to R153 million, in contravention of section 38(1) (c) (ii) of the PFMA and treasury regulation 9.1.1.
 - The accounting officer did not take effective steps to prevent fruitless and wasteful expenditure amounting to R44 million, in contravention of section 38(1) (c) (ii) of the PFMA and treasury regulation 9.1.1.

- **Consequence management:** Effective and appropriate disciplinary steps were not taken against officials who made and permitted irregular and unauthorised expenditure at the time, as required by section 38(1)(h)(iii) of the PFMA and treasury regulation 9.1.3, since it was not investigated during the year under review.

- **Procurement and contract management:**
 - Fourteen contracts were awarded to bidders where preferential points were not allocated and/or calculated according to the requirements of the Preferential Procurement Policy Framework Act and its regulations.
 - Memorandums of agreements with implementing agents were not amended or extended through approval by a delegated official, in contravention of the department's delegation of authority issued in terms of section 44 of the PFMA. The total value of the payments made in the current financial year to the implementing agents after expiry of their memorandums of agreements amounted to

R 219.8 million and it has been disclosed as irregular expenditure.

- **Annual Financial Statement** - Material misstatements of immovable tangible capital assets, accruals and commitments identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records provided, resulting in the financial statements receiving an unqualified audit opinion.
- **Internal control:** Deficiencies in the control environment mainly in the area of oversight by leadership and, particularly in respect of the infrastructure programme and performance reporting over the past three financial years, were not adequately addressed. In addition, the performance of the *internal audit unit* against the annual internal audit plan was not satisfactory due to challenges in the capacity of the unit.

3.2.4 Steps Taken to Prevent Recurrence

The Department reported the steps it took to prevent a recurrence of the AGSA findings, as follows:

- **National textbooks cataloguing process:** The Department wrote to National Treasury requesting approval to deviate from the normal procurement process since cataloguing cannot be done through the normal Supply Chain Management (SCM) process.
- **Irregular Expenditure, Fruitless and Wasteful Expenditure, Unauthorised Expenditure and Consequence management:**
 - Meetings were held with all Implementing Agencies (IAs) to inform them of Government Supply Chain Management (SCM) processes to be followed.

- In the case of any Implementing Agency found not to have followed the SCM processes, the Department has the right to terminate the Memorandum of Understanding with the IA.
 - Where fruitless and wasteful expenditure could be confirmed, deductions have already been made from the volunteers. Other cases are still under investigation to ascertain that they are indeed fruitless and wasteful expenditure. Once confirmed, deductions will be effected immediately.
- **Annual Financial Statements:**
 - During the training of volunteer supervisors and coordinators, a presentation was made on the matter. Should any volunteer be found to be affected by the matter, their contract will be terminated with immediate effect.
 - Officials affected by any form of irregularity, have been issued with warning letters.
 - Immovable tangible capital assets: The capital asset table is updated quarterly.
 - Accruals: The implementing agents will submit accruals on their official letterhead confirming completeness and correctness.
 - Commitments: Copies of contracts are being collected from the implementing agents to verify the commitment amounts.

4. Financial Performance for the First Quarter 2016/17, DBE

4.1 Allocation against Actual Expenditure per Programme

Table 4.1: Allocation against Actual Expenditure per Programme

PROGRAMMES	2016/17			Expenditure as % of Appropriation
	APROPRIATION	ACTUAL EXPENDITURE	VARIANCE	
	R'000	R'000	R'000	
Administration	377 893	99 991	277 902	26.46%
Curriculum Policy, Support and Monitoring	1 936 100	264 818	1 671 282	13.68%
Teachers, Education Human Resources Development and Institutional Development	1 163 742	753 487	410 255	64.75%
Planning, Information and Assessment	12 500 176	3 889 932	8 610 244	31.12%
Educational Enrichment Services	6 291 684	2 056 296	4 235 388	32.68%
Total	22 269 595	7 064 524	15 205 071	31.72%

The total Final Appropriation budget of the Department for the 2016/17 financial year amounts to R22.3 billion. The actual expenditure for the First Quarter amounted to R7.1 Billion or 31.8 per cent of the available budget, compared to the spending of 33 per cent in 2015/16. The 2016/17 First Quarter spending was lower compared with the Department's projections to spend R7.9 billion. The variance was mainly in Programmes 2 and 4 under goods and services and payments for capital assets respectively.

As in previous years, the lower than projected spending in Programme 2 was influenced by the late start of the Kha Ri Gude classes as well as the printing and distribution of workbooks. Expenditure was expected to improve in the Second and Third Quarters following the commencement of the delivery of workbooks

in September 2016. The start of the Kha Ri Gude classes in the second quarter would also influence the spending.

In terms of Programme 4, the Department had projected to spend R4.7 billion but were able to spend R3.9 billion. The deviation was mainly due to implementation delays in the School Infrastructure Backlogs grant (ASIDI), where the projected expenditure for the quarter was R929 million and only R176 million was spent. The slow spending was due to delays in the process of the merging and rationalisation of schools which had an impact on the spending needs for the ASIDI project. The Department also experienced slow spending in the ASIDI project in the 2015/16 financial year owing to the delays in the rationalisation process.

The high spending in Programme 3 was due to the transfer of the Funza Lushaka Bursaries funds to the National Student Financial Aid Scheme (NSFAS), which were transferred in April 2016.

4.2 Transfers and subsidies, (predominantly comprising conditional grants)

The transfers for the first quarter were made as scheduled. Spending in respect of the National School Nutrition Programme and the Education Infrastructure grants was largely on track whilst that of the HIV and AIDS (Life Skills Education) and the Mathematics, Science and Technology (MST) grants was lagging behind at 10 per cent each. Notably, in 2015/16 spending on the HIV and AIDS and the MST grants improved to 99.7 per cent and 96.0 per cent respectively by the end of the financial year, following a slow start in the First Quarter.

4.3 Overview and Assessment of Service Delivery Performance

4.3.1 Service delivery performance for 2015/16

The Annual Performance Plan summarises the priorities of the DBE as aligned to the *Delivery Agreement* of OUTCOME 1: *Improving the quality of Basic Education* and the *Action Plan to 2019: Towards the Realisation of Schooling 2030*. The activities of the Department remain structured into five programmes as elaborated in the Annual Performance Plan

For 2015/16, the total number of indicators for all DBE programmes was 31, compared with 26 in 2014/15. The Department shows steady progress in meeting its set targets, from 84.6 per cent being fully met in 2014/15 to 87.1 per cent in 2015/16.

4.3.1.1 Programme One: Administration - The Administration Programme is responsible for the management of the Department and the provision of strategic and administrative support services.

Within this programme, targets were achieved or exceeded in all four performance indicators, as was the case in 2014/15, as follows:

- **The number of staff development opportunities offered to officials of the Department** – The target set was 15 and the Department recorded 24 staff development opportunities.
- **The Number of internships implemented in the Department** – The target stood at 65 and the Department implemented a total of 66 internships.
- **Signed Financial Disclosure forms for the DBE SMS members submitted by the due date every year** – The target was for all SMS members to sign financial disclosure forms. All SMS members had submitted by the due date as per the target set.

- **Signed Performance Agreements by the DBE SMS members submitted by the due date every year** – The target was for all SMS members to have submitted by the due date – and this target was reached.

4.3.1.2 Programme Two: Curriculum Policy, Support and Monitoring - The purpose of Programme Two is to develop the curriculum and assessment policies and to monitor, evaluate and support their implementation.

Programme Two: Targeted Outputs versus Actual Output for 2014/15

Within this programme, the Department fully achieved or exceeded eight of the nine set targets, as follows:

- **The percentage of qualifying public schools with workbooks for Grade R learners** – The target was set at 97 – 100 per cent. The Department was able to reach its target of 100 per cent in this respect.
- **The percentage of Grade R practitioners with NQF level 6** – The target percentage was set at 20 per cent and the Department only reached 19 per cent.
- **The percentage of Grade R practitioners with NQF level 4 and 5** – The targeted percentage was set at 50 per cent and the Department exceeded this target and reached 79 per cent.
- **The percentage of public schools with Home language workbooks for learners in Grades 1 - 6** - The target was set at 97 – 100 per cent. The Department was able to reach its target of 100 per cent in this respect.
- **The percentage of public schools with Mathematics workbooks for learners in Grades 1-9** - The target was set at 97 – 100 per cent. The Department was able to reach its target of 100 per cent in this respect.

- **The number of learners completing the Kha Ri Gude programme** - The target was set at 430 441 learners and the Department only reached 298 317 learners.
- **The percentage of learners who obtain a National Senior Certificate** - The targeted percentage was set at 76 per cent but the Department only reached a target of 72.1 per cent.
- **The number of teachers trained in multi-grade teaching** – The Department set a target of 500 teachers and exceeded this by reaching 1 108 teachers.
- **The percentage of public schools with Mathematics workbooks for learners in Grades 1-9** - The target was set at 97 – 100 per cent. The Department reached its target of 100 per cent in this respect.

4.3.1.3 Programme Three: Teacher and Education Human Resources Development and Institutional Development - The purpose of Programme Three is to promote quality teaching and institutional performance through the effective supply, development and utilisation of human resources.

Programme Three - Outputs

Within this programme, the Department fully achieved or exceeded four of the seven set targets, whilst one was partially achieved and two were not achieved, as follows:

- **The number of Funza Lushaka bursaries awarded to students enrolled for initial teacher education** – The target was set at 13 000 and the Department was able to reach a total of 13 980 students.
- **The percentage of Funza Lushaka bursary holders placed within six months of their graduation** – The Department had set a target of 85 per cent placement and was able to reach 87 per cent in this regard.

- **The number of qualified teachers aged 30 and below, entering the public service as teachers during the financial year** – The target was set at 8 600 but the Department exceeded this target and reached 12 976 teachers entering the public service.
- **The percentage of principals appointed based on competency assessment processes** – The target was set at 75 per cent of advertised posts but the Department only appointed seven per cent.
- **The number of teachers who have written the Self-Diagnostic Assessments for English First Additional Language (EFAL) and Mathematics** – The targets were as follows for EFAL 20 000 and Mathematics 20 000 respectively. The target reached was EFAL 487 and Mathematics 653 respectively.
- **The percentage of School Governing Bodies (SGBs) that meet minimum criteria in terms of effectiveness (in sampled schools)** – The Department set a target of 70 per cent of sampled SGBs. The Department sampled 84 per cent of SGBs.
- **The number of public schools supported by external moderators to monitor the utilisation of findings of school profiles to improve learner performance** – The target was 6 000 public schools supported – but the Department only reached a target of 5 517.

4.3.1.4 Programme Four: Planning, Information and Assessment

- The purpose of Programme Four is to promote quality and effective service delivery in the basic education system through planning, implementation and assessment.

Programme Four: Outputs

Within this programme, targets were fully achieved in eight of the nine set targets, as follows:

- **Valid and reliable data on learner results of performance in ANA** – The Department set a target of producing three reports (National ANA report, Diagnostic report and Annual ANA district report). This target was not measured since ANA was not administered due to the impasse between the Department and the unions.
- **Valid and reliable data on learner results of performance in NSC** – The Department set a target to produce four National exam reports on learner performance in Grade 12 and this target was achieved.
- **Percentage of schools provided with sanitation facilities** – The target was 99 per cent of schools and the Department was able to reach this target successfully.
- **Percentage of schools provided with water** - The target was 98 per cent of schools and the Department was able to provide water to 99 per cent of schools.
- **Percentage of schools provided with electricity** - The target was 96 per cent of schools and the Department was able to reach this target successfully.
- **Percentage of public schools that use the schools administration and management systems to electronically provide data to the national learner tracking system** - The target was 60 per cent of schools and the Department was able to achieve 88 per cent successfully.
- **Number of officials from districts that achieved less than 65% in the NSC participating in mentoring programme** - The target set by the Department was 24 officials and the Department was able achieve a target of 36 officials.
- **Percentage of principals rating the support of district offices as satisfactory** – The Department had set a target of 60 per cent and was able to reach 69.3 per cent.
- **Percentage of district managers assessed against development criteria** – The target was 65 per cent and the Department achieved 78 per cent in this regard.

4.3.1.5 Programme Five: Educational Enrichment Services - The purpose of Programme Five is to develop policies and programmes to improve the quality of learning in schools.

Programme Five: Outputs

The Department exceeded the two targets set for this programme, as follows:

- **Number of schools that provide learners with nutritious meals** – The target was 19 800 and the Department achieved an average of 20 029 per quarter.
- **Number of educators, officials and learners participating in the DBE’s organised activities on social cohesion, nation building, citizenship, rights and responsibilities, and constitutional values** – The target was set at 5000 and the Department exceeded the target by reaching 5 843.

The achievement of the planned targets as outlined above should be considered in the context of the material findings on the reliability of the reported performance information highlighted in the A-G’s report.

4.3.2 Service Delivery performance, 2016/17

Several Performance Indicators in the 2016/17 Annual Performance Plan are new, particularly in Programmes 1 and 2. In general, most indicators introduced show an improved alignment with the Department’s policy development and monitoring role and are anchored in the MSTF and the NDP.

The Department declared most (87 per cent) of its targets to be Annual Targets, particularly in Programmes 2 to 5. This poses a risk on how the progress of these targets can be tracked on a quarterly basis.

The Department's performance for the First Quarter as per 2015/16 Annual Performance Plan, was as follows:

- **Programme One Outputs:** The Department fully achieved the set targets in two of the three Performance Indicators. These relate to the payment of Service providers within 30 days and resolving received misconduct cases within 90 days. The Department partially met the set target in respect of the percentage of received grievance cases being resolved within 30 days. The actual output was 66.67% being resolved versus the target of 70 per cent.
- **Programme Two:** Within this Programme, 15 of the Performance Indicators are Annual Indicators while one is a Bi-Annual Indicator. The Department was only able to achieve targets in two of the Performance Indicators (13 per cent) since most of its targets are set to be achieved annually. The targets achieved related to the number of off-line digital content packaged and distributed to provinces and that of learners obtaining a NSC through the Second Chance Programme.
- **Programme Three:** Within this Programme, six of the Performance Indicators are Annual Indicators while only two are Quarterly Indicators. The Programme was only able to fully meet the target on the number of schools per PEDs monitored on the implementation of IQMS and partially meet the target on the number of PEDs monitored on the implementation of PMDS.
- **Programme Four:** Of the 13 targets set in this Programme, only two are Quarterly targets, whilst 11 are Annual targets. The Programme was only able to fully meet the target on the number of officials from districts that achieved below the national benchmark in the NSC participating in a mentoring programme. The Programme could also partially meet the target on the number of question papers set annually for NSC and SC. The target on the percentage of

learners from public schools that are successfully uploaded on to LURITS was not met.

- **Programme: Five:** Of the four targets set in this Programme, three targets are Annual whilst only one is Quarterly. The Quarterly target of 150 schools monitored for the provision of nutritious meals was not met. The Department reported that Provincial activities did not facilitate monitoring visits in good time. These would be completed in the Second Quarter.

5. Consideration of other service delivery performance findings

Progress report on the implementation of the Medium-Term Strategic Framework (MTSF) 2014-19 by the Department of Planning, Monitoring and Evaluation (DPME)

The DPME in its presentation to the Standing Committee on Appropriations, regarding the implementation of the MTSF, noted several areas where the DBE is making progress. These include improvement in meeting its set targets, the placement of Fundza Lushaka bursary recipients, targeted learner access to broadband and the satisfactory progress on provincial expenditure on infrastructure with the exception of one province. Key challenges noted as requiring attention include the slow progress made in effective tracking of teachers' absenteeism, the impasse between government and SADTU which prevents an agreement on principals signing Performance Agreements and a lack of a system to measure school readiness for Grade 1 entrants who have attended Grade R. These findings are similar to the observations made by the Portfolio Committee regarding the DBE's performance.

6. Statutory Bodies

6.1 South African Council for Educators (SACE)

The South African Council for Educators is established under the SACE Act (Act No. 31 of 2000). The core mandate of the South African Council for Educators is the following:

- Compulsory registration of all educators;
- Management of the Continuing Professional Teacher Development (CPTD) system and promoting and developing the teaching profession; and
- Reviewing and maintaining ethical standards.

6.1.1 Financial Report

Statement of Financial Position

Assets	2016	2015
Current Assets		
Deposit	60 978 738	-
Receivables from exchange transactions	1 604 320	8 066 640
Cash and cash equivalents	35 484 465	81 415 716
	98 067 523	89 482 356
Non-Current Assets		
Property, plant and equipment	3 238 493	1 947 387
Intangible assets	710 822	601 749
	3 949 315	2 549 136
Total Assets	102 016 838	92 031 492
Liabilities		
Current Liabilities		
Payables from exchange transactions	1 381 661	1 535 392
Deferred income	2 346 893	2 657 363

Provisions	3 044 470	2 436 065
	6 773 024	6 628 820
Total Liabilities	6 773 024	6 628 820
Net Assets	95 243 814	85 402 672
Reserves		
Building reserve fund	63 702 019	63 702 019
Accumulated surplus	31 541 795	21 700 653
Total Net Assets	95 243 814	85 402 672

6.1.2 Analysis of Financial Position – SACE’s total assets increased by 10.7 per cent while the cash equivalent decreased by 56 per cent. The purchase price was settled on registration of the building on 21 July 2016 after completion of sectional title requirements. Included in current liabilities was R2.3 million deferred government subsidy, to be budgeted in the following financial year. SACE enjoyed a positive financial position.

Statement of Financial Position

Revenue	2016	2015
Revenue from exchange transactions		
Revenue	59 624 290	58 108 346
Other income	300 680	258 548
Interest received	1 586 354	4 336 499
Total revenue from exchange transactions	61 511 324	62 703 393
Revenue from non-exchange transactions		
Transfer revenue		
Government grants	9 210 470	10 530 846
Total Revenue	70 721 794	73 234 239

Expenditure		
Employee benefit costs	(31 932 095)	(27 968 727)
Depreciation and amortisation	(1 331 406)	(1 462 856)
Lease rentals on operating lease	(2 010 285)	(7 516 063)
Debt impairment	(13 840)	(260 294)
Operational expenses	(25 525 498)	(24 225 079)
Total expenditure	(60 813 124)	(61 433 019)
Loss of disposal of assets	(67 529)	-
Surplus for the year	9 841 141	11 801 220

6.1.3 Analysis of Financial Position – Revenue decreased by 1.9 per cent due to the reduction of interest received. The interest of the building trust fund was waived against an 18 month occupational rent. A total of R9.2 million of R11.5 million CPTD grant was spent on CPTD. Unspent funds of R2.3 million was deferred to the following year. SACE had a planned surplus of R 9.8 million towards the establishment of further provincial offices. SACE used the two establishments as pilot to inform the discussion regarding the remaining six provinces.

Cash Flow Statement

Cash Flows from Operating Activities	2016	2015
Receipts		
Membership, registration, reprints, and other receipts	59 624 290	57 516 791
Grants	9 210 470	-
Interest income	1 586 354	4 336 499
Payments		
Employee costs	(31 243 952)	(25 903 664)
Payment suppliers and others	(21 690 316)	(25 128 228)
Net Cash Flows from Operating	17 846 602	10 821 398

Activities		
Cash Flow from Investing Activities		
Purchase of property, plant and equipment	(2 446 468)	(440 139)
Proceeds from sale of property, plant and equipment	(28)	69 737
Purchase of other intangible assets	(352 626)	(128 506)
Proceeds from sale of other intangible assets	9	-
Deposits held in trust	(60 978 738)	-
Net Cash Flows from Investment Activities	(63 777 851)	(498 908)
Net increase (decrease) in cash and cash equivalents	(45 931 249)	10 322 490
Cash and cash equivalents at the beginning of the year	81 415 716	71 093 226
Cash and cash equivalents at the end of the year	35 484 467	81 415 716

6.1.4 Finance and Administration Notes: The Net cash operations decreased by 64.9 per cent. The deposit in the trust account was from the building reserve fund. The total cash at the yearend was R35.4 million (56.4 per cent reduction due to cash outflow/deposit into the trust account).

6.1.5 Programme Performance (Core Mandate)

6.1.5.1 Registration

Within this programme, SACE exceeded the targets in two of the three performance indicators, as follows:

- **The Number of educators registered** – The target set by SACE was 20 000 educators and SACE achieved 35 262 educators.
- **The Number of registration documents updated** – SACE set a target of 30 000 and reached 48 140.
- **Vetting and Verification** – The target was set at 50 000 for the financial year and SACE internally and partially vetted and verified documents of 64 243 due to lack of resources. Proper processes to conduct this new mandate are not yet in place.

Vetting and verification was a new target for SACE for the financial year. A sample of the new applicants were being vetted with those found wanting to be subjected to a fit-to-teach hearing where all their qualifications would be verified. Registration Statistics were as follows:

- Full registration – 552 263
- Provisional registration – 103 706 (21 473 Foreign Educators)
- Incomplete registration – 32 944
- Total on Data Base- 688 913

6.1.5.2 Ethics

- **The number of concluded cases as measured against the number of cases received** – SACE set a target of an expected number of cases to be finalised including the 222 carried over from 2014 at 922. SACE finalised a total of 550 cases.
- **Educators and stakeholders to be workshopped on the code of professional ethics** – SACE set a target of an expected number of educators and stakeholders workshopped at 15 000. SACE reached the following targets (Physical interaction – 5351, Individual codes distributed – 26 000 and Charts related to codes – 1300).

SACE indicated that much advocacy was conducted during outreach in Limpopo, Mpumalanga and the Northern Cape Provinces. SACE was targeting a further three provinces for the 2016/17 Financial Year. Further hearings occurred during the course of the year, and those that were outstanding were being finalized in the 2016/17 Financial Year. SACE also continued with advanced training for panellists, investigators, prosecutors and presiding officers.

6.1.5.3 Professional Development (PD)

Within this programme, targets were not met in four of the five performance indicators, as follows:

- **The number of educators orientated and signed-up for participation in the CPTD system** – The target was 110 000 PL1 secondary and combined school educators - and SACE was only able to reach 56 679.
- **The number of student teachers orientated and signed-up for participation in the CPTD system** – The target was set at 7000 final year student teachers. A total of 2 263 student teachers were oriented and signed-up.
- **The number of signed-up principals, deputy principals and HODs undertaking PD activities / programmes** – SACE had a target of 36 415 of signed-up principals, deputies and HODS and only reached 13 844
- **The number of Professional Development Providers evaluated and approved** – The target was set at 200 applications and SACE reached 113 new providers approved.
- **Number of professional development activities endorsed** – The target was 500 applicants and SACE reached a total of 1 091 applicants.

6.1.5.4 Professional Standards

- **Set and implement professional standards** – SACE set a target of an approved Research Report on the professional standards and implementation plan. This was achieved and the Report was available.
- **The number of newly qualified educators being awarded professional designation status** - SACE set a target of an approved Research Report on teacher professional designations and implementation plans. This was partly achieved and the draft designations Reports were available.

The Professional Standards National Advisory Committee and Steering Committee met regularly and worked on the Theory of Change for the professional standards development process. A Professional Standards Theory of Change workshop was held on 21 July 2016 and further consultative and bilateral sessions with the stakeholders. The Council was also learning from other professional councils. SACE also held high level collaboration meetings with the Department of Basic Education, the Department of Higher Education and Training and EDF. The Council aimed to launch the professional standards process on 1st December 2016 and the Standards Writing Process in January 2017.

6.1.5.5 Policy and Research

Within this programme, SACE achieved its set target in only one of the three performance indicators, as follows:

- **The number of research projects undertaken in line with SACE research agenda** – The target was set at six research projects and SACE was only able to attain five.

- **The number of Policy advice and briefs produced per annum –** SACE set a target of two policy advice and briefs produced. SACE only produced one.
- **Number of Professional Magazine produced and disseminated -** SACE set a target of four professional magazines produced – and only produced two.

Professional research projects included the following:

- HOD Needs Analysis Project;
- Post Level 1 Teacher Needs Analysis Project;
- Deputy Principals CPTD Sign-up Data Analysis;
- HODs CPTD Sign-up Data Analysis;
- Comparative study on national professional councils and international teaching regulatory authority;
- Five Year Analysis of the educator misconduct cases referred to SACE; and the
- Teacher Professionalism Report.

6.1.6 Portfolio Committee Observations

- Members raised a concern that some of the targets set by SACE did not seem realistic. Members were interested to know what informed the setting of targets
- Members queried the notion that SACE was being dominated by and linked to SADTU. Members queried whether a recommendation in the Ministerial report calling for a reconceptualised SACE, to free it from Union manipulation, was fair.
- Members queried whether SACE was able to submit their report on “Jobs-for-Cash” to the Minister –and whether that report was available to the Portfolio Committee.

- Members queried the remuneration packages of senior staff and the implementation of a performance management system at the Council.
- Members queried whether SACE had considered including educators of Special Schools in the CPTD programme and plans.
- Members raised concerns that SACE had not been able to achieve much of the targets set for CPTD.
- Members queried the time-limits for the underqualified educators to be qualified.
- Members raised the issues around SACE's efforts in respect of corporal punishment – and the number of educator's workshopped on the code of ethics in respect of corporal punishment.
- Members raised concerns around the challenges with Bidders and Service Providers who failed to do the necessary disclosures.
- Members raised concerns with respect of the increasing number of fraudulent qualifications from certain Universities.

6.1.7 Responses from SACE

SACE noted that they were unable to reach all their targets mainly due to their revenue base not being optimum. The work performed by SACE was difficult to predict since many targets were subjective and there was a need to consider a more scientific approach to the targets where possible. SACE was also of the view that the reconceptualization of SACE was a sound idea for the renewal of the Council. SACE was of the opinion that the majority of educators belonged to SADTU and it was therefore logical that teachers represented in Council were members of SADTU.

Regarding the Ministerial Report on the Selling-of-Posts, SACE mentioned that their work was not completed. The final report, once completed, would be submitted to the Minister when it is requested. SACE indicated that they

could make the interim report available to the Portfolio Committee once completed around 15 November 2016.

The Council had been engaged with the matter of bidders and procurers who failed to disclose and SACE had the necessary measures to deal with the matter.

6.1.8 Portfolio Committee Recommendations

Based on the above observations, the Portfolio Committee recommends the following:

- The “Jobs-for-Cash” Interim-Report by SACE be made available to the Portfolio Committee after endorsement by the Council by 15 November 2016.
- An engagement be scheduled with the Department of Higher Education and Training on issues pertaining to fraudulent qualifications from certain Universities.
- SACE moved with speed to ensure the establishment of SACE offices in all provinces as a matter of urgency.
- SACE focus on eradicating and completing the backlog of unresolved cases currently with the Council.

6.2 Council for Quality Assurance in General and Further Education and Training (Umalusi)

The Umalusi 2015/16 annual report was based on a revised Strategic Plan 2015/16-2019/20 and an Annual Performance Plan (APP) 2015/16. Umalusi started to report according to this revised APP in Quarter Two of 2015/16.

6.2.1 Programme Performance

6.2.1.1 Programme One – Administration: Programme One covers the following sub-programmes:

- Governance and Office of the Chief Executive Officer (GOCEO);
- Public Relations and Communications (PR and Comms.);
- Information and Communication Technology (ICT);
- Finance and Supply Chain Management (F&SCM); and
- Human Resource Management and Development (HRM&D).

The Council was able to achieve on the following indicators:

- Stakeholders receiving information;
- ICT systems implemented;
- Alignment of financial information in the Annual Report;
- Audit status: Unqualified;
- The performance of staff above level 3; and
- Monitoring, evaluation and reporting.

The Council was unable to achieve on the following indicators:

- Compliance to legal and regulatory requirements timeously;
- Alignment with ICT governance roadmap;
- Addressing of audit findings;
- Payment of service providers within 30 days; and
- The percentage of APP targets achieved.

Further to the above, Umalusi was able to tabulate its future strategies in respect of the areas of underperformance for the various indicators.

6.2.1.2 Programme Two – Qualifications and Research: Programme Two covered the following sub-programmes:

- Qualifications, Curriculum and Certification; and
- Statistical Information and Research.

The Council was able to achieve on the following indicators:

- Registration of new qualifications;
- Review of existing qualifications;
- Certification of learner records; and
- Verification of learner achievement.

The Council was unable to achieve the target on the Publication of Research Reports. For one of the research projects, the lead researcher was hospitalised which caused delays in visitations to the selected adult learning centres to collect data. In the second project on the moderation instrument, the targeted group of moderators and examiners were not trained on the tool. The Council alluded to some of its future strategies to mitigate these challenges.

6.2.1.3 Programme Three – Quality Assurance and Monitoring:

Programme Three covered the following sub-programmes:

- Quality Assurance and Assessment; and
- Evaluation and Accreditation.

The Council was able to achieve on the following indicators:

- Compliance by assessment bodies;
- Institutions that met accreditation requirements; and
- Assessment bodies that met the accreditation requirements.

The Council was unable to achieve on the indicator of Examination question papers meeting the quality assurance requirements. Umalusi would ensure that all assessment bodies submit a complete list of question papers intended for moderation by November each year for inclusion in the second draft annual performance plan of the ensuing year. Internally, controls would be strengthened where all approved question papers would be classified according to qualification per assessment body and stored appropriately on a quarterly basis.

Umalusi had strengthened its capacity on the management of performance information and had approved a policy on performance information. Any changes in indicators would be reported accordingly. Planning and reporting was conducted using National Treasury and DPME templates with performance outputs being verified on a quarterly basis. All indicators had technical indicator descriptions. Umalusi indicated that standard operating procedures were in place and an audit tracking register had been developed for raised by internal and external auditors.

On Human Resources, Umalusi indicated that for the Financial Year, the employment and vacancies were as follows:

- Approved posts – 144
- Number. of Employees – 110
- Vacancies – 34

6.2.2 Financial Matters

Statement of Financial Position

	2016 (R)	2015* Restated (R)
Assets		
Current Assets		
Cash and cash equivalents	56,040,887	50,832,675
Receivables from exchange transactions	5,700,417	7,716,370
	61,741,304	58,549,045
Non-Current Assets		
Property, plant and equipment	35,475,312	37,313,877
Intangible assets	43,117	87,817
Operating lease asset	98,821	30,173
	35,617,250	37,431,867
Total Assets	97,358,554	95,980,912

	2016 (R)	2015* Restated (R)
Liabilities		
Current Liabilities		
Payables from exchange transactions	12 894 012	16 538 054
Total Liabilities	12 894 012	16 538 054
Net Assets	84 464 542	79 442 858
Reserves		
Revaluation reserves	8 484 261	8 196 622
Accumulated surplus	75 980 281	71 246 236
Total Net Assets	84 464 542	79 442 858

	2016 (R)	2015* Restated (R)
Revenue	140 199 305	132 452 948
Revenue from exchange transactions	27 494 305	25 098 948
Revenue from non-exchange transactions	112 705 000	107 354 000
Other income	2 072 145	2 066 382
Investment income	3 764 206	3 411 036
Net Revenue	146 035 656	137 930 366

	2016 (R)	2015* Restated (R)
Expenditure		
Operating expenditure	83 866 144	79 215 233
Depreciation and amortisation	3 487 175	3 012 171
Personnel costs	53 948 292	49 949 940
Net Revenue	141 301 611	132 177 344

In respect of accumulated surplus, the Department of Basis Education assisted with the request to retain surpluses and this had been granted by National Treasury. A revised budget for 2016/17 was submitted to the Department.

Regarding irregular expenditure, for the current year there was non-compliance with Supply Chain Management (SCM) regulations of R 81,709. The Council did the necessary investigations and found that there were no officials liable in terms of the law for the irregular expenditure. Condonation would proceed as per the National Treasury Guidelines on Irregular Expenditure issued in April 2015. The Council would look at the SCM improvements plans.

It was noted that the accounting authority did not ensure that adequately skilled and dedicated resources were in place to manage performance reporting and related internal controls. With the appointment of the senior manager: strategic planning and reporting, significant progress had been made in this area, and more would be done in the months to come.

The external auditors raised the following findings, amongst others, in the management report:

- Assets with a netbook value of zero and subsequently updated asset register;
- Accreditation incomes recognition;
- Supply chain management policy issues; and

- Internal controls regarding the management of performance reporting

6.2.3 Portfolio Committee Observations

- Members, although very proud of the work of the Council, queried reasons for underperformance in certain areas as well as irregular expenditure that emerged.
- Members queried the role Umalusi was playing in the prevention of examination leaks and cheating during the Matriculation Examinations – and how educators and learners were dealt with if found guilty.
- Members queried as to why the cognitive level of examinations could not be determined prior to the actual examinations – and not after the examinations had been written and what adjustments needed to be made.
- Members queried as to how Umalusi was involved in the three-stream model to be introduced.
- Members queried as to how Umalusi ensured that staff receive adequate and proper training.
- Members also raised a concern regarding the issue of Language compensation and how Umalusi was dealing with the matter.

6.2.4 Responses from Umalusi

It was indicated that the Council engaged in a state-of-readiness for exam exercise and produced a report on its findings. Further to this the Council also corresponded individually with various provinces where there were discrepancies and areas lacking. Umalusi would ensure these areas were improved on through further visits to affected province.

Umalusi was concerned about the impact of the “Fees-must-Fall” campaign on the final exams and cautioned that proactive measures be considered for the sector.

7. Portfolio Committee Observations

7.1. Department of Basic Education

7.1.1 Technical issues, overall performance and reporting

- The Portfolio Committee welcomes the quality and depth of information reported in the 2015/16 Annual Report, acknowledging the considerable work the Department covered during the year under review and the effort that has been expended in the reporting.
- The Portfolio Committee also welcomes the steady improvement in the achievement of targets from 84.6 per cent in 2014/15 to 87.1 per cent in 2015/16. The Committee is further pleased to note the Auditor-General’s assessment that the quality of the annual performance plans of the Department and its entities has improved.
- As noted in the 2015 BRRR, in terms of the reporting in the 2015/16 financial year, the Portfolio Committee noted during the consideration of the First Quarterly Report that the Department was not reporting on some key performance indicators quarterly to show progression with respect to Annual Targets. These include:
 - the percentage of Grade R practitioners with NQF levels 4, 5 and 6; and
 - the percentage of teachers absent from school on an average day.

The Portfolio Committee requests the Department to report on these performance indicators as well as in respect of the key priority of Inclusive Education (IE) and quality indicators of learner performance in the NSC examinations, particularly since they are linked to the objectives of the National Development Plan.

7.1.2 Audit Outcomes

Whilst the Portfolio Committee appreciates that the Department continues to receive an unqualified audit opinion, the Committee is concerned with the recurring findings of non-compliance with specific matters in key legislation as alluded to by the A-G, which have a negative impact on the performance of the Department. These include irregular, unauthorised and fruitless and wasteful expenditure; inadequate management of procurement and contracts; misstatements in submitted annual financial statements and inadequate consequence management.

The Committee is further concerned regarding the recurring findings of unreliability of the reported performance information when compared to the source information in the Department's programmes 2, 3 and 4, as identified by the A-G. In addition, the Committee has noted with concern that the performance of the *internal audit unit* against the annual internal audit plan was not satisfactory due to challenges in the capacity of the unit. The Committee is encouraged that steps are being taken to prevent a recurrence of the identified negative audit findings and would expect progress updates on the implementation of the Department's remedial actions.

7.1.3 Financial issues

- The Portfolio Committee is concerned regarding underspending in Programmes 2 and 4 mainly on the EPWP grant and the ASIDI programme respectively. The Committee urges the Department to implement the necessary measures to ensure that underspending does not recur.
- The Portfolio Committee acknowledges the need for fiscal prudence in public spending and appreciates the directive for departments to reprioritise their spending within the existing expenditure ceiling. However, the Committee notes the unforeseen additional teaching and learning support and infrastructure required due to learning disruptions in the area of Vuwani. The Committee thus supports the Department's request for additional funding in this regard from National Treasury.

7.1.4 Performance per Programme

a) Programme 2: Curriculum Policy, Support and Monitoring

- The Portfolio Committee welcomes progress being made in improving inclusive education, including work done to address the Portfolio Committee's recommendations in respect of Setotlwane Special School. The Committee urges the Department to intensify the implementation of inclusive education to reach all learners with special education needs, including ensuring that all full service schools are well resourced and adequately adapted for learners with special needs and that educators are adequately trained and developed.

- Members queried whether the training in multi-grade teaching reached all affected teachers in the system timeously and whether there was value for money in the training.

b) Programme 3: Teacher and Education Human Resources Development and Institutional Development

- The Portfolio Committee is concerned regarding the two targets in this programme where the Department underperformed, particularly in relation to the percentage of principals appointed on the basis of a competency assessment, since this is vital to the success of the school and is linked to the objectives of the NDP. The Committee is concerned that only seven per cent was achieved versus a target of 75 per cent of advertised posts. The Committee urges the Department to speedily finalise engagements in the ELRC to facilitate the effective implementation of competency assessments in all the Provincial Education Departments.
- The Portfolio Committee further noted with concern the large variance between the indicator target and the departmental achievement in relation to the number of teachers who have written the Self-Diagnostic Assessments for English First Additional Language (EFAL) and Mathematics. This suggests a lack of proper criteria for setting this target, including the proper costing of the target.
- The Portfolio Committee welcomes the improvement in the placement of Fundza Lushaka bursary

recipients (teachers) within six months of their graduation, which reflects good returns on investment. The 2015/16 target has been exceeded by 613 graduates. The Department reports that the overall placement rate of these graduates is 87 per cent across all provinces compared to the set target of 85 per cent, which is a variance of two per cent. The Committee urges the Department to strengthen systems for placement to ensure that the set targets of 90 per cent and 100 per cent for 2016/17 and 2017/18 financial years respectively are met.

- Members are concerned over the seemingly uneven quality of teacher training and development within the system and the steps by the Department to improve the quality of teacher training. The Department noted that they had ongoing engagements and collaboration with the Department of Higher Education in addressing the needs in the sector. The Department was also in constant contact with Universities in respect of Curriculum content and areas that require improvement. They were also developing a uniform programme of training with four main thrusts to strengthen University capacity.
- Members are concerned regarding the slow progress in the effective tracking of teachers' absenteeism. Members queried how the Department was assisting provinces and districts with effective and adequate monitoring of absenteeism at school level.

c) Programme 4: Planning, Information and Assessment

- The Portfolio Committee welcomes the achievements of the set targets in relation to the provision of basic infrastructure services (water, sanitation and electricity) and the good progress being made towards the completion of schools built to replace inappropriate structures. However, the Committee remains concerned that based on the available evidence at the time of compiling the BRRR, not all Provincial Education Departments would meet the targets for the minimum Norms and Standards for water, sanitation, electrification and appropriate structures by the due date of the end of November 2016.

d) Programme 5: Educational Enrichment Services

- The Portfolio Committee is pleased that the Department has exceeded its target of providing nutritious meals to 19 800 schools, benefiting an average 9.6 million learners in 2015/16. The Committee is however concerned regarding underspending in this Programme.
- Members raised a concern over the sporting codes at school which seem not to be receiving adequate attention. Members queried the effectiveness of the Department's collaboration with the Department of Sport in this regard. Members queried whether the relevant Departments were receiving value for money in respect of sporting codes at schools.
- Members were concerned that many schools lacked the basic infrastructure for proper food-handling,

storage and preparation of meals. They lacked kitchens, storage facilities and utensils.

8. Portfolio Committee Recommendations

Based on the observations made above, the Portfolio Committee requests that the Minister ensure that the Department consider the following recommendations:

8.1 The Department of Basic Education

- Provide Parliament with a comprehensive Action Plan with timeframes to address the 2015/16 A-G's audit findings, within three weeks of the adoption of the BRRR report by the National Assembly. The Department is also requested to report quarterly on progress made in addressing the deliverables of the Action Plan, beginning with the Second and Third Quarterly reports. Updates should include the following:
 - A report on the outcome of the request to National Treasury to deviate from the normal procurement process in respect of the national catalogues of textbooks
 - A report on the outcome of the investigation on the allegation that volunteers for the Kha Ri Gude Programme were paid stipends without learners in class and steps taken in respect of consequence management
 - An implementation progress report on the remedial actions resulting from the above investigation
 - An update on the request for approval by Treasury regarding unauthorised expenditure in respect of the National Teaching Awards.
 - An update on progress made in strengthening the internal audit unit to ensure that it effectively carries out its functions.

- Report on future Quarterly Reports on the following key priorities or performance indicators:
 - Inclusive Education;
 - the percentage of Grade R practitioners with NQF levels 4, 5 and 6; and
 - teacher absenteeism.

The Department is further urged to ensure that there is an effective tracking of teacher absenteeism.

- Intensify the implementation of interventions in respect of inclusive education, including increasing the number of adequately well-resourced full service schools; providing effective training and development of educators and addressing infrastructure challenges.
- Take urgent steps to resolve the impasse with unions in respect of the appointment of principals on the basis of a competency assessment and the signing of Performance Agreements since these issues are prioritised in the NDP.
- Take the necessary steps to ensure timeous monitoring of set targets in order to identify targets that may not be met and ensuring remedial steps are in place to mitigate these challenges.
- Ensure that Provincial Education Departments complete the profiling of educators as a matter of urgency, in order to enable proper planning and effective oversight.
- Consistently monitor and report compliance with new infrastructure Norms and Standards per province, considering that all schools must be compliant by November 2016.

- Together with relevant stakeholders, intensify the implementation of measures to improve the quality of teacher training and development throughout the system and ensure that there is value for money in all the programmes offered.
- Ensure that Provincial Education Departments take appropriate measures to spend the conditional grants consistently throughout the year, including the HIV and AIDS (Life Skills Education) and the Mathematics, Science and Technology grants which experience slow spending in the First Quarter of the financial year.
- Together with Provincial Education Departments, take the necessary steps to fast-track the finalisation of the rationalisation of small and unviable schools, which impacts negatively on the performance and spending needs of infrastructure programmes, including ASIDI.
- Together with Provincial Education Departments, ensure that there are sufficient teachers to effectively implement the Incremental Introduction of African Languages in all the affected schools in line with the implementation targets.

8.2 Minister of Finance

- The Portfolio Committee recommends that the Minister of Finance consider allocating additional funding to the Department of Basic Education over the medium term for the prioritisation of learning needs and infrastructure as they arise.

Report to be considered.

3. Report of the Portfolio Committee on Defence and Military Veterans on its 19 to 23 September 2016 oversight visit to selected military bases and the Council of Scientific and Industrial Research in Gauteng, dated 19 October 2016.

1. INTRODUCTION

The Portfolio Committee on Defence and Military Veterans (PCODMV) engaged with the South African National Defence Force's (SANDF) Gauteng Regional Workshop, the Council for Scientific and Industrial Research (CSIR), 1 Military Hospital, the South African Air Force (SAAF) Headquarters, and the Special Forces Headquarters during an oversight visit in Pretoria, Gauteng, over the period 19 to 23 September 2016. This formed part of the Parliamentary programme and took place during Parliament's oversight week.

1.1 Purpose of the visit

The purpose of the oversight visit was for the Committee to be briefed and updated on the status, preparations and progress made with Operation Thusano; the Refurbishment and Repair Programme at 1 Military Hospital; 21 and 28 Squadrons at Air Force Base (AFB) Waterkloof; and the Special Forces. One objective was for the Committee to interact with the Cuban and South African engineers, technicians and mechanics involved with Operation Thusano and to observe the repair, maintenance and preservation of military vehicles. The Committee also requested to be briefed on the readiness of the Special Forces to comply with Milestone 1 of the 2015 Defence Review. Lastly, the Committee paid a visit to the CSIR where a live demonstration was used to illustrate the security-related research products which the CSIR is developing.

1.2 Delegation

The Delegation comprised of the following people:

Members of the Committee:

Hon. M.S. Motimele

Hon. D.D. Gamede

Hon. J.J. Skosana

Hon. N.A.Mnisi

Hon. S. Esau

Hon. S. Marais

Hon. N.P. Khosa

Hon. M.A. Mncwango

Hon. B.T. Bongo

Support Staff:

Peter Daniels	-	Committee Content Adviser
Wilhelm Janse van Rensburg	-	Committee Researcher
Mr Vuyokazi Makubalo	-	Committee Assistant
Mava Lukani	-	Parliamentary Communication Officer

Peter Nkabinde	Parliamentary Liaison Officer
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Reginald Marimi	Parliamentary Liaison Officer
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South African National Defence Force

Lt Gen Z.F. Msimang	Chief SA Air Force
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Lt Gen M.M. Moadira	Chief Logistics
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Maj Gen W.S. Mbambo	Chief Air Staff
---------------------	-----------------

Maj Gen J. Pelsler	Chief Director: Force Preparations: SAAF
--------------------	--

Maj Gen L. Nobanda	Chief Director: Force Preparations: SA Army
--------------------	---

Maj Gen D. Holzthausen	Chief Director: SA Army
------------------------	-------------------------

Brig Gen S.M. Maloma	General Officer Commanding: Special Forces
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Brig Gen M.J. Tshilisi	Director Operation Thusano
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Brig Gen (Dr) N. P. Maphapa	General Officer Commanding 1 Military Hospital
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Brig Gen M. Petso	General Officer Commanding AFB Waterkloof
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Col M. Thekiso	SSO of the Chief National Defence Force
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1.3 Institutions visited

The following institutions were visited by the Committee:

- a. Gauteng Regional Workshop - 20 September 2016
- b. Council for Scientific and Industrial Research – 20 September 2016
- c. 1 Military Hospital – 21 September 2016
- d. SA Air Force Headquarters and Air Force Base Waterkloof 21 September 2016
- e. Special Forces Headquarters - 22 September 2016.

2. GAUTENG REGIONAL WORKSHOP (GRW)

2.1. Briefing

The first leg of the Oversight visit started at the SANDF's Gauteng Regional Workshop in Thaba Tshwane, where members of the Cuban Revolutionary Armed Forces are deployed as part of Operation Thusano. This operation is a bilateral agreement between the Cuban Revolutionary Armed Forces and Department of Defence to repair, maintain and preserve selected SANDF's military vehicles. In terms of cost savings, it was indicated that over four years, the SANDF could save up to R1.4 billion. This can be increased to R2.173 billion if the contract is extended to five years. These savings are made possible through *inter alia*, the repair and maintenance of vehicles by the different technical and mechanical teams, the repairing of parts where possible, as well as the direct purchase of parts by the GRW.

The funds to service the Cubans contracts were derived from the funds that were earmarked for the repair and maintenance of vehicles, mostly by civilian companies which it was claimed tended to over-charge the SANDF. Although the industry reportedly objected to this intervention, its track record with the SANDF was not exemplary and cases were pointed out where the SANDF was either over-charged or sold old/used parts that were repainted and sold off as new.

After the presentation and discussions, the Committee was flown with an Oryx helicopter from AFB Waterkloof to 4 Vehicle Reserve Park at Wahlmanstahl. En route, the Committee flew over the vehicle “graveyard” where large numbers of both serviceable and unserviceable military vehicles were stalled, to give Members an idea of the number and kind of vehicles at this location.

Visits were conducted to various hangars where the repair, maintenance and preservation of vehicles were shown to the Committee. Here, Cuban technicians and mechanics explained the vehicle preservation processes with the assistance of a Spanish/English translator.

2.2 Discussion

The Committee was impressed by the work being done through Operation Thusano and expressed the hope that this could be extended to other defence domains and other government departments, given the huge savings that could be made. Questions were asked around the term of the contract, the number of SANDF members being trained, and the skills being imparted to SANDF members.

On the question of who initiated the Project, the answer was that it does not matter as it becomes the Minister’s idea and she pursued it further. . The project came about due to concerns of high spending on repair and maintenance of vehicles by the private industry. The Committee encouraged the Department to communicate the achievements of Operation Thusano to the public as often only negative stories of the Department reaches the media.

One of the main issues discussed was the non-alignment of departmental policies with the objectives of the project. Reference was made to the huge savings, but the failure to procure labour-savings devices such as forklifts, because of some of these policies. Future plans are to incrementally re-align these policies to such initiatives, but this is often a protracted process.

A further question related to the fact that Prime Mission Equipment was being preserved, yet the 2015 Defence Review refer to “new” equipment that should be acquired. The response was that these vehicles need to be preserved for emergencies and that the new equipment will take years before it will be ready for utilisation.

The Committee was assured that the work of the Cubans is externally quality controlled and thus far, no serious challenges were experienced in this regard. The Department also indicated that Operation Thusano was an integral part of meeting the requirements of Milestone 1 of the Defence Review: *Arresting the decline*. It also contributes to the National Development Plan (NDP), as it not only train new recruits, but also assist with addressing unemployment.

Regarding the lifespan of Operation Thusano, it was indicated that after five years it will expire and the Cubans will return home, and it is hoped by that time, a sufficient number of SANDF members would have been trained. The importance of this project can also be seen in the fact that two teams of ten members each were sent to the Democratic Republic of Congo, and they did a sterling job there repairing vehicles without external assistance. Similarly, other teams have been dispatched to Operation Corona where they repaired vehicles along South Africa’s land-line borders.

The Committee also questioned the Department on challenges to retain qualified SANDF members, and was informed that the Department is trying to tighten these contracts to ensure that the SANDF obtains optimal benefits from their investment. Part of the retention strategy revolves around the Occupational Specific Dispensation (OSD), where professionals and qualified personnel are remunerated more or less in line with their civilian counterparts.

The Committee was assured that Operation Thusano provided an excellent kick start to the rejuvenation of own capability; has shortened the turn-around time regarding repair and maintenance of vehicles; facilitated major savings; and improved the support to internal and external deployments.

2.3 Recommendations

The Committee stated that it supports Operation Thusano and was impressed with the cost savings, the quality of the work and the skills transfer and undertook/recommended that:

- a. It will assist them with addressing procurement challenges through interaction with SANDF's Chief of Logistics;
- b. The Department should tighten the contract with trained SANDF members to ensure it gets a return on its investment;
- c. The Department should communicate such successes to the public through its own Departmental structures; and
- d. The Department is encouraged to accelerate efforts to address those policies that hamper the effective functioning of Operation Thusano and related initiatives.

3. COUNCIL FOR SCIENTIFIC AND INDUSTRIAL RESEARCH

3.1 C-MORE Demonstration

On the afternoon of 20 September 2016, the Committee visited the CSIR facility where, after a brief orientation, it was shown a live demonstration. It was entitled "*Demonstration of an intelligence-based policing operation room capability. A practical neighbourhood policing capability scenario.*" The Committee members and the presenters interacted on various aspects of the demonstration, including its applicability in the defence environment in particular our landline border areas. The Chairperson concluded that although the demonstration did not fall within the Committee's mandate, its inter-activeness and possible applications were appreciated.

3.2 Recommendations

Even though the Committee was informed that some of the aspects of the Live demonstration originated in the defence environment, it recommended that the information of the demonstration should be shared with the

Portfolio Committee on Police in the Peace and Security Cluster at Parliament.

4. 1 MILITARY HOSPITAL

4.1 Background

The Committee conducted an unplanned visit to 1 Military Hospital in Thaba Tshwane, as part of its follow-up on its oversight visits there in August 2011 and August 2013. The primary reason for visiting the hospital was the Committee's concern about the progress of the Renovation and Maintenance Programme (RAMP). 1 Military Hospital is a Level 4 referral hospital, which should be able to cater for the President, Deputy President, visiting VVIP dignitaries and referrals from the United Nations and African Union's peacekeeping missions.

The Committee was briefed by the General Officer Commanding (GOC), Brig Gen. Peter (Dr) Maphapa. Discussions revolved around the progress that has been made with the Renovation and Maintenance Programme (RAMP) which started in 2006 and has been plagued by delays. During a physical inspection of the building, it emerged that little progress has been made since the Committee's oversight visits in August 2011 and August 2013.

4.2 Outsourcing

The GOC referred specifically to the cost of Outsourcing and, in particular, what could have been done with these funds. His communique in this regard reveals that *“Since the start of the refurbishment at 1 Military Hospital, specifically since 2009 when the first floor was closed, 1 Military Hospital has already spent over R1.5Bn on outsourcing. Those funds could have*

*been utilised to upgrade the facility and equipment which could have assisted the DOD to retain the needed specialist medical professionals.*¹

He also shared with the Committee the following challenges:

- a. Refurbishment of the hospitals. The refurbishment at 1 Military Hospital started in 2006 and to date is still to be finalised. As a result some departments were scaled down or closed completely.
- b. Lack of some specialised medical professionals such as Neuro-Surgeons, Oncologists, Radiologists, Cardiologist and others.
- c. Lack of or unavailability of specialised medical equipment. The South African Military Health Support has not been able to replace and upgrade needed equipment due to a lack of funds.
- d. The discrepancy between patient footprints versus the military facilities footprint in the Area Health Units. In most areas patients stay too far from the military facility and in such cases, the nearest private or public facility is utilised.

The GOC stated that the major reason for outsourcing at 1 Military Hospital has been due the closure of the first floor which houses the following departments: Radiology/Radiography; Theatres; Renal Dialysis Unit; ICU and High Care; and the Laboratory and Casualties. To reduce outsourcing services to the absolute minimum if not completely, 1 Military Hospital will require that all the departments mentioned need to be equipped. The estimated cost to fully equip the Unit is currently approximately R400 million. He is of the opinion that considering the current cost of outsourcing, a lot of money will be saved by in-sourcing the services.

4.3 Guided Tour

The GOC and some of his senior staff led the Committee on a guided tour of the hospital and showed, for instance, where the theatres will be once the project is completed. He pointed out that he can only appoint doctors, nurses, and other required personnel, once these are completed and not before that. As the RAMP is viewed as part of Milestone 1 of the Defence

¹ Brig Gen P Maphapa, 2016. Outsourcing of Medical Services in Department of Defence and Military Veterans. May 2016.

Review, emphasis should be on arresting further decline of capabilities, but the progress is very slow.

One of the main challenges is the slow procurement processes regarding medical requirements. For instance, medical consumables are difficult to procure. The assistance of the Committee was requested with “unlocking” these blockages. The Defence Works Formation has assisted the RAMP by, among others, breaking down walls on the first floor, but it could not do all of the work as more experienced construction personnel such as structural engineers are required.

4.4 Discussion

The discussion centered on the slow progress that has been made with the RAMP, and the reasons therefore. Although the project seemed to have grinded to halt as it awaits the appointment of a medical technologist, this has only added to the frustrations encountered around the project. It was for instance, indicated that radiology equipment that has been bought were stored in boxes for years awaiting the completion of the RAMP for installation. It is highly likely that this equipment has since become obsolete and will need to be written off as its technology is outdated. However, the requirement is that it first has to be installed and tested before it can be written off and this process is delayed through the incomplete RAMP.

4.5 Recommendations

- a. The Defence Works Formation was commended for their assistance in the project and this role should be enhanced, whenever possible, to assist with cost-savings.
- b. The appointment of a medical technologist should be prioritised as this is causing a bottle neck to any further progress. The Committee will raise this with the Minister and the Department’s leadership.
- c. The lengthy procurement processes for essential medical requirements, especially medical consumables, should be investigated as soon as possible. In this regard the Committee is

prioritising a meeting with the Chief of Logistics of the SANDF to assist, and to look specifically at the functioning of the Central Procurement Center.

- d. Outsourcing is very expensive and the speedy completion of the RAMP should be prioritised to curb such expenses and to establish a facility that will be able to attract specialists.

5. SOUTH AFRICAN AIR FORCE HEAD QUARTERS

5.1 Presentation: Chief SA Air Force

On Wednesday 21 September 2016, the Committee visited the SA Air Force Headquarters where they were briefed by the Chief of the Air Force, Lieutenant General Zimphande Msimang, and the Officers Commanding 21 and 28 Squadrons at Air Force Base Waterkloof. 21 Squadron is responsible for the transport of the VVIP's such as the President, Deputy President, the Minister and Deputy Minister of Defence and other official dignitaries. The Committee was briefed on the status of the various aircraft such as the Presidential aircraft "Inkwazi", a Boeing 737. Colonel M.C. Moathse, briefed the Committee on 28 Squadron and its activities. The Squadron is responsible for Medium Air Lift transport of personnel and equipment to operational areas as well as to assist with training of paratroopers, Special Forces and air cargo drops. The overall impression was that budget cuts and the higher levels of aviation inflation impact on all activities, especially flying hours for pilots, which often lead to them exiting the defence force after vast sums of money has been spent to train them. Most significantly, lengthy procurement processes and budget constraints also impact negatively on the procurement of spares for the Air Force's planes.

The Chief SAAF covered various issues such as the:

- a. Reconfiguration of the SAAF where the new structure will be 'flatter' to ensure improved lines of communication.
- b. Chief SAAF's Statement of Intent.

- c. The SAAF's area of responsibility, which is more or less 28.5 million square kilometres.
- d. The SAAF's Capability versus Expectations.
- e. An overview of flying training and pilot through-put.
- f. Training abroad in countries such as Russia, Cuba, United Kingdom, India, United States of America, and neighbouring countries such as Tanzania.
- g. Capacity building Plans.
- h. Contracts with qualified pilots, technical personnel and other scarce skills occupations.
- i. Aviation inflation and its impact on their financial allocation.
- j. Investigating whether revenue generated by the SAAF can be returned to them instead of to the national fiscus.
- k. Transformation of the cockpit.
- l. Their responsibility to provide ready and trained personnel for deployment by Joint Operations.

5.2 Discussion

Various issues were discussed during and after the presentations. These included the utilisation of 104 and 111 Reserve Force Squadrons, as difficulties were experienced with their call-up even in the light of a scarcity of pilots. The Chief of the SAAF stressed that they are not adequately resourced to sustain all operations and this impacts on flying hours which makes it difficult for pilots to stay current. The loss of pilots are due to various reasons, but the main contributor is the lack or minimal flying hours. Pilots want and need to fly, not only to keep their pilot licenses current but also to accrue the necessary experience.

In response to the question of the reliability of *Inkwazi*, the Committee was informed that it is reliable but is undergoing a routine service (3 months down-time) which is due every three years in line with civilian civil regulations. After the service the aircraft will be operational. The Chief said that a second aircraft would be preferable for when *Inkwazi* is undergoing

service, which would prevent the expensive chartering of a stand-in aircraft for the President.

He further stated that on other occasions when *Inkwazi* was grounded it was due to a lack of resources – such as pilots' availability, a lack of spares for immediate replacement, aircrew etc - to provide an uninterrupted service. Once there is sufficient funding and procurement processes are in place to ensure the speedy replacement of spares, an enhanced service can be provided. Also, certain services are being done outside the country, which can also delay the return to service of the aircraft. During the discussion on the status of AFB Waterkloof, the Committee was informed that there are challenges with regards to:

- a. The poor state of facilities.
- b. Inadequate budget for repair and maintenance.
- c. Inadequate vehicle fleet.
- d. Critical shortage of PSAP members who retire and are not replaced.
- e. The AFB is in a dolomite area which leads to sink holes.

The presentation by Col Moathse, OC 28 Squadron, highlighted the challenges with the current medium lift C130 aircraft, which are used for Search and Rescue operations, Tactical Operations such as assisting with HALO/LALO jumping, hot extractions and Special Forces support. The Squadron is doing its best with the little funds available but servicing the rapidly ageing fleet is challenging, as there are only two servicing bays, which delay the servicing of aircraft. He stated that because of these challenges, the aircraft is basically being flown into its servicing period.

Regarding the support to border line operations, such as Operation Corona, the Chief of the SAAF indicated that the SAAF will need to increase its footprint if improved surveillance is required along our land-line borders. The Committee expressed its concern that the lack of funding might put the safety of the SAAF staff at risk and expose them to danger. The Chief responded that he prioritises safety and will not unnecessarily put his staff in danger.

Col Fryer, the OC 21 Squadron, gave an overview of the functions of the squadron, referring to it as the Air Transport for the President, Deputy President, Minister and Deputy Minister and other dignitaries. It operates globally, regionally and locally in all weather conditions and is on a 24 hour stand-by. It can also operate in high threat areas with the assistance of the Special Forces. It requires a lead time of around 72 hours, has all the necessary competencies in the squadron, and values its safety record. If these planes, especially *Inkwazi*, are not available, aircraft have to be chartered to deliver the service, which is extremely expensive. They are also suffering from the long service breaks due to, *inter alia*, the delays in procuring spares. The Chief indicated that they have a contract with South African Airways to assist with air crew, who through the Reserves can supply air crew, technical personnel and air hostess. They emphasised that there is only one *Inkwazi*, and if it is down, it is a 100 per cent capability being down.

Problems are experienced with pilots in 21 Squadron as they need to be qualified militarily and in terms of the civilian requirements. They lose pilots as they are being head-hunted by the commercial aviation sector, which results in the SAAF having to rely on less experienced pilots. The pilots, aircrew and ground crew need to adhere to the Civil Aviation Authority regulations. As they are improving their services, the flight attendants had to be retrained and it is expected that an improved aircrew service will very soon be delivered.

The Members asked questions around the vetting of personnel on *Inkwazi*, and was informed that this is being done by Defence Intelligence with the assistance of the State Security Agency. They further wanted to know what the priority is for the SAAF: the purchase of another intercontinental aircraft or acquiring more aircraft for 28 Squadron for their medium air lift capability. Regarding its support to the African Union's African Standby Force and/or Africa's Capacity to Immediate Responses to Crises (ACIRC), it was indicated that these will be prioritised as and when these requests are received, and within their capabilities to support such initiatives.

5.3 Recommendations

Given that there were lengthy discussions around the strategic importance of the SAAF, AFB Waterkloof, 21 and 28 Squadron, recommendations revolve around:

- a. Addressing the lengthy procurement processes, especially around aircraft spares.
- b. Increasing funding for aircraft spares.
- c. Increasing the flying hours as a matter of urgency.
- d. The SAAF should make the impact of aviation inflation much clearer for Treasury to appreciate its impact.
- e. The contracts of pilots and aircrew should be tightened to ensure a return on investment for the SAAF.
- f. The budget of the SAAF should be increased to address the retention of staff, training of staff especially the compulsory training interventions, the purchasing of additional aircraft for 28 Squadron, and shortening the servicing time through a shorter process to purchase spares.
- g. Flying hours in the SAAF should be sufficient to provide assistance to other Arms of Service, notably the Paratroopers and Special Forces as per their requirements.
- h. Discussions should be had with the Chief Human Resources to assist to address the appointment of PSAP members to replace those who have retired.
- i. The bottlenecks to utilise more Reserve Air Force members, especially those assisting 21 Squadron, should be prioritised.

6. SPECIAL FORCES

6.1 Presentation

On Thursday 22 September 2016, the PCODMV visited the Special Forces Headquarters in Pretoria. The Committee received a briefing from the General Officer Commanding Special Forces, Brig Gen S.M. Maloma, on the status and challenges of the SANDF's Special Forces capabilities. He

firstly provided an overview of the Special Forces by noting its declined capacity since 1994 when it was reduced from three operational regiments to two. However, despite its reduced capacity, the levels of training and operational expertise remained of the highest standards. The main contemporary challenge facing the Special Forces revolves around the operational requirements. While the capacity has been reduced since 1994, operational requirements have increased. Milestone 1 of the 2015 Defence Review states the following regarding the Special Forces: “*Expand and enhance the Special Forces capability and the concomitant ability to insert, support and extract such forces.*”² This translates into an expected 48 per cent increase in the operational capacity of each regiment.

An immediate requirement is the establishment of additional Special Forces commandos at 4 and 5 Special Forces Regiments. A further challenge revolves around the Special Forces’ dependency on other Arms of Service for training and support, notably the SA Air Force and SA Navy. The limited availability of aircraft and vessels for training has a significant impact on the Special Forces’ ability to exercise their unique skills.

The Special Forces School provided a presentation which focused on their capacity to provide general and specialist training for Special Forces capabilities. The presentation highlighted the 78 week training schedule of the Special Forces and indicated that some international students are also trained, mostly from Southern African Development Community (SADC) countries. The Special Forces Supply Unit, in their presentation, noted their responsibility to include the management of assets, supply support, facility management, logistical management and product system management. The Supply Unit has satellite offices in the various Special Forces Regiments to assist with logistical and other supply requirements. The major challenges experienced by the Supply Unit revolve around facilities. Firstly, part of the Special Forces’ training areas near Phalaborwa and in the Madimbo corridor are currently subject to land claims. Without the finalisation of these processes, no further action in terms of facilities development can be conducted in these areas. Secondly, the supply of equipment, spares, and

² South African Defence Review 2015. Department of Defence. pages xi and 9-19
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specialised apparatus, are essential, but the Supply Unit is having increasing difficulties in this regard due to procurement processes and financial constraints.

6.2 Discussion

Several matters were raised by Members of the PCODMV during its engagement with General Maloma and other Special Forces command structures. The Committee welcomed the honest and open discussion by the General and lauded the hard work done by the men and women of the Special Forces.

Firstly, Members raised concern regarding the safety of equipment at Special Forces bases. Members were assured that measures are in place to enhance security. Reserves are called up to assist with facility guarding while in other instances, regular forces are assisting with guarding services. The Special Forces has also assisted in the assessments of other SANDF bases to enhance their security.

Members further questioned the training of foreign students, albeit from the SADC region, by the SANDF's Special Forces. General Maloma indicated that the training of other countries' Special Forces has both advantages and disadvantages. A key concern raised was the fact that no funds are received by the Special Forces for the training of foreign personnel.

A further discussion revolved around the lack of female soldiers as Special Forces operators. General Maloma indicated that the Special Forces training remains open to all SANDF soldiers who qualifies after the initial fitness and psychometric testing. Several female soldiers have been on intakes for Special Forces training. However, the extremely rigorous training routine and the intensity thereof generally result in a high fall-out rate with limited numbers of personnel completing the training. The Special Forces remain committed to these levels of training. Thus far, no females have been able to complete the full Special Forces training curriculum.

Finally, Members engaged with General Maloma regarding the need for expansion of the Special Forces. It was indicated that approximately R1 billion will be needed to maintain Special Forces' capabilities and to facilitate expansion as per Milestone 1 of the 2015 Defence Review. This includes, *inter alia*, the addition of a finance center, a procurement center, and one extra Commando for 5 and 4 Special Forces Regiments each. If Milestone 1 is not implementable, the Special Forces indicated that they will make do with what they have, but that operational requirements will have to be scaled down and that training might be negatively affected.

6.3 Recommendations

Following the discussions, the Committee made the following recommendations with regards to the SANDF's Special Forces:

- That the Special Forces capacity be adequately funded to ensure its required expansion under Milestone 1 of the Defence Review.
- If Milestone 1 is not immediately implementable, the operational requirements of the Special Forces should be carefully re-considered to prevent operational fatigue.
- That female SANDF members be encouraged to enter to undertake Special Forces training.
- That the levels of training be maintained at the highest standards.
- The Special Forces should be reimbursed for training of foreign nationals.
- Procurement processes for the Special Forces should be reviewed to ensure faster turn-around times.
- That equipment acquisition, notably the purchase of signal equipment and vehicles, etc. be adequately funded and be promptly acquired.

Report to be considered.

4. BUDGETARY REVIEW AND RECOMMENDATIONS REPORT OF THE PORTFOLIO COMMITTEE ON CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS, DATED 20 OCTOBER 2016.

The Portfolio Committee on Cooperative Governance and Traditional Affairs (the Committee), having assessed the financial and non-financial performance of Department of Cooperative Governance and Traditional Affairs, for the 2015/16 financial year, reports as follows:

1. INTRODUCTION

1.1 Mandate of the Committee

Chapter 4 of the Constitution, 1996 sets out in detail the powers, functions and procedures of Parliament. Parliament through its Committees, such as the Portfolio Committee on Cooperative Governance and Traditional Affairs, is tasked with the following functions:

- a) Making laws;
- b) Maintaining oversight over the National Executive Authority and any organ of state;
- c) Facilitating public involvement in the legislative and other processes of the Assembly and its Committees;
- d) Participating in, promoting and overseeing co-operative governance; and
- e) Engaging and participate in international participation (participate in regional, continental and international bodies)

In line with the parliamentary oversight functions, Section 5 of the Money Bills Amendment Procedure and Related Matters Act No.9 of 2009 empowers Portfolio Committees, to annually assess the performance of each national department through an annual Budgetary Review and Recommendations Report (BRRR). The overarching purpose of the BRR Report is for a Committee to make recommendations on the forward use of resources to address the implementation of policy priorities and services as

the relevant department may require additional, reduced or re-configured resources to achieve these priorities and services.

The Act also gives effect to Parliament's constitutional powers to amend the budget in line with the fiscal framework. The BRRR process, enables a Committee to exercise its legislative responsibility to ensure that the Department and its entities are adequately funded to fulfil their respective mandates. The BRRR Reports must be tabled in the National Assembly.

1.2 Description of core functions of the Department.

The main aim of the Department of Cooperative Governance and Traditional Affairs is to improve cooperative governance across the three spheres of government. The department, must support and strengthen the capacity of municipalities to manage their own affairs, exercise their powers and perform their functions.

The primary mandate of the Department is to:

- Develop and monitor the implementation of national policy and legislation, seeking to transform and strengthen key institutions and mechanisms of governance to fulfil their developmental role;
- Develop, promote and monitor mechanisms, systems and structures to enable integrated service delivery and implementation within government; and
- Promote sustainable development by providing support to and exercising oversight over provincial and local government.

The Department also monitors the implementation of the following key legislations: Municipal Property Rates Act, 2004 (Act No 6 of 2004), Local Government: Municipal Finance Management Act, 2003 (Act No.56 of 2003), Disaster Management Act, 2002 (Act No. 57 of 2002), Local Government: Municipal Systems Act, 2000 (Act No.32 of 2000), Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998), The Intergovernmental Relations Framework Act (Act No.13 of 2005), Local

Government: Municipal Demarcation Act, 1998 (Act No.27 of 1998), Organised Local Government Act, (Act No.52 of 1997, and the Remuneration of Public Office Bearers Act, (Act No. 20 of 1998).

The Department also oversees the following entities:

- The Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities, which promotes and protects cultural, religious and linguistic rights.
- The Municipal Demarcation Board, an independent authority responsible for determining municipal boundaries and also mandated to declare district management areas, delimit wards for local elections and assess the capacity of municipalities to perform their functions.
- The South African Local Government Association, which is mandated by the Constitution to assist in the transformation of local government.
- The Municipal Infrastructure Support Agency, which is mandated to render technical advice and support to municipalities, as well as strengthen their capacity to provide access to basic services.

1.3 Purpose of the Budget Recommendation Review Report

Section 77 (3) of the Constitution stipulates that an Act of Parliament must provide for a procedure to amend money Bills before Parliament. This Constitutional provision resulted in Parliament passing the Money Bills Amendment Procedure and Related Matters Act No. 9 of 2009 (the Money Bills Act).

The Money Bills Act 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 each year, Portfolio Committees must compile the Budgetary Review and Recommendation Reports (BRRR) that assess service delivery performance given the available resources; evaluate

the effective and efficient use and forward allocation of resources; and may make recommendations on forward use of resources.

1.4 Method of reporting

This BRR Report assesses the financial performance as well as service delivery performance of the Department of Cooperative Governance and Traditional Affairs and its entities for the 2015/16 financial years. The assessment is based on briefings to the Committee by the department and its entities and other sources of information such as the reports of the Auditor General and annual reports.

1.5 Outline on the BRRR Report

This report is structured as follows: section 2 provides an overview of key policy focus areas of the Department of Cooperative Governance and Traditional Affairs during the 2015/16 financial year. Section 3 provides key financial and performance recommendations of the Portfolio Committee on COGTA. Section 4 of the report provides an overview and assessment of reported financial and service delivery performance for 2015/16 financial year. Section 5 of the report focuses on the Portfolio Committee's observations on COGTA's governance, technical, service delivery and financial performance information. Section 6 table's additional reporting requests by the Portfolio Committee and lastly the report conclude with recommendations in section 7.

2. OVERVIEW OF KEY RELEVANT POLICY

During the year under review, the Department of Cooperative Governance and Traditional Affairs continued with the implementation of the 'Back to Basics' programme. The Back to Basics programme was launched by the President in 2014 with the aim of strengthening and transforming the local government sector. The programme is underpinned by five pillars, namely: prioritising residents; supporting the delivery of municipal services to the right quality and standard; promoting good governance; promoting

transparency and accountability; ensuring sound financial management and accountability; and building institutional resilience and administrative capacity.

During the third quarter of the financial year under review, Minister Pravin Gordhan, who initiated the Back to Basics programme, was reappointed the Minister of Finance. He was replaced by Minister Desmond van Rooyen. The new Minister ensured that there is policy continuity by continuing with the implementation of the Back to Basics programme.

During the 2015/16 financial year the Department relooked at its role and structure and reconfigured itself to be able to deliver the second phase of the Back to Basics programme. The process included reprioritization of projects including focused attention on the implementation of the Back to Basics programme. The Department has established the following organisational structure in response to the Back to Basics programme:

- **Programme 1: Administration**

This programme provides strategic leadership management and support services to the Department and includes the Office of the Director-General, Financial and Corporate Management Services.

- **Programme 2: Regional and Urban Development and Legislative Support**

This programme provides policy analysis and development in order to transform local government and improve cooperative governance.

- **Programme 3: Institutional Development**

The purpose of the programme is to build institutional resilience in the local government system by supporting system development, governance, capacity building and revenue management and provide for the functions of the Department of Traditional Affairs.

- **Programme 4: National Disaster Management Centre**

The purpose of this programme is to promote an integrated and coordinated system of disaster prevention, mitigation and risk management.

- **Programme 5: Local Government Support and Interventions Management**

This programme conducts hands-on performance monitoring, support and interventions in municipalities and provincial departments of cooperative governance that will drive Back to Basics activities.

- **Programme 6: Community Work Programme**

The purpose of this programme is to create income security and work experience for participants, targeting areas that promote social and economic inclusion by targeting areas of high unemployment.

The Back to Basics programme is linked to outcome 9 (a responsive, accountable, and efficient local government system) of government's 2014 – 2019 Medium Term Strategic Framework (MTSF).³ The continued implementation of the Back to Basics programme during the year under review is aligned to the following sub-outcomes of the Government's MTSF for the period- 2014 – 2019.

- Members of society have sustainable and reliable access to basic services
- Intergovernmental and democratic governance arrangements for a functional system of cooperative governance and participatory democracy strengthened.
- Sound financial and administrative management.
- Promotion of social and economic development
- Local public employment programmes expanded through the Community Work Programme.

³ National Treasury (2016)
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3. SUMMARY OF PREVIOUS KEY FINANCIAL AND PERFORMANCE RECOMMENDATIONS OF THE COMMITTEE

During the 2014/15 financial year the Committee made the following recommendations to the Department:

Committee Recommendation	Progress by department
Communication between the Department of Cooperative Governance and the Office of the Auditor-General needs to be improved. It is recommended that the Department should meet with the Auditor General to ensure that they share the same understanding with respect to the expected standards of compliance with reporting requirements.	Regular engagements took place between the Department, the Ministry and the Auditor – General South Africa during the 2015/16 financial year.
Minister of Cooperative Governance and Traditional Affairs and National Treasury to review Supply Chain Management processes and regulations within the Department of Cooperative Governance and Traditional Affairs and its entities.	The Department of Cooperative Governance has reviewed its Supply Chain Management Policy. It is now in the process of approval. The Detailed Standard Operating Procedures Manual is in the process of finalisation.

4. OVERVIEW AND ASSESSMENT OF FINANCIAL PERFORMANCE

4.1 Financial and service delivery performance 2015/16

Department of Cooperative Governance

The initial budget of the Department of Cooperative Governance and Traditional Affairs for the 2015/16 financial year was R69.314 billion. During the 2015/16 Adjusted Estimates of National Expenditure, the Department received an additional appropriation to the value of R1.501 billion which slightly increased the appropriation to R70.815 billion. This represents an increase of R7.361 billion (11.60%) when compared to the budget allocation for the previous financial year (2014/15).

The increased allocations for the 2015/16 financial year were mainly in respect of the introduction of the new Municipal Demarcation Transition Grant as well as the approved roll-over of Local Government Equitable Share funds from the 2014/15 financial year.

Table 1: FINANCIAL INFORMATION FOR 2015/16

Programme Name	Final Appropriation R'000	Actual Expenditure	(Over)Under Expenditure
Prog1: Administration	271 125	269 422	1 703
Prog2: Policy, Research and Knowledge Management	19 281	17 914	1 367
Prog:3 Governance and Intergovernmental Relations	51 809 326	49 466 922	2 342 404

Prog:4 Disaster Management Centre	591 355	258 158	333 197
Prog: 5 Provincial and Municipal Government Systems	329 092	293 335	35 757
Prog:6 Infrastructure and Economic Development	17 669 370	17 665 858	3 512
Prog:7 Department of Traditional Affairs	125 928	125 928	-
Total	70 815 477	68 097 537	2 809 176

Table 1 above depicts the total expenditure of the Department during the year under review, which amounts to R68 billion or 96% of the total appropriation. An under-spending of R2.717 billion or 3.84% of the total budget is reflected⁴. The under expenditure in 2015/16 reflects an improvement compared to the 6.4 percent or 4 billion under-expenditure incurred in 2014/15. Contributing to the under-expenditure was an amount of R5.7 million budgeted for transfers to the United Cities and Local Government of Africa. The delay was as a result of claims not being submitted to the Department.

During the financial year under review, a number of virements were effected by the Department in terms of section 43 of the Public Finance Management Act (PFMA), (Act 1 of 1999). This was to fund the overruns and increased spending levels of the different programmes. The following are the virements during the 2015/16 financial year:

2. Annual Report DCoG (2016)

An amount of R1.2 million was shifted from Programme 6: Infrastructure and Economic Development to increase the compensation of employees' allocation of Programme 3: Governance and Intergovernmental Relations.

With respect to goods and services, R17.7 million was shifted from Programme 3, and R7.6 million from the National Disaster Management Centre (NDMC), to increase goods and services allocation of Programme 1: Administration.

Further amounts of R1.1 million and R2.3 million, respectively, were shifted from the NDMC to increase the goods and services allocation in respect of Programme 5: Provincial and Municipal Governance Systems and Programme 6.

Programme 5 also received R1 million in virements from Programme 2: Policy, Research and Knowledge Management. With regard to virements effected in respect of payment for capital assets, R3.2 million was shifted from the NDMC, R20 000 from Programme 3, R1.25 million from the NDMC, R100 000 from Programme 5 and R150 000 from Programme 6, to Programme 1.

All the above virements were subjected to the due processes in terms of the policies and procedures of the Department.

The Department incurred an amount of R482.2 million in irregular expenditure. This represents an increase from R155.3 million irregular expenditure incurred in 2014/15 financial year. The Department's Audit Committee has noted with concern this increase in irregular expenditure in the 2015/16 financial year.

An unspent amount of R1.499 billion was requested to be rolled over from the 2014/15 financial year from National Treasury in respect of the Local Government Equitable Share Grant for municipalities in order to finance accounts to Eskom and the various Water Boards for bulk water and electricity services. No unauthorised, fruitless and wasteful expenditure were incurred by the Department in the 2015/16 financial year.

The Department achieved 36 targets or 65 percent of the 55 planned targets set out in the 2015/16 Annual Performance Plan (APP). This level of performance is attributed to an internal realignment exercise, which resulted in movement of key personnel across various programmes. The mismatch between expenditure and achievement of targets is remarkable.

Programme 1: Administration

Summary:

The Programme provides for leadership and administration of the Department. It spent 99.4% of its budget. The under-spending was mainly in the Ministry and Communication sub-programmes. Of the planned targets for 2015/16 financial year, the programme achieved only one out of four, or 25 percent.

Expenditure:

Table 2: Programme 1: Administration

2015/2016			
Sub- programme Name	Final Appropriation	Actual Performance	(Over)Under Expenditure
Ministry	30 247	29 551	696
Management	18 905	18 864	41
Chief Operating Officer	14 126	14 122	4
Corporate Services	98 243	98 204	39
Financial Services	27 590	27 589	1
Communication and Liaison	8 004	7 082	922
Legislation, Review & Drafting	10 310	10 310	-
Internal Audit & Risk Management	7 836	7 836	-
Office Accommodation	55 864	55 864	-
Total	271 125	269 422	1 703

The above table reflects an underspending of R1.7 million or 0.6 percent of the final appropriation of R271.1 million.

Performance:

The Annual Report states that there were no serious concerns of underperformance for this Programme. This does not seem consistent with the fact that the Programme only achieved one of its four planned targets. The poor performance in this programme is not consistent with the fact that it spent 99.4 % of its allocated budget.

Programme 2: Policy, Research and Knowledge Management

Summary:

The Programme provides specialised support services to the Department in the areas of research, knowledge management, and policy formulation. It spent 92.9 percent of its budget, and achieved three of five or 60 percent of the planned targets for 2015/16.

Expenditure:

Table 3: Programme 2: Policy, Research and Knowledge Management.

2015/2016			
Sub-programme Name	Final Appropriation	Actual Performance	(Over)Under Expenditure
Management: Research and Policy	5 779	4 776	1 003
Policy Methods and Research	5 572	5 358	214
Knowledge and Information management	7 930	7 780	150
Total	19 281	17 914	1 367

The programme reflects underspending of R1.3 million or 7.1 percent of the final appropriation of R19.2 million, as a result of delays in the implementation of the 2015/16 Procurement Plan. The underspending was mainly in the Office of the Deputy Director General. An amount of R1 million was also shifted, as a virement, to Programme 3 to increase its goods and services allocation.

Performance:

The programme was unable to achieve all planned targets due to human resources constraints. The two targets not achieved were shifted to the 2016/17 financial year.

Programme 3: Governance and Intergovernmental Relations

Summary

This programme manages, promotes and facilitates an effective system of intergovernmental fiscal relations in support of municipalities to deliver sustainable infrastructure for increased access to basic services, improve financial and revenue management audit outcomes, and to implement the Municipal Property Rates Act (MPRA)

Expenditure:

Table 4: Governance and Intergovernmental Relations

2015/2016			
Sub-programme name	Final appropriation	Actual performance	(Over)Under expenditure
Management: Governance	11 448	11 411	37
Intergovernmental Coordination	5 236	5 236	-
Intergovernmental Fiscal Relations	17 872	17 849	23
Governance and Public Participation	6 960	4 625	2 335

South African Local Government Association	9 215	9 215	-
Municipal Demarcation Board	45 793	45 793	-
South African Cities Network	6 286	6 286	-
United Cities and Local Government of Africa	-	-	-
Local Government Equitable Share	51 706 516	49 366 507	2 340 009
Total	51 809	49 466 922	2 342 404

The programme spent 95.5 percent of its budget. The total amount of underspend was R2.3 billion or 4.5 percent. The under-spending was attributed to sub-programmes- Governance and Public Participation and Local Government Equitable Share. The serious concerns of underperformance were reported on the Local Government Equitable Share, which was due to the withholding/off-setting of funds from some municipalities as per the requirements of Division Of Revenue Act (DORA) as well as delays in the transfer of funds for the United Cities and Local Government of Africa due to claims not being submitted to the Department.

An amount of R1.2 million was shifted, as a virement, to this programme from Programme 6: Infrastructure and Economic Development to increase the compensation of employees' allocation. There was also R1 million shifted from Programme 2 to increase the goods and services allocation. An amount of R20 000 was shifted to Programme 1 to increase the payment of capital assets allocation in that Programme. There is no evidence to suggest that the above items were not subjected to due process in terms of the relevant policies and procedures.

Performance:

The programme achieved 11 (73.3 percent) of the 15 planned targets for 2015/16. One of the critical targets not achieved is the promulgation of IMSI Bill as well as the target for the national campaign on improving the culture of payment for services. The underperformance relating to the Local Government Equitable Share was reported due to the withholding of the funds from some of the municipalities as per DORA requirements.

Programme 4: National Disaster Management Centre

During the year under review, the National Disaster Management Centre (NDMC) was still a programme within the Department. The Disaster Management Amendment Act, which made the Centre a government component only came into operation on the 1st of May 2016.

Summary

The purpose of this programme is to promote an integrated and coordinated system of disaster management with specific emphasis on prevention, mitigation and preparedness by national, provincial and municipal organs of state, statutory functionaries and other role players involved in disaster management and communities. The programme is also responsible for the administration of fire services legislation.

Expenditure

Sub programme name	Final appropriation	Actual performance	(Over) Under Expenditure
Management: Head of Disaster	6 105	5 683	422
Legislation, Policy and Compliance Management	6 115	6115	-
Planning Coordination and Support	13 740	13 204	536

Intelligence and Information Systems Management	10 914	10 254	660
Disaster relief Grant	364 343	35 588	328 755
Integrated disaster management monitoring and evaluation systems	1 238	1 193	45
Municipal disaster recovery grant	188 900	186 121	2 779
Total	591 355	258 158	333 197

The programme spent 43.7% of its budget. The under-spending was mainly in the Disaster Relief Grant and Municipal Disaster Recovery Grant. It is reported that the under-performance of the two grants was due to the uncertainty of when a disaster will be incurred and declared.

Performance

The NDMC achieved 100% of its planned targets for the 2014/15 financial year. No material findings on the usefulness and reliability of the reported performance indicators were identified by the Auditor General.

Programme 5: Provincial and Municipal Government Support

Summary:

The programme provides evidence-based regulatory mechanisms, as well as oversight and support programmes for provincial and municipal government, and associated institutions, in order to facilitate development planning and service delivery. The programme spent 89.1 percent of its budget during the year under review. Of the 13 targets planned by the

Department under this programme, nine or 81.8 percent were achieved. This performance information, however, was found by the AG to be unreliable when compared to the evidence provided.

Expenditure:

Table 5: Provincial and Municipal Government Support

2015/2016			
Sub-programme Name	Final appropriation	Actual Performance	(Over) Under Expenditure
Management: Provincial and Local Government Support	9 510	9 394	116
Provincial Government Support and Intervention	4 626	4 626	-
Development Planning	11 767	11 481	286
Municipal Systems Improvement Grant	251 442	251 442	-
Local Government Support and Intervention	12 747	12 678	69
Municipal Demarcation Transition Grant	39 000	3 714	35 286
Total	329 092	293 335	35 757

This programme had a final appropriation of R329 million, of which R35.7 million, or 10.9 percent, was underspent due to the change in the transfer arrangements of the Municipal Demarcation Transition Grant, and delays by some municipalities in finalising some of the DORA conditions. A virement amounting to R1.1 million was also made from the NDMC to increase the goods and services allocation of this programme. A shift of R100 000 was effected from this programme to increase the payment of capital assets allocation in respect of Programme 3.

Performance:

Under this programme, under-spending was mainly reported in respect of the Municipal Demarcation Transition Grant and was attributed to delays by some municipalities in finalising some of the DORA conditions. Transfers were only made to the erstwhile Randfontein and Westonaria Local Municipalities in the Gauteng Province, on 12 February 2016. The funds were not spent by 31 March, as the municipalities had to comply with various supply chain processes. Another explanation provided is that there was a change in the transfer arrangement from the municipalities in KwaZulu-Natal to the Provincial Department of Cooperative Governance.

Programme 6: Infrastructure and Economic Development.**Summary:**

The programme supports provincial and local government programmes and systems to promote economic and infrastructure development within the context of national priorities. It spent 99.9 percent of its budget, and yet, of the 14 targets set, only eight (57.1 percent) were achieved. The Auditor-General reported that he was unable to obtain sufficient appropriate audit evidence to support the reasons provided for the variance between planned targets and actual achievements.

Expenditure:**Table 6: Infrastructure and Economic Development**

2015/2016			
Sub-programme name	Final Appropriation	Actual Performance	(Over) Under Expenditure
Local Economic development Plan	9 385	8 783	602
Infrastructure Development	21 475	20 412	1 063
Municipal Infrastructure Grant	14 955 762	14 955 762	-
Community Work Programme	2 375 939	2 394 230	1 709
Municipal Infrastructure Support Agency	304 013	304 013	-
Management: Infrastructure	2 796	2 658	138
Total	17 669 370	17 665 858	3 512

This programme spent 99.5 percent of its R17.6 billion final appropriation. The under spending was mainly in the Community Work Programme. The serious concerns for under-performance were due to delays in the receipt of invoices from implementing Agents and the failure to fill funded vacant posts. A virement amounting to R1.2 million was effected to increase the compensation of employees' allocation of Programme 3: Governance and Intergovernmental Relations. Another amount of R2.3 million virement was effected from the NDMC to increase the goods and services allocation of this programme. An amount of R150 000 was shifted from this Programme to increase the payment for capital assets allocation in respect of Programme 1.

Performance:

As in the previous financial years, the Community Work sub-programme remains a source of serious concern for underperformance due to delays in receipt of invoices from Implementing Agents and failure to fill funded vacant posts. However, it is also noteworthy that the previously chronic problem of underspending on the Municipal Infrastructure Grant (MIG) appears to have been resolved. There is no reported under expenditure on the MIG during the financial year under review.

Department of Traditional Affairs

During the financial year under review, the Department of Traditional Affairs received a transfer of R 125 982 million from the Department of Cooperative Governance. The Department managed to reduce underspending from R4, 111 million in 2014/15 financial year to R0, 566 million in 2015/16 financial year.

Table 7: Programme Expenditure

2015/16			
Programme name	Final Appropriation R'000	Actual Expenditure R'000	(Over) Under Expenditure R'000
Administration	R31 355	31 189	166
Research, Policy and Legislation	15 112	15 112	-
Institutional Support and coordination	79 461	79 461	400
Total	125 928	125 362	566

The Department of Traditional Affairs received an additional amount of R3, 981 as a virement from the Department of Cooperative Governance as part of shared line items as per the standard chart of accounts. The virement was necessitated by the imbalance between the appropriated budget on Compensation of Employees and the headcount. The virement was

approved by National Treasury. No roll overs were requested. There was no unauthorised expenditure for the financial year under review. Unauthorised expenditure of R2, 252 million from the 2014/15 financial year remains on the financial statements of the Department. The Department has not as yet received an approval from National Treasury to table this amount in various oversight committees for consideration. There were no incidents of fruitless and wasteful expenditure for the 2015/16 that was reported by the Department.

During the year under review, the Department of Traditional Affairs achieved 14 of its targets or 78 percent. The table below presents a summary of 2015/16 Annual Performance per Programme.

Table 7: 2015/16 annual performance per programme

Programme	Total number of 2015/16 annual targets	Number and % of targets achieved	Number and % of targets partially achieved	Number and % of targets not achieved
Administration	6	5	0	1
Research, Policy and Legislation	5	4	0	1
Institutional Support and Coordination	4	3	0	1
National House of Traditional Affairs	3	2	0	1
Total	18	14 (78%)	0	4 (22%)

Programme 1: Administration

Summary

This Programme provides strategic leadership, effective administration, executive support, monitoring and evaluation of traditional affairs performance, internal audit and corporate financial services. The programme had 6 annual targets and only achieved 5 which translate to 83 percent achievement.

Expenditure

Sub programme name	Final appropriation R'000	Actual Expenditure R'000	(Over) Under Expenditure
Ministry	6 098	6 098	-
Management	10 472	10 473	-1
Corporate and Financial Services	12 500	12 499	1
Internal Audit	2 285	2 119	166
Total	31 355	31 189	166

The total adjusted budget for the programme was R31, 3 million and the total spending at the end of the financial year amounted to R31, 1 million which translate to 99, 5% spending against the adjusted budget. The programme achieved 83.3 percent of the planned targets.

Programme 2: Research, Policy and Legislation

Summary

The programme provides for research and establishes and maintains traditional affairs information systems. The programme is also responsible for the development, review, coordination and monitoring implementation of traditional affairs policies, norms and standards by provincial government and supports traditional affairs entities to restore the integrity and dignity of traditional leadership.

Expenditure

Sub programme name	Final appropriation R'000	Actual Expenditure R'000	(Over) Under Expenditure
Management	3 874	3, 874	-
Policy and Legislation	3 551	3 551	-
Research and Information Management	7 687	7 687	-
Total	15 112	15 112	-

As illustrated above, the programme spent R15, 1 million or 100 percent of its budget.

Performance

While this programme spent 100% of its budget, it achieved 80 percent (4 out 5) of its targets.

Programme 3: Institutional Support and Coordination**Summary**

The programme promotes institutional development and capacity building within Traditional Affairs and facilitate partnerships and collaborative relations of the institution of traditional leadership with all spheres of government, civil society and private sector.

Expenditure

Sub-programme name	Final Appropriation R'000	Actual Expenditure R'000	(Over) Under Expenditure
Management	1 475	1 458	17
Institutional development and Capacity Building	5 078	5 079	-
Partnerships	6 510	6 511	-1
National House of Traditional Leaders	18 730	18 554	176
CRL Commission	36 582	36 582	-
Commission on TL Disputes & claims	11 086	10 877	209
Total	79 461	79 061	400

The programme out of final appropriation of R79 461 as indicated above, spent R79 061 million or 99 percent of its final appropriation. An under-expenditure of R400 000 was reported.

Performance

This programme achieved 5 (71 percent) of its 7 targets.

Municipal Infrastructure Support Agent**Expenditure**

During the 2015/16 financial year MISA received, as a transfer from the Department of Cooperative Governance, a final appropriation of R304 million. The entity received an additional income of R2, 3 million from other sources, increasing the total revenue to R306, 3 million. Although the entity's annual report and audited financial statements had not

been finalised at the time of the BRRR process, a preliminary draft report indicates that MISA incurred R236, 900 in fruitless and wasteful expenditure and R 136 408 466 million in irregular expenditure. The irregular expenditure relates to tenders not advertised for 21 days in line with their Supply Chain Management Policy, travel invoices signed without delegated authority and IT services not procured through SITA as required by law

Performance

During the year under review, MISA had 23 targets. The entity achieved 18 which translates into an achievement rate of 78%. Four targets or 18% were not achieved. The table below provides a summary of performance per programme.

Programmes	Total number of 2015/16 annual targets	Number and % of targets achieved	Number and % of targets partially achieved	Number and % of targets not achieved.
Programme 1: Administration	8	6 (75%)	1 (12.5%)	1 (12.5%)
Programme 2: Municipal and Sectoral Technical Support	4	4 (100%)	0 (0%)	0 (0%)
Programme 3: Capacity Development	7	5 (71%)	0 (0%)	2 (29%)
Programme 4: Strategic support	4	3 (75%)	0 (0%)	1 (25%)
Total	23	18 (78%)	1 (4%)	4 (18%)

South African Local Government Association

During the period under review, SALGA received R9.2 million from the Department of Cooperative Governance. The amount constituted 7% of SALGA's total operating revenue of R504.8 million. Of the total operating revenue of SALGA for the financial year under review, R460.1 million was revenue derived from membership levies paid by municipalities. Additional income to increase the entity revenue to R522.8 million came from investments and other sources. SALGA spent R495.7 million or 95% of its total operating revenue, leaving a surplus of R21.1 million.

For the year under review, SALGA had 36 planned targets, all of which were reportedly achieved. The targets were spread across the organisation's seven predetermined objectives. There were no material audit findings identified by the Auditor General on the usefulness and reliability of the reported performance information in respect of these objectives.

CRL Rights Commission

During the period under review, the Commission received a total transfer of R36, 582 million. An additional exchange revenue of R207 000 was also received, increasing the total revenue of the entity to R36, 788 million. Total expenses amounted to R37, 891 million, resulting in a deficit of R1, 103 million.

The Commission achieved all its targets for the financial year under review.

Municipal Demarcation Board

During the 2015/16 financial year the Board received an allocation of R45 793 million from the Department of Cooperative Governance. An additional income of R495 000 was received from other sources resulting in a total income of R46 288 million. The total expenditure for the final year was R64 737 million. An amount of R18 449 million from accumulated surplus was utilised to fund the section 22 (2) project, requested by the Minister.

4.1.1 Auditor - General Reports

Department of Cooperative Governance

For the financial year under review the Department has received a qualified audit opinion. The Department regressed from the unqualified audit opinion obtained in 2014/15 financial year. The basis for the opinion was lack of sufficient appropriate audit evidence for payments made to Community Work Programme (CWP) implementing agents as the Department could not provide accurate and complete substantiating records, as required by the contracts signed with implementing agents. The second basis for a qualified audit opinion was lack of sufficient appropriate audit evidence for movable tangible assets, as the Department did not maintain an assets register for the Community Works Programme that adhered to the minimum requirements for an asset register as prescribed by National Treasury. Irregular expenditure for the Department increased to R482 283 000 million during the 2015/16 financial year

Department of Traditional Affairs

The Department for the second year received an unqualified audit, with material findings on compliance and/or predetermined objectives. It was found that the Department did not take effective steps to prevent irregular expenditure amounting to R4, 093 million. The bulk of the irregular expenditure incurred by the Department was as a result of legal fees payable to attorneys representing government on traditional leadership disputes and claims emanating from cases handled by the Nhlapo Commission of Inquiry on Traditional Leadership. The financial statements submitted required material adjustments in order to receive an unmodified audit opinion.

South African Local Government Association

The Association has maintained high performance outcomes, resulting in the achievements of a clean (unqualified with no findings) audit for the fourth conservative year. Fruitless and wasteful expenditure amounting to R5 966 was incurred in interest charges, and R380 was recovered from the responsible officials. The remaining amount of R5 616 was condoned by National Executive Committee (NEC) as irrecoverable.

Municipal Demarcation Board

The Board received an unqualified audit opinion with material findings on compliance and/ or predetermined objectives. The Board incurred an irregular expenditure amounting to R66 000.

Municipal Infrastructure Support Agent

As noted earlier, the audit of the entity's financial statements had not yet been finalised. According to the Auditor – General, their office experienced challenges with the external service provider who was conducting the audit on their behalf. It was indicated that the audit will be completed by the end of October 2016.

CRL Rights Commission

The Commission received an unqualified audit opinion with findings on pre-determined objectives and compliance. It was found that the Commission did not prevent an irregular expenditure to the value of R43 252. The amount relates to the purchase of toner for copier machines on the basis of a service level agreement with the supplier. The service level agreement does not list all the copier machines, which resulted in the irregular expenditure.

Fruitless and wasteful expenditure amounting to R51 000 was incurred. This was due to the appointment of a valuator to revalue all the fixed assets of the Commission. The report was paid for but never utilised.

4.2 Key reported achievements**Department of Cooperative Governance**

The period under review marked 15 years of democratic local government. The following are some of the key reported achievements of the department:

- During the 2015/16 financial year, there have been significant improvements in the ability of municipalities to discharge their basic responsibilities. Monthly reporting by municipalities on Back to Basics Performance Indicators increased to 60%.

- Municipalities were supported to develop infrastructure assets registers and capture their infrastructure assets in the Municipal Infrastructure Performance Management Information Systems and to develop operations and maintenance plans. For the year under review, 3 out of 27 assessments were concluded in Amathole, Umzinyathi and Sekhukhune Districts to determine the levels of infrastructure backlogs and identify specific interventions to address the challenges.
- A total of 247 municipalities have benefited from the 2015/16 Municipal Infrastructure Grant (MIG) allocation amounting to R14, 9 billion.
- During the period under review, CWP programme reported some major achievements. The following are some of the reported interventions in Gauteng: CWP participants; cleaned almost 300 000 square meters of public spaces, rivers and canals; clearing 1,051 illegal dumping sites; maintaining 2, 076 community gardens; cleaning 81, 000 square meters of cemeteries; benefiting 10, 800 children at crèches; refurbishing 2,058 desks and benefiting 34 learners with school patrols. The programme expanded from 45 municipalities in 2010/11 to 196 municipalities in 2015/16, while the participation rate has also increased from less than 100, 000 to more than 200, 000. At the end of the 2015/16 financial year, 233, 315 participants have benefited from the programme. In Limpopo, Gauteng and Mpumalanga all municipalities had a CWP site by the end of March 2016.

Department of Traditional Affairs

The key achievement of the department during the period under review was the tabling of the Traditional and Khoi San Leadership Bill in Parliament. Once passed the Bill will provide for the recognition of the Khoi San leadership, communities and structures and strengthen the governance of the structure of the institution of traditional leadership. The department has also developed Traditional Leadership Disputes and Claims Resolution Framework to provide uniform norms and standards for resolving traditional leadership disputes and claims within reasonable timeframes.

CRL Rights Commission

During the 2015/16 financial year, the Commission has made in-roads in terms of increasing its visibility and raising awareness about its core mandate to local communities and broader South African nation. Complaints received by the Commission increased, and more research projects were done. The major highlight for the Commission during the 2015/16 financial year was its investigative study on the commercialization of religion and the abuse of people's belief systems.

Municipal Demarcation Board

During the year under review, The Minister of Cooperative Governance and Traditional Affairs requested the Board to consider re-determining a number of municipal boundaries in terms of Section 22(2) of the Local Government: Municipal Demarcation Act, of 1998. The Minister's requests were 34 in total. The re-determination was concluded by the Board in August 2015 and resulted in the reduction of the number of municipalities from 278 to 257 with effect from 3 August 2016. Another key reported achievement was the ward delimitations. The process resulted in an increase in the number of wards from 4, 277 to 4,392.

South African Local Government Association

According to SALGA, a number of major milestones and ground breaking events were achieved through submissions on new policies and amendments of legislation introduced in Parliament. The organisation further advocated for the funding of municipalities on the provision of safety and crime prevention programmes in communities as well as disaster management; and the proposed amalgamation of the Metropolitan Police into the South African Police Service (SAPS). A collective bargaining agreement was concluded for the 2015–2018 period with the relevant parties and significant progress on working towards a service charter was agreed upon. Councillor Training continued in the form of a Councillor Development Programme which was rolled out in municipalities and more than 3, 500 councillors were trained.

Municipal Infrastructure Support Agency

There is no key reported achievements for the Agency as its annual report is still outstanding due to the non-finalization of the audit report by the Auditor General.

4.2.1 Key reported challenges

Department of Cooperative Governance

During the period under review, the Department had to deal with a number of challenges which includes inter alia:

- Crippling drought. A number of communities in municipalities especially in the Free State, KwaZulu Natal, and Limpopo and North West provinces were without water.
- The department had to deal with a number of protests as part of the preparations for the local government elections.
- Service delivery protests in a number of municipalities remain a major problem and the Department had to intervene.
- Maintenance of municipal infrastructure and improving infrastructure delivery remained a challenge. The Department had to intervene in some district municipalities such as Amathole to do an assessment in order to determine levels of infrastructure backlog and identify specific interventions to address the challenges.
- The administration of the Community Works Programme remained a major challenge for the department.
- Appointment of Senior Managers in contravention of the Municipal Systems Act and its Regulations remained a challenge as thirty eight (38) were appointed in contravention of the Act and Regulations.
- Non finalisation of Intergovernmental Monitoring Support and Interventions Bill.
- Non finalization of amendments to local government legislation.
- Withholding of equitable share to municipalities by National Treasury.

Department of Traditional Affairs

- The department struggled to finalise all genealogies and customary law of succession for all the kingships.
- Court litigation on leadership claims and disputes.
- A significant number of traditional councils are reported to be dysfunctional.
- Inadequate support to traditional councils and local houses, community authorities, landless traditional leaders and the proliferation of headmanship.
- The formal recognition and affirmation of Khoi and San leadership, structures and communities.
- The participation of traditional leaders in government structures especially in municipalities remains a challenge.
- The deaths of male circumcision initiates remains an increasing challenge

CRL Rights Commission

The major challenge for the Commission is the limited financial resources allocated to it. During the year under review the Commission received an increased demand for its services. Complaints received by the Commission increased and communities needed research on a number of issues such as the abuse of people's belief system. During the year under review the Commission also witnessed increased threats to the lives of its key personnel as a result of its inquiries into the commercialisation of religion. This necessitated increased expenditure on security measures, for which there was no budgetary provision.

South African Local Government Association.

There are no reported challenges for the organisation for the period under review.

Municipal Demarcation Board

The main challenges for the Board during the 2015/16 financial year were the following:

- Minister's requests, in terms of Section 22(2) of the Local Government Municipal Demarcation Act of 1998, to the Board to reopen the determination of outer boundaries of specific municipalities. The requests came after the budget process was concluded and it was therefore not budget for. Accumulated surplus was utilised for this project.
- The decisions of the Board with regard to municipal boundary re-determination were challenged. Some of the legal challenges includes MDB vs Midvaal municipality, MDB vs Baviaans Municipality, MDB vs Democratic Alliance and MDB vs Masia (Vuwani).
- Legislative constraints
- Perceived negative public perception due to lack of understanding of the Board mandate, with the Board being blamed for matters relating to provincial boundaries, frequency of boundaries determinations that frustrates municipal planning processes and ward delimitations criteria that ignores the service delivery role of municipalities.
- Lack of regional footprints creates disconnection with the public.
- Inadequate human resource capacity due to insufficient budget, which has constrained the achievement of targets.

Municipal Infrastructure Support Agency

A preliminary presentation by MISA to Parliament indicates that since 2012 the Agency has been operating without an approved organisational structure and that it has been without a Supply Chain Management unit. The main challenge for the Agency has been its inability to deal with irregular expenditure. During the 2015/16 financial year, an amount of R136 408 466 was incurred as irregular expenditure.

5. COMMITTEE OBSERVATIONS

5.1 Technical issues

The Department and its entities tabled their reports as per the requirements. There were no technical errors identified in the reports. The information in the reports was found to be of required quality and very useful to the committee.

5.2 Governance and operational issues

- The Committee appreciates the work undertaken by the Department of Cooperative Governance and Traditional Affairs, South African Local Government Association, CRL Rights Commission and Municipal Demarcation Board during the year under review.
- A concern was raised that the Department had not finalised the Local Government Laws Amendment Bill which was approved by Cabinet on 16 March 2016. It was requested that the Department should indicate to the Committee all the areas that will be covered by the Local Government Laws Amendment Bill.
- The non-finalization of the Intergovernmental Interventions Bill during the year under review was raised as a concern.
- The appointment of Senior Managers in local government in contravention of the Local Government Municipal Systems Act and its regulations. The Department must report back to the Committee on municipalities that contravened the regulations and the corrective measures that were taken by various MECs to ensure compliance.
- Monitoring and oversight over provinces (beyond provincial CoGTA departments) by the Department of Cooperative Governance was observed to be inadequate. The Department's focus was observed to be predominantly on municipalities.
- The Committee noted with concern the failure of the Department of Traditional Affairs to reduce deaths at initiation schools.
- The CRL Rights Commission is requested to collaborate with the Department of Basic Education on the possible inclusion of the work of the Commission in the curriculum of life Orientation in schools.
- The Committee noted with concern the impact of Collective Bargaining Agreements on smaller municipalities.

5.3 Service delivery challenges

- The Committee noted continued challenges in the administration of the CWP programme. The Department is requested to improve its management of contracts signed with implementing agents. An assets register for CWP that adheres to the minimum requirements for an asset

register as prescribed by the National Treasury must be maintained by the Department.

- Report on the assessment of District municipalities: The Department is requested to provide the Committee with an assessments concluded in the three District municipalities of Amathole, Umzinyathi and Sekhukhune in order for the Committee to understand the levels of Infrastructure backlog and to further see the specific interventions identified to address the challenges.
- Municipalities that were supported to develop infrastructure assets registers and capture their infrastructure assets in the Municipal Infrastructure Performance management Information Systems and develop operations and maintenance plans needs to be provided to the Committee. The Committee will utilise this information during the oversight visits in municipalities.
- The Department is requested to provide the Committee with a detailed briefing on its initiatives to improve financial viability of municipalities and revenue management.

Financial performance including funding proposals

- The Committee is concerned with the underspending on the Disaster Relief Grant and Municipal Disaster Recovery Grant. The Department needs to improve the disbursement of the two grants.
- The Committee is also concerned with the instances of high irregular expenditure incurred in the CoGTA portfolio.

6. TABLE OF COMMITTEE'S REPORTING REQUESTS

Reporting matter	Action required	Timeframe
Local Government Laws Amendment Bill	Indicate to the Committee all the sections in the various local government legislation that will be covered by the Local	By the end of February 2017

	Government Laws Amendment Bill.	
Appointment of Senior Managers in Municipalities in contravention of the Local Government Systems Act and its regulations.	Provide the Committee with the list of Municipalities and positions concerned were appointments contravened the Act and its regulations and the corrective measures that were taken by various MECs to ensure compliance	By the end of November 2016.
Assessment of infrastructure backlogs in District Municipalities.	Provide the Committee with an assessment concluded in the three District Municipalities of Amathole, Umzi-nyathi and Sekhukhune in order for the Committee to fully understand the levels of infrastructure backlog in the three districts.	Immediately
Financial viability and revenue management in local government.	The Department is requested to provide a detailed briefing on the initiatives of the department to improve financial viability of municipalities and revenue management.	By the end of November 2016.

Commercialization of religion and the abuse of the people's belief systems.	CRL Rights Commission to provide the Committee with the report as soon as it is finalized.	March 2017
Municipal capacity assessments	The Municipal Demarcation Board must table any municipal capacity assessments conducted each year	Annually
Monitoring and evaluation of provincial performance	The Department of Co-operative Governance must provide an action plan to implement continuous monitoring and evaluation of provincial performance and expenditure, including the tabling of any reports on an annual basis	Annually

7. RECOMMENDATIONS

- The Department of Co-operative Governance is requested to improve its management of contracts signed with implementing agents of CWP. The Department is further requested to maintain an assets register that adheres to the minimum requirements for the assets register as prescribed by National Treasury.
- The Department should ensure that all municipalities enforce competency standards for Managers and appoint persons with the requisite skills, expertise and qualifications. In instances were

municipalities contravenes the Systems Act and its regulations, and corrective measures must be taken to ensure compliance.

- The Department and its entities must reduce irregular expenditure and ensure that there is no unauthorised, fruitless and wasteful expenditure incurred.
- The Department must arrange a meeting between Eskom and SALGA in order to assist to resolve the challenge of Eskom billing and interest charged to municipalities.

8. APPRECIATION

The Committee wishes to thank the Department of Cooperative Governance and Traditional Affairs, CRL Rights Commission, Office of the Auditor-General South Africa, SALGA, Municipal Demarcation Board, MISA and the National Disaster Management Centre for their fruitful, cordial and constructive engagements. The contributions of Committee Members, as well as Committee support staff is highly appreciated.

Report to be considered.

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5. Report of the Portfolio Committee on Environmental Affairs on the Paris Agreement on Climate Change, dated 20 October 2016

The Portfolio Committee on Environmental Affairs, having considered the Paris Agreement on Climate Change and Explanatory Memorandum thereto, referred to it, recommends that the House, in terms of section 231(2) of the Constitution, approve the said Agreement.

Report to be considered.