1. **Budgetary Review and Recommendation Report of the Portfolio Committee on Labour, dated 11 October 2017**

The Portfolio Committee on Labour, having considered the performance of the Department of Labour and its entities on 13 September 2017, reports as follows:

1. **Introduction**

Section 215 of the Constitution states that national, provincial and municipal budgets and budgetary processes must promote transparency, accountability and the effective financial management of the economy, debt and the public sector. It further instructs that the national legislation must prescribe:

* The form of national, provincial and municipal budgets;
* When national, provincial and municipal budgets are tabled; and
* That budgets in each sphere of government must show the sources of revenue and the way in which proposed expenditure will comply with national legislation.

The Public Finance Management Act (No.1 of 1999) was passed to give effect to the Finance chapter of the Constitution (Chapter 13). Chapter 40 of the Act prescribes that the accounting officer for the department, trading entity or constitutional institution must submit within five months of the end of a financial year to the relevant treasury and, in the case of a department or trading entity, also to the executive authority responsible for the department or trading entity (Minister):

* An annual report on the activities of that department, trading entity or constitutional institution during that financial year;
* The financial statements for that financial year after those statements have been audited; and
* The Auditor-General’s report on those statements.

In line with the above legislation, the Department of Labour and its entities tabled their annual reports before Parliament within the prescribed period. These reports were referred to the Portfolio Committee on Labour for synthesis. The Constitution instructs the National Assembly to provide for mechanisms:

* To ensure that all executive organs of state in the national sphere of government are accountable to it; and
* To maintain oversight of-
  + The exercise of national executive authority, including the implementation of legislation; and
  + any organ of state.

The portfolio committees of the National Assembly are responsible for the operationalisation of the powers of the National Assembly.

* 1. **The mandate of the Committee**

In view of the above, all parliamentary committees have a mandate to legislate, conduct oversight over the executive and facilitate public participation.

As such, the mandate of the Portfolio Committee on Labour (the Committee) is governed by the strategy of Parliament and the Constitution. The Committee is charged with the responsibility of holding the Executive and related entities accountable through oversight of objectives of its programmes; scrutinising its budget and expenditure; and recommending through Parliament what actions the Department should take in order to attain its strategic goals and contribute to service delivery.

The National Assembly, through its committees, is required by Section 5 of the Money Bills Amendment Procedure and Related Matters Act, No 9 of 2009 (the Act) to annually assess the performance of each national department. These Committees must annually submit Budgetary Review and Recommendation Reports (BRRR) for tabling in the National Assembly. These reports should be submitted to the Minister of Finance and the relevant Ministers.

* 1. **The mandate of the Department of Labour**

The Department derives its legislative mandate from chapter 2 of the Constitution and the Bill of Rights, which is:

* To ensure equal access to opportunities;
* Promotion of labour standards;
* Freedom of association;
* To ensure sound labour relations;
* To ensure the environment that is not harmful to the health and wellbeing of those in the workplace;
* To provide adequate social security nets to protect vulnerable workers;
* To ensure that children are protected from exploitative labour practices and not required or permitted to perform work or services that are inappropriate for a person of that child’s age or their wellbeing, education, physical or mental health or spiritual, moral or social development is placed at risk; and
* Access to court and access to fair and speedy labour practices.

The policy mandate of the Department is to regulate the labour market through policies and programmes developed in consultation with social partners. These aim to:

* Improve economic efficiency and productivity;
* Facilitate decent employment creation;
* Promote labour standards and fundamental rights at work;
* Provide adequate social safety nets to protect vulnerable workers;
* Promote and enforce sound labour relations;
* Eliminate inequality and discrimination in the workplace;
* Enhance occupational health and safety awareness and compliance in the workplace; and
* Give value to social dialogue in the formulation of sound and responsive legislation and policies to attain labour market flexibility for competitiveness of enterprises, balanced with the promotion of decent employment.
  1. **Purpose of the BRR Report**

The Money Bills Amendment Procedure and Related Matters 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 of each year, portfolio committees must compile BRRR that assess service delivery performance given available resources; evaluate the effective and efficient use and forward allocation of resources; and may make recommendations of forward use of resources. The BRRR are also source documents for the Standing/ Select Committees on Appropriations/ Finance when they make recommendations to the Houses of Parliament on the Medium-Term Budget Policy Statement (MTBPS). The comprehensive review and analysis of the previous financial year’s performance, as well as performance to date, form part of this process.

* 1. **Method**

In reviewing the work of the Department for the 2016/17 financial year, the Committee placed emphasis on the following aspects:

* An overview of the overall performance in lieu of allocated budget as reflected in the Annual Report of the Department and its entities;
* Presentations by the Department and its entities to the Committee on their annual performance reports;
* Consideration of the Auditor-General’s findings in relation to the Department and its entities; and
* Responses of the Department to the BRRR recommendations of the previous financial year.

The source documents used by the Committee in compiling the report include the annual reports of the Department and its entities, financial statements of the Department and its entities, 2017 Estimates of National Expenditure (ENE), briefings by the Department and its entities during the course of the year, as well as the State of the Nation Address.

The Committee held meetings with the Department and its entities to receive presentations on their performance against their annual performance plans. It also invited the Auditor General to brief it on its assessment of performance of the Department and its entities.

* 1. **Outline of the contents of the Report.**

The contents of the Report are as follows:

* Overview of the key relevant policy focus areas;
* Summary of previous key financial and performance recommendations of the Committee;
* Overview and assessment of financial performance;
* Overview and assessment of service delivery performance for 2016/17;
* Service delivery performance for the first quarter of 2017/18;
* Committee observations;
* Recommendations; and
* Appreciation.

The sections below expatiate on the contents outlined above.

1. **Overview of the key relevant policy focus areas**

The National Development Plan, which was adopted at the Cabinet Lekgotla in September 2012, aims to eliminate poverty and reduce inequality by 2030. The plan was adopted amid the triple challenges of unemployment inequality and poverty. While government’s New Growth Path aims to create 5 million new jobs between 2010 and 2020, the plan set a target of 11 million jobs by 2030. In order to achieve this target, the plan noted that the rate of economic growth needs to exceed 5% a year on average. However, in the statement of the Monetary Policy Committee (MPC) issued by Governor Kganyago on 24 January 2017, he noted that the domestic growth outlook remained weak and more or less unchanged since the previous meeting of the MPC. The Reserve Bank expected the growth rate to have averaged 0.4 per cent in 2016. The forecast for 2017 was revised downwards to 1.1 per cent (from 1.2 per cent) and 1.6 per cent for 2018. The President, in his state of the nation address of 9 February 2017, expected the economy to grow at a rate of 1.3 per cent in 2017. He estimated the economic growth rate for 2016 at 0.5 per cent. Be that as it may, the economy is still not growing fast enough to create the required jobs, as correctly pointed out by the President. The low level of economic growth in the year 2016 was among other reasons that brought South Africa to the brink of down-grading by the three major rating agencies, which are Standard and Poors; Moodys and Fitch. This could have reflected negatively on credit worthiness of the country and thus increased the costs of borrowing funds required for development projects.

The President outlined the Nine Point Plan to reignite growth so that the economy can create jobs. The Nine Point Plan includes, amongst others, managing work place conflict. In this regard, the Deputy President of the country had earlier announced that the Nedlac social partners signed an Accord on Collective Bargaining and Industrial Action in which all social partners committed to take all steps necessary to prevent violence, intimidation and damage to property and improve the capacity of the social partners and other agencies to resolve disputes peacefully and expeditiously.

The low level of economic growth contributed to labour market weaknesses. The official unemployment rate increased to 27.1% in the third quarter of 2016, its highest level since the inception of the Quarterly Labour Force Survey in 2008. This translates to a quarter-to-quarter increase of 0.5 per cent and year-on-year increase of 1.6%. The number of the unemployed persons increased by 239 000 between the second and the third quarter of 2016 and the number of the employed increased by 288 000. Therefore, the net increase in employment was 49 000. Compared to the third quarter of 2015, employment remained almost unchanged while unemployment increased by 455 000 or 8.4 per cent, leading to an increase in year on year unemployment rate by 1.6%. A quarterly decrease of 28 000 was observed in the number of persons employed in the manufacturing industry. This is disconcerting considering that the manufacturing industry is supposed to be a driver of economic growth. The number of employed persons decreased by 45 000, 15 000 and 9 000 in the Community and Social services, Private households and Mining industry, respectively. In the fourth quarter of 2016. The unemployment rate decreased by 0.6% to 26.5%. However, the year-on-year increase was up by 2% in the fourth quarter of 2016. Only the mining and construction industries registered a decrease in quarter-to-quarter employment in the fourth quarter of 2016. The employment level in the mining industry went down by 3.8% between the third and the fourth quarter. It went down by 12.8% between the fourth quarter of 2015 and the fourth quarter of 2016. Therefore, the mining industry has been shedding jobs for some time. However, it could have been worse had organised labour not intervened.

Retrenchments of hundreds of workers in the gold sector were averted in the fourth quarter of 2016 when the COSATU affiliated National Union of Mineworkers (NUM) reached an agreement with AngloGold Ashanti that the said retrenchments could not be implemented due to high level of unemployment rate. However, jobs in the poultry industry could not be saved as between 1 200 to 1 350 workers were reportedly retrenched by Rainbow Chicken owned by RCL Foods in Hammersdale, KwaZulu-Natal in February 2017. The retrenchments are expected to rise during the course of the year. RCL Foods said they have no choice but to retrench because they have been losing R1 million a day as a result of the influx of cheap imports from other countries where poultry farmers receive government subsidy. The poultry industry has been struggling to stay afloat as a result of cheap imports from the European Union, Brazil and the United States. Rainbow Chicken is not the only poultry producer that has been affected, Astral Foods has been forced to cut shifts in half for more than 4000 workers. These retrenchments inevitably exacerbate the already high levels of unemployment, which contributes to inequality and poverty.

1. **Summary of previous key financial and performance recommendations of Committee** 
   1. **2016/17 BRRR recommendations and responses of the Department**

In the BRRR of the previous financial year, after considering the presentation of the Department and its entities on their annual reports, input from the Auditor General as well as the presentation from the staff of the Appropriations Committee, the Committee made recommendations to the Minister of Labour. Below are recommendations made by the Committee and responses of the Department (in bold).

The Minister of Labour should ensure that:

* The performance information provided to the Portfolio Committee on Labour on a quarterly basis has been verified by Internal Audit and Audit Committee for credibility and completeness.

**The Department reported that all performance information is audited by Internal Audit and signed off by the Audit Committee on a quarterly basis.**

* In setting performance targets in Annual Performance Plans, the Department and its entities incorporate assessment of impact of its activities.

**The Department reported that impact assessment has been included as part of the quarterly reports of the Department itself and its entities.**

* The Department urgently addresses issues raised by the Auditor General and report back to the Committee on the action plans to address the issues.

**The Department reported that it has drawn an audit action plan with all the audit issues raised by the AGSA in the management letter. Management has come up with interventions to address the issues and also timelines as to when these interventions will be implemented and completed. The interventions are based on root causes identified as well as AGSAs recommendations. On a monthly basis the action plans are reported on and then updated by the relevant managers, consolidated and discussed by the executive committee. Internal audit verifies the action plan and monitors the plan on a monthly basis.**

* The Department and its entities implement effective human resource management processes to ensure that key management vacancies are filled with appropriately skilled and qualified personnel. This will enable the Department and its entities to develop a strong and effective control environment and workforce.

**Vacant positions from salary level 8 and above are advertised externally to attract skilled applicants that will enable the Department to deliver on its mandate. For Senior Management positions (Salary level 13 and above), candidates who are recommended for appointment during the interview process, undergo competency assessment which is conducted by Service Providers who are recommended by the DPSA. This assessment is additional to post related assessments which are administered within the Department. Lastly, verification of the profiles of candidates is done before employment offer is made.**

* All transgressions are speedily investigated and resolved and all guilty parties are held accountable for their actions.

**Serious Misconduct: Immediately when the Department becomes aware of any alleged transgressions, an investigating officer is appointed to investigate the allegations. Following receipt of the investigation report, the report is analysed and if there is substance to the allegations, a charge sheet is drafted and served. A disciplinary hearing is convened in terms of the collective agreement, Public Service Collective Bargaining Council Resolution 1 of 2003, wherein both the employer and employee present their version of events. The chairperson presents his report with a sanction for implementation.**

**Progressive discipline is followed where the matter does not involve a serious misconduct. The official is made aware of the allegations and requested to provide reasons as to why he or she should not be issued with a written warning or final written warning. The official is given five working days to respond. Depending on the response, the Department will make a decision whether or not to proceed with the proposed sanction.**

* The Department of Labour brief the Committee on progress regarding proposed adjustments tothe Training Layoff Scheme before the end of the 2016/17 financial year.

**The Department reported that it has put together a task team looking at the PES/LAP integration with the intention of streamlining the process of integration to ensure efficiency and better use of resources between LAP and PES. One of the key projects was a review of the current Training Layoff Scheme in an effort to improve the process. To date the following has transpired:**

* + **Governance Structures for TLS have been strengthened to improve turnaround time to process claims from companies.**
  + **Labour Policy and Industrial Relations has done a research on the state of TLS for discussion at departmental executive committee.**
  + **The AGSA did an assessment of the TLS process to identify the bottle necks which are being considered by the Task Team.**
  + **The UIF is also currently reviewing the TLS processes for improved flow and further involvement of the process to include provinces to enable companies to apply for TLS in their provinces.**
  + **The UIF Research and Policy Development unit and LAP are in the process of drafting a policy based on the founding document and current developments. Furthermore, an evaluation of the TLS programme would be conducted in September 2017.**

**The Compensation Fund (CF) continues to report quarterly on implementation of its Action Plan to the Portfolio Committee on Labour. The information reported in this regard should be verified by internal audit and presented to audit committee before submission to Parliament. The Action Plan should focus on, amongst others, the following:**

* + **Implementation of corrective action from investigation reports.**
  + **Strengthening internal controls to prevent fraud, corruption and error in the environment.**
  + **Supply Chain Management processes that will ensure economic, effective and efficient procurement and use of resources.**
  + **Stabilise IT systems within the CF environment to ensure optimal understanding and use of such systems (by employees) before changing them.**

**The CF reported as follows:**

* + **Implementation of corrective action from investigation reports. An Anti-fraud and Investigation Unit was established as part of the new revised organisational structure.**
  + **Strengthening internal controls to prevent fraud, corruption and error in the environment.**

**The Fund has established an Internal Control Unit, which is responsible for ensuring that there are adequate controls within the processes and systems of the Fund.**

**Enhancements have been made to the uMehluko and SAP systems to address some of the control gaps identified by Internal and External Audit.**

**A Financial Misconduct Committee has been established to assist the CFO to investigate cases of irregular and fruitless expenditure to ensure that appropriate action is taken where policies are transgressed.**

* + **Supply Chain Management processes that will ensure economic, effective and efficient procurement and use of resources.**

**Supply Chain Management Unit has been strengthened through appointment of sufficiently skilled officials.**

**A new Supply Chain Management Policy has been approved by the Accounting Authority which addresses the control gaps that were identified in the policy.**

* + **Stabilise IT systems within the CF environment to ensure optimal understanding and use of such systems (by employees) before changing them. A number of ICT projects as reported in the Action Plan Progress Report were implemented to improve and stabilise the uMehluko and SAP systems that are being used in the Fund. Ongoing training on uMahluko system to the officials at the Fund’s Head Office, Provincial Offices and Labour Centers is taking place. Where new enhancements are implemented in the systems, a change management intervention which includes training is implemented.**
* In their next engagement with the Committee, the Department must provide a progress report on the targets that were not met with regards to:
  + The number of complaints resolved within 14 days at the registration services of the ESSA;

**The Department responded with the following information:**

|  |  |  |
| --- | --- | --- |
| **Province** | **IES complaints received at frontline for 2016/17** | **Complaints resolved within 14 days at frontline (2016/17)** |
| North West | 3 381 | 2 802 |
| KwaZulu Natal | 10 392 | 4 930 |
| Western Cape | 5 088 | 4 881 |
| Gauteng | 33 117 | 23 214 |
| Limpopo | 5 954 | 4 882 |
| Northern Cape | 1 479 | 1 457 |
| Mpumalanga | 1 762 | 1 330 |
| Eastern Cape | 8 002 | 7 572 |
| Free State | 4 767 | 2 538 |

* + ICT systems that impact negatively on service delivery that have consequences for workers;

**The Department reported that it has upgraded connectivity to labour centres to a minimum of 2MB per centre. Data archiving was introduced for ESSA in order to allow for reporting and new work seeker registration. The Virtual office, uMehluko and Citrix farm were all moved to separate and upgrade hardware thus improving systems performance. The Department is currently upgrading its data centre and the entire work should be finalised by the end of the current financial year. The combined effect of the above-mentioned interventions has been an improvement on systems uptime.**

* + Registration of new entities by the Inspection and Enforcement Services;

**The Department responded as follows:**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Prov | No. of applications received | | | | No. processed within 60 calendar days | | | | % processed within 60 calendar days | | | |
| Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Total | 2087 | 2438 | 1092 | 1248 | 2042 | 2400 | 1026 | 1241 | 98 | 98 | 94 | 99 |
| Verification Source | Registers, inspection reports and verification report | | | | | | | | | | | |

* + Registration of private employment agencies and Temporary Employment Services which has consequences for workers;

**The Department reported that in quarter 1 of the 2017/18 financial year, a total of 15 applications were received and all were processed within 60 days. Since April 2017 all applications for registration are received on-line and it is hoped that this will continue to make the processing of applications more effective and efficient.**

* + Promotion of sound labour relations as per the strategic goal

**The internal processes in dealing with the relevant targets e.g. Registration of Trade Unions and Employers’ Organisations have been simplified. The current amendment process of the LRA will ensure that the gap in the law with respect to the period for the minister to extend Collective Agreement and the operation needs to do so, are addressed.**

* Legal requirements are met when concluding employment contracts to curb incidents like the irregular employment contract of the chairman of the CCMA governing body, which needs to be rectified.

**The Department reported that this matter has been resolved. The contract of the previous chairperson of the CCMA governing body has been terminated within the context of employment law as well as in terms of the prescribed period set out in the Labour Relations Act. A new chairperson has been appointed and this appointment complies with the term of office as set out in the LRA.**

* The Department regularly provides feedback on cases referred to the South African Police Services (SAPS).

**The Department responded as follows:**

**The Compensation Fund has under Risk Management Directorate referred 26 cases during the 2015/16 to 2017/18 to SAPS for criminal investigation. Below is a table outlining those cases that have been dealt with successfully in the courts over the last financial year.**

|  |  |
| --- | --- |
| **NATURE OF OFFENCE** | **COURT JUDGEMENTS/ PROGRESS ON COURT PROCEEDINGS** |
| Fraudulent Medical Claims | Two former CF officials were found guilty of Fraud (for assisting Physiotherapists to claim for services not rendered) and sentenced to 10 years imprisonment, suspended for 5 years on condition that each of them pay back R543, 142.25 to CF. The total amount due to the CF is R1 086 284.50. |
| Fraudulent Medical Claims | Three ex-officials and Physiotherapist charged for defrauding the CF R455,037.63 by assisting the Physiotherapist to claim for services not rendered. The 3 ex-officials are still on trial. |
| Fraudulent Medical Claims | Doctor found guilty of theft/ claiming for services not rendered. Doctor found guilty on 29 counts of theft. Doctor sentenced to 7 years imprisonment suspended for 5 years on condition that he pays back the CF R470, 000.00 and go under correctional supervision. |
| Intercepted payment on injury on duty claim benefits | Accused intercepted payment of claimant of about R730,721.16 using false identity. The matter is set for trial. |
| Intercepted payment on injury on duty claim benefits | Accused intercepted payment of claimant of about R671,937.46 using false identity. The matter is set for trial. |

**The Department further reported as follows:**

**Nedlac case referred to the South African Police Services (SAPS) is currently with the NPA as at 31 July 2017 and the NPA will be arranging a round table discussion with the SAPS and Nedlac in order to take the final decision on the matter. SAPS concluded their investigations and handed the matter to the NPA. The round table discussion is expected to take place before 30 September 2017.**

**Productivity SA: The investigation into irregularities and maladministration regarding the Turnaround Solutions Programme is not yet finalised. The Committee will be informed of the outcome as soon as it is finalised.**

**UIF: The cases have been referred to SAPS and the matters are still to be concluded. The Committee will be informed of the outcome as soon as it is finalised.**

* 1. **2017/18 Committee Budget Report**

After receiving the presentation of the Department of Labour and its entities, the Committee recommended that the Minister of Labour gives consideration to:

* Ensuring that the future progress reports are comprehensive so as to address Committee’s concerns.
* Ensuring that the Supported Employment Enterprises appears quarterly before the Committee to make a comprehensive presentation on progress with regard to the implementation of its Strategic Plan and Annual Performance Plan.
* Ensuring that the Department presents its Strategic Plan and Annual Performance Plan to the Committee before the final tabling to Parliament.

1. **Overview and assessment of financial performance**
   1. **Overview of Vote allocation and spending (2015/16 to 2016/17)**

The activities of the Department are structured into four programmes, which are Administration; Inspection and Enforcement Services; Public Employment Services; and Labour Policy and Industrial Relations. Table 1 below, reflects the allocation and expenditure per programme.

Table 1

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Programme Names** | **2016/2017** | | | **2015/2016** | | |
| **Final Appropriation** | **Actual Expenditure** | **Over/Under Expenditure** | **Final Appropriation** | **Actual Expenditure** | **Over/Under Expenditure** |
| **R’000** | **R’000** | **R’000** | **R’000** | **R’000** | **R’000** |
| **Administration** | 847 105 | 819 070 | 28 035 | 814 047 | 745 637 | 68 410 |
| **Inspection and Enforcement Services** | 500 355 | 464 269 | 36 086 | 472 894 | 472 894 | - |
| **Public Employment Services** | 525 698 | 524 897 | 819 | 497 297 | 485 099 | 12 198 |
| **Labour Policy and Industrial Relations** | 969 719 | 953 367 | 16 352 | 919 996 | 908 365 | 11 631 |
| **Total** | **2 842 877** | **2 761 585** | **81 292** | **2 704 234** | **2 611 995** | **92 239** |

*Source: Annual Report 2016/17 (Department of Labour)*

The Department was allocated R2.8 billion in the 2016/17 financial year. This amounts to an increase of R138.6 million from the R2.7 billion allocated in 2015/16 financial year. It spent R2.7 billion or 97.1 per cent of its budget, resulting to an under expenditure of R81.3 million. This is a reduction in under expenditure from R92.2 million in 2015/16 financial year. The Department achieved 74% of its predetermined targets in 2016/17 financial year.

* 1. **Administration**

The purpose of the Administration programme is to provide management, strategic and administrative support services to the Ministry and the Department, with a goal to build institutional capacity.

This programme comprise the following sub-programmes: Ministry, Management, Corporate Services, Office of the Chief Financial Officer and Office Administration. The programme spent 96.7% of its allocated budget for the 2016/17 financial year and achieved 60% of its predetermined targets. This is an improvement in expenditure from the 91.2% spent in 2015/16 financial year. The under spending of the programme amounted to R28.0 million, which was mainly attributed to the delays in the finalisation of the Mobile Labour Centre project and less than anticipated vehicle licences renewed.

The Corporate Services received the bigger share of the programme budget at R262.5 million or 40.0 % of the programme budget. The 2016/17 allocation was a huge increase of R195.2 million from R67.3 million appropriated in 2015/16 financial year. This sub programme spent R260.2 million of its allocation resulting to an under expenditure of R2.3 million of the budget.

The second biggest share of the programme budget went to Management sub-programme at R257.7 million or 30.4% of the programme budget. This sub-programme spent R255.4 million of the allocation resulting to an under expenditure of R2.3 million. However, the 2016/17 allocation is a decrease of R144.7 million from the 2015/16 appropriation of R402.4 million.

The Office Accommodation sub-programme received R169.6 million or 20.0% of the programme allocation. It spent R165.7 million resulting to an under expenditure of R3.9 million. The 2016/17 allocation amounts to a decrease of R6.2 million from the R175.7 million allocated in 2015/16 financial year.

Overall, the only sub-programme which received a budget increase under Administration programme is the Corporate Services.

* 1. **Inspection and Enforcement Services**

The purpose of the Inspection and Enforcement Services programme is to realise decent work by regulating non-employment and employment conditions through inspection and enforcement, to achieve compliance with all labour market policies.

This programme is sub-divided into the following sub-programmes: Management and Support Services: Inspection and Enforcement Services; Occupational Health and Safety; Registration: Inspection and Enforcement Services; Compliance, Monitoring and Enforcement; Training of Staff: Inspection and Enforcement Services; and Statutory and Advocacy Services. This programme spent 92.8% of its allocated budget and achieved 87% of its predetermined objectives resulting to an under expenditure of R36.1 million. The under spending was attributed mainly to conversion of the Occupational Health and Safety inspector posts that were to be funded fully by the Compensation Fund and would allow for the filling of other vacant inspector posts that were unfunded against the establishment. Delays in the finalisation of the inspector programme resulted in concomitant delays and therefore under-spending on Goods and Services.

Compliance, Monitoring and Enforcement received the largest share of the programme budget at R388.3 million or 77.6% of the budget. This is an increase of R15.3 million from the R373.0 million allocated in 2015/16 financial year. This sub-programme utilised R367.8 million of its budget resulting to an under expenditure of R20.4 million.

The second largest appropriation went to Registration: Inspection and Enforcement Services sub-programme. It received R61.6 million or 12.3%, which is an increase of R9.1 million from

the R52.6 million allocated in 2015/16. The sub-programme spent R53.6 million of its budget resulting in an under expenditure of R8.0 million.

The sub-programmes that received the least allocations are Management and Support: Inspection and Enforcement Services and Training of Staff: Inspection and Enforcement Services at R6.7 million and R5.4 million respectively.

* 1. **Public Employment Services**

The purpose of the Public Employment Services is to provide assistance to companies and workers to adjust to changing labour market conditions and to regulate private employment agencies.

The programmes consists of the following sub-programmes: Management and Support Services: Public Employment Services; Employer Services; Work-Seeker Services; Designated Group Special Services; Supported Employment Enterprises; Workshops; Productivity South Africa; Unemployment Insurance Fund; Compensation Fund; and Training of Staff: Public Employment Services.

The programme was allocated R525.7 million in the 2016/17 financial year. This is an increase of R28.4 million from the 2015/16 allocation. This programme spent R524.9 million or 99.8% of allocated budget and achieved 75% of the predetermined objectives resulting to an under expenditure of a negligent R819 000. The larger percentage of the allocation went to Supported Employment Enterprises at R148.7 million or 28.3% of the programme budget. The 2016/17 allocation to the sub-programme is an increase of R8.0 million or 5.7% from the 2015/16 financial year allocation. This sub-programme provides work opportunities for persons with disabilities.

The second biggest allocation went to Work-Seekers Services sub-programme at R115.1 million or 21.9% of the programme budget. However, this is a decrease of R4.3 million from the 2015/16 financial year allocation. This sub-programme matches work-seekers with available work opportunities.

This programme houses the following entities of the Department: Productivity South Africa, Unemployment Insurance Fund and Compensation Fund. Productivity South Africa is responsible for transferring of productivity knowledge and skills in order to contribute to employment creation, job saving and promoting workplace productivity. This sub-programme was allocated R59.1 million in the 2016/17 financial year. This is an increase of R13.5 million or 29.7% from the 2015/16 financial year. The Unemployment Insurance Fund (UIF) pays unemployment benefits to qualifying beneficiaries. There were no Funds budgeted or transferred to the UIF. The Compensation Fund (CF) provides compensation for disability, illness and death resulting from occupational injuries and diseases. The CF was allocated R19.0 million in the 2016/17 financial year. This is an increase of R958 000 from the 2015/16 financial year.

Transfers and subsidies comprise R230.2 million or 43.8% of the programme allocation due to allocations to public entities.

* 1. **Labour Policy and Industrial Relations**

Labour Policy and Industrial Relations facilitates the establishment of an equitable and sound labour relations environment and the promotion of South Africa’s interest in international labour matters through research, analysing and evaluating labour policy and providing statistical data on the labour market, including providing support to institutions that promote social dialogue.

The programme consists of the following sub-programmes and entities: Management and Support services: Labour Policy and industrial Relations; Strengthen Civil Society; Collective Bargaining; Employment Equity; Employment Standards; Commission for Conciliation, Mediation and Arbitration (CCMA); Research, Policy and Planning; Labour Market Information and Statistics; International labour Matters; and National Economic Development and Labour Council (Nedlac).

The final appropriation for the programme was R969.7 million, which was an increase of R49.7 million or 5.4% from R920.00 allocated in 2015/16 financial year. The programme spent R953.4 million or 98.3% of the allocated budget and achieved 57% of its predetermined objectives resulting to an under expenditure of R16.4 million. The under spending is mainly attributable to the non-filling of vacant posts; less than anticipated travel fees; delay in procuring of office furniture for the Labour Attaché; and exchange rate fluctuations when the payments to the ILO and ARLAC were processed. The largest share of the programme budget goes to the CCMA, which received R770.5 million or 79.5 of the budget. The CCMA promotes social justice and fairness in the workplace through dispute prevention and dispute resolution services. The 2016/17 budget allocation for the CCMA is an increase of R38.7 million or 4.2% from the 2015/16 allocation.

The second entity under this programme is Nedlac, which is responsible for promoting social justice and fairness in the workplace through dispute prevention and dispute resolution services. The entity received R30.8 million in the 216/17 financial year, which is an increase of R1.8 million or 6.3% from the allocation of 2015/16.

This programme received the largest share of the Department’s budget at R969.7 million or 34.1% of the overall budget.

**Report of the Auditor-General**

The Department of Labour received an unqualified audit opinion with findings in 2016/17 financial year. The CCMA and Nedlac also received unqualified audit opinion with findings. Supported Employment Enterprises received a qualified opinion with findings for the third consecutive financial year. The Compensation Fund and the UIF received disclaimer with findings. The Department has been consistent since 2013/14 in receiving unqualified audit opinions with findings. The Compensation Fund has been receiving disclaimers with findings since 2013/14. For the first time in the past four years, the UIF received a disclaimer with findings in the 2016/17 financial year.

The irregular expenditure of the Department for the current financial year was R4.3 million. This was incurred as a result of correct procedures not being followed. Correct procurement procedures were not followed resulting in R9.3 million irregular expenditures being incurred. However, this was condoned by the condoning authority. The R4.3 million is an improvement from the R25.3 million recorded in the 2015/16 financial year. When the previous year’s balance is added and the condoned irregular expenditure subtracted, the balance for the 2016/17 financial year was R34.5 million.

The fruitless and wasteful expenditure for the current financial year amounted to R300 000, which is an increase of R266 000 from the R34 000 recorded in the 2015/16 financial year. When the previous year’s balance and resolved amounts are factored in, the closing balance comes up to R451 000. The fruitless and wasteful expenditure was incurred as a result of incidents such as no shows for hotel accommodation and vehicle related damages/ accidents. These incidents are still under investigation.

AGSA evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the Inspection and Enforcement Services, Public Employment Services and Labour Policy and Industrial Relations. The material findings in respect of the reliability of the selected programmes are as follows:

*Inspection and Enforcement Services*

AGSA found that the reported achievements for the targets were misstated as the evidence provided did not agree with the reported achievement as follows:

Table 2

|  |  |  |
| --- | --- | --- |
| **Various Indicators** | **Reported achievement** | **Audited value** |
| 1.1.Number of designated employers reviewed per year to determine compliance with employment equity legislation. | 894 | 569 |
| 1.2.Percentage of non-compliant employers of those reviewed in reference to 1.1 issued with a recommendation within 90 days of the review. | 100% | 81% |
| 1.3.Number of designated employers inspected per year to determine compliance with employment equity legislation. | 4 747 | 3 323 |
| 1.4.Percentage of non-complying workplaces inspected per year with reference to 1.3 dealt with in terms of the Employment Equity Act. | 100% | 85% |
| 2.2.Percentage of non-complying workplaces inspected per year with reference to 2.1 dealt with in terms of the relevant labour legislation. | 100% | 65% |
| 2.4.Percentage of inspections on request for work permits conducted within 25 working days. | 97% | 82% |
| 3.3.Percentage of reported incidents investigated within 90 days. | 80% | 61% |

*Source: Annual Report 2016/17 (Department of Labour)*

AGSA did not raise any material findings on the usefulness and reliability of the reported performance information for the Public Employment Services and Labour Policy and Industrial Relations programmes.

The irregular expenditure of entities for the year under review was reported as follows:

Table 3

|  |  |  |
| --- | --- | --- |
|  | **Irregular expenditure** | |
| **ENTITY** | **2016/17** | **2015/16** |
| **CF** | R424 000 | R6 596 000 |
| **CCMA** | R2 789 000 | R1 041 000 |
| **UIF** | R35 497 000 | R43 895 000 |
| **NEDLAC** | - | R4 007 707 |
| **PSA** | R2 128 000 | R2 782 000 |
| **SEE** | R1 894 955 | R1 719 881 |
| **TOTAL** | **R42 732 955.00** | **R60 040 588.00** |

The irregular expenditure of entities decreased from R60.0 million in 2015/16 financial year to R42.7 million in 2016/17 financial year.

**Statement of Financial Performance for the year ended 31 March 2017**

The Department was allocated R2 842 billion in the 2016/17 financial year, which is an increase of R138 643 million or 5.13%. The departmental revenue amounted to R11 702 million, which is an increase of R1 646 million or 16.4% from the R10. 056 in the previous financial year. The total revenue amounted to R2 854 billion, which is an increase of R140. 289 million or 5.2% from the R2. 714 billion of the 2015/16 financial year.

The total expenditure of the Department amounted to R2 761 billion, which is an increase of R149 590 million or 5.73% from the previous year expenditure of R2 611 billion. The Department spent R1 064 billion and R480 629 million on Compensation of employees and Goods and Services respectively. This amounted to a total current expenditure of R1 545 billion, which is an increase of R12 307 million or 0.80% from the R1 533 spent in 2015/16 financial year. The highest expenditure on Goods and services was on Operating leases, which amounted to R115 668 million or 24.07% of the Goods and Services expenditure. It was followed by Computer Services at R88 129 million or 18.34% of the expenditure on Goods and Services.

Transfers and Subsidies amounted to R1 073 billion, which was an increase of R62 735 million or 6.21% from the R1 101 billion spent in 2015/16. The following amounts were transferred to entities of the Department:

* Compensation Fund: R19 031 million
* CCMA: R770 501 million
* Productivity SA: R59 057 million
* Nedlac: R30 817 million

The total expenditure on Capital Assets amounted to R140 541 million, which is an increase of R72 440 million or 106.37% from the R68 101 million spent in 2015/16. A total of R94 175 million was spent on tangible assets and R46 366 on intangible assets. Tangible assets include buildings and other fixed structures; and machinery and equipment. Intangible assets include software.

The resultant surplus was R92 994 million, which was a decrease of R9 301 million or 9.09% from the surplus of R102 295 million in 2015/16.

**Statement of financial position as at 31 March 2017**

The total assets of the Department amounted to R188 699 million in the 2016/17 financial year. This is an increase of R82 010 million or 76.87% from the R106 689 million recorded in 2015/16. The current assets comprise R166 137 million or 88.04% of the total assets. Non-current assets constitute R22 562 million or 11.96% of the total assets. The larger portion of the Current Assets is composed of receivables, at R150 622 million or 90.66% of current assets. The Receivables under current assets increased from R61 928 million in 2015/16 to R150 622 million in 2016/17 financial year. This is an increase of R88 694 million or 143.22%. Receivables are comprised mainly of Claims recoverable, Recoverable expenditure and Staff debt. Cash and cash equivalents decreased from R9 755 million in 2015/16 to R443 000 in 2016/17 financial year, which translate to a decrease of R9 312 million or 95.46%.

The total liabilities amounted to R182 555 million in the 2016/17 financial year, which is an increase of R81 247 million or 80.20% from the R101 308 million recorded in 2015/16 financial year. Bank overdraft constitute the larger portion of the current liabilities at R98 080 million or 53.73% of the current liabilities. This is followed by the Voted funds to be surrendered to the Revenue Fund at R81 292 million or 44.53% of the Current liabilities. Voted funds to be surrendered to the Revenue Fund decreased by R10 947 million or 11.87% from the R92 239 million surrendered in 2015/16 financial year.

The net assets increased from R5 381 million in 2015/16 to R6 144 million in 2016/17 financial year, which translates to an increase of R763 000 or 14.18%.

1. **Financial performance for the first quarter of 2017/18 financial year**
   1. **Expenditure analysis**

The main appropriation of the Department for the 2017/18 financial year was R3.06 billion. By the end of the first quarter of 2017/18 financial year, the Department had spent R629.3 million or 20.5% of its annual budget. It had projected to spend R755.2 million, resulting in a difference of R125.9 million or 16.7% between projected and actual expenditure. The difference between actual and projected expenditure is mainly under Compensation of Employees (R258.0 million against projected R297.0 million); Goods and Services (R97.0 million against projected R140.5 million); and Transfers and Subsidies (R260.7 million against projected R303.8 million).

In terms of Economic Classification, the Department spent R355.0 million or 19.5 per cent of the R1.8 billion allocated for Current Payments by the end of June 2017. The projected expenditure was R437.5 million by the end of June 2017, resulting in a variance of R82.5 million or 18.9%. The larger portion of current expenditure was on Compensation of Employees at R258.0 million or 21.1% of the allocated R1.2 billion. The Department had projected spending R297.0 million of the budget by the end of June 2016, resulting in a variance of R38.9 million or 13.1%.

By the end of June 2017, the Department had spent R260.7 million or 22.5 per cent of the R1.1 billion allocated for Transfers and Subsidies. It had projected to spend R303.8 million, resulting in a variance of R43.0 million or 14.2% from the projected amount.

The Department spent R13.4 million or 15.4% of the R87.5 million allocated for Payments of Capital Assets resulting in a variance of R392 000 from the projected R13.8 million expenditure.

**5.2 Expenditure per programme**

**Administration**

The main appropriation for the Administration programme was R885. 5 for 2017/18 financial year. By the end of the first quarter, this programme had spent R174.7 million or 19.7% of its budget. This expenditure was against a projection of R201.5 million, resulting in a variance of R26.8 million or 13.3% of the projected expenditure.

The slow spending by this programme was mainly under Compensation of Employees due to vacant finance, supply chain, security and management posts at provincial offices and labour centres and IT posts at head office. The slow spending on Goods and Services is due to delays in servicing of departmental cars, delayed invoicing by SITA for computer software and data lines, and delayed invoicing by Department of Public Works for accommodation charges.

**Inspection and Enforcement Services**

This programme was appropriated R532.7 million in the 2017/18 financial year and it spent R111.3 million or 20.9% of its allocation by the end of the first quarter against a target of R131.8 million. This resulted in the variance of R20.4 million or 15.5% of the projected expenditure.

Compensation of Employees was the main contributor to slow spending due to vacant labour inspector posts. The Department struggles to attract and retain labour inspectors as they are offered higher salaries in the private sector. Having fewer inspectors than budgeted for also accounts for the slow spending under Goods and Services on travel and subsistence, staff training and development, and tools of trade.

**Public Employment Services**

The Public Employment Services was appropriated R561.1 million. By the end of the first quarter it had spent R73.9 million or 13.2% of its budget. The projected expenditure for the first quarter was R140.8 million, resulting in the variance of R66.9 million or 47.5% from the projected expenditure.

The slow spending on Transfers and Subsidies in this programme is attributed to delays in the signing of service level agreements with the Compensation Fund and Supported Employment Enterprises. The slow spending on Compensation of Employees is due to the revision of the percentage split for shared staff with the UIF and Compensation Fund at labour centres and provincial offices, which reduced the portion paid by the Department. The funds saved due to this revision will be used to create additional career counsellor posts to assist in the preparation and placement of work seekers. Slow spending on goods and services is because the workshops and advocacy campaigns planned for this quarter will now be held later in the year.

**Labour Policy and Industrial Relations**

The Main Appropriation for this programme was R1.0 billion. By the end of the first quarter the programme had spent R269.3 billion or 24.8% of the programme allocation against the projected expenditure of R281.0 million. This translated to a variance of R11.7 million or 4.2% variance from the projected expenditure.

The slow spending under compensation of employees in this programme is due to delays in the filling of the newly created National Minimum Wage posts as well as under Goods and Services due to delays in invoices received from DIRCO for the payment of gas, water and electricity for the Labour Attaché in Germany.

1. **Overview and assessment of service delivery performance for 2016/17**

The performance of the Department was grouped into three performance categories, namely:

* Performance on Estimates of National Expenditure (ENE) performance indicators.
* Performance per strategic goals.
* Performance per programme.
  1. **Performance on ENE performance indicator**

The performance on ENE performance indicators was reported as follows:

Table 4

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **ENE PERFORMANCE INDICATOR** | **RELATED PROGRAMME** | **OUTCOME TO WHICH IT CONTRIBUTES** | **TARGET** | **OVERALL ACHIEVEMENT** |
| Total number of workplaces inspected and reviewed per year to determine compliance with various labour legislation | Inspection and Enforcement Services | Outcome 4: Decent employment through inclusive growth. | 175 478 | 173 120 |
| Percentage of reported incidents per year investigated within 90 days | Inspection and Enforcement Services | 62% | 80% |
| Number of work-seekers registered on the Employment Services of South Africa (ESSA) database system per year | Public Employment Services | 500 000 | 666 719 |
| Number of registered work-seekers provided with employment counselling per year | Public Employment Services | 150 000 | 197 247 |
| Number of registered employment opportunities filled by registered work seekers per year | Public Employment Services | 8 000 | 12 517 |
| Number of pay scales assessed per year to reduce gaps in minimum wage determinations | Labour Policy and Industrial Relations | 2 | Two sectoral determinations were reviewed to improve wages of 727 708 vulnerable employees |

*Source: Annual Report 2016/17 (Department of Labour)*

The above table reflects that only 12 517 registered employment opportunities were filled by registered work-seekers out of a total of 666 719 work-seekers registered on ESSA database.

* 1. **Performance per strategic goal**

The performance per strategic goal was reported as follows:

Table 5

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **STRATEGIC GOALS** | **ACTUAL OUTPUT VALIDATED** | | | | | | |
| **Performance**  **indicators** | **Achieved** | | **Not Achieved** | | **Overall Achievement** | |
| Promote occupational health services | This strategic goal was covered in terms of indicators that are applicable in strengthening occupational safety protection. | | | | | | |
| Contribute to decent employment creation | 8 | | 6 | | 2 | | 75% |
| Strengthen multilateral and bilateral relations | 1 | | 1 | | 0 | | 100% |
| Strengthen occupational safety protection | 6 | | 5 | | 1 | | 83% |
| Promote sound labour relations | 2 | | 0 | | 2 | | 0% |
| Monitor the impact of legislation | 2 | | 1 | | 1 | | 50% |
| Strengthen the institutional capacity of the Department | 5 | | 3 | | 2 | | 60% |
| Development of the occupational health and safety policies | This strategic goal is covered in terms of indicators that are applicable in strengthening occupational safety protection. | | | | | | |
| Promote equity in the labour market | 5 | | 5 | | 0 | | 100% |
| **Total** | **35** | | **26** | | **9** | | **74%** |
| **Overall performance** | | | **74%** | | **26%** | | **74%** |

*Source: Annual Report 2016/17 (Department of Labour)*

The above table reflects that the Department achieved 74% of its strategic goals. The Department’s overall achievement in promoting sound labour relations was 0%.

* 1. **Performance per programme**

The performance per programme was reported as follows:

Table 6

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **PROGRAMME** | **Planned indicators** | **Achieved** | **Not achieved** | **Overall achievement** |
| Administration | 5 | 3 | 2 | 60% |
| IES | 15 | 13 | 2 | 87% |
| PES | 8 | 6 | 2 | 75%% |
| LP & IR | 7 | 4 | 3 | 57% |
| **Overall performance** | **35** | **26** | **9** | **74%** |
| **Performance %** | | **74%** | **26%** | **74%** |

**Programme 1: Administration**

Table 4 reflects that the Administration programme achieved 60% of its planned targets. The targets that were not met include:

* Instead of 55% of the total Department’s M-PAT standards per KPI to be at level 3 and 4 by 31 March 2017, only 32% were at level 3 and 4.
* A total of 99.5% of compliant invoices were paid within 30 days of receipt, instead of a planned 100%. Out of a total of 17 291 compliant invoices received, 17 217 were paid within 30 days of receipt.

**Programme 2: Inspection and Enforcement**

The Inspection and Enforcement Services (IES) achieved 87% of its set targets.

The targets that were not achieve are:

* Four seminars were conducted in Wholesale and Retail; Hazardous Biological Agents; Private Security; and Construction sectors. However, 357 shop stewards were trained instead of a planned 400.
* The Occupational Health and Safety Amended Bill was not submitted to Cabinet by 31 March 2017 as planned. It was reported that the Bill is ready for public comment.

**Programme 3: Public Employment Services**

The Public Employment Services (PES) achieved 75% of its planned targets.

The targets that were not achieved include:

* Seventy per cent (285 of 408) of applications from Private Employment Agencies and Temporary Employment Services were processed within 60 calendar days, instead of a planned 100%.
* Forty-nine per cent (298 of 611) applications for foreign nationals corporate and individual work visa were processed within 30 working days, instead of a planned 70%.

**Programme 4: Labour Policy and Industrial Relations**

The Labour Policy and Industrial Relations achieved 57% of its target by the end of March 2017.

The targets that were not met include:

* Sixty-two per cent of collective agreements were extended within 90 calendar days of receipt, against a target of 100%.
* Ninety-six labour organisation applications for registration were processed within 90 calendar days of receipt by end of March 2017, against a target of 100%. Of the 118 applications received, 11 were approved and 102 were refused within 90 calendar days.

1. **SERVICE DELIVERY PERFORMANCE FOR 2017/18 FIRST QUARTER**

The Department reported an overall achievement of 53% in the first quarter of 2017/18.

* 1. **Performance per strategic objective**

The performance per strategic objective was reported as follows:

Table 7

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Strategic Objective | Annual Planned Indicators | Indicators with target reporting in Q1 | Achieved | Not achieved | Overall Achievement |
| Strengthen occupational safety protection | This strategic objective is covered in terms of indicators that are applicable in strengthening occupational safety protection. | | | | |
| Promote equity in the labour marker | 1 | 1 | 0 | 1 | 0% |
| Protecting vulnerable workers | 5 | 5 | 2 | 3 | 40% |
| Strengthen multilateral and bilateral relations | 1 | - | - | - | - |
| Contribute to employment creation | 4 | 4 | 4 | 0 | 100% |
| Promoting sound labour relations | 3 | 3 | 0 | 3 | 0% |
| Monitoring the impact of legislation | 2 | 2 | 2 | 0 | 100% |
| Strengthening the institutional capacity of the Department | 4 | 4 | 2 | 2 | 50% |
| Total number of indicators | 20 | 19 | 10 | 9 | 53% |
| Overall performance |  |  | 53% | 47% |

*Source: Presentation of the Department of Labour*

The above table reflects a regression in overall achievement from 62% in the first quarter of 2016/17 to 53% in the first quarter of 2017/18 financial year.

* 1. **Performance per programme**

Performance per programme was reported as follows:

Table 8

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Branch | Annual Planned Indicators | Indicators with targets reporting in Q1 | Achieved | Not achieved | Overall % achievement |
| Administration | 4 | 4 | 2 | 2 | 50% |
| Inspections and Enforcement Services | 4 | 4 | 1 | 3 | 25% |
| Public Employment Services | 4 | 4 | 4 | 0 | 100% |
| Labour Policy and Industrial Relations | 8 | 7 | 3 | 4 | 43% |
| Total number of Indicators | 20 | 19 | 10 | 9 | 53% |
| Overall Performance |  |  | 53% | 47% |

*Source: Presentation of the Department of Labour*

Of all the Department’s programmes, The Inspection and Enforcement Services achieved the least at 25% in the first quarter of 2017/18.

1. **COMMITTEE Observations**
   1. **Technical issues**

The Department and all entities tabled their reports as per requirements. There were no technical errors identified in the reports. The information in the reports was found to be of required quality and there were no complaints of inaccessibility of any kind.

* 1. **Service delivery performance**

The Committee has noted the improvement in the overall achievement from 62% in 2015/16 to 74% in 2016/17 financial year.

* 1. **Financial performance including funding proposals**

The Committee commends the Department for once again receiving an unqualified audit opinion. However, the Committee would like to encourage the Department to address the issues raised by the AGSA under matters of emphasis. The Committee proposes that adequate funds be made available for the implementation of the National Minimum Wage as scheduled for May 2018.

1. **Recommendations**

After considering the presentation of the Department and its entities on their annual reports and the input from the Auditor General, the Committee recommends that the Minister of Labour takes steps to ensure that:

* The performance information provided to the Portfolio Committee on Labour on a quarterly basis has been verified by Internal Audit and Audit Committee for credibility and completeness.
* The action plans developed by the Department and its entities to address challenges identified by the auditors are adequately implemented and regularly monitored, as well as holding staff accountable for poor performance and non-implementation or inadequate implementation of the action plans so as to prevent repeat findings. Internal audit and risk need to monitor the action plans and give regular feedback to the leadership on the progress of implementation and the adequacy thereof.
* The human resource capacitation project shifts focus from senior management services level to operational level so as to improve service delivery.
* The Unemployment Insurance Fund and the Compensation Fund develop proper accounting systems and processes to accurately report on investments in terms of the required accounting standards.
* The Department regularly provides feedback on progress with cases referred to the South African Police Services (SAPS).
* In its labour market regulation, the Department balances employment protection with creation of an enabling environment for job creation so as to realise the job creation potential of small businesses.
* The Decent Work Commission is adequately resourced to ensure timeous implementation of the National Minimum Wage with minimum unintended consequences.
* The Department briefs the Committee on progress regarding the appointment of additional Client Service Officers (CSO) with special focus on UIF activities as well as CF focused CSOs.
* The Department briefs the Committee on work done in areas of enterprise development and upskilling of co-operatives since the Directors-General of Labour and Small Business signed the Memorandum of Understanding to collaborate through leveraging the resources at the disposal of the UIF for this purpose.
* The Department briefs the Committee on the reviewed Business Model of the Productivity SA, which aims to reposition the entity to become a centre of excellence and authority to lead the national agenda for a productivity driven growth and development.
* The Department reports back to the Committee on progress with the stabilisation of IT systems.
* The Inspection and Enforcement Services programme is adequately resourced so that appropriately qualified inspectors can be appointed and retained to monitor implementation of labour laws.

1. **Appreciation**

The Committee appreciates the cooperation it received from the Department and its entities. The Committee also acknowledges the assistance of the Auditor-General in providing information necessary for compiling this report.

**Report to be considered.**