

Budgetary Review and Recommendation Report (BRRR) of the Portfolio Committee on Transport, Dated 18 October 2022

The Portfolio Committee on Transport (“the Committee”), having considered the performance and submission to National Treasury (NT) for the medium-term period of the Department of Transport (“the Department”) and its entities, reports as follows:

1. INTRODUCTION

The period under review took place against the backdrop of the second phase of the implementation of the National Development Plan (NDP) (2019-2024). As part of its contribution to the NDP, the transport sector had to identify interventions aimed at accelerating service delivery, increasing sector job opportunities, rural development and skills development. Key priorities in this regard included investments in public transport, maintenance of roads and rail investments. These had a direct bearing on the Government’s drive to respond to the challenges of poverty, unemployment and inequality.

Due to the continued impact of the 2020/21 COVID-19 lockdown measures on the performance of the Department and its entities throughout the year under review, as well as its impact on the reporting and audit finalisation timeframes for the year under review, this report will be based on those Annual Reports that were tabled before 13 October 2022. There were early indications from the Auditor-General of South Africa (AGSA) that there are delays in finalising the audits of the Road Accident Fund (RAF) and Passenger Rail Agency of South Africa (PRASA), however, at the time of the drafting of this report the only outstanding audit findings are those of the RAF. On 13 October 2022, the Minister submitted a letter requesting the further extension for the late tabling of the RAF Annual Report until the judicial review of the dispute with the AGSA is finalised. The AGSA indicated that the audits of all the transport entities were finalised at the time of reporting to the Committee, but that the outcome of the RAF audit will only be released once the Annual Report is tabled by the entity. At the time of the drafting of this report, the AGSA did indicate that they had finalised the audit of the Road Traffic Infringement Agency (RTIA) and the Driving License Card Account (DLCA), however, the Annual Reports of the entities were not tabled before Parliament at the time of finalising this report. Should they submit their Annual Reports following this report, the Committee will consider a supplementary report.

COVID-19 interventions during the 2020/21 financial year aimed at curbing/mitigating the spread of the pandemic through the world and the country restricted movement of all transport operations (including road, rail, maritime and aviation), restricted administration programmes responsible for the filling of vacancies, restricted access to vehicle and driver licencing services and road accident claim services, restricted maintenance and/or repair of road and/or rail infrastructure and restricted the roll-out of labour intensive infrastructure projects – to mention but a few areas of impact. This continued to have a significant impact on the revenue generation and operations of a number of the entities under the Department, as is evident from the audit outcomes and the financial statements per the Annual Reports received to date.

Despite dealing with the residual impact of COVID-19 on the transport portfolio, the portfolio was also impacted in various levels by the July 2021 Civil Unrests, the flood damage in various provinces in January 2022 and April 2022 resulting in massive infrastructure damage, as well as the ongoing conflict between Russia and Ukraine, the most recent conflict applicable to the financial year under review having started in February 2022.

1.1 Mandate of the Committee

The prime mandate of the Committee is governed by the Constitution of the Republic of South Africa, 1996 (“the Constitution”), in respect of its legislative and oversight responsibilities as public representatives. It is required to consider legislation referred to it and consider all matters referred to it in terms of the Constitution, the Rules of the National Assembly (NA) or resolutions of the House. It is also required to respond to matters referred to it by Government within its mandate. In addition, the Committee is entrusted with considering the budgets, Strategic Plans, Annual Performance Plans (APPs) and the Annual Reports of the Department and entities that fall within the transport portfolio.

1.2 Purpose of the Budgetary Review and Recommendation 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 gave effect to the Money Bills Amendment Procedure and Related Matters Act (No. 9 of 2009). The Act gives Parliament powers to amend Money Bills and other legislative proposals submitted by the Executive whenever the

Executive deems it necessary to do so. The Act therefore makes it obligatory for Parliament to assess the Department's budgetary needs and shortfalls against the Department's operational efficiency and performance.

This review seeks to establish whether the Department and its entities have achieved their aims and objectives, as set out in their Strategic Plans, as well as whether they continue to fulfil their constitutional mandates within the year under review. As this is the third BRRR done by the 6th Parliament Committee, reference will be made to the key achievements made, as well as challenges encountered during the 2018/19, 2019/20, 2020/21 and 2021/22 financial years, as reported in the Department's and entities' 2018/19, 2019/20, 2020/21 and 2021/22 Annual Reports and APPs.

1.3 Methodology

The Committee engaged with the AGSA on its audit findings of the Department and its entities, as well as engaged with the Department and, due to time constraints, selected entities on 11, 12 and 13 October 2022 on their performance and audit outcomes for the period under review.

The Committee selected to meet with the Air Traffic and Navigation Services (ATNS), Airports Company of South Africa (ACSA), South African Civil Aviation Authority (SACAA), South African National Roads Agency Limited (SANRAL), Road Traffic Management Agency (RTMC), South African Maritime Safety Authority (SAMSA) and PRASA due to time constraints and since these entities tabled their reports in time for consideration during the BRRR process.

At the time of considering this report, the RTIA, RAF, and DLCA had not tabled their Annual Reports yet. The Committee voiced its dissatisfaction with the lack of reasons provided for the failure to table the RTIA and DLCA Annual Reports – it was the third consecutive year that RTIA and second consecutive year that RAF did not table their reports in time for the BRRR process.

The following entities were not programmed or called to meet with the Committee specifically, however, their Annual Reports and/or financial statements were tabled on time and their audit was part of the Department's audit:

1. South African Search and Rescue Organisation (SASAR), including the National Sea Rescue Institute (NSRI);
2. Railway Safety Regulator (RSR);
3. Ports Regulator of South Africa (PRSA); and
4. Cross-Border Road Transport Agency (C-BRTA).

The BRRR details the analysis of the 2018/19, 2019/20, 2020/21 and 2021/22 Annual Reports and financial statements, strategic objectives, budget allocation and financial performance and the recommendations made by the Committee.

The BRRR is based on information accessed through:

- The 2021 State of the Nation Address (SONA);
- The Department's Strategic Plan and APPs for 2021/22;
- The Department's Annual Report and Financial Statement for 2018/19, 2019/20, 2020/21 and 2021/22;
- The Strategic Plans and the APPs/Corporate Plans of the entities that fall under the Department, as well as their annual reports and financial statements for 2018/19, 2019/20, 2020/21 and 2021/22;
- Quarterly reports of the Department;
- The report of the AGSA on the audit outcomes of the Department and its entities;
- National Treasury Section 32 Reports;
- The NDP; and
- Oversight visits by the Committee during the period under review.

2. MANDATE OF THE DEPARTMENT OF TRANSPORT

The Department is mandated with maximising the contribution of transport to the economic and social development goals of society providing safe, reliable, effective and efficient fully integrated transport systems that best meet the needs of passenger and freight users. To attain this objective, the Department is entrusted with the provision of transport infrastructure and services in a manner that is efficient and affordable to consumers and the economy, while ensuring safety and security in all transport modes.

The Department strives to be “the heartbeat of South Africa’s economic growth and social development”.¹ Its core values are:²

- Maintaining fairness and equity in all its operations;
- Striving for quality and affordable transport for all;
- Stimulating innovation in the transport sector;
- Ensuring transparency, accountability and monitoring of all operations; and
- Ensuring sustainability, financial affordability, accessibility, as well as the upholding of the *Batho Pele* principles.

In an endeavour to discharge its mandate effectively and efficiently, the Department is structured as follows:³

- Programme 1: Administration;
- Programme 2: Integrated Transport Planning;
- Programme 3: Rail Transport;
- Programme 4: Road Transport;
- Programme 5: Civil Aviation Transport;
- Programme 6: Maritime Transport; and
- Programme 7: Public Transport.

The Department’s organisational structure was approved in September 2011, and it was implemented from November 2011.⁴ The structure comprises four transport modes (rail, road, civil aviation and maritime transport), as well as integrated transport planning and public transport. Support functions, particularly in the Office of the Director-General (DG), Office of the Chief Operations Officer (COO) and the Office of the Chief Financial Officer (CFO) fall under the Administration programme.

2.1 Strategic overview 2021/22

2.1.1 Strategic priorities of Government

To execute its mandate, the Department is guided by Government’s commitments as set out in, inter alia, the NDP 2030, the Medium-Term Strategic Framework (MTSF) 2019-2024, as well as the SONA policy directives.

The Department contributes to the realisation of the vision of improved social and economic development articulated in the NDP. Transport infrastructure and services support economic growth and development by connecting people and goods to markets. The development and maintenance of an efficient and competitive transport system is a key objective of the NDP. To this effect, the Department, in partnership with the sector public entities, provincial and local government, focuses on improving mobility and access to social and economic activities.⁵

In addition, the Department gives impetus to **priority 1** (economic transformation and job creation) and **priority 4** (spatial integration, human settlements and local government) of Government’s 2019-

¹ Department of Transport (2022a), p. 50.

² Ibid.

³ Department of Transport (2022b), p. 66.

⁴ Department of Transport (2022b), p. 67.

⁵ Department of Transport (2021a), p. 24.

2024 MTSF. The table below shows a schematic illustration of the alignment between MTSF pillars, apex priorities of the 6th Administration and the strategic focus areas of the Department.

Table 1: Alignment between MTSF Pillars, Apex Priorities and Strategic Focus of the Department

MTSF Pillars	Apex Priorities	Department's Strategic Focus Areas
1. Achieving a more capable State	<ul style="list-style-type: none"> Priority 1: A capable, ethical and developmental State 	<ul style="list-style-type: none"> Improved efficiency and effectiveness of support services
	<ul style="list-style-type: none"> Priority 7: A better Africa and world 	<ul style="list-style-type: none"> Building a maritime nation, elevating the oceans economy Environmental protection – Recovering and maintaining healthy natural environment
2. Driving a strong and inclusive economy	<ul style="list-style-type: none"> Priority 2: Economic transformation and job creation 	<ul style="list-style-type: none"> Infrastructure build that stimulates economic growth and job creation
		<ul style="list-style-type: none"> Building a maritime nation, elevating the oceans economy
		<ul style="list-style-type: none"> Accelerating transformation towards greater economic participation
3. Building and strengthening capabilities of South Africans	<ul style="list-style-type: none"> Priority 3: Education, skills and health 	<ul style="list-style-type: none"> Improved efficiency and effectiveness of support services
	<ul style="list-style-type: none"> Priority 5: Spatial integration, human settlements and local government 	<ul style="list-style-type: none"> Public transport that enables social emancipation and an economy that works
	<ul style="list-style-type: none"> Priority 6: Social cohesion and community safety 	<ul style="list-style-type: none"> Safety (and security) as an enabler of service delivery

(Source: Department of Transport (2021))

As far as the 2021 SONA is concerned, it accentuated the following strategic objectives that had a bearing on the transport sector:⁶

- Constructing and rehabilitating N1, N2 and N3 highways;
- Supporting a massive increase in local production; and
- Using Operation *Vulindlela* to bring about reforms in the transport sector.

Over the medium-term, the Department plans to give effect to these guiding policies by focusing on:⁷

⁶ Ramaphosa (2021).

- Building and maintaining national and provincial road networks;
- Providing passenger rail infrastructure and services; and
- Facilitating the provision of integrated public transport networks.

Of significance to the Minister and the Department are the following key outcomes:

Outcome	Sub-Outcome
Outcome 4: Decent employment through inclusive economic growth	<p>Sub-Outcome 1: Productive investment is effectively crowded in through the infrastructure build programme</p> <ul style="list-style-type: none"> • Ensure monitoring of off-takes by end users on the infrastructure programme
Outcome 6 – An efficient, competitive and responsive economic infrastructure	<p>Sub-Outcome 1: Regulation, funding and investment improved</p> <ul style="list-style-type: none"> • Establish a Single Transport Economic Regulator (STER) • Develop a Private Sector Participation (PSP) Framework for ports and freight rail, removing barriers to entry for private investment and operations within the context of Cabinet-approved policy and with an analysis of the implication of tariffs <p>Sub-Outcome 3: Maintenance, strategic expansion, operational efficiency, capacity and competitiveness of our logistics and transport infrastructure ensured.</p> <ul style="list-style-type: none"> • Improve national transport planning to develop long-term plans for transport that synchronise with spatial planning and align infrastructure investment activities of provincial and local government and clearly communicate the State's transport vision to the private sector • Ensure development and approval of the Integrated Transport Plan • Develop and implement approved plan and improve market share of containers on rail vs road, to ensure that we move road freight to rail • Improve and preserve national, provincial and local road infrastructure • Strengthen road traffic management • Improve public transport • Strengthen institutional arrangements for public transport <p>Sub-Outcome 6: Coordination, planning, integration and monitoring implementation of strategic infrastructure projects (SIPs) in the National Infrastructure Plan.</p> <ul style="list-style-type: none"> • SIP 1: Unlocking the Northern Mineral Belt • SIP 3: South Eastern Node and Corridor Development • SIP 4: Unlocking economic opportunities in the North West Province • SIP 7: Integrated Urban Space and Public Transport Programme
Outcome 7 – Comprehensive Rural Development and Land Reform	<p>Sub-Outcome 5: Increased access to quality infrastructure and functional services, particularly in education, healthcare and public transport in rural areas</p> <ul style="list-style-type: none"> • Improve transport infrastructure and public transport in rural areas • Access Road Development Plan for improving rural road infrastructure implemented • District municipalities implementing the Integrated Public Transport Network Strategy

⁷ Department of Transport (2021a), p.89.

Outcome 10 – Protect and enhance our environmental assets and natural resources	Sub-Outcome 2: An effective climate change mitigation and adaptation response <ul style="list-style-type: none"> • Develop strategic policy and regulatory frameworks and programmes to promote a low carbon economy • Green Transport Strategy and Implementation Plan formulated and completed
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(Table 2: Ministers' Delivery Agreement with the President of the Republic of South Africa – information obtained from the Annual Performance Plan 2019/20 p. 2 – 3. The Annual Reports of the Department for 2019/20, 2020/21 and 2021/22 did not contain this agreement as was done in the past. On page 21 of the 2021/22 Annual Report, the Deputy Minister does merely refer to the Minister's Performance Agreement he signed with the President being the basis for the strategic focus areas guiding the Department's performance.)

2.1.2 Strategic Outcomes and Oriented Goals of the Department

During the period under review, the Department discharged its responsibilities with a view to attaining the following strategic objectives:⁸

- Safety as an enabler of service delivery;
- Public transport that enables social emancipation and an economy that works;
- Infrastructure build that stimulates economic growth and job creation;
- Building a maritime nation, elevating the oceans economy;
- Accelerating transformation towards greater economic participation;
- Innovation that advances efficiencies and supports a continuous improvement model;
- Environmental Protection – Recovering and maintaining a healthy natural environment; and
- Governance – Greater efficiency, effectiveness and accountability.

In the 2021/22 financial year, the Department aimed to perform its work in line with the following Priority Focus Areas and Performance Outcomes:

- Department Priority Focus Area 1: SAFETY as an Enabler of Service Delivery
 - Sub-Programme: Safer Transport Systems
 - Road Transport Safety
 - Improved transport safety and security
 - Rail Transport Safety
 - Improved transport safety and security
 - Civil Aviation Safety
 - Improved transport safety and security
 - Maritime Transport Safety
 - Improved transport safety and security
 - Public Transport Safety
 - Improved transport safety and security
 - Improved public transport safety⁹
- Department Priority Focus Area 2: PUBLIC TRANSPORT that Enables Social Emancipation and an Economy that Works
 - Sub-Programme: Public Transport
 - National Taxi Lekgotla Resolutions Implementation
 - Improved accessibility, quality and reliability of public transport
 - Integrated Public Transport Networks (IPTNs)
 - Improved accessibility, quality and reliability of public transport
 - Rural and Scholar Transport
 - Improved accessibility, quality and reliability of public transport
 - Rail Transport
 - Improved accessibility, quality and reliability of public transport

⁸ Department of Transport (2022a), pp. 73-97.

⁹ This outcome is new in 2021/22.

- Department Priority Focus Area 3: INFRASTRUCTURE Build that Stimulates Economic Growth and Job Creation
 - Sub-Programme: Competitive and Accessible Markets
 - Road Transport
 - Increased access to affordable and reliable transport systems
 - Decent Jobs sustained and created
 - Rail Transport
 - Increased access to affordable and reliable transport systems
 - Decent Jobs sustained and created
 - Civil Aviation
 - Decent jobs sustained and created
- Department Priority Focus Area 4: Building a MARITIME Nation, Elevating the Oceans Economy
 - Sub-Programme: Competitive and Accessible Markets
 - Increased access to affordable and reliable transport systems
- Department Priority Focus Area 5: Accelerating TRANSFORMATION towards Greater Economic Participation
 - Sub-Programme: Competitive and Accessible Markets
 - Increased access to affordable and reliable transport systems
- Department Priority Focus Area 6: INNOVATION that Advances Efficiencies and Supports a Continuous Improvement Model
 - Sub-Programme: Innovation
 - Improved competitiveness through adoption of new technology
- Department Priority Focus Area 7: ENVIRONMENTAL PROTECTION – Recovering and Maintaining a Healthy Natural Environment
 - Sub-Programme: Reduction in Greenhouse Gas Emission and Pollution
 - Emission of Greenhouse Gases reduced
 - Pollution incidents reduced
- Department Priority Focus Area 8: Governance – Greater Efficiency, Effectiveness and Accountability
 - Sub-Programme: Skills Development
 - Improved sector skills and capacity
 - Sub-Programme: Functional, efficient and integrated government
 - Improved governance and strengthened control environment

2.1.3 Challenges experienced in 2021/22 as reported by the Department

The outbreak of the COVID-19 pandemic resulted in restrictions that led to the closure of Driving Licence Testing Centres (DLTCs), Registering Authorities (RAs) and Vehicle Testing Centres (VTCs), particularly during Alert Levels 5 and 4, between 26 March 2020 and 31 May 2020.¹⁰ These institutions gradually opened from 1 June 2020 depending on their readiness in terms of COVID-19 regulations. Due to the impact of COVID-19 on service delivery, in terms of limited staff and demand for services, major backlogs were incurred, especially with regard to the renewal of driving licences.¹¹ In addition to this, there was a breakdown of the card production machine during the 2021/22 financial year which further added to the already COVID-19 impact on the backlog. This then necessitated extensions of validity period of driving licences, in a way to allow the backlog to be cleared.

The vacancy rate in the Department remained a challenge. During the period under review, a total of sixty-one (61) vacant positions were filled, against a target of fifty (50).¹² However, the anticipated

¹⁰ Department of Transport (2021b), p. 50.

¹¹ Ibid.

¹² Department of Transport (2022a), p. 99.

decline in the vacancy rate did not materialise due to a high turnover rate and unfunded positions. The turnover rate was impacted by, amongst other things, the number of deaths of employees, resignations, external transfers and retirements¹³. The Department has undertaken to “continue prioritising filling of vacant position to ensure attainment of a 10% or lower rate as prescribed by the State”.¹⁴

The following were reported in the annual report as challenges experienced by the Department during the year under review, per the Report of the Accounting Officer:¹⁵

2.1.3.1 Programme 1: Administration

All Information and Communications Technology (ICT) governance structures were reconstituted and met regularly during the period under review. Audit findings raised by the Office of the Auditor-General of South Africa (AGSA) on ICT governance were fully addressed. In terms of ICT service delivery matters, improvements are being effected and still work in progress.

Internal controls were monitored in financial and supply chain management (SCM), and in stakeholder coordination and compliance. Irregular and unauthorised expenditure have been put in check with the Department not incurring any for the financial year. However, there are a few cases of potential irregular expenditure that are being assessed for verity. Nine cases of fruitless and wasteful expenditure, mainly as a result of no-shows related to travel, were recorded during the period under review. One (1) case was written off and eight (8) were transferred to debt.

Vacancy rate in the Department remains a challenge. A total of sixty-one (61) vacant positions were filled, against a target of fifty (50) for the financial year. However, the anticipated decline in the vacancy rate did not materialise due to a high turnover rate and unfunded positions. The turnover rate was impacted by, amongst others, number of deaths of employees, resignations, external transfers and retirements. The Department will continue prioritising filling of vacant position to ensure attainment of a 10% or lower rate as prescribed by the state.

Revenue losses and regulatory restrictions experienced by the sector, as a result of the COVID-19 pandemic, impacted heavily on achievement of critical milestones in sector capital infrastructure programmes. State-Owned Entities (SOEs) impacted include the Passenger Rail Agency of South Africa (PRASA), ACSA, SANRAL and ATNS.

2.1.3.2 Programme 2: Integrated Transport Planning

The freight to rail agenda is being addressed through the development of the approved Road Freight Strategy and its implementation plan. A migration plan, which assesses infrastructure readiness, condition and determination of commodities and quantities that could be carried by the rail sector, was also developed.

The establishment of the Transport Economic Regulator (TER) remains a critical target of the Department within the medium-term. The Economic Regulation of Transport (ERT) Bill is currently being processed in Parliament, and it is anticipated that the Bill will be approved in the new financial year (2022/23).

To ensure an adequate regulatory environment for the implementation of autonomous vehicle technology (AVT) in the country, a legislative gap analysis on the regulation of autonomous vehicles was conducted and a recommendation report has been developed. This report will guide the required amendment of legislation that will be prioritised within the medium-term.

In the 2021/22 financial year, green procurement guidelines were developed to advance the sector target of reducing Greenhouse Gas emission within the medium-term.

2.1.3.3 Programme 3: Rail Transport

¹³ Ibid.

¹⁴ Ibid.

¹⁵ Department of Transport (2021/22 Annual Report), p26 - 31.

As part of ensuring a rail transport sector that is safe and secure, the Rail Safety Bill is currently being processed in Parliament. Once approved, the Act will guide the implementation of interventions to ensure rail commuters, including rail infrastructure are safeguarded accordingly.

On 23 March 2022, Cabinet approved the White Paper on National Rail Policy that takes a holistic view on the development of the rail system. This Policy introduces radical structural reforms in the sector and also intends to place rail on a sound footing to play a meaningful role as a backbone of a seamlessly integrated transport value chain.

One of the highlights of the Policy relates to enabling investments in the rail network with specific attention to the exploitation of rail's genetic technologies to achieve renaissance in the following market spaces: heavy haul, heavy intermodal, which includes double-stacked containers, contemporary urban and regional rapid transit, as well as higher-speeds of 160 to 200km/h and high speeds up to 300 km/h.

The draft of the High-Speed Rail Corridor Framework was developed during the period under review. The Framework is due for submission to Cabinet in the 2022/23 financial year.

The Rolling Stock Fleet Renewal Programme has produced thirty-nine (39) new train sets during the 2021/22 financial year. Thirty-three (33) of the sets have been provisionally accepted while six (6) await fitment of parts before testing. The total number of train sets produced since the inception of the programme is eighty-five (85).

To date, five (5) priority corridors have been recovered and services have resumed. Four corridors are currently closed for repairs and will be returned to service within the new financial year. In KwaZulu-Natal, two corridors (Umlazi-Durban and KwaMashu-Durban), which were impacted by the recent floods, are undergoing infrastructure clean up with a view to resuming services within the financial year.

2.1.3.4 Programme 4: Road Transport

Implementation of the National Road Safety Strategy was monitored nationally and in nine provinces. Regulatory law enforcement interventions were commissioned to improve road safety and reduce road crashes and fatalities. Reduction of road crash fatalities amounted to 20.02 in the 2021/22 financial year.

In November 2021, the DLCA experienced a machine breakdown due to flooding of the adjacent building, which caused an electrical surge. As at 20 January 2022, when the DLCA resumed production, the backlog in the production of driving licence cards that resulted from the machine breakdown was 639 000. As at 11 April 2022, a total of 628 000 cards had been produced, leaving a balance of 11 000 cards from baseline backlog recorded in January 2021. The accumulated backlog to the date of reporting was 593 000. The DLCA is operating day and night shifts to address this backlog and to ensure that all road users have valid driving licenses.

National and provincial road networks were rehabilitated and maintained during the period under review. On the national front, the entire 22 266 km of the SANRAL network was exposed to routine maintenance.

In line with the Provincial Road Maintenance Programme, the provincial road network was exposed to rehabilitation, maintenance, re-surfacing, resealing, blacktop patching, blading and re-gravelling during the period under review. Over 310 239 job opportunities were reported, with some opportunities being for women, youth and persons with disabilities.

Compliance with the user-pay principle remained optimal, except on the SANRAL network impacted by e-tolling, i.e. Gauteng Freeway Improvement Project (GFIP). This section constitutes a small fraction of the SANRAL network. A decision on the GFIP tariff and funding structure is eminent within the current financial year, primarily to bring certainty to SANRAL's ability to continue operating as a going concern and also to the user-pay principle as a policy of government.

2.1.3.5 Programme 5: Civil Aviation

In the 2020/21 financial year, the South African Civil Aviation Authority (SACAA) initiated the process to review RPAS regulations. The target is to ensure that the review process is concluded within the medium-term and that the regulatory framework for RPAS is optimised.

Over the medium-term, the Department, in collaboration with SACAA, will optimise the implementation of the Aviation Safety Strategy to ensure that the fatal accidents in general aviation are reduced.

2.1.3.6 Programme 6: Maritime Transport

In June 2021, President Ramaphosa announced the decision to corporatise the Transnet National Ports Authority (TNPA) as an independent subsidiary of Transnet. Following this pronouncement, an interim Board was appointed, and relevant processes given effect to enable the establishment of the TNPA as an independent subsidiary. The finalisation of this process with the appointment of a permanent Board will give full effect to the provisions of the National Ports Act of 2005.

Implementation of Operation *Phakisa* 3-Foot Plan was also monitored during the period under review. A draft business case for the establishment of a National Shipping Company was developed as targeted. During the period under review, the draft National Maritime Security Strategy was developed.

2.1.3.7 Programme 7: Public Transport

The implementation of Integrated Public Transport Networks (IPTNs) in various cities has not been without problems. Capacity challenges in some of the cities have given rise to complications that have either delayed or stalled progress.

During the 2021/22 financial year, a total of (7) cities are operational and are working towards expanding current services. Operating cities carry a combined average weekday passenger trips of 117 305. These cities include the City of Cape Town, George, Ekurhuleni, Johannesburg, Tshwane, Nelson Mandela Bay and Polokwane.

Rustenburg, Mangaung and eThekweni are working towards the launch of new services. eThekweni is currently experiencing challenges due to unsuccessful negotiations with taxi operators on the affected routes.

As part of the implementation of the National Taxi Lekgotla resolutions, the Department has also initiated the establishment of a Panel of Eminent Persons to lead discussions regarding unity and leadership within the taxi industry with a view to finding a lasting solution to the ongoing leadership dispute and bring stability. The key deliverable of this Panel of Eminent Persons would be to find a lasting solution to the ongoing divide that plagues the industry and bring about unity and stability. Members of the Panel were appointed within the period under review.

Regarding implementation of the Revised Taxi Recapitalisation Programme, the number of vehicles scrapped was negatively affected due to slow uptake by the industry. A marketing drive to sensitise the public about taxi scrapping was delayed in different provinces due to the COVID-19 pandemic. A total of 2 234 old taxi vehicles (OTVs) were scrapped during the period under review. To ensure that uptake by the industry is improved, and that more OTVs are scrapped, the Department and TRSA will communicate directly with Taxi Associations and qualifying individual operators to get them to bring their old taxis for scrapping.

The *Shova Kalula* (Ride Easy) bicycle project is a national bicycle programme initiated by the Department as a pilot project in 2001, with the purpose of promoting and maximizing the use of bicycle as a low-cost mobility solution to poor communities, particularly in the rural areas. The project provides for distribution of bicycles to learners from poor households who walk more than 3 kilometres to their educational resource centres. During the period under review, a total of 11 349 bicycles were distributed across all nine (9) provinces.

To ensure sector compliance with the implementation of the National Strategic Plan (NSP) on Gender Based Violence and Femicide (GBVF), the Department, in collaboration with the South African National Taxi Council (SANTACO), provides an annual operational funding of R26 million, increased annually, to support some taxi industry programmes. Amongst the programmes supported by SANTACO, are campaigns to educate drivers on GBVF and to empower them in the job market. The taxi industry has also partnered with the Department of Women, Youth and Persons with Disabilities and Sonke Gender Justice to educate their members on GBVF matters. A Memorandum of Understanding (MoU) was signed in December 2021 to formalise this initiative and to set out the programme of action.

2.1.3.8 Key policy developments and legislative changes

During the year under review, the Department indicated the following key policy developments and legislative challenges:¹⁶

- The decision to corporatise the TNPA as an independent subsidiary of Transnet was announced by President Ramaphosa in June 2021. Following this pronouncement, an interim Board was appointed, and relevant processes given effect to enable the establishment of the TNPA as an independent subsidiary. The finalisation of this process with the appointment of a permanent Board will give full effect to the provisions of the National Ports Act of 2005.
- To address regulatory and capacity gaps that relate to South Africa's need for an efficient and cost-effective transport system, in order to raise economic growth and meet its social goals, the Department is in the process of finalising the Economic Regulation of Transport (ERT) Act, which will affect the establishment of a Transport Economic Regulator (TER).
- National Road Traffic Amendment Bill is currently serving before the Portfolio Committee of Parliament and finalising the A-list of the Bill for adoption and approval. The Bill seek to reduce the blood alcohol limit to zero with the result that no one on the road should be operating a motor vehicle whilst under the influence of alcohol and drugs.
- The Railway Safety Bill seeks to improve the regulatory framework regulating safety in the Republic of South Africa in order to improve safety for passenger and freight. The Bill was processed through Cabinet and introduced to Parliament in March 2021.
- The White Paper on National Rail Policy was approved by Cabinet in March 2022. The implementation of the Nation Policy will drive reduction in the cost of freight services at national level through the encouragement of modal shift from road to rail. It will also drive passenger mobility through higher levels of service and quality of service with increased intermodal connectivity.

2.1.3.8.1 Institutional Policies and Strategies over the five-year planning period

a) National White Paper on Transport Policy, 1996

The vision of the White Paper on National Transport policy is to provide safe, reliable, effective, efficient, and fully integrated transport operations and infrastructure which will best meet the needs of freight and passenger customers at improving levels of service and cost in a fashion which supports Government strategies for economic and social development whilst being economically and environmentally sustainable.

b) White Paper on National Policy on Airports and Airspace Management, 1997

This is a national policy response on airports and airspace management as a result of far- reaching changes which have occurred in South Africa, in general, and in civil aviation, in particular. This policy is currently under review to address recent developments and resultant policy gaps.

c) National Commercial Ports Policy, 2002

The aim of this policy is to ensure an internationally competitive port system informed by the knowledge that efficient ports are known to be catalysts for increased trade, and thus provide a comparative advantage for international trade. Thus, this policy aims to ensure affordable, internationally competitive, efficient and safe port services based on the application of commercial rules in a transparent and competitive environment applied consistently across the transport system.

¹⁶ Department of Transport (2021/22 Annual Report) p. 72.

The importance of this policy is further highlighted by the fact that globalisation pressures make it essential that nations integrate their transport systems into the global logistics network. Ports are naturally being incorporated into this changing system and have to adjust to the new challenges and environment.

d) Taxi Recapitalisation Policy, 2009

The Taxi Recapitalisation Policy (TRP) is an intervention by Government to bring about safe, effective, reliable, affordable and accessible taxi operations by introducing New Taxi Vehicles designed to undertake public transport functions in the taxi industry.

A revised fiscal framework also accounts for substantial revenue losses emanating from the economic shock of COVID-19 pandemic and the subsequent lockdown. The lockdown significantly delayed planned programmes, projects and expenditure in the sector. As a result, the Department, Provinces and Municipalities, in their revised budget applications, would have to show delayed milestones and targets, the impact on their operational revenue and how they intend to mitigate the risk towards desired recovery and achievement of medium- to long-term outcomes.

The revision exercise thus focused, amongst others, on downscaling and/or reducing performance targets, particularly where programmes were impacted by budget cuts; and also, on prioritising interventions critical in mitigating the impact of the COVID-19 pandemic, thus saving lives of the South Africans, where necessary. In revising performance targets, the NDP, the seven (7) apex priorities of the 6th Administration and the MTSF 2019 – 2024 remained the authoritative documents from which the exercise took guidance. For the remainder of the current Medium Term Expenditure Framework (MTEF), baseline allocations would be used to provide for the rapidly changing economic conditions and enable spending on the COVID-19 response.

This proposed modification would then be in categories.

- Category 1 will see suspension of funds and reallocation, where applicable. In this regard and as stated, the baselines of allocations to sector Departments will be reduced.
- Category 2 will see reprioritisation of funds within the budget votes. To this effect, funds will be shifted across programmes and/or budget items and reprioritised to where there are needs.

As stated, COVID-19 had a negative impact on the plans and operations of the Department and sector entities, particularly for the 2020/21 financial year. The effects of the impact of the pandemic would then have to be mitigated for the medium-term through revision of the Strategic Plan and medium-term targets.

2.1.3.8.2 Legislative challenges

The Department had 8 Bills that were processed during the year under review or still currently before Parliament and they are listed as follows:

- 1) Civil Aviation Amendment Bill, 2018 [B44-2018] (introduced 14 November 2018, Bill processed and passed by the National Assembly on 11 May 2021 – National Council of Provinces passed the Bill on 14 December 2021 – on 31 March 2022 the Bill was signed by the President and enacted as Act (No. 22 of 2021);
- 2) Economic Regulation of Transport Bill, 2020 [B1-2020] (introduced 31 January 2020 and currently in the NCOP process);
- 3) Transport Appeal Tribunal Amendment Bill, 2020 [B8-2020] (introduced 29 May 2020 and still before the Committee);
- 4) National Road Traffic Amendment Bill, 2020 [B7-2020] (introduced 29 May 2020 and currently in the NCOP process);
- 5) Railway Safety Bill, 2021 [B7-2021] (introduced 19 March 2021 and still before the Committee);
- 6) National Land Transport Amendment Bill, 2016 [B7-2016] (introduced 15 April 2016 and referred back to Parliament by the Presidency on 9 September 2021 to address the reservations about the Bill's constitutionality – under consideration by the NA);
- 7) Marine Pollution (Prevention of Pollution from Ships) Amendment Bill [B5-2022] (introduced 31 January 2022 and still before the Committee);

8) Marine Oil Pollution (Preparedness, Response and Cooperation) Bill [B10-2022] (introduced 10 March 2022 and still before the Committee).

2.1.4 Achievements highlighted and significant events and/or projects for the year 2021/22 as reported by the Department

The following is a summary of the reported notable progress, milestones and achievements by the Department during the year under review:¹⁷

- In pursuit of the transport sector's desired outcome of an affordable, safe, universally accessible and reliable public transport, **seven (7) cities (Johannesburg, Tshwane, Ekurhuleni, Cape Town, George, Polokwane and Nelson Mandela Bay) operated IPTNs and carried a combined 117 305 average passenger trips.**¹⁸
- The Annual Report on the PRASA Rail Modernisation Programme was developed.¹⁹
- The Analysis Report on jobs created through PRASA Infrastructure programmes was developed.²⁰
- The Annual Report on PRASA rail operations was developed.²¹
- The Annual Report on the implementation of programmes addressing the violence against women, youth and persons with disabilities in the rail transport sector was developed.²²
- The National Household Travel Survey (NHTS) reports were produced for all the provinces.²³
- The Draft Regional Integration Strategy was developed.²⁴
- The Freight Migration Plan (Road to Rail) was developed.²⁵
- The High Speed Rail (HSR) Corridor Framework was approved for submission to Cabinet.²⁶
- The Annual Monitoring Report on the implementation of the National Road Safety Strategy was developed.²⁷
- The Draft Road Infrastructure Funding Policy was developed.²⁸
- The existing Public Transport Funding Model was reviewed.²⁹
- The framework for the taxi industry ownership of the Taxi Scrapping Entity was developed.³⁰
- The Annual Monitoring Report on Public Transport Operations was monitored in provinces.³¹

3. OVERVIEW AND ASSESSMENT OF FINANCIAL PERFORMANCE

3.1 2018/19

Table 3: Appropriation Statement for 2018/19

Programme	2018/19	2017/18
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¹⁷ Department of Transport (2021/22 Annual Report), p. 98 - 193.

¹⁸ Department of Transport (2022a), p. 179.

¹⁹ Department of Transport (2022a), p. 106.

²⁰ Department of Transport (2022a), p. 108.

²¹ Department of Transport (2022a), p. 109.

²² Department of Transport (2022a), p. 110.

²³ Department of Transport (2022a), p. 129.

²⁴ Department of Transport (2022a), p. 130.

²⁵ Department of Transport (2022a), p. 131.

²⁶ Department of Transport (2022a), p. 137.

²⁷ Department of Transport (2022a), p. 143.

²⁸ Department of Transport (2022a), p. 150.

²⁹ Department of Transport (2022a), p. 187.

³⁰ Department of Transport (2022a), p. 188.

³¹ Ibid.

R'000	Final Approp. R'000	Actual Expenditure R'000	Over/Under Expenditure R'000	Final Approp. R'000	Actual Expenditure R'000	Over/Under Expenditure R'000
Programme 1: Administration	434 094	379 809	54 285	415 254	407 466	7 788
Programme 2: Integrated Transport Planning	89 982	71 375	18 607	83 075	76 360	6 715
Programme 3: Rail Transport	15 887 279	15 873 693	13 586	19 333 199	14 515 158	4 818 041
Programme 4: Road Transport	30 098 760	30 067 108	31 652	27 138 175	27 118 369	19 806
Programme 5: Civil Aviation Transport	182 253	167 718	14 535	171 165	166 149	5 016
Programme 6: Maritime Transport	129 126	123 993	5 133	128 417	109 327	19 090
Programme 7: Public Transport	13 009 800	12 509 758	500 042	12 525 895	12 277 572	248 823
Direct charge against Revenue Fund	10 200	2 976	7 224	10 000	5 559	4 441
Total	59 841 494	59 196 430	645 064	59 805 180	54 675 960	5 129 220

(Source: Department of Transport Annual Report for 2018/19 (2019b).

For the **2018/19 financial year**, the Department had received a budget of R59.8 billion and of this amount, **it spent R59.2 billion by the end of the financial year, that is 98.9%** of the available budget, up from R54.7 billion (or 91.4%) of the R59.8 billion it had spent by the same time in 2017/18. The Department **underspent a total amount of R645.1 million**, translating into **an under-expenditure of 1.1%**. The biggest under-expenditure was in the Public Transport programme. Of the R13 billion that had been allocated to this programme, the Department had spent R12.5 billion (or 96.2%) by the end of the reporting period, indicating an under-expenditure of R500 million (or 3.8%). The **Compensation of Employees (CoE)** was underspent in all programmes due to posts that could not be filled.³²

3.2 2019/20

Table 4: Appropriation Statement for 2019/20

Programme	2019/20			2018/19		
	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
Programme 1: Administration	419 337	412 741	6 596	434 094	379 809	54 285
Programme 2: Integrated Transport Planning	152 936	139 950	12 986	89 982	71 375	18 607
Programme 3: Rail Transport	16 560 839	16 560 238	601	15 887 279	15 873 693	13 586
Programme 4: Road Transport	33 295 501	33 285 865	9 636	30 098 760	30 067 108	31 652
Programme 5: Civil Aviation Transport	224 345	178 820	45 525	182 253	167 718	14 535
Programme 6: Maritime	135 250	132 879	2 371	129 126	123 993	5 133

³² Department of Transport (2019b), p. 35.

Programme	2019/20			2018/19		
	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
Transport						
Programme 7: Public Transport	13 416 923	13 178 118	238 805	13 009 800	12 509 758	500 042
Direct charge against Revenue Fund	10 424	2 614	7 810	10 200	2 976	7 224
Total	64 215 555	63 891 225	324 330	59 841 494	59 196 430	645 064

(Source: Department of Transport, (2020)).

For **2019/20**, the Department had received a budget of R64.2 billion and of this amount, **it spent R63.9 billion by the end of the financial year, that is 99.5%** of the available budget, up from R59.2 billion (or 98.9%) of the R59.8 billion it had spent by the same time in 2018/19.

The Department **underspent a total amount of R324.3 million**, translating into an **under-expenditure of 0.5%**. The biggest under-expenditure was in the Public Transport programme. Of the R13.4 billion that had been allocated to this programme, the Department had spent R13.2 billion (or 98.2%) by the end of the reporting period, indicating an under-expenditure of R238.8 million (or 1.8%). The Compensation of Employees was underspent in all programmes due to posts that could not be filled.³³

3.3 2020/21

Table 5: Appropriation Statement for 2020/21

Programme	2020/21			2019/20		
	Final Approp.	Actual Expenditure	Over/Under Expenditure	Final Approp.	Actual Expenditure	Over/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 1: Administration	469 780	384 336	85 444	419 337	412 741	6 596
Programme 2: Integrated Transport Planning	90 071	57 614	32 457	152 936	139 950	12 986
Programme 3: Rail Transport	9 599 405	9 584 302	15 103	16 560 839	16 560 238	601
Programme 4: Road Transport	31 472 160	31 459 985	12 175	33 295 501	33 285 865	9 636
Programme 5: Civil Aviation Transport	2 670 849	2 642 208	28 641	224 345	178 820	45 525
Programme 6: Maritime Transport	144 618	135 776	8 842	135 250	132 879	2 371
Programme 7: Public Transport	12 907 852	12 809 594	98 258	13 416 923	13 178 118	238 805
Direct charge	10 997	-	10 997	10 424	2 614	7 810
Total	57 365 732	57 073 815	291 917	64 215 555	63 891 225	324 330

(Source: Department of Transport, (2021b))

For **2020/21**, the Department had received a budget of R57.4 billion and of this amount, **it spent R57.1 billion by the end of the financial year, that is 99.5%** of the available budget. The expenditure pattern of the Department remains the same as in the previous financial year, when it had spent the same percentage (i.e. 99.5%) of the R64.2 billion allocated to it.

³³ Department of Transport (2020), p. 31.

The Department **underspent a total amount of R291.9 million**, translating into an **under-expenditure of 0.5%**. In terms of Rand value, the biggest under-expenditure was in the Public Transport programme. Of the R12.9 billion that had been allocated to this programme, the Department had underspent R98.2 million (or 0.8%) of its allocation. Given the size of this programme's overall budget, the smallest proportion would suggest significant amounts in monetary value. However, the Integrated Rail Transport Planning programme was the worst performing in terms of proportional expenditure, as it underspent 36% of its budget. This is a significant decline from the previous year when it managed to spend 91.5% of its budget.

In contrast, the Civil Aviation Transport programme's expenditure improved in 2020/21. In 2019/20, its expenditure was 79.7%. However, expenditure reached 98.9%.

Compensation of Employees was underspent across all programmes, bar the Maritime Transport programme, "due to posts that could not be filled".³⁴ Goods and Services underspent in most programmes owing to the effects of the COVID-19 pandemic.³⁵

3.4 2021/22

Table 6: Appropriation Statement for 2021/22

Programme	2021/22			2020/21		
	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
Programme 1: Administration	521 938	439 550	82 388	469 780	384 336	85 444
Programme 2: Integrated Transport Planning	83 427	64 740	18 687	90 071	57 614	32 457
Programme 3: Rail Transport	16 796 420	16 768 179	28 241	9 599 405	9 584 302	15 103
Programme 4: Road Transport	34 221 977	34 123 692	98 285	31 472 160	31 459 985	12 175
Programme 5: Civil Aviation Transport	564 322	546 031	18 291	2 670 849	2 642 208	28 641
Programme 6: Maritime Transport	148 177	115 600	32 577	144 618	135 776	8 842
Programme 7: Public Transport	13 089 277	12 845 485	243 792	12 907 852	12 809 594	98 258
Direct charge against the National Revenue Fund	11 602	3 372	8 230	10 997	-	10 997
Total	65 437 140	64 906 649	530 491	57 365 732	57 073 815	291 917

(Source: Department of Transport (2022a))

For **2021/22**, the Department had received a budget of R65.4 billion and of this amount, **it spent R64.9 billion by the end of the financial year, that is 99.2%** of the available budget. The expenditure pattern of the Department slightly decreases from the previous financial year, when it had spent R57.1 billion (i.e. 99.5%) of the R57.4 billion allocated to it.

The Department **underspent a total amount of R530.5 million**, translating into an **under-expenditure of 0.8%**. In terms of Rand value, the biggest under-expenditure was in the Public Transport programme. Of the R13.1 billion that had been allocated to this programme, the Department had underspent R243.8 million (or 1.9%) of its allocation. Given the size of this

³⁴ Department of Transport (2021), p. 32.

³⁵ Ibid.

programme's overall budget, the smallest proportion would suggest significant amounts in monetary value. However, the Integrated Transport Planning programme was the worst performing in terms of proportional expenditure, as it underspent 22.4% of its budget. Notwithstanding this, the programme's expenditure slightly went up compared to the previous financial year when it had managed to spend 64% of its budget.

The Department underspent on the **CoE** due to vacant posts that could not be filled in the 2021/22 financial year.³⁶ The Annual Performance Plan target of the Department was to fill 50 posts for the period under review. However, the Department averred that a total of 61 posts had been filled as at the end of the 2021/22 financial year.³⁷ In addition, it stated that most of the posts that had been filled during the financial year were through internal promotions and this included the recorded resignations, retirements and transfers outside the Department which contributed to the underspending on COE.

Goods and Services were underspent across programmes due to non-spending on a number of projects. The Department reported that the procurement plan had been reviewed and revised to improve the spending on projects. However, due to delayed procurement, other projects could not be finalised by the end of the financial year "and those projects will be deferred to the coming financial year" (2022/23).³⁸ Other projects were reportedly "done in house and were performed as targeted".³⁹

3.4.1 Programme 1: Administration

By the end of 2021/22, the Administration programme had spent **R439.6 million (or 84.2%)** of the R521.9 million that had been allocated to it, translating into an under-expenditure of R82.4 million (or 15.8%). This was mainly on **CoE**, and on **Goods and Services** projects such as:⁴⁰

- Automation tools for internal audit;
- Slow spending on the document management solution; and
- Termination of the TRAC project at the University of Stellenbosch, as well as other projects.

The Department reported that what further contributed to the underspending **on Goods and Services** was the training and development due to less training, travel and subsistence owing to less travelling and venues and facilities as most gatherings were conducted virtually. The underspending on **Transfers and Subsidies** was attributed to less intake of students in the universities on bursaries to non-employee and on machinery and equipment as the bid for the procurement of bulk laptops had been approved and a service provider appointed. However, there was a delay in the delivery "due to global laptop shortages".⁴¹

The project on hardware refresh and switches had been delayed and "will be deferred to the coming financial year"⁴². A total amount of **R403 million** had been shifted from **Goods and Services** to fund the excess expenditure for the payment of vehicle licence, payment for leave gratuities, as well as for debt written off.⁴³

3.4.2 Programme 2: Integrated transport planning

The budget allocation for the Integrated Transport Planning programme stood at R83.4 million and of this amount, the programme had **spent R64.7 million (or 77.6%)** by the end of the reporting period, translating into an under-expenditure of R18.7 million (or 22.4%).

³⁶ Department of Transport (2022a), p. 300.

³⁷ Ibid.

³⁸ Ibid.

³⁹ Ibid.

⁴⁰ Department of Transport (2022a), p. 296.

⁴¹ Ibid.

⁴² Ibid.

⁴³ Ibid.

The under-expenditure was on **CoE** and on **Goods and Services** as internal capacity had been utilised for other projects. However, the following projects, namely, Autonomous Vehicles Regulations, Regional Corridor Strategy and Freight Transport Model “will be deferred to the coming financial year”.⁴⁴ A total amount of **R6.8 million** was shifted from **Goods and Services** in this programme to cover the excess expenditure on Programme 5: Civil Aviation.⁴⁵

3.4.3 Programme 3: Rail transport

For the 2021/22 financial year, the budget for the Rail Transport programme sat at R16 796 420 billion and of this amount, the programme had **spent R16 768 179 billion (or 99.8%)** by the end of the period under review. The programme underspent R28.2 million (or 0.2%) mainly on **Goods and Services** projects such as the appointment of a Housing Development Agency (HDA) on behalf of the Passenger Rail Agency of South Africa (PRASA) in the City of Cape Town.⁴⁶

In terms of the implementation plan, the Department committed itself to entering into a Service Level Agreement (SLA) with the HDA as an implementing agent. This was intended to attend to the establishment of temporary residential areas and the resettlement of households residing in the PRASA railway reserves. However, there was a delay in the signing of the SLA.⁴⁷ Other contributing factors to the underspending included projects such as the establishment of the Rail Economic Regulator and the National Rail Bill which was still at consultation stages, as well as other operational costs.⁴⁸

The Department reported that it had shifted a total amount of **R37 000. 00** from **Goods and Services** to fund leave gratuities under **Households**, and **R13 000. 00** was shifted within the programme to fund debt written off.⁴⁹ A total amount of **R9.9 million** was shifted from **Goods and Services** in this programme to cover the excess expenditure on Programme 5: Civil Aviation.⁵⁰

3.4.4 Programme 4: Road transport

Of the R34.2 billion that had been allocated to the Road Transport programme for 2021/22, it **spent R34.1 billion (or 99.7%)**. The programme underspent by R98.3 million (or 0.3%) mainly due to the non-payment of the Road Traffic Infringement Agency (RTIA) for the Administration of Adjudication of Road Traffic Offences (AARTO) roll-out as a result of the court judgement to allow for other processes to unfold. The Department maintained that these funds would be declared as “savings”.⁵¹

Other contributing factors were **Goods and Services** projects such as the Programme Development for *S’hamba Sonke*, Development of the Road Disaster Management Plan, Road Asset Management “which shall be deferred to the coming financial”, year as well as other projects.⁵²

Funds amounting to **R605 000. 00** were shifted within the programme to cover the excess expenditure under **Households** for the payment of leave gratuities, as well as for debt written off.⁵³

3.4.5 Programme 5: Civil aviation transport

⁴⁴ Department of Transport (2022a), p. 297.

⁴⁵ Ibid.

⁴⁶ Department of Transport (2022a), p. 297.

⁴⁷ Ibid.

⁴⁸ Ibid.

⁴⁹ Ibid.

⁵⁰ Ibid.

⁵¹ Ibid.

⁵² Ibid.

⁵³ Ibid.

By the end of 2021/22, the Civil Aviation Transport programme had **spent R546 million (or 96.8%)** against R564.3 million that had been allocated to it during the reporting period, indicating an under-expenditure of R18.3 million (or 3.2%). The programme recorded regression on spending during the period under review, down from **98.9%** in 2020/21 when it had **spent R2.6 billion** against R2.7 billion that had been allocated to it during that reporting period.

The underspending in the Civil Aviation Transport programme was mainly on **CoE** and **Goods and Services** due to less than anticipated spending on the Watch Keeping Services project, delays in projects such as the National Aviation Transformation Strategy, Correction Factor: Airports Company South Africa (ACSA) and the Air Traffic Navigation Services (ATNS), as well as other projects.⁵⁴

Other contributing factors included less spending on the **Travel and Subsistence** due to less travelling and other operational items. The programme realised a saving on foreign membership fees, as well as non-profit institutions.

A total amount of **R31.9 million** was shifted from **Goods and Services** within the programme to fund excess expenditure incurred under building and other fixed structure owing to the payment of the court judgement for the refurbishment of Mthatha Airport, **R120 000.00** to households and **R2 000.00** for debt written off.⁵⁵ A total amount of **R68 million** was shifted from various programmes to fund the excess expenditure due to court judgement against the Department in favour of Ndorum Joint venture for the refurbishment of Mthatha Airport in this programme.⁵⁶

3.4.6 Programme 6: Maritime transport

For the 2021/22 financial year, the Maritime Transport programme had received R148.2 million and of this amount, it **spent R115.6 million (or 78%)**, indicating an under-expenditure of R32.6 million (or approximately 22%). It is worth noting that there has been consistent regression on the expenditure in this programme in the previous financial years. For example, in 2020/21, it **spent R135.8 million (or 93.9%)** of the R144.6 million that had been allocated to it, indicating an under-expenditure of R8.8 million (or 6.1%). In 2019/20, the Maritime Transport programme had been allocated R135.3 million, and by the end of the financial year, it had spent R132.9 million (or 98.2%), translating into an under-expenditure of R2.4 million (or 1.8%).

The programme underspent by **R32.6 million** mainly on **Goods and Services** as a result of less than anticipated expenditure to the Oil Pollution Prevention project.⁵⁷ The Department asserted that internal capacity was utilised for projects such as the Review of the Merchant Shipping, as well as the development of Maritime Transport policy and legislation. The programme also underspent on the following projects:⁵⁸

- Feasibility Study on Tug Boat Services; and
- Automated vessel clearance.

The Department reported that the Marine Court of Enquiry “will be deferred to the coming financial year”, including the International Maritime Organization (IMO) World Maritime parallel event which had been suspended as a result of the COVID-19 pandemic.

A total amount of **R7 million** was shifted from **Goods and Services** in this programme to cover the excess expenditure on Programme 5: Civil Aviation.

3.4.7 Programme 7: Public transport

⁵⁴ Department of Transport (2022a), p. 298.

⁵⁵ Ibid.

⁵⁶ Ibid.

⁵⁷ Department of Transport (2022a), p. 298.

⁵⁸ Ibid.

By the end of the period under review, the Public Transport programme had **spent R12.8 billion (or 98.1%)** of the R13.1 billion that had been allocated to it, translating into an under-expenditure of R243.8 million (or 1.9%). The programme's expenditure slightly regressed from the previous financial year when it had spent 99.2% of its budget allocation.

The Public Transport programme's under-expenditure was mainly on **Transfers and Subsidies** owing to less intake on the taxi recapitalisation which is demand driven. The taxi scrapping project is a demand-driven process, wherein qualifying taxi operators decide when and how they will deliver their old taxi vehicles for scrapping. Some of the identified vehicles were precluded due to the lack of valid operating licences.⁵⁹ The branch is proposing that a "cut-off" date be proclaimed in order to force the taxi operators to deliver their qualifying old taxis for scrapping.⁶⁰

Other contributing factors included the underspending on **Goods and Services** projects such as:

- The Public Transport Grant Monitoring;
- Public Transport Safety Plan;
- Implementation of the integrated public transport networks (IPTNs) in district municipalities; and
- National Land Transport Information Systems (NLTIS) upgrade, as well as other projects.

At the time of the reporting, the Department maintained that the branch had since recommenced with the procurement process for the Public Transport Grant Monitoring project. However, it had been suspended due to the National Treasury directive to suspend advertisements of tenders following the Constitutional Court ruling on the Preferential Procurement Regulations.⁶¹

A total amount of R583 000.00 was shifted from **Goods and Services** within the programme to fund leave gratuities under Households and debt written off.⁶² An amount of R44 million was also shifted from **Goods and Services** in this programme to fund excess expenditure on Programme 5: Civil Aviation.⁶³

3.5 Virements/ Roll Overs 2021/22

Table 7: Virements⁶⁴

Programme R' 000	Compensation of Employees	Goods and Services	Interest and Rent on Land	Transfers and Subsidies	Machinery and Equipment	Buildings and other Fixed Structures	Payments for Financial Assets	Total
Administration	-	(404)	-	348	(226)	-	56	(226)
Integrated Transport Planning	-	(7 017)	-	-	208	-	17	(6 793)
Rail Transport	-	(10 037)	-	24	18	-	13	(9 982)
Road Transport	-	(605)	-	579	-	-	26	
Civil Aviation Transport	-	(31 927)	61 414	120	-	38 410	23	68 040
Maritime Transport	-	(7 004)	-	-	-	-	4	(7 000)
Public Transport	-	(44 623)	-	580	-	-	3	(44 040)

⁵⁹ Department of Transport (2022a), p. 299.

⁶⁰ Ibid.

⁶¹ Ibid.

⁶² Ibid.

⁶³ Ibid.

⁶⁴ Department of Transport (2022a), pp. 34-35.

Total	-	(101 617)	61 414	1 651		38 410	142	
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(Source: Department of Transport (2022a))

As previously stated, savings and under-expenditure on **Goods and Services** were shifted across programmes to cover over expenditure in Programme 5: Civil Aviation to fund the excess expenditure due to court judgement against the Department, in favour of Ndorum Joint venture for the refurbishment of Mthatha Airport in this programme.

A total amount of R101.6 million was shifted from **Goods and Services** across programmes as follows:⁶⁵

- R61.4 million to fund interest and rent on land as a result of the long process of the court proceedings in the matter of Ndorum Joint venture for the refurbishment of Mthatha Airport;
- R1.7 million to fund Transfers for payment of vehicle licences under provinces and municipalities, as well as transfers to Households for resignations and retirements that could not be anticipated;
- R38.4 million to fund building and other fixed structures for funds paid as a result of the court judgment against the Department in favour of Ndorum Joint venture for the refurbishment of Mthatha Airport; and
- R142 000.00 to fund debts written off on travel and subsistence due to no-shows, as well as for excess on vehicle damages.

Rollovers were requested as detailed in the table below:⁶⁶

Table 8: Rollovers

Programme	R'000
Programme 1: Administration	7 080
Payment for capital assets: Procurement of bulk laptops to refresh its information technology (IT) hardware assets that have reached their five-year life span or more.	
Programme 3: Rail Transport	20 695
Appointment of a HDA on behalf of the PRASA in the City of Cape Town, to attend to the establishment of temporary residential areas and the resettlement of households residing in the PRASA railway reserves.	
Total	27 775

(Source: Department of Transport (2022a))

3.6 Unauthorised, fruitless and wasteful and irregular expenditure 2021/22

3.6.1 Unauthorised expenditure

The cost of the electronic National Traffic Information system (eNaTIS) maintenance and operations resulted in unauthorised expenditure of **R1.3 billion**, which was incurred in 2013/14, 2014/15 and 2016/17.⁶⁷ Unauthorised expenditure of R980.375 was incurred in 2018/19 as expenditure that had been incurred, but not in accordance with the vote of the programme: Road Transport. The RTMC took over the eNaTIS with effect from 5 April 2017. Disciplinary processes commenced pertaining to the unauthorised expenditure that had not been in accordance with the vote of the programme: Road Transport. The National Treasury wrote a letter to the Standing Committee on Appropriations on the 15 November 2019, to review the unauthorised expenditure for all departments.⁶⁸ At the time of

⁶⁵ Department of Transport (2022a), p. 35.

⁶⁶ Ibid.

⁶⁷ Department of Transport (2022a), p. 36.

⁶⁸ Ibid.

reporting, the Department contended that no decision had been taken in this regard.⁶⁹ In addition, it averred that the National Treasury would follow up on the matter. The Department reported that it had not incurred unauthorised expenditure during the period under review.⁷⁰

3.6.2 Fruitless and wasteful expenditure

The Department had forty-seven (47) cases of fruitless and wasteful expenditure, to the tune of R68 561.34 for the 2020/21 financial year. These consisted, amongst others, of:⁷¹

- Two (2) cases amounting to R1 986 to correct the prior error;
- Nine (9) cases amounting to R18 896.22 that were added in the 2021/22 financial year;
- One (1) case that was written off amounting to R3 132; and
- Twenty-four (24) cases that were transferred to debt amounting to R39 347.55.

By the end of the 2021/22 financial year, the department had twenty-nine (29) cases amounting to R42 992.01.

3.6.3 Irregular expenditure

The Department had twenty-three (23) cases of irregular expenditure, amounting to R119.3 million, remaining at the beginning of the 2020/21 financial year. Of these cases:⁷²

- Disciplinary process had started on two (2) cases;
- The National Treasury had been requested to condone three (3) cases;
- Five (5) cases were awaiting investigation report;
- The Accounting Officer had approved recommendations for two (2) cases that involved non-employees;
- Four (4) cases were still waiting submissions to the Bid Adjudication Committee (BAC);
- Confirmation of disciplinary steps, disciplinary and recovery processes must be started on five (5) cases; and
- Two (2) cases had been condoned.

This left a total of twenty-one (21) cases of irregular expenditure, to the tune of R118.3 million, by the end of 2021/22.⁷³

3.6.4 Measures put in place to prevent and/or detect irregular expenditure

The table below indicates the measures that were indicated in the Annual Report as having been put in place to prevent and/or detect irregular expenditure.⁷⁴

It was noted that, for the Transport portfolio, irregular expenditure increased from R1.6 million to R1.8 million, and fruitless and wasteful expenditure increased from R 117 million to R 291 million over the past year. PRASA, ACSA and SANRAL remained the largest contributors to irregular expenditure. Most of the entities need to implement preventative controls to monitor compliance with legislation especially relating to SCM. Non-compliance with SCM prescripts is the biggest contributor when it comes to irregular expenditure. An assessment was done of irregular expenditure where non-compliance with section 217 of the Constitution was identified. The results indicated that in 84% of the instances, the process had not been transparent and competitive. Eleven percent (11%) was not equitable and 11% was not fair. The risk exists that the non-compliance can result in Material Irregularities and the accounting officer/authorities therefore needs to deal with these matters properly with a zero tolerance approach.

⁶⁹ Ibid.

⁷⁰ Ibid.

⁷¹ Ibid.

⁷² Ibid.

⁷³ Ibid.

⁷⁴ Department of Transport (2021/22 Annual Report), p. 42.

The Committee notes the changes in the measures from those which were taken from the previous Annual Reports of the Department that were identical to the measures put in place in the Annual Reports for 2014/15, 2016/17, 2017/18 and 2018/19. The Committee urges the Department to carefully and closely measure whether the implementation of these measures will result in a reduction in irregular expenditure. For the entire portfolio, the concern remains valid given that the transport portfolio still incurred irregular expenditure in the current period under review, which would indicate that the previous measures were either insufficient or ineffective or that the Department had not implemented these measures appropriately throughout the transport portfolio. This concern was shared by the AGSA for the transport portfolio in their presentation to the Committee and the proposal that the Committee should continue to do oversight on the implementation of these measures.

Table 9: Measures put in place to prevent and/or detect irregular expenditure 2017/18, 2018/19, 2019/20, 2020/21 and 2021/22

2017/18 Annual Report	2018/19 Annual Report	2019/20 Annual Report	2020/21 Annual Report	2021/22 Annual Report
<p>Measures listed in the 2017/18 report that were put in place to prevent and/or detect irregular expenditure are as follows:</p> <ul style="list-style-type: none"> •Where appropriate, cases of irregular expenditure are referred to the Department's legal services to determine whether any official can be held liable for the irregular expenditure; •Cases of irregular expenditure are referred to the Department's Directorate: Investigations and Forensics for investigation when an investigation is required; •Relevant managers are requested to take disciplinary steps against officials who make or permits irregular expenditure; •The BAC will not consider condoning irregular expenditure until a legal opinion has 	<p>Measures listed in the 2018/19 report that were put in place to prevent and/or detect irregular expenditure are as follows:</p> <ul style="list-style-type: none"> •Where appropriate, cases of irregular expenditure are referred to the Department's legal services to determine whether any official can be held liable for the irregular expenditure; •Cases of irregular expenditure are referred to the Department's Directorate: Investigations and Forensics for investigation when an investigation is required; •Relevant managers are requested to take disciplinary steps against officials who make or permits irregular expenditure; •The BAC will not consider condoning irregular expenditure until a legal opinion has 	<p>Measures listed in the 2019/20 report that were put in place to prevent and/or detect irregular expenditure are as follows:</p> <ul style="list-style-type: none"> o Where appropriate, cases of irregular expenditure are referred to the Department's legal services to determine whether any official can be held liable for the irregular expenditure; o Cases of irregular expenditure are referred to the Department's Directorate: Investigations and Forensics for investigation when an investigation is required; • Relevant managers are requested to take disciplinary steps against officials who make or permits irregular expenditure; • The BAC will not consider 	<p>Measures listed in the 2020/21 report that were put in place to prevent and/or detect irregular expenditure are as follows:</p> <ul style="list-style-type: none"> o Where appropriate, cases of irregular expenditure are referred to the Department's legal services to determine whether any official can be held liable for the irregular expenditure; o Cases of irregular expenditure are referred to the Department's Directorate: Investigations and Forensics for investigation when an investigation is required; • Relevant managers are requested to take disciplinary steps against officials who make or permits irregular expenditure; • National Treasury is 	<p>Measures listed in the 2021/22 report that were put in place to prevent and/or detect irregular expenditure are as follows:</p> <ul style="list-style-type: none"> • Compliance checking of all requests to be routed to BAC and/or Accounting Officer regarding procurement, including variations and deviations; • Revised and optimized procurement delegations; • Continuous review of SCM Circulars, Policies, Delegations and Processes to align with new directives issued by National Treasury; • Regular issuing of Contract Management Register to all officials; • Extensive engagement during Procurement Planning with all branches; • Implementation of detailed checklists within the various SCM processes; • Continuous

<p>been obtained where applicable and disciplinary steps were considered;</p> <ul style="list-style-type: none"> •The contract management system monitors all payments against orders that are placed, and will detect payments that exceed the contract value; •The contract management system will detect any payments that are approved for processing for which no order was placed; •Payments for all procurements must be processed via SCM so that any irregular procurement can be detected before payment; •To prevent the occurrence of not completing the internal order and requisition forms, the SCM component does not make any approval documents or letters of acceptance available until the internal order and requisition forms are completed; and •Initiatives to train all officials who are involved in the approval of procurement matters will continue. 	<p>been obtained where applicable and disciplinary steps were considered;</p> <ul style="list-style-type: none"> •The contract management system monitors all payments against orders that are placed, and will detect payments that exceed the contract value; •The contract management system will detect any payments that are approved for processing for which no order was placed; •Payments for all procurements must be processed via SCM so that any irregular procurement can be detected before payment; •To prevent the occurrence of not completing the internal order and requisition forms, the SCM component does not make any approval documents or letters of acceptance available until the internal order and requisition forms are completed; and •Initiatives to train all officials who are involved in the approval of procurement matters will continue. 	<p>condoning irregular expenditure until a legal opinion has been obtained where applicable and disciplinary steps were considered;</p> <ul style="list-style-type: none"> • The Logis system monitors all payments against orders that are placed, and will detect payments that exceed the contract value; • The Logis system will detect any payments that are approved for processing for which no order was placed; • Payments for all procurements must be processed via SCM so that any irregular procurement can be detected before payment; • To prevent the occurrence of not completing the internal order and requisition forms, the SCM component does not make any approval documents or 	<p>approached for condoning of irregular expenditure and is only approached once a legal opinion has been obtained where applicable, and disciplinary steps were considered;</p> <ul style="list-style-type: none"> • The Logis system monitors all payments against orders that are placed, and will detect payments that exceed the contract value; • The Logis system will detect any payments that are approved for processing for which no order was placed; • Payments for all procurements must be processed via SCM so that any irregular procurement can be detected before payment; • To prevent the occurrence of not completing the internal order and requisition forms, the SCM component does not make any approval documents or letters of acceptance available until 	<p>support and engagement with end-users and budget controllers;</p> <ul style="list-style-type: none"> • Guidelines on bid processes issued; • Segregation of duties for approvals of various processes, at different thresholds; • Development of process flow documents and SOP's to manage SCM processes; • Continuous engagement with Internal Audit, internal Control and Risk Management to identify possible risks in view of implementing steps to prevent irregular expenditure. • Where appropriate, cases of irregular expenditure are referred to the department's legal services to determine whether any official can be held liable for the irregular expenditure. • Cases of irregular expenditure are referred to the department's Directorate: Investigations and Forensics for investigation when an investigation is required. • Relevant managers are requested to take disciplinary steps against officials who make or permits irregular expenditure. • National Treasury is approached for condoning of irregular
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		<p>letters of acceptance available until the internal order and requisition forms are completed; and</p> <ul style="list-style-type: none"> • <i>Sundry payments that could have originated via SCM are checked to confirm the procurement process that was followed.</i> 	<p>the internal order and requisition forms are completed;</p>	<p>expenditure and is only approached once a legal opinion has been obtained where applicable, and disciplinary steps were considered.</p> <ul style="list-style-type: none"> • The Logis system monitors all payments against orders that are placed, and will detect payments that exceed the contract value. • The Logis system will detect any payments that are approved for processing for which no order was placed. • Payments for all procurements must be processed via Supply Chain Management so that any irregular procurement can be detected before payment. • To prevent the occurrence of not completing the internal order and requisition forms, the Supply Chain Management component does not make any approval documents or letters of acceptance available until the internal order and requisition forms are completed.
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4. OVERVIEW AND ASSESSMENT OF PROGRAMME PERFORMANCE

4.1 Summary of performance

Table 10: Overall Annual Performance Targets

Total targets set	73
Targets achieved	59/73
Targets partially achieved	7/73
Targets not achieved	7/73
Success rate	80.8%
Total budget spent	R64.9 billion (or 99.2%)

(Source: Department of Transport (2022a).

The Committee is still concerned because the performance of the Department when considering the achievement of these targets did not translate into improved service delivery nor was the Department able to meet 100% of the performance targets which it set itself for the year under review.

During the period under review, the Department had set itself seventy-three (73) annual performance targets and of these, it achieved 59, translating into an **achievement rate of 80.8%**.⁷⁵ It spent R64.9 billion (or 99.2%) of the R65.4 billion that had been allocated to it in 2021/22. The Department partially achieved seven (7) annual performance targets, and it did not achieve another seven (7). This indicated an under-achievement rate of 19.2%. In 2020/21, its achievement rate stood at 87.8%. However, it should be borne in mind that in the previous financial year (2020/21, the Department had set itself fewer (total 49) annual performance targets and of these, it achieved 43.⁷⁶

4.2 Programme performance

4.2.1 Programme 1: Administration

Table 11: Programme 1: Administration: Annual Performance Targets

Total targets set	22
Targets achieved	18/22
Targets partially achieved	4/22
Success rate	81.8%
Total budget spent	R439.6 million(or 84.2%)

(Source: Department of Transport (2022a)

The Department had set itself twenty-two (22) annual performance targets under the Administration programme, and of these, it achieved eighteen (18), indicating a success rate of 81.8%.⁷⁷ It spent R439.6 million (or 84.2%) that had been allocated to it in the Administration programme during the period under review.

The three (3) annual performance targets that the Department partially achieved in the programme were the following:⁷⁸

1. 100% responses to parliamentary questions

While the Annual Report on the status of responses to parliamentary questions had been developed as targeted, the report for the period from February 2021 to December 2021 indicated the following:⁷⁹

- One hundred and seven (107) questions, comprising ninety-seven (97) written and ten (10) oral, were received from the National Assembly (NA), and of these:⁸⁰
 - One hundred and four (104) questions were responded to;
 - Three (3) questions were not answered;
 - 97% response rate to NA questions;
- Forty-seven (47) questions were received from the National Council of Provinces (NCOP); and of these:
 - Forty-six (46) questions were responded to;
 - One (1) question was not responded to;
 - 98% response rate to the NCOP questions.

2. Analysis Report on jobs created through PRASA Infrastructure Programmes

⁷⁵ Department of Transport (2022a), pp. 100-153.

⁷⁶ Department of Transport (2021b), pp. 79-162.

⁷⁷ Department of Transport (2022a), pp. 100-119.

⁷⁸ Ibid.

⁷⁹ Department of Transport (2022a), p. 101.

⁸⁰ Ibid.

During the reporting period, the Department had set itself a target of creating 10 000 jobs through the PRASA Infrastructure programmes. However, by the end of the period under review, the report indicated that:⁸¹

- A total of 1 154 jobs had been created through the Rolling Stock Renewal Programme. This consisted of 414 women, 809 youth and 16 persons with disabilities.
- Additional jobs were also recorded through the signalling programme in Gauteng and Western Cape.
- Adherence to COVID-19 restriction protocols resulted in PRASA contracting 370 platform marshals.

3. Analysis Report on PRASA Rail Operations

In the 2021/22 financial year, the Department had set itself a target of having an Analysis Report on PRASA Rail Operations developed, and part of this target was to have **69 million passenger rail trips made**. While the Department had developed the Analysis Report on PRASA Rail Operations by the end of the reporting period, only **16.7 million passenger rail trips had been made**.⁸² The Department attributed its inability to attain the number of rail trips that it had set itself to have been made during the reporting period to repair works on some corridors owing to “theft and vandalism of rail infrastructure”.⁸³

4. 100% compliance to 30-day payment requirement

The Annual Report on steps taken to ensure compliance to the 30-day payment requirement had been developed, as targeted. However, the report indicated that thirty-three (33) invoices had not been paid within 30 days as prescribed during the period under review.⁸⁴ Providing the reasons for deviating from the set target, the Department contended that:⁸⁵

- Five (5) invoices were processed late due to the Travel with Flair (TWF) payments that had been prioritised and staff who had been on leave during the festive period (December 2021 and January 2022); and
- Sixteen (16) invoices had been paid late due to the requirement for Supply Chain Management (SCM) officials to isolate.

4.2.2 Programme 2: Integrated transport planning

Table 12: Programme 2: Integrated Transport Planning: Annual Performance Targets

Total targets set	7
Targets achieved	5/7
Targets not achieved	1/7
Targets partially achieved	1/7
Success rate	71.4%
Total budget spent	R64.7 million(or 77.6%)

(Source: Department of Transport (2022a))

During the period under review, the Department had set itself seven (7) annual performance targets under the Integrated Transport programme, and it achieved five (5) of them, indicating a success rate of 71.4%. The programme’s performance regressed from that of the previous financial year. In 2020/21, it had set itself five (5) annual performance targets, and it achieved four (4) of them by the end of that financial year, indicating a success rate of 80%.⁸⁶

⁸¹ Department of Transport (2022a), p. 108.

⁸² Department of Transport (2022a), p. 109.

⁸³ Ibid.

⁸⁴ Department of Transport (2022a), p. 118.

⁸⁵ Ibid.

⁸⁶ Department of Transport (2021b).

The one (1) annual performance target the Department could not achieve in this programme was the following:⁸⁷

- Draft Regulations for Autonomous Vehicle Technology developed

The Department attributed its inability to meet the set annual performance target to “prolonged stakeholder consultations”.⁸⁸

The one (1) annual performance target that the Department partially achieved in this Integrated Transport Planning programme was the following:⁸⁹

- Economic Regulation of Transport (ERT) Bill approved by Parliament

The ERT Bill is still being processed in Parliament. The annual performance target was partially achieved owing to the “prolonged parliamentary deliberations than was initially anticipated due to the complex nature of the Bill”.⁹⁰

4.2.3 Programme 3: Rail transport

Table 13: Programme 3: Rail Transport: Annual Performance Targets

Total targets set	5
Targets achieved	4/5
Targets not achieved	1/5
Success rate	80%
Total budget spent	R16 768 179 billion (or 99.8%)

(Source: Department of Transport (2022a))

Of the five (5) annual performance targets that the Department had set itself under the Rail Transport programme, it achieved four (4) and it did not attain one (1) annual performance target.⁹¹ The Department's performance regressed in this programme, compared to its performance in 2020/21. In that financial year, the Department had set itself nine (9) annual performance targets under the Rail Transport programme, and it achieved all of them (or 100%).

The one (1) annual performance the Department could not achieve in the Rail Transport programme was the following:⁹²

- National Rail Bill approved for submission to Cabinet

The Department reported that the National Rail Bill was not approved for submission to Cabinet because “the progression of the National Rail Bill was dependent on approval of the White Paper on National Rail Policy by Cabinet”.⁹³ In addition, the Department contended that “in the 2022/23 financial year, the Bill will be prioritised towards approval and assentment into law”.⁹⁴

The Department spent R16 178 179 billion (or 99.8%) of the R16 768 179 billion that had been located to it in the Rail Transport programme.

4.2.4 Programme 4: Road transport

Table 14: Programme 4: Road Transport: Annual Performance Targets

Total targets set	10
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⁸⁷ Department of Transport (2022a), p. 128.

⁸⁸ Ibid.

⁸⁹ Department of Transport (2022a), p. 129.

⁹⁰ Ibid.

⁹¹ Department of Transport (2022a), pp. 136-138.

⁹² Department of Transport (2022a), p. 136.

⁹³ Ibid.

⁹⁴ Department of Transport (2022a), p. 138.

Targets achieved	7/10
Targets not achieved	3/10
Success rate	70%
Total budget spent	R34.1 billion (or 99.7%)

(Source: Department of Transport (2022a))

During the reporting period, the Department had set itself ten (10) annual performance targets under the Road Transport programme, and of these, it achieved seven (7), translating into a success rate of 70%. The annual performance targets that the Department could not attain during the period under review in the programme were the following:⁹⁵

- Draft National Anti-Fraud and Corruption Strategy for the Road Traffic Environment approved for submission to Cabinet

The Department reported that the National Anti-Corruption Strategy (NACS) could not be submitted to Cabinet because “a resolution was adopted to align the NACS for the Road Traffic Environment with the Cabinet-approved NACS that was published in November 2020”.⁹⁶

- Analysis Report on the South African National Roads Agency Limited (SANRAL) Road Maintenance Programme

The reason provided by the Department for its inability to achieve this annual performance target was the “perceived imminent audit risk”.⁹⁷

- Analysis Report on jobs created through the SANRAL Road Maintenance Programme

Similarly, the reason furnished by the Department for its inability to achieve the annual performance target was “the “perceived imminent audit risk”.⁹⁸

4.2.5 Programme 5: Civil aviation transport

Table 15: Programme 5: Civil Aviation Transport: Annual Performance Targets

Total targets set	4
Targets achieved	2/4
Targets partially achieved	1/4
Targets not achieved	1
Success rate	50%
Total budget spent	R546 million (96.8%)

(Source: Department of Transport (2022a))

Under the Civil Aviation Transport programme, the Department had set itself four (4) annual performance targets, and it achieved two (or 50%) of them, while one (1) was partially achieved and another one (1) was not achieved.⁹⁹

The annual performance that the Department partially attained in the programme was the following:¹⁰⁰

- Analysis Report on jobs created through ACSA Infrastructure Programme
 - 18 405 jobs

While the Analysis Report on jobs created through ACSA Infrastructure Programme had been developed, job opportunities supported were 2 027 lower than the target of 18 405 jobs. The

⁹⁵ Department of Transport (2022a), pp. 149-151.

⁹⁶ Department of Transport (2022a), p. 149

⁹⁷ Department of Transport (2022a), p. 151.

⁹⁸ Department of Transport (2022a), p. 152.

⁹⁹ Department of Transport (2022a), pp. 160-163.

¹⁰⁰ Department of Transport (2022a), p. 160.

Department attributed its inability to meet this annual performance target to “under-expenditure of [capital expenditure] CAPEX”.¹⁰¹

The annual performance target that the Department could not achieve in the programme was the following:¹⁰²

- Draft South African Maritime and Aeronautical Search and Rescue Amendment Bill approved for submission to Cabinet

At the time of reporting, the Department asserted that “amendment process could not proceed due to recommendations of the [Office of the State Law Adviser] OSLA [...] that the nature and extent of proposed amendments were such that a new Bill be drafted that repeals the principal Act”. The Department reported that “the process to redraft the Bill has been initiated” and that it “will be prioritised in 2022/23 financial year”.¹⁰³

The Department spent R546 million (or 96.8%) of the R564.3 million that had been allocated to it in the Civil Aviation Transport programme.

4.2.6 Programme 6: Maritime transport

Table 16: Programme 6: Maritime Transport: Annual Performance Targets

Total targets set	10
Targets achieved	9/10
Targets not achieved	1/10
Success rate	90%
Total budget spent	R115.6 million (or 78%)

(Source: Department of Transport (2022a))

During the period under review, the Department had set itself ten (10) annual performance targets under the Maritime Transport programme, and it achieved nine (9).¹⁰⁴ This translated into a success rate of 90%. The Department spent R115.6 million (or 78%) against the R148.2 million that had been allocated to it in the programme during the period under review.

The annual performance target that the Department could not achieve in the Maritime Transport programme was the following:¹⁰⁵

- Merchant Shipping Bill approved for submission to Cabinet

The Department reported that “the Bill [could] not [be] processed through the ESIED¹⁰⁶ Cluster” owing to “prolonged State Law Adviser processes”.¹⁰⁷ In addition, it asserted that “following prolonged engagements with the Office of the State Law Adviser (OSLA), the Bill subsequently concluded the SEIAS process and progressed to the ESIED Cluster”. Furthermore, the Department undertook that “in the 2022/23 financial year, the Bill will be processed through the ICTS¹⁰⁸ Cluster before submission to Cabinet”.¹⁰⁹

4.2.7 Programme 7: Public transport

Table 17: Programme 7: Public Transport: Annual Performance Targets

¹⁰¹ Ibid.

¹⁰² Department of Transport (2022a), pp. 162-163.

¹⁰³ Department of Transport (2022a), p. 164.

¹⁰⁴ Department of Transport (2021b), pp. 147-149.

¹⁰⁵ Department of Transport (2022a), p. 170.

¹⁰⁶ ESIED - Economic, Sectors, Investment, Employment and Infrastructure Development.

¹⁰⁷ Department of Transport (2022a), p. 170.

¹⁰⁸ ICTS - International Cooperation, Trade and Security Cluster.

¹⁰⁹ Department of Transport (2022a), p. 176.

Total targets set	15
Targets achieved	14/15
Targets partially achieved	1/15
Success rate	93.3
Total budget spent	R12.8 billion (or 98.1%)

(Source: Department of Transport (2022a))

The Department had set itself fifteen (15) annual performance targets under the Public Transport programme in 2021/22, and it achieved fourteen (14) by the end of the financial year, indicating a success rate of 93.3%.¹¹⁰ The Department spent R12.8 billion (or 98.1%) of the R13.1 billion that had been allocated to the Public Transport programme.

The annual performance target that was partially achieved by the Department in the programme was the following:¹¹¹

- Projected scrapping of 3 500 old taxi vehicles

A total of 2 234 old taxi vehicles were scrapped during the period under review.¹¹² The Department maintained that the “target is demand driven and dependant on uptake by the taxi industry”.¹¹³

5. HUMAN RESOURCE MANAGEMENT

During the year under review, the Department had 876 posts on the approved establishment and of these, 663 had been filled. The **vacancy rate stood at 24.3%**.¹¹⁴

The highest vacancy rate was in the Civil Aviation Transport programme that stood at 31.9%. The Maritime Transport programme came second, with the vacancy rate of 31.1%. In the third place, was the Administration programme whose vacancy rate stood at 29.7%.¹¹⁵

As at 31 March 2002, the Employment Equity status of the Department was as follows:¹¹⁶

- African males (40.9%);
- African females (53.9%);
- White males (1.2%);
- White females (1.8%);
- Indian males (0.4%);
- Indian females (0.8%);
- Coloured males (0.7%); and
- Coloured females (0.7%).

6. SUMMARY OF 2021 REPORTING REQUESTS

During the 2021 BRRR, the Committee requested additional matters for the Department to report on. On page 222 of the annual report, the Department refers in general to the 2021 BRRR of the Committee. Unlike in 2020, the Department did not list these reporting requests in its Annual Report for the year under review. The Department also did not indicate how it responded to these requests in the Annual Report. The Committee noted that in the course of engagements throughout the year, the Department did address some of these issues.

¹¹⁰ Department of Transport (2022a), pp. 184-193.

¹¹¹ Ibid.

¹¹² Department of Transport (2022a), p. 189.

¹¹³ Ibid.

¹¹⁴ Department of Transport (2022a), p. 243.

¹¹⁵ Ibid.

¹¹⁶ Department of Transport (2022a), p. 236.

The Committee is of the view that the Department and its entities must comply with the additional reporting requests contained in its BRRR, and that the failure to do so will not be accepted. A number of these requests are repeated in this year's additional reporting requests due to repeat findings by the AGSA, as well as the failure of the Department and its entities to ensure that all of these were reported on and resolved within the set timeframes.

Table 18: Additional Reporting Requests from the 2021 BRRR by the Committee

Reporting matter	Action required	Timeframe
The Department should submit an improved Action Plan to address the findings of the AGSA for it and its entities, as well as the implementation of the recommendations made by the Committee in this report.	Written plan from the Department.	15 January 2022
The Department should submit a comprehensive briefing on steps it will be taking to assist in stabilising its entities (including filling of vacancies, conclusion and evaluation of shareholder agreements, improving the efficiency of the shareholder representatives on the boards, closely monitoring the implementation of projects and budget expenditure, etc.).	Monthly progress written briefings from the Department.	Monthly starting with first report due on 15 January 2022
The Department should submit a comprehensive briefing on progress made on the filling of Board vacancies in entities, as well as the filling of all critical posts within the Department and its entities.	Monthly progress written briefings from the Department.	Monthly starting with first report due on 15 January 2022
The Department should submit a comprehensive briefing on implementation of the RTRP, to justify the continuation of the programme, to indicate how it will assist with delivering on the outcomes of the Taxi Lekgotla and with specific reference as well to the progress under the programme for purposes of implementation of the recommendations from the Public Protector's Report on illegal Quantum Van conversions.	Written briefing from the Department.	15 January 2022
The Department should submit quarterly reports on investigations underway in the Department and all the entities, with additional emphasis on the finalisation of investigations to resolve the AGSA SCM compliance concerns, lack of consequence management and resolution of past incurred irregular expenditure findings.	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department should submit quarterly reports on pending litigation, as well as settlements reached and judgments for and against the Department and all the entities.	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department should submit quarterly reports on human resource management (retentions, secondments, transfers, retirements, training and skills transfers, resignations and dismissals), as well as	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA

report on progress in disciplinary matters (including suspensions) in the Department and all the entities.		
The Department should submit quarterly reports on the achievement of job creation targets in the Department and all the entities.	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department should submit quarterly reports on the achievement of transformation targets in the Department and all the entities.	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department should submit quarterly reports on the progress towards prevention of irregular, fruitless and wasteful expenditure for the Department and all the entities.	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department should submit quarterly reports on the <i>Shova Kalula</i> project.	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department should submit quarterly reports on the progress of projects linked with the following grants: PTOG PRMG PTNG RRAMS Coal Haulage Grant Disaster Management Grant	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department should submit quarterly reports on progress regarding the Moloto Corridor Project with emphasis on the Road works' progress and any future discussions on revisiting the feasibility of the Rail Programmes.	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department should submit a comprehensive briefing on the progress made to address and/or implement recommendations emanating from Committee Oversight Reports during the year.	Written briefing from the Department.	15 January 2022
The Department should submit a progress report on the finalisation of the Public Transport Safety Plan.	Written report from the Department.	15 January 2022
The Department should submit quarterly reports on strategies to address the financial health status of: C-BRTA RAF PRSA SANRAL PRASA SACAA ACSA ATNS	Written plans from the Department and: C-BRTA RAF PRSA SANRAL PRASA SACAA ACSA ATNS	Quarterly reports within 30 days of the adoption of this report by the NA.
The Department, together with the C-BRTA should submit quarterly progress reports on progress regarding: The implementation of the 1996 SADC Protocol on Transport, Communications	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA

and Meteorology; The resolution of the impasse regarding the cross-border movements on the RSA/Kingdom of Lesotho route.		
The Department, in conjunction with PRASA should submit a comprehensive briefing on the Werksmans contract from conclusion of the contract in 2015 to the current status of work performed by the firm and include the total expenditure to date relating to the contract in question, as well as the progress on resolving the matters raised in the report.	Written briefing from the Department.	15 January 2022
The Department, together with PRASA, should submit a comprehensive briefing on: - the new Board interventions plan it intends to implement, as well as how this will address the shortages of train sets currently online and how they intend to increase ridership; - The plan in place to ensure that PRASA complies with all RSR directives; - The plan in place to phase out manual authorisation or how they will ensure that the use of manual authorisation will not lead to another train collision or derailment; - The plan to address the concerns raised regarding the asset register, as well as the safety and security on the assets, infrastructure, staff and passengers;	Written briefing from the Department.	15 January 2022
The Department, together with the DLCA, must submit a comprehensive plan on how the concerns regarding the card production machine is being addressed, as well as a report on the progress made to finalise and roll-out the proposed new card standards.	Written plan from the Department.	15 January 2022
The Department, together with SANRAL, must submit a report on the agreements entered into and deliverables in relation to the transfer of road maintenance and further planned construction in relation to the Moloto Road Corridor with each of the relevant affected provinces and SANRAL.	Written report from the Department.	15 January 2022
The Department, together with SANRAL, must submit a comprehensive plan on managing the fiscal constraints placed on the entity due to the e-tolling GFIP concerns raised.	Written plan from the Department.	15 January 2022
The Department, together with SACAA, must submit a report on the progress on the investigation into the aircraft crash involving the Calibration Aircraft of the entity, as well as submit the final report on this crash investigation once it is finalised.	Written progress report from the Department.	15 January 2022

7. OBSERVATIONS

7.1 Tabling and Reasons for delays or non-tabling of Annual Reports

The RTIA, RAF and DLCA did not submit their Annual Reports in time for consideration by the Committee. The AGSA indicated that the audits of all entities had been finalised, the DLCA did not table their Annual Report in time, the RTIA did not table their Annual Report due to a dispute with the audit outcome and the RAF Annual Report was not tabled due to a judicial review that was still pending finalisation. The AGSA presented their audit reports for all entities and the Department, except for the RAF.

The Minister, 13 October 2022, tabled the following reasons for the delay in tabling the RAF Annual Report:

- RAF
 - o *The RAF has experienced unforeseen challenges in the finalisation of the 2021/22 audited financial statements and annual report. This is mainly due to a dispute process on the 2020/21 annual financial statements which resulted in a judicial review against the AGSA. The outcome of the judicial review will have an impact on the 2021/22 annual financial statements and annual report which has invariably led to both the RAF and AGSA needing additional time to finalise the 2021/22 audit.*
 - o *It is against this background that I humbly request your office to grant a further extension for the tabling of the RAFs 2021/22 annual report.*

The Committee noted that the AGSA indicated that the audit of RTIA had been finalised, however, the annual financial statements were not tabled in time for this report due to a dispute of the audit outcome. At the time of compiling this report, the Minister had not tabled the reasons for the failure to table the DLCA and RTIA Annual Reports.

The Committee voiced its dissatisfaction with the lack of reasons provided for the failure to table the RTIA and DLCA Annual Reports – it was the third consecutive year that RTIA and second consecutive year that RAF did not table their reports in time for the BRRR process. The continued dispute between the RAF and the AGSA is noted and the Committee hopes that the outcome of this dispute will be expedited since this has led to the entity not tabling their Annual Reports for two consecutive years. The Committee noted with concern, through the presentation by the AGSA, that once more there is non-tabling linked to a dispute of the RTIA audit outcomes.

The RAF, RTIA and DLCA 2021/22 Annual reports remained outstanding at the time of the adoption of this report by the Committee.

7.2 Opinions expressed by the AGSA: Audit Outcomes for the Transport Portfolio

7.2.1 Summary of AGSA findings for the Department specifically

The overall outcomes in the transport portfolio has slightly improved when compared to the prior year. During the period under review, the Department received an unqualified audit opinion with findings. The AGSA made the following findings specific to the Department: ¹¹⁷

7.2.1.1 Consequence Management

The AGSA was **unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against some of the officials who had incurred irregular expenditure**, as required by section 38(1)(h)(iii) of the Public Finance Management Act (PFMA) (No.1 of 1999). This was due to proper and complete records that had not been maintained as evidence to support the investigations into irregular expenditure. This related to five cases from thirteen (13) cases that were identified in the prior year that had not been adequately addressed.¹¹⁸

7.2.1.2 Internal Control Deficiencies

¹¹⁷ Department of Transport (2022a), pp. 266-270.

¹¹⁸ Department of Transport (2022a), p. 269.

Although management had made progress in addressing consequence management cases, there were five cases which were still not adequately addressed. **Management did not adequately review and monitor compliance with applicable laws and regulations** to ensure that non-compliance with consequence management legislation was promptly identified and addressed.¹¹⁹

7.2.1.3 Investigations

The Special Investigations Unit (SIU) conducted **an investigation into the procurement of personal protective equipment (PPE) to the taxi industry** in response to the outbreak of the COVID-19 global pandemic in respect of the National State of Disaster, as declared by Government Notice No. 313 of 15 March 2020. The investigation spans primarily the period from 1 January to 23 July 2020. At the date of the AGSA's report, the SIU had finalised the investigation and concluded that **the allegations of impropriety and maladministration were valid**. The AGSA reported that the **Department was awaiting the outcome of the review application from the SIU**.¹²⁰

7.2.2 AGSA findings for the entire Transport portfolio

The Committee noted the following views expressed by the AGSA regarding the audit outcomes of the Transport portfolio:

7.2.2.1 Overview

The overall outcomes in the portfolio have slightly improved when compared to the prior year with most of the auditees receiving an unqualified audit opinion with no findings. This may change once the audit outcome of RAF is submitted.

The portfolio has six audits (C-BRTA, DLCA (although the Annual Report has not been tabled yet), SACAA, RSR, PRSA and RTMC) that have achieved an unqualified audit opinion with no findings (clean). This is a slight improvement from the prior year due to RTMC improving from unqualified with findings to a clean audit report.

Five auditees (The Department, SAMSA, SANRAL, ATNS and ACSA) received unqualified audit opinions with findings. Although the Annual Report has not been tabled yet, the AGSA indicated that one entity, RTIA, received a qualified audit opinion with findings. One auditee, PRASA, received a disclaimer audit opinion with findings.

One auditee in the portfolio, RAF, is still outstanding.

The factors that contribute to clean audit outcomes are:

- Leaderships oversight that is entrenched in the organisation;
- The constant monitoring that takes place at all levels;
- Internal audits effectively execute their mandate with the thorough follow-up of audit action plans and monitoring the implementation of actions to address prior year audit findings;
- The Boards, through the audit committees, monitor the implementation of the action plans to address prior year audit findings; and
- Leadership culture that is committed to taking action to address any findings identified supported by adequately resourced and skilled staff.

These entities have effective governance structures that ensure that actions are taken to address audit findings and are supported by adequately resourced officials. Going forward, the focus of these entities should be on maintaining clean administration and achieving strategic objectives and service delivery mandates to ensure effective and efficient delivery of services to the citizens.

The big entities in the portfolio should replicate these best practices to achieve clean administration for the portfolio as a whole.

¹¹⁹ Department of Transport (2022a), p. 270.

¹²⁰ Ibid.

All the entities with clean audit outcomes achieved their key indicators, except for DLCA which did not achieve on the indicator relating to the number of days taken to produce driving license cards. This was because of the breakdown of the card production machine due to flood damage, as well as the fact that the machine has long exceeded its useful life cycle.

The AGSA indicated the following regarding PRASA:

- The overall audit outcome of PRASA remained disclaimed with material findings on compliance with laws and regulations. The financial statements were disclaimed because of material misstatements relating to property, plant and equipment (assets), commitments, prior period error disclosures, fruitless and wasteful expenditure and irregular expenditure. PRASA managed to resolve three areas that formed the basis of disclaimer in the prior year, namely capital subsidy and grants, statement of comparisons of budgets and actual and the risk management disclosure note. This is indicative of the commitment of leadership to turn around the audit outcome. Capacity constraints, instability in key positions, inadequate reviews, as well as the late implementation of the audit action plans are some of the factors contributing to the repeat disclaimer areas not having been fully addressed in the current year. The Committee urges the Board and management to continue to prioritise the disclaimer areas and develop and monitor action plans to ensure that there is an improvement in the audit outcomes of the entity going forward.
- PRASA is commended for producing an annual performance report (APR) with no material findings on the usefulness and reliability of key performance indicators and targets. However, the entity has not achieved on key performance indicators and targets that relate to its core mandate. The Committee recommends that specific focus be given to implementing interventions that will enable the entity to achieve on its core mandate and ensure that there is service delivery to the citizens.
- Similar to the previous year, material findings relating to non-compliance with legislation were noted in the areas of annual financial statements, expenditure management, procurement and contract management, as well as consequence management. In the current financial year, the number of findings on procurement and contract management decreased significantly in as far as PPPFA evaluation, CIDB and local content compliance is concerned. The sustainability thereof should, however, be considered in light of the level of procurement in 2021/22 which were significantly lower than in previous years. Intervention is still required to ensure that all goods, works or services are procured through a procurement process which is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA.
- PRASA should implement a comprehensive turnaround plan to ensure improved audit outcomes and service delivery. This should include creating stability at executive management level, fully capacitating critical units, effective and efficient procurement and fast tracking depot and infrastructure modernisation. Although PRASA has multiple action plans, these need to be consolidated into a comprehensive turnaround plan.

On governance/stability, the AGSA indicated the following:

- The instability at board/executive management level over the years had a negative impact on governance in the portfolio. This contributed to service delivery challenges in some entities and the portfolio's inability to sufficiently implement audit action plans to address controls deficiencies, resulting in the portfolio not improving the audit outcomes. The AGSA has noted positive progress in the filling of vacancies at Board level and executive management, as well as DDG positions at the Department. This will go a long way towards enhancing governance, accountability and oversight in the portfolio. The executive authority should prioritise the appointment of the new DG at the Department, as well as the filling of the CEO vacancies at SAMSA and SANRAL. The organisational structure for RTIA should also be approved urgently so that the agency can fill key management positions. At PRASA, the executive management should be stabilized and key position such Group CEO, Group CFO, Group CPO, Group Chief Audit Executive, currently filled in an acting capacity, should be permanently filled.

On expenditure management, the AGSA indicated the following:

- Irregular expenditure increased from R1.6 million to R1.8 million, and fruitless and wasteful expenditure increased from R117 million to R291 million over the past year. PRASA, ACSA and SANRAL remained the largest contributors to irregular expenditure. Most of the entities need to implement preventative controls to monitor compliance with legislation, especially

relating to SCM. Non-compliance with SCM prescripts is the biggest contributor when it comes to irregular expenditure. An assessment was done of irregular expenditure where non-compliance with section 217 of the Constitution was identified. The results indicated that in 84% of the instances, the process had not been transparent and competitive; 11% was not equitable and 11% was not fair. The risk exists that the non-compliance can result in Material Irregularities and the accounting officer/authorities therefore needs to deal with these matters properly with a zero tolerance approach.

On the quality of submitted financial statements and annual performance reports, the AGSA indicated the following:

- Eight auditees (Department, RTMC, DLCA, PRSA, SACAA, RSR, C-BRTA, and ACSA) submitted financial statements free of material misstatements. This is an improvement from the prior year when only five auditees (C-BRTA, RSR, SACAA, PRSA and DLCA) managed to submit financial statements that are free of material misstatements. This can be attributed to improved review and oversight controls. Three entities (SAMSA, SANRAL and ATNS) had to correct material misstatements identified through the audit process achieve an unqualified opinion. PRASA, again did not submit financial statements by the legislated date similar to the prior year. The financial statements were submitted on 30 June 2022 due to late finalisation of asset verification process. These financial statements contained material misstatements which PRASA could not all correct resulting in a disclaimed opinion. The key root causes for the errors and/or misstatements in the financial statements are the lack of a proper understanding of the requirements of accounting frameworks and inadequate review by finance management, internal audit and the Audit and Risk Committee. The accounting officer/authorities should implement disciplined financial reporting structures based on solid accounting and financial management knowledge and enhance review processes of the financial statements to ensure that quality financial statements are submitted for audit.

On the financial sustainability/going concern, the AGSA indicated the following:

- The financial health of the revenue-generating entities in the portfolio was mostly affected by the impact of COVID-19, however, these entities (ACSA, C-BRTA, SACAA) are expected to recover from the impact of COVID-19 as restrictions have been lifted and the local and global economy return to normal. A material uncertainty may exist regarding the going concern at RTIA due to the High Court judgement relating to the AARTO Act as disclosed in the Annual Financial Statements. The agency applied to appeal the judgement. The Department and the accounting authority should continue to monitor this matter and should assess the impact on the going concern of the agency.

On SANRAL, the AGSA indicated the following:

- SANRAL is experiencing liquidity challenges on the toll segment due to motorists resistance to pay e-toll and the impact thereof in generating revenue and its ability to raise funding on the toll segment. In the current year, the liquidity challenges were exacerbated by the maturing debt within 12 months which SANRAL may not be able to fully service due to the reduction in the borrowing limit and current restrictions on the issue of new bonds or the refinancing of existing bonds. Over the years, government has used non-toll funds to toll segment in order to manage the liquidity risk, which has a negative impact on the delivery of the road infrastructure mandate as envisioned in the MTSF and NDP. In the long-term, this will put pressure on the country's fiscal position as the government will need to find funding for these un-earmarked projects. The Department and SANRAL are recommended to continue engaging the National Treasury and Cabinet to find a sustainable solution. This includes a permanent solution for the GFIP matter.

On compliance with laws and regulations, the AGSA indicated the following:

- The most non-compliance areas were expenditure management, consequence management and material misstatements identified in the financial statements submitted for auditing. Action plans to address audit findings are developed, but not effectively implemented and not adequately monitored. Most findings raised are recurring findings. The portfolio should implement consequence management for continuous non-compliance.

On information technology, the AGSA indicated the following:

- The public sector has experienced some cyberattacks which poses a significant cyber security risk which could have an impact on business continuity. Such attacks were experienced at SAMSA in the prior year and lately at RAF. The rapid changes in the information technology environment and increase dependence on remote access to key systems makes the portfolio vulnerable to cyber security threats. The portfolio still struggles with internal controls in the IT governance controls, specifically around network security management, user access management, programme change management. Action plans should be developed and implemented to improve information technology controls, together with the necessary system enhancements and patches to effectively address the shortcomings identified with regards to the network security. The dynamics of the discipline requires constant optimisation of security management to mitigate the risk of cyber security vulnerability and threats. The accounting officer/authorities should also prioritise the filling of critical ITC positions, i.e. CIOs.

On Material Irregularities (MIs), the AGSA indicated the following:

- The Material Irregularity (MI) process is implemented at selected auditees audited by the AGSA that represent a significant portion of the expenditure budget and the irregular expenditure of national, provincial and local government, including state-owned entities. The selection is also focused on auditees that are key contributors to Government priorities.
- Nine MIs were identified at PRASA in 2018/19 and two potential material irregularity that were identified at SANRAL in 2020/21. Remedial action was issued to PRASA relating to unfair procurement processes for the purchase of locomotives. This material irregularity has been resolved as adequate actions were implemented to address the remedial action. The AGSA will continue to follow up on further actions to be taken, should such be considered deficient in future, the AGSA reserves the right to re-instate this material irregularity. The actions taken by PRASA to address the other MIs are currently assessed as appropriate and the AGSA is following up on the progress made on the investigation and disciplinary actions. The potential MIs that were identified at SANRAL have been resolved.
- For 2021/22, ACSA, RAF, SANRAL and PRASA were selected for MI implementation in the transport portfolio.
- For 2022/23, the Department, SAMSA and RTIA will be phased in for MI implementation.

On the KwaZulu-Natal flood relief effort, the AGSA indicated the following:

- Generally, the reconstruction of transport infrastructure takes longer to complete due to a number of successive activities that have to be completed before actual reconstructive work can commence. These include visual assessments of the extent of damage, scope determination (which requires geotechnical assessments in many instances), as well as the compilation of comprehensive infrastructure recovery plans. Some work has already been completed, such as the restoration of PRASA's Reunion station in KwaZulu-Natal, as well as the embankment between Reunion and Merebank resultantly PRASA was able to extend the service between Durban and Merebank to Isipingo effective 25 July 2022. Additionally, PRASA's internal teams have performed clean-up work that became necessary after the floods caused severe mud slides. Similarly, at SANRAL, immediate interventions to restore mobility have been undertaken. These include, amongst others, make safe measures clearing of debris, deviation and traffic accommodation. Furthermore, mobility has been restored on the N2 and N3 highway with some restrictions in sections with major failures. Notwithstanding these activities, the Committee noted that the progress in the implementation of the flood relief for transport (SANRAL and PRASA) is slow when compared to the implementation plan. This is mainly as a result of delays encountered in the approval for budget reprioritisation requests and the related changes in implementation plans. The accounting authority of these entities are recommended to closely monitor the implementation plan to ensure timeous restoration of the infrastructure at the right quality and in a cost effective manner. The accounting officer of the Department and executive authority are recommended to continue exercising oversight to ensure adherence to the implementation plan.

7.2.2.2 Key Messages on Service Delivery and Sector Performance

Although the majority of entities are achieving their KPIs, PRASA and SANRAL which utilise the majority of the budget are currently behind in their progress on achieving the outcomes for vision

2024. The KPIs that were not achieved relate mainly to job creation, major road and rail infrastructure projects. PRASA's performance is the lowest at 81% non-achievement and this relate to the key KPIs such as the targeted passenger numbers for Metrorail, full electrical train services, number of Western Cape interlockings commissioned etc. The key KPIs not achieved by SANRAL relate to network resurfaced, road strengthened, Improved and New (CAPEX) km, number of SMMEs working for SANRAL etc. The non-achievement is mainly as a result of delays in procurement processes and instability at executive level, especially at PRASA.

With the exception of DLCA, all entities with clean audits have achieved their key KPIs. DLCA did not achieve its target on timeous production and delivery of license cards due to a breakdown of the production machine from November 2021 to January 2022. The procurement of a new production machine was dependent on the approval and finalisation of the specifications for the new driving licence card design. The latter was only finalised after year-end.

The oversight and monitoring indicators would in most cases be achieved, but it does not necessarily result in the required corrective action needed to address negative outcomes/non-achievement of performance indicators and service delivery objectives at the Department and its entities. In some instances, resource capacity and inadequate skills compromised the quality of monitoring and oversight at programme level.

On service delivery objectives, the AGSA indicated that transport is a fundamental role player in the economic recovery plan and is an enabler of service delivery and infrastructure build, that grows the economy. The MTSF priority outcomes for the transport sector were set out to achieve the goals as per chapter 4 of the NDP. The transport sector contributes to the realisation of the vision of improved social and economic development as articulated in the NDP, and priority 1 (economic transformation and job creation) and priority 5 (Spatial Integration, Human Settlements and Local Government) of government's 2019-2024 MTSF. These priorities are incorporated in the strategic and Annual Performance Plans of the Department and its entities.

On the performance against MTSF targets and annual performance, the AGSA indicated that generally, they noted that the strategic plans and APPs are aligned with government priorities as contained in the MTSF and NDP. This will assist government in the implementation of its own plans. The Department should focus on the implementation of its own plans and exercise effective oversight and monitoring of the delivery of the key indicators by the respective entities. An assessment was done to evaluate the transport sector's progress to achieve the 5-year strategic outcomes in relation to the MTSF priorities (priority 2 and 5) to which the transport sector is aligned to. The assessment did not include all targets in the MTSF, but has factored in only those key to delivering road and rail infrastructure and targets which impact the lived experiences of citizens significantly. Based on the assessment, SANRAL and PRASA, that receive more than 60% of the budget, are behind on the achievement of MTSF targets. Amongst others, this relates to road maintenance, passenger trips, delivery of new trains, job creation targets.

Although the majority of the entities are achieving their KPIs, PRASA, DLCA and SANRAL did not achieve all their key performance indicators in the current year relating to their mandates. The KPIs not achieved relate mainly to the production and delivery of driving licences, as well as major road and rail infrastructure projects. With the exception of DLCA, all entities with clean audits have achieved their key KPIs. Both SACAA and RSR have critical responsibility of securing the safety of citizen's lives. The Committee noted that both entities did achieve their key indicators. This was achieved through setting quality standards combined with rigorous monitoring and enforcement action, when necessary.

The non-achievement of infrastructure targets is mainly attributable to project management challenges, reprioritisation due to flood relief initiatives in affected areas, procurement delays and community unrest relating to the community participation in the infrastructure projects. Instability in leadership also contributed to the non-achievement of targets related to the key indicators at PRASA.

The non-achievement of key indicators at SANRAL and PRASA resulted in significant capital underspending. R 18.2 billion at SANRAL and R 6.5 billion at PRASA for the current year.

In respect of the Provincial Road Maintenance Grant (PRMG), the developed transversal indicators were not formally implemented during the 2021/22 financial year due to the reprioritisation of the key

performance indicators as a result of the COVID-19 pandemic based on a transport sector resolution at the Sector Forum meeting on 17 September 2020.

The transversal indicators ensure that there is uniformity in planning and reporting towards the achievement of government and/or sector priorities. The Department needs to coordinate the development and implementation of standardised/customised indicators in consultation with all stakeholders that reflect key deliverables.

The Department continued to monitor compliance with the Division of Revenue Act (DORA) framework on the PRMG for both physical and social indicators. Where provinces did not perform, their funds were re-allocated to other provinces. This was the case at Gauteng, Free State and KwaZulu-Natal where a sum of R 144.6 million was re-allocated to Mpumalanga, Northern Cape, North West and Western Cape.

Northern Cape, Eastern Cape and Free State, did not allocate sufficient funds for road infrastructure and appear to be heavily dependent on the PRMG, due to the provincial treasuries not matching the grant allocation as required. There are other competing provincial priorities requiring funding that are currently funded by equitable share instead of matching the equitable share for road maintenance in the province. The under-funding from equitable share for Road maintenance presents a service delivery risk as this has a detrimental impact on service delivery, since the Department cannot address the maintenance backlog timeously.

The Department, as transferring entity, should ensure alignment of monitoring processes to the responsibilities and conditions as articulated in the DORA. The Department should enhance the internal monitoring mechanisms to ensure strict adherence to the grant conditions, and that any control deficiencies around compliance monitoring are addressed expediently.

On infrastructure, the AGSA indicated that R41.8 billion had been allocated to the transport capital budget for 2021/22 of which 84.4% represents transfers to PRASA, SANRAL and PRMG. The AGSA executed procedures in line with the DORA conditions and oversight functions exercised by the Department. Below are the key infrastructure observations.

Generally, the AGSA noted that SANRAL construct quality road networks and this can mainly be attributed to the implementation of international best practice and the conformity with the International Federation of Consulting Engineers (FIDIC) conditions. The AGSA also noted that there are certain projects that were completed without significant delays, for example, the Winburg Interchange to Winburg Station and the Moloto Road upgrade. Although good project management measures had been put in place by SANRAL, there were instances of project delays and escalation of costs. This related mainly to the projects that were terminated before completion, namely, the Mtentu bridge and R23 projects. The escalation of costs is mainly due to instances where SANRAL did not commission valuation and/or assessment of the works onsite to make a determination of the work and cost required to complete the project prior to the appointment of the replacement or new contractor. This resulted in SANRAL incurring additional cost on some of the delayed projects. SANRAL needs to find a strategy to minimize the impact of delays on the implementation of the planned targets. They need to develop an action plan to urgently address the non-performance, delayed projects. This should include, among others, fast tracking of procurement, continuous engagement with community and other stakeholders causing disruptions etc.

PRASA has entered into a contract with Gibela as part of the Rolling Stock Renewal Programme to deliver 600 new trains by 2030. By June 2022, PRASA had received 105 trains to the value of R 9.8 billion. These trains are currently vastly under-utilized and stock piled due to PRASA's inability to bring the new trains into operation. The under-utilization is due to the lack of infrastructure development. The urgent completion of the rail infrastructure is therefore critical for deployment of trains and ultimate service delivery. PRASA should ensure that the rail infrastructure development is aligned to the production of new trains to ensure optimal utilisation of the new fleet.

PRASA has not been able to verify the Economic Development (ED) Obligations in the Gibela contract. The ED obligations and targets form a significant part of Gibela's deliverables in terms of the agreements. The obligations are measured in employee numbers (indicators such as B-BBEE and training), percentage of localisation and rand value spending on items such as skills development and

ED contributions in the rail sector when compared to the total contract value. As a result, contractual remedies (penalties) available per the contract in the event of non-performance by Gibela could not be determined and, if necessary, enforced. This is mainly due to capacity constraints within the project management team responsible for this project. PRASA should therefore prioritise the capacitation of the project management division to ensure that there is adequate monitoring and ED obligations are adhered to.

PRASA's infrastructure is also targeted by vandalism and theft. Crime related incidents at PRASA reached an all-time high in November 2019 in the wake of the cancellation of irregular security contracts without appropriate alternate measures in place. High levels of incidents continued during the COVID-19 lockdown during the first half of 2020, however, measures put in place by PRASA since then have resulted in a marked decrease in reported asset related crimes. Vandalism and theft continue to have a negative impact on service delivery at PRASA. PRASA should continue to collaborate with Transnet and the law enforcement agencies on security management to mitigate the vandalism of the rail infrastructure.

On PRMG, the AGSA identified project management, cost management and grant utilisation related findings at various provinces. For example, a cost management finding was raised for an overpayment of R13.1 million made to the contractor in the Eastern Cape. In the North West, the PRMG grant was not used for PRMG projects, but was instead used for upgrade and construction of new assets. Five projects were put on hold due to the termination of contractors and related legal action, mainly due to ineffective contract management for poor performance by the contractors which took a long time to resolve. This resulted in losses and escalated costs (Free State). Two projects in the Northern Cape (the rehabilitation of road near Douglas and the upgrade to surfaced road near Magobing) were finalised late and this was due to community unrest relating to employment opportunities.

On the impact on service delivery, the AGSA indicated the following:

- Quality of the infrastructure and impact on economy
 - Significant underspending of capital budgets has a negative impact on the delivery of infrastructure, ultimately affecting service delivery.
 - The timeous delivery of infrastructure projects has a positive impact on the economy as the cost of transport will be lower and will also stimulate the economy through the creation of jobs.
- Impact on the citizens
 - Delayed projects and poor road infrastructure prevent seamless mobility to educational facilities and workplaces and prevents timely access to health, home affairs and policing services. This will further fast track the degrading of road infrastructure which contributes to accidents and road fatalities, as well as negatively impacting on the RAF.
 - The inability of PRASA to provide adequate, reliable, and consistently safe rail commuter services, as well as long haul passenger rail and bus services has a detrimental effect on the citizens of South Africa, as well as the economy at large:
 - Increased transport costs for citizens as they take more expensive alternative forms of transport resulting in less expendable income for other necessities.
 - It is time consuming for workers to get to work as rail travel, especially over longer distances and during peak travelling hours, is quicker than travelling by road.
 - Negative impact on people being able to easily and affordably access work opportunities where those are present.

7.2.2.3 Root Causes, Recommendations and Commitments

Overall root causes of significant findings:

- The following are root causes for the lack of improved audit outcomes and non-achievement of service delivery objectives
 - Audit outcomes
 - Ineffective action plans and inadequate monitoring by the accounting officers/authorities.

- Inadequate consequence management for SCM transgressions.
- Instability at leadership within some of the entities.
- Inadequate financial management discipline over daily and monthly control activities, for example, performance and review of reconciliations, reviews of financial statements, etc.
- Infrastructure and service delivery infrastructure
 - The quality of monitoring and oversight of grant management (PRMG) are in some instances compromised by capacity and skills challenges.
 - The underspending on capital expenditure and non-achievement of targets is largely due to delays in the procurement processes, impact of COVID-19 restrictions, court challenges in some of the awards etc.
 - Disruptions by local communities, business forums or contractors filing for business rescue, disputes with contractors and work stoppages contributes to the delay in finalising the projects.
 - Inadequate capacity in the project management units affects timeous delivery and monitoring of the infrastructure projects.

Key recommendations to, and commitments by, accounting officers and authorities:

- Develop and implement action plans that are root cause focused and are assessed for effectiveness in addressing the findings. These action plans should include, among other the findings, rating of the findings root causes, allocated responsibilities and indicate completion timelines. The implementation of the action plans must be reviewed by internal audit and reported to the audit committee on a regular basis.
- Implement disciplined financial reporting structures based on solid accounting and financial management knowledge. This should include finance and SCM divisions that are fully capacitated with required skills and competencies, implementation of financial management discipline such as monthly reconciliations, segregation of duties and reviews etc.
- Monitor performance and consequence management, especially around SCM. There should be a culture of high performance and adherence to ethical standards. Where poor performance and transgressions with SCM prescripts are identified, appropriate actions should be taken in line with the internal policies and procedures.
- Accounting officers/authorities must continue to do their work through audit committees to ensure management implement and enhance processes of review of the financial statements and performance information.
- The internal audit functions and Audit and Risk Committees should enhance their independent review of the financial statements and annual performance report. Any deficiencies identified should be corrected by management before submission to the next level.
- Accounting officers/authorities should strengthen their oversight by ensuring that executive management are held accountable for poor performance and transgressions of the law.
- Develop, implement and monitor integrated action plans to address non-achievement of key indicators and monitoring of the progress towards the achievement of MTSF targets.
- Capacitate the SCM and project management units to ensure timeous and quality delivery of infrastructure projects.
- Strengthen the oversight function at the Department to ensure achievement of key performance indicators by the entities and provincial departments.
- Develop and implement proper procurement plan which takes into account the risk and mitigation of procurement delays and the impact thereof on delivery of infrastructure projects.
- In compliance with the relevant laws and regulations, develop a strategy to involve the local community in key projects and continuous engagement with the relevant stakeholders to create awareness of the process to be followed to minimize the disruptions.
- In relation to PRASA:
 - PRASA should implement a comprehensive turnaround plan to ensure improved audit outcomes and service delivery. This should include creating stability at executive management level, fully capacitating critical units, effective and efficient procurement and fast tracking depot and infrastructure modernisation. Although PRASA has multiple action plans, these need to be consolidated into a comprehensive turnaround plan.

- The infrastructure modernization programme should be urgently fast tracked to ensure effective deployment and utilisation of the new trains which will ultimately have a positive impact on service delivery.
- PRASA should facilitate the project management team to ensure the effective management of the Gibela contract, including monitoring and enforcement of penalties, where applicable.
- The Board should finalise a lasting solution on the financial sustainability of Autopax through engagement with stakeholders such as the Department and National Treasury.
- PRASA should finalise the investigation into the possible ghost employees and implement corrective actions.

7.2.2.4 Recommendations, commitments by executive authority

- Committed to reprioritize resources to establish a Project Management Unit that will serve as an engineering and project management knowledge repository to assist Provinces and Municipalities in giving traction to projects funded through conditional grants.
- Strengthening of the Shareholder Compact with each of the entities and put measures in place to achieve the targets of eliminating fruitless and wasteful expenditure and reducing irregular expenditure by 75% by 2024.
- Restoring normalcy at the RTIA following investigations that unearthed fraudulent practices and attending to the finalisation of the RTIA organisational structure.
- The final determination on the funding of the GFIP to be made soon.
- Working with Provinces and municipalities, improving efficiencies at Driving Licence Testing Centres (DLTCs) will be driven by a new service delivery mode.
- The rollout of the Integrated Public Transport Networks (IPTNs) will be equally strengthened by the establishment of an oversight mechanism under the leadership of the Minister and the political principals of the relevant Cities implementing IPTNs. This will ensure accountability for the implementation of the IPTNs at political level.
- Follow up with the accounting officer and the Boards to ensure that action plans to address audit findings are developed and implemented timeously.
- Follow up with the accounting officers and the accounting authorities to ensure that executive management positions are filled with appropriately skilled and experienced personnel.
- Ensure that the culture of consequence management should be enforced in the portfolio.
- Continue to pay attention to PRASA and SANRAL to ensure that these entities timeously deliver on key infrastructure projects.

7.2.2.5 Reflections on Implementation of Recommendations

Action plans to address audit findings are developed, but not effectively implemented and not adequately monitored. Findings raised are, in most instances, recurring findings.

The AGSA noted positive progress on the filling of vacancies at Board level and executive management, as well as DDG positions at the Department. This will go a long way towards enhancing governance, accountability and oversight in the portfolio.

There was an increase in the incurrence of irregular expenditure from R1.6 million to R1.8 , but a decrease in fruitless and wasteful expenditure from R291 million to R117 million over the past year. The incurrence of irregular expenditure remains a challenge in the portfolio and this is due to inadequate consequence management for SCM transgressions.

7.2.2.6 Recommendations to the Portfolio Committee

- The big entities in the portfolio replicate the best practices to achieve clean audit. For entities where clean audit was achieved, this should be maintained and focus should shift to achieving strategic objectives and service delivery mandates.
- Accounting officers/authorities strengthen their oversight by ensuring that executive management are held accountable for poor performance and transgressions of the law.

- Accounting officers/authorities develop and implement action plans that are root cause focused and are assessed for effectiveness in addressing the findings.
- The executive authority continues to pay attention to PRASA and SANRAL to ensure that these entities timeously deliver on key infrastructure projects.
- The progress towards achievement of the MTSF targets is monitored and corrective actions are put in place where the portfolio is behind.

7.2.2.7 Irregular, Unauthorised, Fruitless and Wasteful Expenditure

- Irregular expenditure
 - Total irregular expenditure identified was R1.8 million. The largest amount of R1.2 million was incurred by PRASA.
 - The lack of adequate compliance monitoring and enforcement, together with the lack of consequence management, were identified as the transversal root causes for incurring irregular expenditure at the biggest contributors (PRASA, SANRAL, ACSA, RTMC and SAMSA. There is also a slow response by management in addressing prior year control deficiencies and implementing auditors' recommendations.
 - Irregular expenditure under assessment amounts to R87.5 million.
- Fruitless and wasteful expenditure
 - Total fruitless and wasteful expenditure identified was R291 million. The largest amount being R279 million incurred by PRASA. The top contributors were PRASA, ACSA and ATNS.
 - At PRASA, the fruitless and wasteful expenditure mainly related to R190 million for work in-progress costs written off due to lack of capitalisation documents and R86 million pertaining to interests and penalties.
 - At ACSA, the fruitless and wasteful expenditure of R4 million was due to interests on late payments.
- Irregular expenditure over two years
 - Top contributors to irregular expenditure not dealt with constitute 95% of R3 962 million.
 - SANRAL, SAMSA, ACSA and DLCA were the main contributors to irregular expenditure that has not been dealt with (R3 962 million) or were condoned (R203 million).
 - In most instances, the auditee is awaiting the conclusion of investigations/determination assessments.

7.3 Committee Observations following the engagement with the AGSA

The AGSA indicated that the transport portfolio had shown a slight improvement in performance and this was evident in the improved audit outcomes of the RTMC to unqualified opinion with no findings. The C-BRTA receiving its seventh unqualified opinion with no findings, the DLCA with its third consecutive year of an unqualified opinion with no findings and SACAA with its ninth unqualified opinion with no findings in the past ten years. The Department, for the sixth year, received an unqualified opinion with findings, which also contained a number of repeat findings; although RTIA did not submit their Annual Report in time for the BRRR process, the AGSA indicated that their audit outcome for the second consecutive year was a qualified opinion with findings; despite the fact that the audit was finalised of RAF the outcome could not be released until the Annual Report was tabled, the continued dispute from the previous financial year remains unresolved and may impact the overall performance of the portfolio once the audit outcome is released and the Annual Reports for the past 2 years are tabled.

The Department and its entities received the following findings:

- *Unqualified audit with no material findings (also referred to as a Clean Audit)* – C-BRTA, DLCA (did not table in time, despite audit findings having been presented by the AGSA), SACAA, RSR, RTMC and PRSA;
- *Unqualified with findings* – the Department, SAMSA, ACSA, SANRAL and ATNS;
- *Qualified with findings* – RTIA (did not table in time, despite audit findings having been presented by the AGSA);

- *Disclaimer with findings* – PRASA;
- *Failure to submit and findings still outstanding* – RAF.

The Committee was pleased to note that the C-BRTA had continued to retain its unqualified audits with no material findings (clean audit), despite the challenges it faces. The most significant of the challenges that remain is the one around the unsustainable funding regime of the entity, border crossing backlogs, COVID-19 lockdown restrictions on travel and that the impasse on the issuance of passenger permits for the RSA/Lesotho route remains unresolved.

The Committee welcomed the improved audit findings from unqualified with material findings, to unqualified with no material findings (clean audit) from RTMC. Although it has not yet submitted the Annual Report, the Committee noted the stagnation in audit outcome of the RTIA of qualified with findings.

The Committee expressed concern over the failure to submit Annual Reports from RAF, RTIA and the DLCA in time for the current BRRR process.

The Committee further expressed concern that PRASA has received a disclaimer with findings for three years in a row and that the entity was also part of the top contributors to irregular, fruitless and wasteful expenditure for the year under review and was also one of the worst performing entities in terms of meeting their predetermined targets.

Although the achievement of prerequisite performance targets is to be applauded, the Committee was of the view that there remained insufficient linkages between the meeting of targets and an actual or tangible improvement in service delivery standards to all transport stakeholders. It was also important to note that the AGSA still did not audit the same number of outcomes per auditee, as in the years preceding the 2019/20 financial year. For this reason, the Committee continues to urge that the Department and its entities move towards the development of key performance targets that would have tangible and measurable results that show actual and/or improved service delivery to all transport stakeholders. This was also an aspect raised by the AGSA in its presentation to the Committee.

It was noted that SANRAL received its 19th unqualified audit opinion with emphasis of matter – this may require a new approach to the plans they put in place to adequately address the audit findings, greater emphasis on consequence management and compliance with SCM prescripts and an urgent need to finalise the GFIP funding model concerns.

SACAA is commended for once again being an entity of the Department that managed to achieve all of its performance targets for the financial year under review (achieved for eight years in a row). RSR met 94% of their targets – this is a regression from the achievement of all targets in the previous year.

For the sixth consecutive year, the Committee notes a failure by the Department to ensure that all of its entities table their Annual Reports on time and that the Committee was once more unable to engage and perform its oversight function fully over three entities that had failed to table within the BRRR process. Although the Annual Reports of these entities could not be engaged on, the Committee noted the comments by the AGSA on the audit outcomes of RTIA and the DLCA, and noted the reasons provided by the AGSA and the Minister on the delays in the finalisation and tabling of the RAF Annual Report.

Although the Committee received the SASAR/NSRI Annual Report, these are not generally audited as separate entities or regarded as entities of the Department as their expenditure and funding is regarded as a line item under the Department's budget that is audited as part of the Department's Annual Financial Statements.

Once more, the top areas of material non-compliance remain the failure to prevent unauthorised, irregular and fruitless and wasteful expenditure, lack of consequence management, non-compliance with legislation and regulations when it comes to procurement and contract management, as well as material misstatements to financial statements submitted for audit. The key root causes identified by the AGSA were instability of leadership within some of the entities, that management had not implemented adequate review and monitoring controls over the preparation of financial statements,

management had not implemented adequate controls to prevent non-compliance with procurement legislation and management had not been effective in developing and monitoring the implementation of action plans to address audit findings.

From the presentations and engagements, the Committee noted those areas where improvements were evident, however, concluded that the Department and its entities had not been able to clear repeat findings through implementing all recommendations and corrective measures proposed by the AGSA and those that the Committee has made since the start of the current term.

The Department must focus more attention on ensuring that action plans are implemented to address prior year audit findings and that sustainable solutions are implemented to prevent a recurrence of findings in the area of compliance with key applicable legislation and financial reporting. Vacancies and instability of management at the Department, as well as its entities persist and continue to pose significant challenges regarding operations and the creation of a control environment to ensure that basic financial, performance reporting and compliance with laws and regulations are enforced. There is also a need to implement consequence management, especially around SCM and greater implementation of disciplined financial reporting structures based on solid accounting and financial management knowledge.

The Committee was pleased to note that during the year under review, the Department reported¹²¹ that it made use of 1 individual consultant (reduced from 17 in the previous year) over 1 projects (reduced from 9 in the previous year), for a total of 1 095 working days (reduced from 4 640 in the previous year) at a total cost of R4.3 million (reduced from R33.8 million in the previous year). The Department lists the project in which this consultant was used, as well as the contract cost of this. What the Department failed to report on was whether these agreements included the requirement to ensure that skills transfer to Department or entity staff were delivered during the contract with the consultant.

The accountability for Government spending at State-Owned Entities (SOEs) continues to be an area receiving attention in the public, as Government funds and guarantees are being used to sustain some of the SOEs. The audit outcomes of SOEs continued to regress – most often as a result of inadequate controls, monitoring and oversight. Instability at Board and executive level played a role in the outcomes of SOEs, and the Department and its entities were not spared this. The level of oversight by the Department over the entities reporting to it remained a concern for the Committee throughout all budget reviews over the past eight years and the Committee cannot stress this enough - the oversight branch within the Department must improve its work towards achieving a greater level of oversight over its entities.

The Committee noted during the 2019 BRRR that the AGSA was making use of its extended mandate to seek to address the issues raised for PRASA during the 2018/19 financial year. PRASA was selected for implementation in the 2018/19 year and nine (9) material irregularities were raised. For 2021/22, ACSA, RAF, SANRAL and PRASA were selected for MI implementation in the transport portfolio. For 2022/23, the Department, SAMSA and RTIA will be phased in for MI implementation.

During its presentation to the Committee in this year's BRRR engagements, the AGSA reported the following progress:

- Unfair procurement process for the purchase of locomotives (Resolved)
 - On 15 September 2021, AGSA notified the accounting authority of the remedial action to address the material irregularity, which had to be implemented by 15 December 2021. PRASA responded on 2 February 2022. AGSA concluded, at the time, that appropriate actions were being taken to address the material irregularity. Given that these actions were still in progress, AGSA requested a status update report by 13 July 2022. This was submitted by the accounting authority on 18 July 2022. AGSA considered the representations made and the substantiating documents provided and have concluded that appropriate actions have been taken to address the material irregularity. AGSA will, however, continue to monitor the actions and the impact thereof during subsequent annual audits.

¹²¹ Department Annual Report 2021/22 p 263.

- Competitive bidding process not followed in the appointment of general overhaul and upgrade contractors (Appropriate actions being taken – implementation being monitored)
 - The accounting authority requested an investigation by the SIU into the matter, which was approved by the President on 13 August 2019 [proclamation R51 of 2019 (GG 42670 dated 30 August 2019)]. This investigation is still in progress.
- Unfair procurement process followed in the appointment of the signalling contractor (Appropriate actions being taken – implementation being monitored)
 - The SIU investigation (through secondment agreement) established that the key role players who participated in the procurement process have either been dismissed or have resigned from PRASA and therefore no internal consequence management can be implemented against them. Notwithstanding this, PRASA committed it would still report the matter to the South African Police Service accordingly. AGSA will follow up on the implementation of the planned action during the next audit.
- Competitive bidding process not followed in the award relating to the provision of bus services in the Western Cape (Appropriate actions being taken – implementation being monitored)
 - The investigation was performed by the SIU through a secondment agreement. The investigation confirmed the non-compliance and PRASA has implemented the recommended cancellation of the contract. Furthermore, one employee has been charged in relation to this matter and remains on suspension pending the conclusion of disciplinary proceedings. AGSA will follow up on the finalisation of the disciplinary steps during its next audit.
- Competitive bidding process not followed in the award relating to the provision of surveillance services (drones) (Appropriate actions being taken – implementation being monitored)
 - The investigation was performed by the SIU through a secondment agreement. The investigation confirmed the non-compliance and identified officials that were responsible for the breakdown of internal controls and consequently the non-compliance. The recommendation of the investigation report to take disciplinary action against the responsible officials is in progress, with one employee on suspension pending the finalisation of disciplinary proceedings and the remaining two officials still to be charged. AGSA will follow up on the finalisation of the disciplinary steps during the next audit.
- Uncompetitive process followed in the awards relating to the repair, supply and delivery of signalling equipment on the basis of an “emergency” deviation (Appropriate actions being taken – implementation being monitored)
 - The investigation was performed by the SIU through a secondment agreement. The investigation confirmed the non-compliance and identified officials that were responsible. Disciplinary action against the four implicated officials has resulted in one official resigning prior to the conclusion of the disciplinary process, one official having been acquitted and one official dismissed. The remaining official is still under suspension pending the conclusion of the disciplinary proceedings. AGSA will follow up on finalisation of the disciplinary steps during the next audit.
- Unfair award for the control of vegetation (Appropriate actions being taken – implementation being monitored)
 - The investigation was performed by the SIU through a secondment agreement. The investigation confirmed the non-compliance and identified officials that were responsible for the breakdown of internal controls and consequently the non-compliance. The recommendation of the investigation report to take disciplinary action against the responsible officials is in progress. In this regard, two officials were acquitted, three received final written warnings and one is still undergoing disciplinary proceedings. AGSA will follow up on the finalisation of the disciplinary steps during the next audit.
- Uncompetitive process followed in the award relating to the repair and replacement of signalling equipment on the basis of an “emergency” deviation (Appropriate actions being taken – implementation being monitored)
 - The investigation was performed by the SIU through a secondment agreement. The investigation confirmed the non-compliance and identified officials that were responsible. Disciplinary action against the three implicated officials has resulted in one official resigning prior to the conclusion of the disciplinary process and one official having been dismissed. The remaining official is still under suspension

pending the conclusion of the disciplinary proceedings. AGSA will follow up on finalisation of the disciplinary steps during the next audit.

- Competitive bidding process not followed in the award relating to the provision of security services (Appropriate actions being taken – implementation being monitored)
 - The investigation was performed by the SIU through a secondment agreement. The investigation confirmed the non-compliance and identified officials that were responsible for the breakdown of internal controls and consequently the non-compliance. The recommendation of the investigation report to take disciplinary action against the responsible officials is in progress, with one employee on suspension pending the finalisation of disciplinary proceedings and the remaining two officials still to be charged. AGSA will follow up on the finalisation of the disciplinary steps during the next audit.

The AGSA recommended that adequate in-year monitoring on the material irregularities is needed and there must be consideration of whether the accounting authority has taken the appropriate action. Although the Committee welcomes the efforts by the AGSA to seek to resolve these material irregularities within the entities' reported annual financial statements, it has not seen expression of the efforts from the last three year's intervention.

It cannot be stressed enough that the strategic targets and key performance areas set by the Department, its entities and implementers or recipients of all grants allocated under the Transport Vote must be linked to actual tangible service delivery to the citizens of the country. The Committee, in its oversight over the Department, has continued to request the Minister to ensure that proper monitoring and oversight is performed over all grant allocation projects in order to see to it that the actual performance targets achieved through transfers translate into actual service delivery on the ground and value for money. This is especially evident based on the feedback from the AGSA regarding the PRMG fund use and the need for the Department to enhance the internal monitoring mechanisms to ensure strict adherence to the grant conditions, and that any control deficiencies around compliance monitoring are addressed expediently.

The irregular expenditure does not necessarily represent wastage or means that fraud was committed – this needs to be confirmed through investigations to be conducted by the accounting officer (also referred to as the CEO) or accounting authority (Board) – but losses could already have arisen or may still arise if follow-up investigations are not concluded timeously or initiated. It is difficult to remedy SCM inefficiencies when a thorough investigation has not been completed to assist in identifying the weaknesses and inefficiencies in the system. The track record of auditees in dealing with irregular expenditure and ensuring that there is accountability or that investigations are finalised timeously remains poor. The irregular expenditure still occurs and it can be attributed overall to continued weaknesses in the SCM directorates in the application of SCM policy and National Treasury Regulations in this regard. The most common findings for the past eight years related to deviations from the prescribed procurement processes.

More frustrating is that the Committee and its predecessors recommended the need for the Department and its entities to ensure further and continued training of SCM staff – the Department has slightly altered its list of interventions to remedy SCM inefficiencies and prevent irregular expenditure, as those listed in the past five years were clearly insufficient since there were once more findings of irregular expenditure per the audit outcome for the transport portfolio. The Committee remains resolute that there is a need for the entire transport portfolio to strengthen its SCM staff through training and equipping them sufficiently, as well as implementing SCM Policy reviews to strengthen the internal SCM compliance further. The entities must comply with all of their SCM policy requirements and tender requirements, since the failure to do this resulted in findings against entities such as SANRAL. There is also a need to ensure that uncertainty in interpretation of terms linked to SCM and B-BBEE compliance is resolved between the AGSA and the entities to prevent future audit outcome delays or adverse findings due to differences in interpretation.

The Committee continues to impress upon the Department and its entities that all investigations must be finalised within a reasonable timeframe, and that all contraventions of legislation and regulations must be acted upon through disciplinary action. In instances where employees may have resigned, the Committee persists in its view that the Department and its entities must not stop there, but should

continue with steps to retrieve losses from those employees and, where appropriate, follow the procedures laid out in the PFMA for possible criminal prosecution.

The Preferential Procurement Regulations make provision for the promotion of local production and content. These regulations are aimed at supporting socio-economic transformation. The Committee, during engagements, continues to impress the need upon the Department and its entities to achieve transformation targets within the establishments themselves, as well as in their respective industries. The Committee also continues to highlight the need for the Department, as well as its entities, to adhere to the Preferential Procurement Regulations throughout their engagements, as well as working towards the achievement of increased local content and radical economic transformation in their respective fields of operation.

7.4 Committee Observations with specific reference to entities

The following extracts show concerns noted from the Annual Reports and observations that were made:

7.4.1 ACSA

The overall audit outcome of ACSA has remained stagnant compared to the prior years. The entity received a financially unqualified audit opinion with material findings.

ACSA still remains one of the largest contributors to irregular expenditure. The Committee noted that the entity had shown some progress in expenditure management as it had implemented detective controls to both identify and disclose unauthorised, irregular and fruitless and wasteful expenditure in its financial statements.

The COVID-19 pandemic and the lockdown restrictions instituted by Government continues to pose sustainability and going concern risks for the auditees in the portfolio. The revenue generation of a self-sustaining entities such as ACSA remains severely disrupted.

The entity still received a finding linked to compliance with legislation as it was still unable to prevent irregular expenditure. The audit report indicated that effective and appropriate steps had not been taken to prevent irregular expenditure of R44 million, as disclosed in note G.13 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure disclosed in the financial statements was caused by non-compliance with the SCM prescripts or legislation that led to irregular expenditure. Ineffective processes to monitor compliance with legislation resulting in the recurrence of irregular expenditure. The fruitless and wasteful expenditure identified in the year relates to the following reported incidents: (a) Interest on SARS re-assessments (R53 thousand) and late VAT payment (R242 thousand); (b) Interest and penalties on late payments to suppliers R2.6 million; (c) R989 thousand paid for goods not received.

The Committee noted that the entity had still been unable to take effective and appropriate steps to prevent irregular and fruitless and wasteful expenditure. The accounting officer should capacitate the entity with skilled staff who are well-versed in SCM processes and legislative prescripts, as well as implement enhanced preventative controls to ensure these types of expenditure are not incurred going forward.

In terms of the AGSA extended mandate to deal with material irregularities, it was noted that the entity had been selected for this process by the AGSA during the year under review, however, there were no material irregularities communicated on the entity to date.

Due to the impact of COVID-19 on travel, as well as civil unrest in July 2021 in the year under review, the ACSA recovery was, however, uneven with domestic and regional traffic recovering to 58% and 36% of pre-pandemic levels respectively. In contrast, international traffic, hampered by the impact of travel restrictions and Omicron variant in the third quarter of the financial year, only recovered to 29% pre-pandemic levels. The financial position of the company remains solid with a strong asset base and low levels of debt. Capital expenditure programme was limited to maintenance and refurbishment as part of the Recover and Sustain Strategy. The cost-reduction initiatives introduced in the previous financial year continued to minimise operating costs. These included headcount rationalisation

through VSP and ER programme. Rental reprieves for commercial partners who were also negatively affected by COVID-19. Non-aeronautical revenue performed better than the last financial year by 57.1% to R2.1 billion (FY2020/21 R1.3 billion). The improvement takes into account rental revenue reprieves of R591 million (FY2020/21 R1.4 billion) granted to tenants to offset the negative impact of the COVID-19 pandemic. Operating costs increased by 3.9% to R2.02 billion (FY2020/21: R1.95 billion). The cost reduction initiatives introduced in the two previous financial years have assisted to minimise operating cost for the group.

The Committee noted the core strategies and plans had to be reviewed and adjusted in response to the pandemic. ACSA continued to implement the Recover and Sustain Strategy; Finalised the Growth Strategy with focus on Passenger Mobilisation, Aerotropolis Cargo, Global, Ground Handling and Fuel Strategies.

The Committee noted the management action plans to address the audit concerns in the SCM of the entity, however, expresses a word of caution that the entity must ensure that its re-building of capacity and skills lost during the year under review due to resignations and staff reduction initiatives must not lose sight of the fact that the entity has struggled with SCM compliance for consecutive years and this must be remedied in order to improve future audit outcomes and eliminate irregular, fruitless and wasteful expenditure by the entity.

The entity will need to report back to the Committee on the deployment of the new parking management system, ongoing projects to upgrade the operating systems and airport upgrades and/or expansion projects, review of its security policies and processes and progress made on the action plans to address the audit outcomes.

7.4.2 SACAA

The entity had achieved a 100% of its targets and the Committee was pleased that the entity had achieved another unqualified audit with no findings.

Over and above achieving an unqualified audit outcome in the 2021/22 financial year-end audit by AGSA, the SACAA recorded zero irregular, wasteful and fruitless expenditure during the reporting period. All undisputed invoices received by the Finance Division were paid within thirty (30) days as required.

The SACAA continued to implement various cost-containment initiatives and to exercise financial prudence in the last financial year. This has led the entity to remain financially viable during the period under review; and thus being able to continue to deliver on its mandate, which is crucial to the aviation industry. The notable increase in the passenger numbers, in combination with the continued financial support from the Shareholder, contributed to an improvement in the Regulator's coffers over the reporting period.

The SACAA started the 2021/22 financial year with cash reserves sufficient to survive. Strict cost-containment measures directed at discretionary expenditure items were still maintained and will be maintained until traditional revenue levels return. Only critical vacant positions were filled and significant savings against budget were realised in terms of travel, training and public relations expenditures. The SACAA reported a net operating surplus of R112 million for the year ending 31 March 2022 compared to a budgeted break-even position.

South Africa has been preparing for an ICAO Universal Security Programme Continuous Monitoring Approach for some time now. This is because South Africa was last audited by ICAO on aviation security in 2011. During the reporting period, South Africa received notification from ICAO regarding the country's scheduling for this important audit for the 2022 cycle. This confirmation came at an opportune time for the Regulator, because several preparations were well under way.

The financial year under review marked the 100% implementation of the USAP-CMA Preparedness Plan. The work done involved loading and verifying evidence on SharePoint, conducting an assessment at three (3) of the bigger airports to review airport level documentation, as well as conducting the monitoring of airport level operations.

It is commendable that the country still reflects a salutary zero fatal accident rate in the scheduled airline sector, as it has for over 30 years. However, amidst the challenges posed by the COVID-19 pandemic, in the year under review, the country witnessed a 70% increase in accidents and a 73% increase in serious incidents in the general aviation space. Having said that, it should also be noted that the number of fatal accidents recorded in 2021/22 decreased by 25% when compared to the same period for 2020/21, and the number of fatalities resulting from fatal accidents decreased by 26% when compared to the same period in 2020/21. In view of the increase in accidents and serious incidents in the last financial year, the Minister of Transport's directive to reduce the accident rate by 50% in the next 5 years, is still an imperative that is more crucial than ever. To achieve this target, the SACAA is continuing to implement a five-year General Aviation Safety Strategy (GASS), which involves multi-stakeholders. Solutions for decreasing aviation accidents include the analysis of the causal factors highlighted in the accident investigation reports conducted by the Accident and Incident Investigation Division (AIID).

On 23 January 2022, the final report of the Ethiopian Aircraft Accident Investigation Bureau (AAIB) that looked at the aircraft accident of the SACAA's calibration aircraft that occurred on 23 January 2020 was released, as required by Annex 13 of the Chicago Convention. The SACAA as the Regulator, joined by the Operator and two of the deceased families submitted an appeal to the Minister of Transport, requesting that he reopen this investigation to allow the parties to submit comments and evidence to new findings which were not included in the report consulted by the AAIB in August 2021. At the time of writing this report, the SACAA was yet to be invited to make representations on the report.

The SACAA received a letter from the United States' Federal Aviation Administration (FAA) to the effect that the latter intended to conduct a safety assessment pursuant to article 6 of the Air Transport Agreement signed between South Africa and the United States of America. The assessment would verify South Africa's compliance with ICAO Standards and Recommended Practices. Several engagements took place between the SACAA and the FAA in this regard and the FAA assessment took place between 15 and 19 November 2021. On the last day of the audit, the FAA team provided the SACAA team with verbal feedback of what needed to be addressed. Subsequently, on 14 March 2022, the SACAA received the final written report. Attached to the report was a communication from the FAA suggesting a follow-up visit to the SACAA in order to follow up on the implementation of the Corrective Action Plans in relation to the concerns raised. The agreed date for the said follow-up was planned for the next financial year from 11 - 14 July 2022.

In the reporting period, the SACAA had implemented year one of the Transformation Plan, which was planned to be rolled out over a three-year period. This plan includes the implementation of a women empowerment programme, a trainee programme, implementation of enterprise development, as well as the socio-economic development programme.

The SACAA is a self-funded public entity that relies on a combination of revenue streams to fulfil its mandate and run its business operations. The revenue streams comprise mainly the passenger safety charge (PSC), user fees, fuel levy, as well as a fee from the Department for the investigation of aircraft accidents and incidents.¹²² Additional financial support of R277.5 million (2021: R155.5 million) was received from the Department for the 2021/22 financial year, as a result of the financial impact on the SACAA's lower passenger numbers that was caused by the pandemic. The total passenger numbers for the 2021/22 period amounted to 11 079 364, compared to the estimated number of 8 584 162. This is 29.1% higher than budgeted, and 133% higher than the same period last year, but still 50.2% lower than pre-COVID (2019) levels. Passenger numbers increased as the impact of COVID-19 receded.

The Committee remained concerned about a spike in reported incidents in the current financial year and requested that SACAA ensure that all incident investigations are finalised and that the required remedial measures are put in place.

The Committee remains of the view that SACAA should ensure that it procures a new or lease a South African owned calibration aircraft urgently to ensure the continued operations at airports across the country.

¹²² South African Civil Aviation Authority (2021/22 Annual Report), p. 51.

7.4.3 PRSA

The PRSA retained its audit outcome of an unqualified audit with no findings.

The port community was affected by the cyber-attack on Transnet SOC Ltd and disruptions due to the looting that took place in Durban, KwaZulu-Natal in July 2021. Added to these were the reported machinery breakdowns at key container terminals and adverse weather conditions that affected port operations. Overall, 2021/22 saw continued domestic supply chain pressures, limited cargo handling and port operating capacity. The cyber-attack also led to delays in the publishing of the National Ports Authority ("the NPA"/ "the Authority") Audited Financial Statements. Thus, the Regulator had to condone the late submission of the NPAs 2022/23 – 2024/24 tariff application by two weeks a decision that not only acknowledged the problems faced by the Authority but also balanced any concession with the need to ensure that port users benefit from a decision communication timeously in December 2021 rather than at the beginning of the new financial year.

This context and prevailing environment characterised factors that were brought to bear on the Regulator's decision for the application, in addition to complying with the tariff methodology, tariff strategy and submissions by ports users and stakeholders. As reported last year, the Regulator members continue to find appropriate regulatory response to poor productivity and efficiencies in port and marine operations – especially in the face of significant under expenditure on CAPEX which penalises port users from a cost and lost capacity and therefore opportunity perspective; as well as the extent and rate of transformation driven by the Authority in the port system.

Against an applied 9.4 % tariff adjustment (R14.7bn) by the Authority, an average tariff adjustment of 4.8% was approved and R14.8bn for FY 2022/23 achieved through the use of the Excessive Tariff Increase Margin Credit (ETIMC).

In line with section 42 of the National Ports Act (No. 12 of 2005) ("the Act"), the Ports Regulator is funded mainly through allocations from the fiscus; interest earned on investments and fees paid by port users and affected parties in lodging an appeal or complaint against the National Ports Authority ("the Authority"). The Regulator received a modest baseline allocation of R 40 996 in 2021/22 with indicative allocations of R42 995, R42 564 and R44 476 (in millions) for the Medium-Term Expenditure Framework (MTEF).

The Committee remains of the view that there is a need for the country to have tariff pricing that would put the country on a more equal competitive footing with worldwide port tariffs. The Committee also noted the continued dependence of the Regulator on the finalisation of the ERT Bill which has been delayed for a number of years, but which is currently before the NCOP.

7.4.4 C-BRTA

The C-BRTA continues with its exemplar audit outcome of an unqualified audit with no findings. However, the most significant of the challenges that remain is one around the unsustainable funding regime, given that permit revenue is the single source of income for the Agency.

The Agency further facilitated the resuscitation of the Joint National Ministerial Task Team of the Mountain Kingdom of Lesotho and the Republic of South Africa towards the resolution of the passenger impasse in the RSA/Lesotho corridor. Work is ongoing to conclude a road transport bilateral agreement between the two countries in order to introduce regulated competition in respect of cross-border passenger road transport and reduce operational constraint for cross border road transport as whole.

The current challenge faced by the Board is the lack of technical expertise in relation to the passenger cross border road transport experts as per requirement in Section 5 of the C-BRT Act. Further to that, the position of the Chairperson remains vacant which directly impacts on the proper composition of the Board and the Regulatory Committee as stipulated in Section 5 and 13 of the C-BRT Act respectively. The Board is however confident that the positions will be filled in the short term as an advertisement by the Ministry of Transport was placed as at end of the financial year.

The C-BRTA is a self-funding entity with permit tariff fees levied to South African cross-border operators being its primary source of income. The unprecedented impact of COVID-19 on cross-border operations required the Agency to exercise prudent financial and cash flow management measures to mitigate significant financial risk linked to a single income source, whilst adequately responding to the COVID-19 pandemic and ensuring that the Agency remains a going concern and executes its legislative mandate. In the year under review, the Agency increased permit tariffs in line with the Consumer Price Index (CPI). To ensure business continuity, the Agency monitored the spending patterns and applied scenario plans to make assumptions on the future in light of operating under an uncertain environment.

The Agency recorded R 199.9 million in permit revenue, which was 12% above the permit revenue of R178.9 million recorded for the previous financial year. Compliance fees and penalties and fines amounting to R13.5 million (2021: R11.8 million) and R44.0 million (2021: R16.9 million) respectively were also recorded.

The Agency operated with an acting Chief Executive Officer for the duration of the financial year as the substantive Chief Executive Officer was undergoing a disciplinary process until his contract came to an end. Additionally, the recruitment of two positions at an executive committee level were finalised during the year with one resuming duties in the financial year under review. Officials were appointed to fulfil the roles in acting capacities to enhance delivery.

As is evident in the C-BRTA, the Committee continues to insist that the Minister ensure all board vacancies are filled urgently, which in turn should allow the Boards to ensure that all management vacancies are filled within the entities.

The Committee noted that the Agency continues to seek a lasting solution to the RSA/Lesotho impasse.

The Committee noted that the Agency's financial sustainability remains a key challenge, as the Agency funds its operations through one primary stream being revenue generated from issuance of permits to South African operators.

7.4.5 RAF

It was noted that RAF and the AGSA were in a dispute related to the 2020/21 and 2021/22 audit and that the 2021/22 audit was therefore not finalised at the time of completing this report.

During its oversight throughout the year, the Committee observed that RAF continues to experience financial challenges, which, in turn, increase the backlog in finalising claims received. The financial health status of the entity remains a risk to the fiscus and intervention is required. The claims process continues to be regarded as cumbersome and that it still takes far too long to finalise claims and pay awards out to victims or claimants. The RAF and the Department must consider alternative funding models and consider all options that could assist the Fund to decrease its claims liability, instead of trying to achieve this by amending its accounting practice.

It was also noted that there are allegations of notices being issued to retrench hundreds of workers

7.4.6 RSR

The Committee noted that during the reporting period, the RSR retained its unqualified audit with no findings, but that the entity regressed in only achieving 94% of its targets compared to the previous year when it achieved 100% of its annual performance targets.

The RSR spent a total amount of R35.2 million of which 95% equates to R33.3 million on B-BBEE compliant suppliers, 36,4% which equates to R12.1 million was spent on women-owned companies, while 7,51% of which equates to R2.5 million was spent on youth-owned companies. Out of the total 272 companies utilised, 170 (63%) were Exempt Micro Enterprises, 46 (17%) were Qualifying Small Enterprises and the remaining 56 (21%) were large companies. Furthermore, the organisation is slowly making headway with recruitment plans. Over the past year, crucial vacancies were filled, some of which had been vacant for prolonged periods.

The Committee noted the State of Safety Report highlights the reduced rail service in 2021-2022 and how that resulted in less operational occurrences and less security related incidents since 2020/21. Although this is an improvement in human-related safety performance, it must be viewed in context of the low traffic volume. The report further unpacks the 6% reduction in security-related incidents between the 2020/21 and 2021/22 reporting periods. The rail policing arm identified unused buildings, no or lack of security personnel, encroachment of the railway reserves, and security not clearly identified as part of the main generators of railway-related criminal activities. Malicious damage recorded in 2021/22 is 10% lower compared to the 2020/21 reporting period. Furthermore, operational occurrences decreased by 10% when compared to the 2020/21 reporting period. These gains are indicative of some improvement, however, RSR must work harder at ensure compliance to safety management tools within the operator space.

The Committee was of the view that the vacancies at the entity should continue to be filled.

7.4.7 SANRAL

The entity maintained its unqualified audit outcome with findings.

SANRAL still remains one of the largest contributors to irregular expenditure for the transport portfolio; in total they incurred R487 million in irregular expenditure due to non-compliance with prescribed procurement prescripts. Included is R415.101 million for non-compliance with tender pre-qualification criteria on a single tender. The tenderer was evaluated further and should have been disqualified for not submitting bank rating/confirmation letter.

SANRAL recognised revenue of R14.805 billion, including government grants, in the 2021/22 financial year. Overall, across the non-toll and toll portfolios, government grants constitute the largest source of revenue for SANRAL, followed by toll fees collected from road users. In addition, SANRAL received finance income of R1.788 billion and other income of R1.985 billion, bringing total income to R18.578 billion. Other income comprises non-cash income from the previously deferred income, rental income from property management and implementation fees on non-SANRAL projects.

Total capital expenditure on construction-related projects on non-toll roads amounted to R4.485 billion in 2021/22, while special and periodic maintenance projects amounted to R1.392 billion. The routine maintenance projects in operation on the SANRAL non-toll road network amounted to a total expenditure of R2.385 billion in the 2021/22 financial year. The increase was due to improvements made in tender awards and the relaxation of COVID-19 lockdown restrictions. Delays on procurement processes have been improved.

Total toll revenue realised on these routes during 2021/22 was R4.522 billion, representing an increase of 22% from the previous year. The tariff adjustment for the year was restricted to a CPI-related rate of 3.39%. The decline in revenue in 2021 was mainly due to decreased traffic volumes on these roads as a result of the travel/mobility restrictions during the national lockdown (level 2 to 5). When traffic volumes returned to normal (pre-COVID-19) projections, the 2022 toll revenue increased significantly.

Included in the toll revenue are cash sales from all the conventional toll plazas, amounting to R3.953 billion. The GFIP showed an increase of 25.6% in revenue to R569 million. This project is SANRAL's only toll route that receives government assistance. This grant is intended to offset the discounts on tariffs instituted in response to public opposition to tolling on Gauteng freeways and to compensate for the loss of income while a decision on its future from the Presidency is pending. In 2022, this grant amounted to R3.740 billion (including VAT). The Minister of Transport, as SANRAL's sole shareholder, approved a transfer to the Toll Portfolio account from the non-toll government grant to reduce the expected shortfall on GFIP revenue collection. The compliance collection rate remains very low at about 17%.

All other conventional toll roads operated by SANRAL realised an increase in revenue of 21.4%, which was attributable to increased traffic volumes and tariff adjustments.

Total capital expenditure on construction-related projects on SANRAL toll roads amounted to R426 million in 2021/22. Routine maintenance contracts in operation on SANRAL-managed toll roads amounted to a total expenditure of R2.287 billion in the 2021/22 financial year. During the 2021/22 financial year, SANRAL raised R3.737 billion (nominal) on the capital markets by tapping existing bonds. The finance cost on borrowings amounted to R4.342 billion, of which R25 million was capitalised.

The entity also had not complied with SCM requirements during the year under review.

As far as the AGSA's expanded mandate to deal with material irregularities linked to the entity, material irregularities have been identified during the previous audit of SANRAL and the accounting authority was notified of this, as required by materiality irregularity regulation 3(2). The AGSA indicated that the identified irregularities had been resolved. For the current year under review, SANRAL was once more selected for MI implementation.

The Committee noted that the contract of the CEO came to an end by 30 November 2021 and that a new CEO had not yet been appointed. The Committee indicated that it was imperative for the Minister and the Board to ensure that the vacancy be filled, as soon as possible.

The Committee remains concerned that the issue which continues to place financial pressure on SANRAL is the continued difficulty to collect fees from road users who choose not to pay the GFIP e-toll fees. The matter is still before Cabinet, and SANRAL still awaits direction in this regard. The Agency continues to experience financial pressure on the toll portfolio in its entirety due to the sustained under-collection of the GFIP e-toll fees. The Committee noted in its engagements with the Department that the undertaken GFIP/e-toll discussions were still not finalised despite past indications that a pronouncement on proposals was due by the end of October 2019. The Committee noted that the AGSA was still concerned regarding the financial health of the entity, citing the collection of debt and the inability to collect monies owed resulted in a high impairment of receivables (i.e. E-toll fees) for SANRAL. This is an indication of challenges in the collection of outstanding debt as they become due, which exposes the entity to liquidity risk. In the absence of the finalisation on the GFIP/e-toll matter from the Ministry and Cabinet, the entity should continue to hold engagements with relevant stakeholders to find either interim or permanent solutions.

7.4.8 PRASA

The Committee noted that PRASA had once more been given a disclaimed opinion with findings.

Out of all the entities in the portfolio, PRASA performed the worst in its audit outcome, in its lack of meeting its annual performance targets (it only met 19% of its annual targets) resulting in significant underspending of R6.5 billion for the current year, it that it was the top contributor to irregular expenditure totalling R1 161 million, and in being the top contributor to fruitless and wasteful expenditure totalling R279 million.

With regard to the AGSA's expanded mandate on addressing material irregularities, it was indicated the in the 2018/19 financial year, nine material irregularities had been raised and reported on in respect of PRASA. Of the old MIs identified, only the one linked to the unfair procurement process for the purchasing of locomotives was resolved. The AGSA continues engaging with the accounting authority and executive authority to ensure that appropriate action is being taken. For the remaining material irregularities, the accounting authority had committed to investigating and the AGSA was assessing the action taken up to date. For the year under review, the entity was once more selected for MI implementation.

The Committee further noted that the entity had a slight increase in group revenue, however the entity still had a significant operating loss and reduced cash flow. The total capital budget per PRASA's Corporate Plan for the financial year 2021/22 was R18.4 billion. PRASA had a total expenditure of R6.5 billion or 35% of the capital budget at the end of March 2021. CRES recorded expenditure amounting to R85 million (6% of the R1.4 billion budget). PRASA Technical recorded expenditure amounting to R1 billion (14% of the R7.6 billion budget) and PRASA Corporate recorded expenditure of about R5.3 billion (58% of the allocated budget). Several projects did not achieve significant spending such as ICT and Protection Services projects. Most spending was on the rolling stock fleet renewal programme, whose budget allocation was R4.83 billion, and R4.38 billion or

91% of the allocated budget was spent. The rolling stock is one of the focus areas on PRASA's current rail system to ensure sustainability of its operations during the period of modernisation, whilst also revitalising the infrastructure.

The Committee remains concerned that the entity has not been able to improve on ensuring the safety and security of the company assets, infrastructure and passengers. This is evident from the various media reports and Committee oversight during the year under review. It is furthermore concerned regarding the slow progress by the entity in bringing key corridors back online.

The modernisation project is not only delayed by the vandalism experienced during COVID-19 lockdown in the previous reporting year, but also due to the underspending on capital projects, such as the delays in finalising depots that will allow for the storage of the new train sets.

The Committee is concerned that there remains instability in key management positions at the entity, such as the Group CEO. These vacancies must be filled as soon as possible.

7.4.9 ATNS

For the period under review, the entity once again achieved an unqualified audit opinion with findings.

Capital expenditure for 2021/22 was R186 million against a target of R182 million. This is largely due to delays in the execution of ATNS Capex projects. Capital commitments for the entity amounted to R375m at the end of the financial year. The entity expects to enter into further new commitments amounting to R69m in the 2022/23 FY. ATNS has secured a loan facility of R500million with the Development Bank of Southern Africa (DBSA) to fund part of its capex. Loan to be exhausted in 2023/24 due to entity's financial position impacted by Covid-19. Shortfall required to fund additional capex requirement as the shortfall cannot be funded through own reserves given the continued weakening of the entity's financial position.

At present, around 84% of ATNS's revenue is facilitated through our regulated business. During the reporting period, their non-regulated business contributed approximately 16% to the total turnover of the company. With a decrease in tariff-generating movements due to COVID-19-induced global travel restrictions, in FY2020/21, they saw a 67% decline in this revenue from our previous financial year. This trend was reversed during the current reporting period, with an 86% increase in revenue compared to 2020/2021.

During FY2021/22, operating costs increased to R 1 235 million (FY2020/21: R1 168 million) mainly due to an increase in staff-related costs following our section 189 Labour Relations Act process, with employees offered voluntary severance packages and early retirement pay-outs. During the year under review, our capital expenditure increased to R186 million (FY2020/21: R155 million) largely due to the implementation of navigational and surveillance projects.

ATNS's liquidity ratio decreased to 2.3:1 (FY2020/21: 3.3:1) given depleted cash reserves. This notwithstanding, the ratio is still above the norm of 2:1 with our gearing at 3.9% (FY2020/21: 3.3%). As a regulated entity, ATNS measures our return of capital employed (ROCE) in line with the approach document issued by the Economic Regulating Committee. The ROCE is -11% (regulated ROCE: -29%). The ROCE is a measure of the extent to which a company utilises its resources efficiently to generate profits, while the regulated ROCE is based on the Economic Regulating Committee formula.

Cash generated from operations improved by 60% to -R228 million (FY2020/21: -R567 million), as a result of improved debt collections. The company's cash reserves continued to deteriorate in the reporting year to R408 million (FY2020/21: R830 million). This is mainly attributable to lower than expected air traffic movements, given ongoing and prolonged travel restrictions during the year under review.

During the reporting period, air traffic movements continued to be impacted by the COVID-19 pandemic. The company's financial and business performance continues to be underpinned by tough market conditions for the global air travel sector. Across geographic regions, both large and small airlines grounded much of their fleet, which led to downsizing and related corporate restructuring

plans. In parallel, given negative economic growth for the year and reduced disposable income, limited discretionary consumer spending continued to hamper both international inbound tourism and domestic travel, despite the easing of lockdown measures in the second half of the year under review.

Although ATNS is not audited by the AGSA, the AGSA indicated from the independent auditor's outcome there was a regression in the quality of financial statements as the entity still had to correct material misstatements identified through the audit process on its financial statements to achieve an unqualified opinion.

Another area of non-compliance indicated in the audit was that the entity failed to prevent irregular, fruitless and wasteful expenditure.

7.4.10 RTIA

The Committee noted that the entity had not submitted its annual report in time, however, the AGSA indicated that the audit had been finalised and the entity had again received a qualified audit with findings. The notes hereunder are taken from the AGSA general presentation to the Committee. The organisational structure for RTIA should also be approved urgently so that the agency can fill key management positions. For 2022/23, RTIA will be phased in for MI implementation.

RTIA remained stagnant on a qualified opinion with repeat qualifications on irregular expenditure and AARTO assets and liabilities. The first qualification item related to the completeness of irregular expenditure opening balance that could not be confirmed. This finding is a repeat finding of which management was required to have done investigation to ensure irregular expenditure disclosed in the financial statements is complete. The report from management and the external service provider were only provided to auditors late in July 2022 and based on the review of this report it was concluded that it did not properly/ effectively address the root causes raised in the previous year. The second qualification item was due to material misstatements identified during the audit of the adjustments that were made by management to AARTO assets, these adjustments were relating to opening balances that equal to the closing balance and there was no restatements on the previous years closing balance. This was due to lack of adequate reviews to ensure that financial statements are free from material misstatements.

The organisational structure for RTIA should also be approved urgently so that the agency can fill key management positions.

A material uncertainty may exist regarding the going concern at RTIA due to the High Court judgement relating to the AARTO Act as disclosed in the AFS. The agency applied to appeal the judgement. The department and the accounting authority should continue to monitor this matter and should assess the impact on the going concern of the agency.

RTIA achieved 53% of their annual targets.

Restoring normalcy at the Road Traffic Infringement Agency following investigations that unearthed fraudulent practices and attending to the finalisation of the RTIA organisational structure.

RTIA received a qualified opinion as management did not adequately address the prior year qualification items to improve the audit outcomes.

RTIA was qualified on the completeness of Irregular Expenditure. This is a repeat qualification from 2020/21.

The entity incurred R0.2 million in fruitless and wasteful expenditure.

The accounting authority needs to ensure that the root cause of irregular expenditure is addressed in the following year. The internal controls around the SCM unit need to improve and need to be capacitated with the employees that have the requisite skills to stabilise the unit.

The adverse court judgment regarding the AARTO Act¹²³, along with the failure by the entity to table its annual report and financials on time for a second consecutive year, as well as the concerns raised by the AGSA do not bode well for the future national roll-out of AARTO by an entity that seems to be regressing.

7.4.11 RTMC

The Committee noted that the entity had improved their audit outcome to that of unqualified audit opinion with no findings. It further noted the improvement in reducing the vacancy rate at the entity from 26% in the previous year to 6% at the end of the year under review.

A year-on-year expenditure comparison reflects an increase compared to the previous year, R1.43 billion was spent compared to R1.18 billion in the 2020/21 financial year. There was over spending of 8% due to non-cash items e.g. depreciation and provisions.

109% of the budget for Cost of Employees was spent in comparison to the previous year, wherein 96% of the budget was utilised. 114% of the budget for goods and services was spent in comparison to the previous year, where 120% was utilised. 95% of the capital budget was spent due to acquisition of computer equipment for the Natis hardware refresh and Computerised Learner License Testing, delay in the finalisation of the acquisition of land contributed to the non-spending of 5%.

Revenue collected by the Corporation was 7% below the adjusted budgeted amount (2020/21 exceeded budget by 5%). Initial budget was R1.4 billion which was later adjusted to R1.3 billion. Actual collection amounts to R1.2 billion resulting in under-collection of R90 million. Under collection can be attributed to the delay in the implementation of the online registration service as well the slow revenue generation, because of technical glitches, by Section 56 revenue project.

The Committee noted the contributions by the entity in relieving the backlog of driving licence card renewals by opening two driving licence testing centres. The feedback regarding the quality of service provided at these facilities was noted and welcomed.

7.4.12 DLCA

The DLCA retained an unqualified audit opinion with no findings. The Committee noted that the entity had not submitted its annual report in time, however, the AGSA indicated that the audit had been finalised. The notes hereunder are taken from the AGSA general presentation to the Committee.

All the entities with clean audit outcomes achieved their key indicators, except for DLCA which did not achieve on the indicator relating to the number of days taken to produce driving license cards This was because of the breakdown of the card production machine due to flood damage as well as the fact that the machine has long exceeded its useful life cycle.

The Committee was pleased to hear that the DLCA was one of eight auditees that submitted financial statements free of material misstatements.

The Committee noted that The Minister of Transport has pronounced the transfer of DLCA to RTMC as part of rationalization process of the roads entities and therefore DLCA was no longer required to go ahead with the proposed updated organizational structure.

The Committee further noted that the DLCA was one of the top contributors to irregular expenditure that was not dealt with, amounting to R302 million.

The Committee remains concerned regarding the age of the current card production machine and the need to request exemptions or deviations from NT related to obtaining the raw material used in the

¹²³ On 13 January 2022 the Gauteng Division, Pretoria declared the AARTO Act and the AARTO Amendment Act unconstitutional and invalid. The judgement if confirmed by the Constitutional Court will not only have a detrimental effect on the implementation and roll-out of AARTO but will also result in significant consequences for the entire road traffic regulation regime throughout the spheres of government.

card production process and maintenance of the production machine. The Committee was further concerned about how slow progress has been in finalising the new driving licence card design planned for introduction in 2021/22, while the entity presented that the specifications had only been approved during the 2021/22 year. The backlog in renewal applications exacerbated due to COVID-19 lockdown restrictions, online booking failures in Gauteng and delays in processing the cards also remains a concern as the extended deadline for expired licence applications is drawing near.

7.4.13 SAMSA

For the first time in four years, the entity tabled its report in time for consideration as part of the BRRR. The SAMSA obtained an unqualified audit opinion with findings for a second year.

In terms of reducing irregular expenditure, the Board was instrumental in the condonation of irregular expenditure by National Treasury for the 2014 and 2015 periods amounting to R70 million. Irregular Expenditure for 2016 has been submitted to National Treasury for condonation of R29.4 million. When it relates to SAMSA's going concern status, the ramifications of the COVID-19 pandemic two years later, are still being felt in SAMSA as persistent financial constraints due to the continued impact on trade volumes in and out of South African waters.

The entity was able to achieve an overall corporate performance of 62% against its set strategic outputs for the period under review. This is a significant decline from the 87% achieved in the 2020/2021 financial year. This huge decline in performance is attributed to the key strategic challenges encountered by the entity such as financial constraints to fund key strategic and mandate objectives, slow growth of the South Africa Ship Registry due to the slow progress in resolving shipping taxation, customs and excise issues. These challenges coupled with the, outdated and slow ratification of legislation and processing of the convention, protocols, bills and subsidiary instruments negatively affected the entity's performance.

SAMSA reported a net surplus of R34.6 million for the 2021/2022 financial year. This surplus is attributed to the robust cost containment strategy adopted by the entity. In addition, the entity successfully implemented the approved 6% tariff increase during the period under review. Notwithstanding the improved financial performance SAMSA remains vulnerable to the weakened trading environment due to the declining vessel traffic visiting our ports. This has a potential to negatively affect the SAMSA levies revenue which is highly dependent on the vessels visiting our ports.

There were repeat findings in non-compliance with procurement and contract management, quality of financial statements and prevention of irregular, unauthorised, and fruitless and wasteful expenditure at SAMSA. Non-compliance with effecting consequence management was a new finding at SAMSA.

The Committee noted the reduction in fruitless and wasteful expenditure as well as the reduction in irregular expenditure, however the entity should improve its efforts to limit irregular expenditure. The entity may have reduced the irregular expenditure, however, they were still part of the top five contributors to irregular expenditure in the portfolio, amounting to R29 million. SAMSA also failed to deal with past irregular expenditure amounting to R535 million.

The entity should tighten its Information Technology systems to prevent further cyber attacks.

It was noted that the entity was selected for the 2022/23 financial year to be phased in for MI implementation.

The board of SAMSA will need to focus on filling the key vacancies at executive management level to support the timely implementation of actions to address key deficiencies in internal control. The shortage of surveyors was specifically concerning as this resulted in Port State Control inspections being well below accepted levels which impacts direct users charge revenue.

8. RECOMMENDATIONS

8.1 Recommendations from the Combined Strategic Plan, Annual Performance Plan and Budget Vote Report 2022

8.1.1 The Committee recommended that the Minister, through the Department, should ensure:

- 8.1.1.1 The Department must provide the Committee with quarterly updates on the filling of board vacancies so that board memberships are filled well in time to have functioning boards in order to prevent a recurrence of the Annual Report delays as well as to ensure effective and efficient control over and fiduciary duty fulfilment in all entities of the Department.
- 8.1.1.2 The Department should give a quarterly update on the filling of vacancies in senior positions within the Department and its entities.
- 8.1.1.3 The Department should do its best to submit all planned legislation to Parliament by no later than the last quarter of year three (3) or at the latest by the first quarter of year four (4) of their Strategic Plans.
- 8.1.1.4 The Department should provide a full report on all PTOG contracts in place and how far the various departments are in advertising new tenders for these routes. Furthermore, the report should indicate the dates of conclusion of these contracts, how many times these contracts have been extended and the periods of the extension, court orders against termination of these contracts and whether PTOG bus subsidies have been paid based on the number of passengers transported over a number of kilometres per operation route. The report should be submitted to the Committee within 30 days, after the adoption of this report by the House.
- 8.1.1.5 The Department should provide quarterly reports on the implementation of the following grants: PRMG, RRAMS, MIG, Expanded Public Works Programme Integrated Grant for Municipalities and PTNG. These reports must indicate the past 5 year budget allocation for these grants to each province and municipality benefitting from these, what projects have benefitted from these grants in the past 5 years, what projects are projected to benefit from these grants in the next 5 years, status of projects (planning phase/in progress/completion dates), if grant allocations were suspended give reasons for the suspensions and possible grounds or conditions for re-admission.
- 8.1.1.6 The Department should provide quarterly updates on whether there was any uptake by the taxi industry of the Covid-19 relief fund for the industry, and if not, how these funds have been reprioritised.
- 8.1.1.7 The Department and the DLCA must provide quarterly reports on progress with narrowing the backlog of driver licence card production as well as progress on the Cabinet process towards the new card format.
- 8.1.1.8 The Department and PRASA must provide quarterly reports on progress with bringing the full passenger rail service back online as well as the progress with new train roll-out and depot finalisation to store these trains safely. This report must also contain information on the appointment and roll-out of the security plans to prevent vandalism of, theft of and encroachment onto PRASA infrastructure and rail reserves.
- 8.1.1.9 The Department must provide a quarterly road maintenance report on the national, provincial and municipal road maintenance work and expenditure, this must also include: the road number and location, the responsible sphere, the assessed condition of the road (good/fair/poor), information on when the last maintenance was of the road and what work was done and the cost/expenditure on this work, future planned maintenance projects with budget allocations.
- 8.1.1.10 The Department and ACSA must provide a report, within 30 days of adoption of this report by the House, on the airport infrastructure expansion projects, which must also include information on the extent of expansion/upgrade projects, which airports will be expanded or upgraded, timeframes and target delivery dates, budget estimates for the expansions and projected impact on airport operations during the project implementation.
- 8.1.1.11 The Department must provide quarterly reports on the various municipal, provincial and national projects with the specific focus on pothole repairs. This report should also include the available platforms or methods for reporting potholes to the responsible sphere, the quarterly expenditure on pothole specific repairs, any PPP or community partnerships in place for ensuring pothole repairs as well as the legal or departmental expenditure by each sphere on claims against the sphere for vehicle damage or personal injury claims due to potholes.
- 8.1.1.12 The Department and SANRAL must provide quarterly reports on the Moloto Road and other Moloto Corridor projects and progress on the road infrastructure projects, public transport provision along the corridor and expenditure on these for each quarter.

8.2 Recommendations made by the AGSA for the Budgetary Review and Recommendation Report for the 2021/22 financial year

The role of the AGSA is to reflect on the audit work performed to assist the Committee in its oversight role of assessing the performance of the entities taking into consideration the objective of the Committee to produce a BRRR.

The AGSA, similarly to last year, recommends the following to the Department and its entities:

- Develop and implement action plans that is root cause focused and is assessed for effectiveness in addressing the findings. These action plans should include amongst other the findings, rating of the findings root causes, allocated responsibilities and indicate completion timelines. The implementation of the action plans must be reviewed by internal audit and reported to the audit committee on a regular basis.
- Implement disciplined financial reporting structures based on solid accounting and financial management knowledge. This should include finance and SCM divisions that are fully capacitated with required skills and competencies, implementation of financial management discipline such as monthly reconciliations, segregation of duties and reviews etc.
- Monitor performance and consequence management especially around supply chain management. There should be a culture of high performance and adherence to ethical standards. Where poor performance and transgressions with SCM prescripts are identified appropriate actions should be taken in line with the internal policies and procedures.
- Accounting officers/authorities must continue to do their work through audit committees to ensure management implement and enhance processes of review of the financial statements and performance information.
- The internal audit functions and Audit and Risk Committees should enhance their independent review of the financial statements and annual performance report. Any deficiencies identified should be corrected by management before submission to the next level.
- Accounting officers/authorities should strengthen their oversight by ensuring that executive management are held accountable for poor performance and transgressions of the law.
- Develop, implement and monitor integrated action plans to address non-achievement of key indicators and monitoring of the progress towards the achievement of MTSF targets.
- Capacitate the SCM and project management units to ensure timeous and quality delivery of infrastructure projects.
- Strengthen the oversight function at the department to ensure achievement of key performance indicators by the entities and provincial departments.
- Develop and implement proper procurement plan which takes into account the risk and mitigation of procurement delays and the impact thereof on delivery of infrastructure projects.
- In compliance with the relevant laws and regulations, develop a strategy to involve the local community in key projects and continuous engagement with the relevant stakeholders to create awareness of the process to be followed to minimize the disruptions.
- In relation to PRASA:
 - PRASA should implement a comprehensive turnaround plan to ensure improved audit outcomes and service delivery. This should include creating stability at executive management level, fully capacitating critical units, effective and efficient procurement and fast tracking depot and infrastructure modernisation. Although PRASA has multiple actions plans, these need to be consolidated into a comprehensive turnaround plan.
 - The infrastructure modernization programme should be urgently fast tracked to ensure effective deployment and utilisation of the new trains which will ultimately have a positive impact on service delivery.

- PRASA should facilitate the project management team to ensure the effective management of the Gibela contract, including monitoring and enforcement of penalties where applicable.
- The board should finalise a lasting solution on the financial sustainability of Autopax through engagement with stakeholder such as the Department of Transport and National Treasury.
- PRASA should finalise the investigation on the possible ghost employees and implement corrective actions.

The AGSA recommends that the Committee monitor and do regular follow ups with the executive authority and accounting officer/authority to ensure that:

- The big entities in the portfolio replicate the best practices to achieve clean audit. For entities where clean audit was achieved this should be maintained and focus should shift to achieving strategic objectives and service delivery mandates.
- Accounting officers/authorities strengthen their oversight by ensuring that executive management are held accountable for poor performance and transgressions of the law.
- Accounting officers/authorities develop and implement action plans that are root cause focused and are assessed for effectiveness in addressing the findings.
- The executive authority continues to pay attention to PRASA and SANRAL to ensure that these entities timeously delivery on key infrastructure projects.
- The progress towards achievement of the MTSF targets is monitored and corrective actions are put in place where the portfolio is behind.

8.3 The Committee recommendations for the 2021/22 financial year Budgetary Review and Recommendation Report

The Committee recommends that the Minister, through the Department, ensure the following:

8.3.1 Recommendations specific to the Department and of General Application to entities

8.3.1.1 Due to the observation that the Department indicated the same measures to address AGSA findings as it had in previous years, the Committee implores the Minister to ensure that stronger measures are put in place to address the audit findings effectively and that they are implemented in a manner that will ensure that the Department improves its audit outcome for the 2020/21 financial year. In relation to this recommendation, it is imperative that the Department strengthen its oversight over the entities and report to the Committee, on a quarterly basis, on progress made to remedy all matters raised by the AGSA;

8.3.1.2 The advertising and filling of Board, CEO, as well as senior management vacancies, as indicated in the paragraphs above, should be prioritised in the Department and the affected entities. In order to achieve the SONA 2018 commitment made by Government to changing the way Boards of SOEs are appointed, the positions filled should be with people who have the relevant expertise, experience and integrity to serve in these vital positions. This will allow the Department, as well as the entities to operate and report effectively, and do so within the parameters of applicable legislation. The Department, with its entities, must report to the Committee, by the end of January 2022, and thereafter on a quarterly basis, on current efforts underway to finalise the filling of posts and ensure that it presents an implementable strategy to address future vacancies. The Department should also provide the Committee with an updated report, by the end of January 2022, on the status of current Board vacancies;

8.3.1.3 The Department must implement sufficient measures to ensure that it achieves all the annual performance targets that it sets itself. The Department should ensure that the targets set in their Strategic Plans and APPs going forward adhere to Specific, Measurable, Achievable, Realistic and Timely (SMART) principles and ensure that sufficient records are available to prove that those targets have been met. Management in the Department should ensure that it is possible to validate the processes and systems that produce the indicator to enable them to produce the required evidence (through improved record- keeping) supporting their reported performance. Conversely, it should adhere to the requirements of the Framework for Managing Programme Performance Information to ensure that all indicators are well defined and verifiable, and that all targets are specific and measurable i.e. the nature and required level of performance is clearly specified and measurable. The Committee also requested that the Department and its entities move towards the development of key performance targets that would have tangible and measurable results that show actual and/or improved service delivery to all transport stakeholders;

8.3.1.4 Effective steps should be implemented in the transport portfolio to prevent irregular, fruitless and wasteful expenditure. Some of these highlighted by the Committee are:

8.3.1.4.1 Officials who caused the Department or its entities to incur irregular, fruitless and wasteful expenditure should be subjected to disciplinary procedures and, where applicable, implement the appropriate measures provided for in terms of sections 81 to 86 of the PFMA.

Section 81(1) stipulates that: *“an accounting officer for a department or a constitutional institution commits an act of financial misconduct if that accounting officer wilfully or negligently-*

(a) fails to comply with a requirement of section 38, 39, 40, 41 or 42 or

(b) makes or permits an unauthorised expenditure, an irregular expenditure or a fruitless and wasteful expenditure”.

In addition, section 81(2) states that: *“an official of a department, a trading entity or a constitutional institution to whom a power or duty is assigned in terms of section 44 commits an act of financial misconduct if that official wilfully or negligently fails to exercise that power or perform that duty”.*

For its part, section 86(1) of the PFMA states that: *“an accounting officer is guilty of an offence and liable on conviction to a fine, or to imprisonment for a period not exceeding five years, if that accounting officer wilfully or in a grossly negligent way fails to comply with a provision of section 38, 39 or 40”.*

In addition, section 86(2) of the PFMA maintains that: *“an accounting authority is guilty of an offence and liable on conviction to a fine, or to imprisonment for a period not exceeding five years, if that accounting authority wilfully or in a grossly negligent way fails to comply with a provision of section 50, 51 or 55”.*

Finally, section 86(3) of the PFMA stipulates that: *“any person, other than a person mentioned in section 66(2) or (3), who purports to borrow money or to issue a guarantee, indemnity or security for or on behalf of a department, public entity or constitutional institution, or who enters into any other contract which purports to bind a department, public entity or constitutional institution to any future financial commitment, is guilty of an offence and liable on conviction to a fine or imprisonment for a period not exceeding five years”.*

The Act also includes provisions for criminal prosecution in cases of gross financial misconduct;

8.3.1.4.2 The Department and its entities must at all times ensure that proper record-keeping is implemented for information supporting compliance and procurement processes and implement consequence management for staff members who fail to comply with applicable legislation in this regard;

8.3.1.4.3 Having noted that the Department had a Loss Control Committee/Division to deal with and ensure the rooting out of irregular expenditure, the Department must present quarterly reports on the progress made by this Committee/Division to ensure that the Department and its entities do not incur irregular, fruitless and wasteful expenditure going forward;

8.3.1.5 The Committee requests the following with regard to compliance with the provisions of the PFMA:

8.3.1.5.1 The Department should capacitate its Finance and SCM directorates/departments/branches with appropriately skilled and competent personnel to prepare credible financial statements;

8.3.1.5.2 The executive authorities, accounting authorities, accounting officers and senior management should ensure that information used to prepare financial statements is accurate and reliable; and

8.3.1.5.3 The Department must ensure that all officials responsible for reporting in terms of the PFMA are reskilled by ensuring they receive training on compliance with the PFMA, ensure that these staff members undergo refresher courses on the applicable NT Regulations that are implemented from time to time, and receive training on compliance with the King Report on Corporate Governance IV;

8.3.1.6 Control processes should be adhered to in the SCM processes. Some of these highlighted by the Committee are:

8.3.1.6.1 The Department should identify and address the inefficiencies in the SCM process in the Department, and assist its entities to do the same where needed.

There should be a review of SCM policies and the implementation of consequences for poor performance and failure to comply with applicable legislation;

8.3.1.6.2 Members of the relevant bid evaluation committee and the CFO should satisfy themselves that all service providers that are recommended for award have all the required documentation in terms of legislation. The list of recommended bidders should be accompanied by a signed checklist confirming the completeness of required documents. The contract specifications should not differ from the advertised call for bids;

8.3.1.6.3 Management should properly plan the acquisition of goods and services and exercise sufficient oversight and monitoring of controls to ensure that compliance with SCM policies are achieved;

8.3.1.6.4 Recurring non-compliance should be investigated and appropriate action taken against transgressors;

8.3.1.6.5 Furthermore, management should ensure that their own policies and procedures are reviewed and aligned to the Framework for Managing Performance Information and the PFMA, to ensure that performance reporting requirements are properly processed by the Department;

8.3.1.7 The Department should report back to the Committee on a quarterly basis regarding the projects to which grant funds are allocated and transferred to. This report must cover its monitoring, tracking and engagement with its provincial and municipal counterparts on the implementation of the PRMG, PTNG, DORA and other applicable grants to ensure that money is used for its intended purpose, to ensure that there is value for money spent and to prevent a future need for roll-overs;

8.3.1.8 The Department should ensure that the budget allocation for projects is strengthened and realistic in order to reduce the high amounts of funds being transferred under *Virements* (such as targets and budget set for the Revised Taxi Recapitalisation programme);

8.3.1.9 The Department should develop an alternative investment attraction plan in order to make better use of Public-Private Partnerships and the promotion of Private Sector Participation in the funding options for various infrastructure projects, such as Rail Projects, the Moloto Corridor Project and other major infrastructure projects planned by the Department;

8.3.1.10 The Committee takes a dim view of the non-compliance and the lack of tabling of Annual Reports in terms of the sections 8 and 65 of the PFMA. The outstanding Annual Reports that are yet to be tabled before this Committee are of a serious concern. The Committee was of the opinion that the reasons provided for the late tabling of these reports were insufficient and did not assist in allowing the Committee to adequately assist or propose recommendations to resolve the concerns causing the failure to table on time. The Department must ensure, and assist well in time where it is able to, that all Annual Reports are submitted within the legislated timeframes for the audit by the AGSA, as well as tabling in time before Parliament. The outstanding reports should be presented to the Committee as soon as they are tabled and referred to the Committee. The Committee would work towards submitting a supplementary report on the late received Annual Reports, should they be tabled in time to do so;

8.3.1.11 The Department must ensure that the PRASA Board is given the required assistance to ensure that the entity's performance is drastically improved and that initiatives are implemented towards improving safe rail operations and deliver quarterly reports on the above to the Committee;

8.3.1.12 The Department must address the issues once again raised regarding the financial health for ACSA, C-BRTA, SACAA and SANRAL in as far as their finances may be additionally affected by the impacts of COVID-19 lockdown restrictions on operations going forward, as well as the continued concerns regarding the finances of RAF, SANRAL, PRASA and its subsidiaries and ensure that a comprehensive plan is submitted to the Committee by the end of January 2023. This must be followed up by quarterly reports on the financial health of all of its entities;

8.3.1.13 In light of the cost-containment instructions by National Treasury to Departments and entities to limit the use of consultants, the Department should indicate to the Committee what measures it has put in place to ensure compliance with this instruction and provide the Committee with a detailed report, by the end of January 2023, on all projects in which consultants were used (Departmental projects, projects linked to Grants such as the IPTN projects), as well as whether there were skills transfers that accompanied the use of consultants as is required by the National Treasury instructions. The Department must also provide a report, by the end of January 2023, on any consequence management that has been or is planned to be implemented against officials that may have approved the use of consultants without compliance with the National Treasury instructions;

8.3.1.14 In line with the commitment made by President Ramaphosa in his 2021 SONA pertaining to the construction and the rehabilitation of the N1, N2 and N3 highways, the Department should provide

the Committee with the progress in this regard, including the timeframes for the completion of the work that ought to have been conducted on the highways.

8.3.1.15 The Department should provide the Committee with the detailed report on the Revised Taxi Recapitalisation Programme, and the report should specify the timeframes within which the programme will be rolled out.

8.3.1.16 The 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs) provides a framework for international community towards the achievement of disability-inclusive development. The Department should therefore ensure that all its programmes respond to, inter alia, universal accessible transport.

8.3.1.17 The Department should ensure that the ATNS is provided with the required funding for the virtualisation of the air traffic services, as well as the upgrading of navigation equipment.

8.3.2 Entity Specific Recommendations

The Committee recommends that the Minister, through the Department, ensure the following is done with specific reference to the following entities:

8.3.2.1 ACSA

8.3.2.1.1 The entity should ensure its targets meet the SMART principles and ensure that sufficient records are available to prove that those targets have been met. The entity must also implement sufficient measures to ensure that it achieves all the annual performance targets that it sets itself, as well as develop and implement effective action plans in response to the findings of the AGSA;

8.3.2.1.2 The entity must ensure that it improves on its Financial Statements preparation;

8.3.2.1.3 Given the impact that has been felt on the entity's international investment projects due to airline failures, as well as the COVID-19 travel restrictions, the entity must present plans to the Committee on how it will off-set these investment losses;

8.3.2.1.4 The entity should provide quarterly updates to the Committee on its plans going forward to limit the loss of revenue, as well as its plans to expand facilities and runways at airports;

8.3.2.2 ATNS

8.3.2.2.1 The entity should ensure its targets meet the SMART principles and ensure that sufficient records are available to prove that those targets had been met. The entity must also implement sufficient measures to ensure that it achieves all the annual performance targets that it sets itself, as well as develop and implement effective action plans in response to the findings of the AGSA;

8.3.2.2.2 The entity must ensure that it improves its Financial Statements preparation, as well as putting sufficient measures in place to plan for revenue losses due to COVID-19 travel restrictions;

8.3.2.3 C-BRTA

8.3.2.3.1 The C-BRTA must, on a quarterly basis, report to the Committee regarding the steps taken in resolving the impasse regarding the cross-border movements on the RSA/Kingdom of Lesotho route;

8.3.2.3.2 The C-BRTA should report to the Committee, by the end of January 2023 and on a quarterly basis thereafter, regarding the continued engagements on the implementation of the 1996 SADC Protocol on Transport, Communications and Meteorology;

8.3.2.3.3 The entity should cooperate with the Department to develop funding plans to ensure the financial sustainability of the entity. Should the funding model and legislative impediments regarding regulation by the C-BRTA not be corrected, the entity will also face liquidity concerns;

8.3.2.3.4 The entity should ensure its targets meet the SMART principles and ensure that sufficient records are available to prove that those targets have been met. The entity must also implement sufficient measures to ensure that it achieves all the annual performance targets that it sets itself, as well as develop and implement effective action plans in response to the findings of the AGSA;

8.3.2.4 DLCA

8.3.2.4.1 The entity should ensure its targets meet the SMART principles and ensure that sufficient records are available to prove that those targets had been met. The entity must also implement

sufficient measures to ensure that it achieves all the annual performance targets that it sets itself, as well as develop and implement effective action plans in response to the findings of the AGSA;
8.3.2.4.2 The entity must submit quarterly reports to the Committee on progress made regarding the application for approval to move to a new card format and the acquisition/procurement of a new card manufacturing machine. Should there be a failure to obtain these approvals, the entity must immediately inform the Committee of steps taken to limit service disruptions to card applicants in the event that the current machine is no longer serviced and if it becomes inoperable;

8.3.2.5 PRASA

8.3.2.5.1 General

8.3.2.5.1.1 The entity should cooperate with the Department to develop funding plans to ensure the financial sustainability of the entity and its subsidiaries (especially Autopax given its dire financial position). Should the funding model and legislative impediments regarding regulation by the PRASA not be corrected, the entity will also face liquidity concerns;

8.3.2.5.1.2 The below-than-acceptable performance requires special interventions and a rescue plan that will ensure that, in the next financial year, PRASA, focuses on the following:

8.3.2.5.1.2.1 Arresting the current decline in business performance;

8.3.2.5.1.2.2 Focusing on reliability, availability, predictability of the service that is safe and secure and improves customer service satisfaction;

8.3.2.5.1.2.3 Fixing a misaligned and fragmented organisational structure and drive efficiencies and effectiveness in the deployment of resources;

8.3.2.5.1.2.4 Bringing organisational stability and strict governance; and

8.3.2.5.1.2.5 Fast tracking the modernisation programme to improve passenger rail travel experience and ensuring that the infrastructure is suitable and depots are available to receive the new trains from Gibela;

8.3.2.5.1.3 That PRASA improves its current services and safety through the rollout of the current turnaround strategy. The Department must deliver quarterly reports on the above to the Committee;

8.3.2.5.1.4 The entity should ensure its targets meet the SMART principles and ensure that sufficient records are available to prove that those targets have been met. The entity must also implement sufficient measures to ensure that it achieves all the annual performance targets that it sets itself, as well as develop and implement effective action plans in response to the findings of the AGSA;

8.3.2.5.1.5 PRASA should put more effort into ensuring the provision of a more focussed and efficient Mainline Passenger Service (MLPS) with a view to responding to the increasing rate of urbanisation, as well as regional mobility requirements. The entity, through the Minister, must provide adequate reasons to the Committee, by 15 December 2021, as to why the annual report of the entity and its subsidiaries were not tabled within the extended deadline. In the next reporting period, the entity must ensure that it adopts its annual report in order for the Minister to table it timeously. The entity, through the Minister, must ensure that the annual report for 2020/21 is tabled urgently;

8.3.2.5.2 Intersite

8.3.2.5.2.1 The entity should ensure its targets meet the SMART principles and ensure that sufficient records are available to prove that those targets have been met. The entity must also implement sufficient measures to ensure that it achieves all the annual performance targets that it sets itself, as well as develop and implement effective action plans in response to the findings of the AGSA;

8.3.2.5.2.2 The entity must work with the Department to finalise its consolidation with PRASA Cres;

8.3.2.5.3 Autopax

8.3.2.5.3.1 The entity should ensure its targets meet the SMART principles and ensure that sufficient records are available to prove that those targets have been met. The entity must also implement sufficient measures to ensure that it achieves all the annual performance targets that it sets itself, as well as develop and implement effective action plans in response to the findings of the AGSA;

8.3.2.5.3.2 The entity must ensure that it works with PRASA and the Department to find a viable solution to improve its finances;

8.3.2.6 PRSA

8.3.2.6.1 The entity should ensure its targets meet the SMART principles and ensure that sufficient records are available to prove that those targets have been met. The entity must also implement sufficient measures to ensure that it achieves all the annual performance targets that it sets itself, as well as develop and implement effective action plans in response to the findings of the AGSA;

8.3.2.6.2 The entity should cooperate with the Department to develop funding plans to ensure the financial sustainability of the entity. Should the funding model and legislative impediments regarding regulation by the PRSA not be corrected, the entity will also face liquidity concerns;

8.3.2.6.3 The entity must ensure that it improves its Financial Statements preparation;

8.3.2.7 RAF

8.3.2.7.1 The entity should cooperate with the Department to develop funding plans to ensure the financial sustainability of the entity and should provide the Committee with quarterly updates on strategies to improve the financial health status and reduction of instances where the liabilities exceed total assets of the RAF, as there was uncertainty as to whether the entity would be able to fund their future obligations. Updates should also be provided on the notable concerns regarding liquidity remaining for RAF;

8.3.2.7.2 The RAF should be supported by the Department and stakeholders in discharging its mandate of efficiently and effectively providing compulsory social insurance cover for to all users of South African roads; rehabilitate and compensate people injured owing to the negligent driving of motor vehicles;

8.3.2.7.3 The entity should ensure its targets meet the SMART principles and ensure that sufficient records are available to prove that those targets have been met. The entity must also implement sufficient measures to ensure that it achieves all the annual performance targets that it sets itself, as well as develop and implement effective action plans in response to the findings of the AGSA;

8.3.2.7.4 The entity, through the Minister, must provide adequate reasons to the Committee, by 15 December 2021, as to why the annual report of the entity was not tabled within the extended deadline. In the next reporting period, the entity must ensure that it adopts its annual report in order for the Minister to table it timeously. The entity, through the Minister, must ensure that the annual report for 2020/21 is tabled urgently;

8.3.2.8 RSR

8.3.2.8.1 The entity should co-operate with the Department to develop funding plans to ensure the financial sustainability of the entity. Should the funding model and legislative impediments regarding regulation by the RSR not be corrected, the entity will also face liquidity concerns;

8.3.2.9 RTIA

8.3.2.9.1 The entity should co-operate with the Department to develop funding plans to ensure the financial sustainability of the entity. Should the funding model and legislative impediments regarding regulation by RTIA not be corrected, the entity will also face liquidity concerns;

8.3.2.9.2 The entity should ensure that the required measures are in place to ensure its record keeping is improved sufficiently to prevent a future tabling delay as was experienced during this audit process;

8.3.2.9.3 The entity must urgently address the findings that led to its qualified audit as identified by the AGSA;

8.3.2.9.4 The entity, through the Minister, must provide adequate reasons to the Committee, by 15 December 2022, as to why the annual report of the entity was not tabled within the extended deadline. In the next reporting period, the entity must ensure that it adopts its annual report in order for the Minister to table it timeously. The entity, through the Minister, must ensure that the annual report for 2021/22 is tabled urgently;

8.3.2.10 RTMC

8.3.2.10.1 The entity should ensure its targets meet the SMART principles and ensure that sufficient records are available to prove that those targets have been met. The entity must also implement sufficient measures to ensure that it achieves all the annual performance targets that it sets itself, as well as develop and implement effective action plans in response to the findings of the AGSA;
8.3.2.10.2 The entity must ensure that it improves its Financial Statements preparation;

8.3.2.11 SACAA

8.3.2.11.1 The entity must ensure that it works with the Department on improving its funding model to address the revenue generation impact experienced due to the COVID-19 lockdown restrictions on the aviation industry;
8.3.2.11.2 The entity should, on a quarterly basis, report back to the Committee on the progress to procure a new or lease a South African owned calibration aircraft to ensure the continued operations at airports across the country;

8.3.2.12 SAMSA

8.3.2.12.1 The entity should ensure that adequate review processes are in place to detect material misstatements prior to the submission of its financial statements to the AGSA.;

8.3.2.13 SANRAL

8.3.2.13.1 The entity should co-operate with the Department to develop funding plans to ensure the financial sustainability of the entity and should provide the Committee with quarterly updates on strategies to improve the financial health status and reduction of instances where the liabilities exceed total assets of SANRAL as there was uncertainty as to whether the entity would be able to fund their future obligations. Updates should also be provided on the notable concerns regarding liquidity remaining for SANRAL;
8.3.2.13.2 With regard to SANRAL, the Ministry must urgently seek to achieve finality regarding the GFIP funding model;
8.3.2.13.3 The entity should ensure its targets meet the SMART principles and ensure that sufficient records are available to prove that those targets have been met. The entity must also implement sufficient measures to ensure that it achieves all the annual performance targets that it sets itself, as well as develop and implement effective action plans in response to the findings of the AGSA;
8.3.2.13.4 The entity must ensure that it improves on its Financial Statements preparation;

8.3.3 Committee recommendations applicable to all entities

As the following recommendations have general application to all entities of the Department and for the sake of limiting repetition, the Committee recommends that the Minister, through the Department, should ensure the following:

8.3.3.1 When vacancies in entities arise in critical posts (CEO, CFO, COO, Chief Procurement Officer (CPO)), those appointments should be expedited so that consequence management can be implemented against officials who incur or permit irregular expenditure, as well as fruitless and wasteful expenditure;
8.3.3.2 The Committee requests the following with regard to compliance with the provisions of the PFMA:

8.3.3.2.1 The entities should capacitate their Finance and SCM directorates/departments/branches with appropriately skilled and competent personnel to prepare credible financial statements;

8.3.3.2.2 The executive authorities, accounting authorities, accounting officers and senior management should ensure that information used to prepare financial statements are accurate and reliable; and

8.3.3.2.3 The entities must ensure that all officials responsible for reporting in terms of the PFMA are reskilled by ensuring they receive training on compliance with the PFMA, ensure that these staff members undergo refresher courses on the applicable NT Regulations that are implemented from time to time, and receive training on compliance with the King Report on Corporate Governance IV;

8.3.3.3 Control processes should be adhered to in the SCM processes. Some of these highlighted by the Committee are:

8.3.3.3.1 The entities should identify and address the inefficiencies in the SCM process in the entity. There should be consequences for poor performance and failure to comply with applicable legislation;

8.3.3.3.2 Members of the relevant Board/bid evaluation committee and the chairperson should satisfy themselves that all service providers that are recommended for award have all the required documentation in terms of legislation. The list of recommended bidders should be accompanied by a signed checklist confirming the completeness of required documents;

8.3.3.3.3 Management should properly plan the acquisition of goods and services and exercise sufficient oversight and monitoring of controls to ensure that compliance with SCM policy is achieved;

8.3.3.3.4 Recurring non-compliance should be investigated and appropriate action taken against transgressors;

8.3.3.3.5 Furthermore, management should ensure its own policies and procedures are reviewed and aligned to the Framework for Managing Performance Information and the PFMA, to ensure that performance reporting requirements are properly processed by the entity;

8.3.3.4 The entities must each submit a comprehensive action plan to address any and all of the AGSA's findings and recommendations to the Committee by the end of January 2022, followed by quarterly progress reports;

8.3.4 Committee recommendations to the Minister of Finance

The Committee recommends that the Minister of Finance, through NT, should ensure the following:

8.3.4.1 Assist the Department and its entities, along with the AGSA, to obtain a definitive interpretation or definition of SCM terminology and issues raised with B-BBEE compliance requirements in order to prevent future disputes during the audit process linked to these terms;

8.3.4.2 Assist the Department with finalising new feasibility studies linked to a possible future Moloto Rail Corridor and other High Speed Rail corridors;

8.3.5 Committee recommendations to the Minister in the Presidency

The Committee repeats its recommendation from the 2020 BRRR and recommends that the Minister in the Presidency, should ensure the following:

8.3.5.1 Assist the Department and SANRAL in urgently processing the decision on the future funding model for the GFIP as this is still not yet finalised and the continued delays in the finalisation of the GFIP matter has continued and continues to negatively affected the financial sustainability of SANRAL;

9. SUMMARY OF REPORTING REQUESTS

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

Table 19: 2022 Summary of Reporting Requests

Reporting matter	Action required	Timeframe
The Department should submit an improved Action Plan to address the findings of the AGSA for it and its entities, as well as the implementation of the recommendations made by the Committee in this report.	Written plan from the Department.	15 January 2023
The Department should submit a comprehensive briefing on steps it will be taking to assist in stabilising its entities (including filling of vacancies, conclusion and evaluation of shareholder agreements, improving the efficiency of the shareholder representatives on the	Monthly progress written briefings from the Department.	Monthly starting with first report due on 15 January 2023

boards, closely monitoring the implementation of projects and budget expenditure, etc.).		
The Department should submit a comprehensive briefing on progress made on the filling of Board vacancies in entities, as well as the filling of all critical posts within the Department and its entities.	Monthly progress written briefings from the Department.	Monthly starting with first report due on 15 January 2023
The Department should submit a comprehensive briefing on implementation of the RTRP, to justify the continuation of the programme, to indicate how it will assist with delivering on the outcomes of the Taxi Lekgotla and with specific reference as well to the progress under the programme for purposes of implementation of the recommendations from the Public Protector's Report on illegal Quantum Van conversions.	Written briefing from the Department.	15 January 2023
The Department should submit quarterly reports on investigations underway in the Department and all the entities, with additional emphasis on the finalisation of investigations to resolve the AGSA SCM compliance concerns, lack of consequence management and resolution of past incurred irregular expenditure findings.	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department should submit quarterly reports on pending litigation, as well as settlements reached and judgments for and against the Department and all the entities.	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department should submit quarterly reports on human resource management (retentions, secondments, transfers, retirements, training and skills transfers, resignations and dismissals), as well as report on progress in disciplinary matters (including suspensions) in the Department and all the entities.	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department should submit quarterly reports on the achievement of job creation targets in the Department and all the entities.	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department should submit quarterly reports on the achievement of transformation targets in the Department and all the entities.	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department should submit quarterly reports on the progress towards prevention of irregular, fruitless and wasteful expenditure for the Department and all the entities.	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department should submit quarterly reports on the <i>Shova Kalula</i> project.	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department should submit quarterly reports on the progress of projects linked	Written plan from the Department.	Quarterly reports within 30 days of the adoption

with the following grants: PTOG PRMG PTNG RRAMS Coal Haulage Grant Disaster Management Grant		of this report by the NA
The Department should submit quarterly reports on progress regarding the Moloto Corridor Project with emphasis on the Road works' progress and any future discussions on revisiting the feasibility of the Rail Programmes.	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department should submit a comprehensive briefing on the progress made to address and/or implement recommendations emanating from Committee Oversight Reports during the year.	Written briefing from the Department.	15 January 2023
The Department should submit a progress report on the finalisation of the Public Transport Safety Plan.	Written report from the Department.	15 January 2023
The Department should submit quarterly reports on strategies to address the financial health status of: C-BRTA RAF PRSA SANRAL PRASA SACAA ACSA ATNS	Written plans from the Department of Transport and: C-BRTA RAF PRSA SANRAL PRASA SACAA ACSA ATNS	Quarterly reports within 30 days of the adoption of this report by the NA.
The Department, together with the C-BRTA should submit quarterly progress reports on progress regarding: The implementation of the 1996 SADC Protocol on Transport, Communications and Meteorology; The resolution of the impasse regarding the cross-border movements on the RSA/Kingdom of Lesotho route.	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department, in conjunction with PRASA should submit a comprehensive briefing on the Werksmans contract from conclusion of the contract in 2015 to the current status of work performed by the firm and include the total expenditure to date relating to the contract in question, as well as the progress on resolving the matters raised in the report.	Written briefing from the Department.	15 January 2023
The Department, together with PRASA should submit a comprehensive briefing on: - the new Board interventions plan it intends to implement, as well as how this will address the shortages of train sets currently online and how they intend to increase ridership;	Written briefing from the Department.	15 January 2023

<ul style="list-style-type: none"> - The plan in place to ensure that PRASA complies with all RSR directives; - The plan in place to phase out manual authorisation or how they will ensure that the use of manual authorisation will not lead to another train collision or derailment; - The plan to address the concerns raised regarding the asset register as well as the safety and security on the assets, infrastructure, staff and passengers; 		
The Department, together with the DLCA must submit a comprehensive plan on how the concerns regarding the card production machine is being addressed as well as a report on the progress made to finalise and roll-out the proposed new card standards.	Written plan from the Department.	15 January 2023
The Department, together with SANRAL must submit a report on the agreements entered into and deliverables in relation to the transfer of road maintenance and further planned construction in relation to the Moloto Road Corridor with each of the relevant affected provinces and SANRAL.	Written report from the Department.	15 January 2023
The Department, together with SANRAL must submit a comprehensive plan on managing the fiscal constraints placed on the entity due to the e-tolling GFIP concerns raised.	Written plan from the Department.	15 January 2023
The Department, together with SACAA must submit a report on the progress into the investigation of the aircraft crash involving the Calibration Aircraft of the entity as well as submit the final report on this crash investigation once it is finalised.	Written progress report from the Department.	15 January 2023

10. CONCLUSION

The Committee would, through its oversight and engagements with the Department and its entities, ensure that the AGSA's recommendations are implemented by the Department and its entities. The Committee would further insist on receiving regular feedback from the Department on key issues impacting entities as identified through the oversight process performed by the Committee, as well as the Department's own internal oversight directorate over the entities.

11. APPRECIATION

The Committee would like to acknowledge the Minister, the Deputy Minister, the Department officials, as well as Board Members and officials of the entities for presentations made and engagements on their annual reports and annual financial statements.

The Committee applauds the achievements by the C-BRTA, DLCA, SACAA, RSR, RTMC and PRSA in receiving Unqualified Audit opinions with no material findings.

The Committee would also like to extend a note of appreciation to its support staff during the year under review and in the compilation and capturing of the Committee reports.

The Economic Freedom Fighters (EFF) abstained from the adoption of the report.

The Democratic Alliance (DA) rejected the report.

Report to be considered.

Attached – Annexure A: List of abbreviations/acronyms

ANNEXURE A: LIST OF ABBREVIATIONS/ACRONYMS

Abbreviation/Acronym	Meaning
AARTO	Administrative Adjudication of Road Traffic Offences
ACSA	Airports Company South Africa
AFCAC	African Civil Aviation Commission
AGM	Annual General Meeting
AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
ARDP	(Draft) Access Road Development Plan
ATNS	Air Traffic Navigation Services
AU	African Union
AVT	Autonomous Vehicle Technology
BAC	Bid Adjudication Committee
BARSA	Board of Airlines Representatives of South Africa
B-BBEE	Broad-Based Black Economic Empowerment
BTE	Bureau for Transport Economists
BRRR	Budget Review and Recommendations Report
BRT	Bus Rapid Transport
CARCOM	Civil Aviation Regulations Committee
C-BRTA	Cross-Border Road Transport Agency
C-BRTRF	Cross-Border Road Transport Regulators Forum
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIDB	Construction Industry Development Board
CNG	Compressed Natural Gas
COO	Chief Operational Officer
COTO	Committee of Transport Officials
COVID-19	The Coronavirus Disease 2019
CPO	Chief Procurement Office
DBSA	Development Bank of Southern Africa
DG	Director-General
DGEC	Directors-General of the Economic Cluster
DDG	Deputy-Director General
DGOs	Dangerous Goods Operators
DLCA	Driving Licence Card Account
DLTC	Driving Licence Testing Centres
DORA	Division of Revenue Act
DPE	Department of Public Enterprises
DPME	Department of Planning, Monitoring and Evaluation
DPSA	Department of Public Service and Administration
ENaTIS	Electronic National Traffic Information System
ERT	Economic Regulation of Transport
ESEID	Economic Sectors, Employment and Infrastructure Development
EXCO	Executive Committee
FMPPI	Framework for Managing Programme Performance Information
FOSAD	Forum of South African Directors-General
GFIP	Gauteng Freeway Improvement Project
GHG	Greenhouse Gas
GDP	Gross Domestic Product
GDYC	Gender, Disability, Youth and Children
GTS	Green Transport Strategy
HRD	Human-Resource Development
HSR	High Speed Rail
IA	Issuing Authority
ICAD	International Civil Aviation Day
ICAO	International Civil Aviation Organisation

ICT	Information and Communications Technology
IMO	International Maritime Organisation
IPAP	Industrial Policy Action Plan
IPTNs	Integrated Public Transport Networks
IPTTP	Integrated Public Transport Turnaround Plan
IRERC	Interim Rail Economic Regulatory Capacity
IT	Information Technology
KPI	Key Performance Indicator
LDV	Light Delivery Vehicle
LGBTQIA+	Lesbian, Gay, Bisexual, Transgender, Queer or Questioning, Intersex, Asexual or Ally and Two-Spirited
LPG	Liquefied Petroleum Gas
MCA	Multi-Criteria Assessment
MECs	Members of the Executive Council
MEOSAR	Medium Earth Orbit Search and Rescue
MI	Material Irregularity
MLPS	Long Distance (Main Line) Passenger Service
MoAs	Memoranda of Agreements
MOU	Memorandum of Understanding
MTEF	Medium-Term Expenditure Framework
MTP	Comprehensive Maritime Transport Policy
MTSF	Medium-Term Strategic Framework (2014-19)
MTT	Ministerial Task Team
M&E	Monitoring and Evaluation
NA	National Assembly
NADP	National Airports Development Plan
NAFCS	National Anti-Fraud and Corruption Strategy
NATMAP 2050	National Transport Master Plan 2050
NCAP	National Civil Aviation Policy
NCCRS	National Climate Change Response Strategy
NCOP	National Council of Provinces
NDP	National Development Plan
NEDLAC	National Economic Development and Labour Council
NGP	New Growth Path
NHTS	National Household Travel Survey
NICRO	South African National Institute for Crime Prevention and the Reintegration of Offenders
NIP	National Infrastructure Plan
NQF	National Qualifications Framework
NRSS	National Road Safety Strategy
NRTA	National Road Traffic Act
NSRI	National Sea Rescue Institute
NT	National Treasury
PEPFRA	Ports Economic Participation Framework
PFMA	Public Finance Management Act
PICC	Presidential Infrastructure Coordinating Commission
PMDS	Performance Management and Development System
PPP	Public-Private Partnership
PPPFA	Preferential Procurement Policy Framework Act
PRASA	Passenger Rail Agency of South Africa
PRSA	Ports Regulator of South Africa
PRMG	Provincial Roads Maintenance Grant
PSC	Passenger Safety Charge
PSP	Private Sector Participation
PTNG	Public Transport Network Grant
PTOG	Public Transport Operations Grant
RA	Registering Authorities
RAF	Road Accident Fund

RFS	Road Freight Strategy
ROCE	Return on Capital Employed
RPAS	Remotely Piloted Aircraft
RRAMS	Rural Road Asset Management System Grant
RSA	Republic of South Africa
RSR	Railway Safety Regulator
RTIA	Road Traffic Infringements Agency
RTMC	Road Traffic Management Corporation
RTRP	Revised Taxi Recapitalisation Programme
SAAF	South African Air Force
SAATM	Single African Air Transport Market
SABC	South African Broadcasting Corporation
SABOA	Southern African Bus Operations Association
SACAA	South Africa Civil Aviation Authority
SADC	Southern African Development Community
SAMSA	South African Maritime Safety Authority
SANRAL	South African National Roads Agency Limited
SAPS	South African Police Services
SARS	South African Revenue Service
SASAR	South African Search and Rescue Organisation
SCM	Supply Chain Management
SEIAs	Socio Economic Impact Assessment System
SIP	Strategic Infrastructure Programme
SMART	Specific, Measurable, Achievable, Realistic and Timely
SMME	Small, medium and micro enterprises
SMS	Senior Management Service
SmS	Safety Management System
SMSR	Safety Management System Report
SOEs	State-owned Enterprises
SONA	State of the Nation Address
SSP	<i>S'hamba Sonke</i> Programme
STER	Single Transport Economic Regulator
TAT	Transport Appeals Tribunal
TETA	Transport Education and Training Authority
TFR	Transnet Freight Rail
TNPA	Transnet National Ports Authority
ToR	Terms of Reference
TRP	Taxi Recapitalisation Programme
TV	Television
TVET	Technical Vocational Educational and Training
UN	United Nations
VTC	Vehicle Testing Centres
WHO	World Health Organisation
WITS	University of Witwatersrand
YD	Yamoussoukro Decision