###### National Assembly

###### Question Number: 2706

**Mr C H H Hunsinger (DA) to ask the Minister of Transport:**

(1) With reference to her reply to question 2159 on 1 November 2016, what (a) criteria were used to approve (i) salaries and (ii) bonuses, (b) procedures exist to verify that the specified criteria were (i) used and (ii) followed in the (aa) 2013-14, (bb) 2014-15 and (cc) 2015-16 financial years;

**Response:**

**Road Accident Fund (RAF)**

1.(a)(i) The RAF uses market research and benchmarking by reputable remuneration consultancy firms as well as guidelines issued by National Treasury to determine inflationary annual salary adjustments as criteria for the approval of salaries and salary increases respectively.

(ii) The RAF uses performance against specified performance indicators agreed in the respective annual performance contracts, which indicators are linked to the performance targets set in the Annual Performance Plan, as criteria to approve bonuses.

 (b)(i)(ii)The Remuneration and Reward Policy and its associated procedure, which *inter alia* provides for benchmarking of salaries and auditing of the annual salary adjustments by the Internal Audit Department, and the Performance Management and Development Policy and its associated procedure, which *inter alia* provides for quarterly performance assessment of the CEO’s performance by the Chairperson of the Board. The annual performance assessment scores to be tabled at the REMCO and the Board; and the auditing of results by the Internal Audit Department, or Auditor-General where the Board so elects, exist to verify that the specified criteria were (i) used and (ii) followed in the (aa) 2013-14, (bb) 2014-15 and (cc) 2015-16 financial years.

**Road Traffic Infringement Agency (RTIA)**

1.(a)(i) The Registrar of the RTIA’s salary is determined in terms of DPSA framework and it is on salary level 16 (DG level).

(ii) The Registrar’s bonus is determined in terms of the approved performance management framework, where a performance bonus is based on a certain percentage obtained and it is approved by the Board.

(b)(i) The criteria and procedure used is outlined in the Agency’s Performance Management Framework.

 (ii) The criteria and procedure used is outlined in the Agency’s Performance Management Framework

 (aa) 2013/2014: As approved by the Board in its assessment in terms of the Performance Assessment criteria.

 (bb) 2014/2015: As approved by the Board in its assessment in terms of the Performance Assessment criteria.

 (cc) 2015/2016: As approved by the Board in its assessment in terms of the Performance Assessment criteria.

**Passenger Rail Agency South Africa (PRASA)**

1.(a)(i) Salaries are offered to employees at the time of their appointment to the organization according to their job level and the approved scales as per PRASA policies.

 (ii) PRASA does not pay bonuses at the moment, but should the time come where bonuses have to be paid this will be guided by the relevant Human Capital Management Policies on Performance Management as well as Remuneration and Benefits.

(b)(i)(ii) This is guided by job evaluation and profiling as well as approved scales as per PRASA policies all the time.

PRASA does not pay any bonuses at the moment.

**Road Traffic Management Corporation (RTMC)**

1.(a)(i) The salary increase and the bonuses of the CEO of the Road Traffic Management Corporation are based on the contract of employment and organizational performance.

(ii) Performance bonus is only payable if the organization achieves the minimum of 75% of overall performance. Performance assessment is conducted by the Board and the amount payable is based on the performance achieved. Performance information is audited by the Auditor General.

(b)(i)(ii) (aa) 2013/14

There was no performance bonus paid to the CEO relating to 2013/14 financial year. This was due to the fact that the CEO’s contract of employment commenced in January 2014 which was three months before end of financial year. The organization had also under performed.

(bb) 2014/15

The Board report that The performance bonus paid was based on organizational performance achieved of 83%. A performance assessment was conducted by the Board and the amount paid was based on the performance achieved.

(cc) 2015/16

I am informed The CEO’s salary was adjusted during 2015/16 based on the following:

* Organizational growth occasioned by the decision of the Shareholders Committee to transfer the management of the e-NaTIS system from TASIMA to RTMC.
* Organizational performance achieved during 2014/15

The performance bonus relating to 2015/16 financial year was based on organizational performance achieved at 92%. The performance assessment was conducted by the Board and the performance information was audited by the Auditor General.

**South African Civil Aviation Authority (SACCA)**

1.(a)(i)(ii) The SACAA has Board approved remuneration and perfomance management policies which provide overall guidance of annual salary increases and bonuses. The Director Civil Aviation (DCA)’s salary and bonus was approved by the board in line with the remuneration and perfomance management policies.

The salary increase approved by the board was in line with the guidelines published by the National Treasury. The SACAA salaries including the DCA’s are benchmarked on a regular basis and the pay scales are approved by the board.

(b)(i)(ii) The percentage in respect of salary increases and the total amount payable in respect of Bonuses including the DCA’s are approved by the board and audited by the Internal Audit before implementation annually.

 (aa) The DCA was appointed on 1 December 2013 and the salary was determined and approved by the Minister.

 (bb) 2014/2015 salary increase was approved by the board and paid in accordance with the policy and national treasury guidelines. The bonus was also paid in accordance with the entity’s remuneration and perfomance management policies and was subjected to Internal Audit processes.

 (cc) 2015/2016 salary increase was paid in accordance with the policy and national treasury guidelines. The bonus was paid in accordance with the entity’s remuneration and perfomance management policies and was subjected to Internal Audit processes.

**Cross-Border Road Transport Agency (C-BRTA)**

(1)(a)(i) In terms of the Cross-Border Road Transport Act, Act no. 4 of 1998, the CEO salary is determined by the Minister of Transport in consultation with Minister of Finance.

 (ii) As per the terms and conditions of the employment contract, the salary package is structured as 80% fixed salary and 20% variable portion. The 20% is paid as a performance bonus on achievement of agreed target as stipulated in the performance agreement contract.

 (b)(i)The Minister’s written approval is used as an input document to load the salary into the payroll system and this is reviewed at the executive level. The calculation of the performance bonus is based on the final performance assessment and the calculation is reviewed by Executive: Human Resources and the Chief Financial Officer before the payment is processed.

 (ii) (aa) (bb) Yes criteria was followed for 2013/14 and 2014/15.

 (cc)For 2015/16 not applicable as the performance bonus is not yet finalized for payment.

**South African Maritime Safety Authority (SAMSA)**

1(a)(i)

|  |  |  |  |
| --- | --- | --- | --- |
| Criteria for approval of salary increases | 2013/14 | 2014/15 | 2015/16 |
| \*CPI+ | CPI | CPI |

\*CPI+ was used as CEO had not received annual salary increases for 2 successive years (since 2011).

 (ii)

|  |  |  |  |
| --- | --- | --- | --- |
| Criteria for approval of bonuses | 2013/14 | 2014/15 | 2015/16 |
| * Organizational performance
* Employment contract which stipulated that up to 20% bonus will be payable based on organizational performance
 |  |  |

 (b)(i)

|  |  |  |  |
| --- | --- | --- | --- |
|  Procedures | 2013/14 | 2014/15 | 2015/16 |
| Used | Recommendation made by Exco, REMCO and approval by Board of Directors | Recommendation made by Exco, REMCO and approval by Board of Directors | Recommendation made by Exco, REMCO and approval by Board of Directors |

 (ii)

|  |  |  |  |
| --- | --- | --- | --- |
|  Procedures | 2013/14 | 2014/15 | 2015/16 |
| Followed | \*There was no Board of Directors appointed at the time. As a result the decision was taken by Executive Committee (EXCO) | \*There was no Board of Directors appointed at the time. As a result the decision was taken by Executive Committee (EXCO) | \*There was no Board of Directors appointed at the time. As a result the decision was taken by Executive Committee (EXCO) |

\* The Board of Directors was subsequently appointed but members resigned/did not form a

 quorum before it could ratify the decision.

(1)b(i) What procedures (for bonus) exist to verify that the specified criteria were used?

|  |  |  |  |
| --- | --- | --- | --- |
|  Procedures | 2013/14 | 2014/15 | 2015/16 |
| Used | Recommendation made by Exco, REMCO and approval by Board of Directors | No bonus was paid out | No bonus was paid out |

(ii) What procedures (for bonus) exist to verify that the specified criteria were followed?

|  |  |  |  |
| --- | --- | --- | --- |
|  Procedures | 2013/14 | 2014/15 | 2015/16 |
| Followed | \*There was no Board of Directors appointed at the time. As a result the decision was taken by Executive Committee (EXCO) | No bonus was paid out. | No bonus was paid out. |

\*The Board of Directors was subsequently appointed but members resigned/did not form a

 quorum before it could ratify the decision.

**Railway Safety Regulator (RSR)**

(1)(a)(i) The organization submits for approval an inflationary increase percentage, based on the benchmarked rate each year and these increases are payable at the start of each financial year in April each year.

(ii) Performance Appraisal for the CEO will be assessed by all the Chairpersons of the Board Committees chaired by the Board Chairperson and organizational performance and key performance areas to arrive at a score which will determine the eligibility for a performance.

(b)(i) Performance contracts are entered into, which include Strategic performance objectives/Key Results Areas, weightings, Key Performance Indicators, Targets, Rating Descriptors, Source of Evidence, Observations and Score Ratings.

(ii)(aa) (bb) (cc) A five point rating scale is used for the Strategic Performance Objectives which determines that an individual who has reached a Level 4 rating (80%- 85%) becomes eligible for a performance bonus incentive. The appraisal indicates that the employee has achieved all the performance aspects of the job and the performance is significantly higher than the expected performance standard.

**Ports Regulator South Africa (PRSA)**

1(a)(i) The starting salary was approved by Minister of Transport in consultation with cabinet, as the

CEO is appointed by the Minister of Transport in terms of the National Ports Act (12 of 2005) section 34, and thereafter increases were approved by the Regulator (board) as the same percentage annual salary increase as pertains to the staff as a whole.

(ii) The CEO performance is appraised by the Human Resources/ Remuneration Committee of the

Regulator (Board) in terms of an approved performance agreement, and the performance assessment and score is signed off by the Chairperson. If the overall score is above a minimum threshold of 3.1 out of a maximum of 5, a bonus is payable in terms of the Ports Regulator Short Term Incentive Policy which sets out the bonus calculation.

(b)(i) The CFO checks the performance bonus calculation and it is captured on the payroll and the

CFO and CEO approves every pay-run before payment as the CEO is the accounting officer as per the Ports Act. This is verifiable from signed pay-run records. The pay-runs and performance system, calculations and records are subsequently audited by internal audit and external audit by the Auditor General.

(ii) No internal or external auditor findings on CEO salary or bonus were incurred in each of the

listed years indicating that the specified criteria were followed in these financial years; (note

that the overall audit outcome in each year is specified in brackets.)

(aa) 2013-14, (unqualified audit)

(bb) 2014-15 (clean audit) and,

(cc) 2015-16 (clean audit)

**Airports Company South Africa (ACSA)**

(1)(a) criteria were used to approve

**(i) salaries and**

* Projected inflation i.e. based on CPI as determined by stats SA (CPI refers to the Annual Percentage Change in the Consumer Price Index excluding interest rates on mortgage bonds);
* External remuneration market analysis (Executive Remuneration Survey and Comparison Ratio Report);
* Supporting variables such as capability and performance; and
* Company financial affordability.

**(ii) bonuses,**

* The incentive remuneration policy and scheme rules of the company, a matter falling inside the discretion of the Board of Directors.’ - The CEO performance contract and assessment rating as concluded by relevant members of the Board of Directors;
* The Company’s key performance framework score card approved by the Board of Directors;
* The On-target bonus percentage which is 50% of the CEO’s annual salary.

 (b) procedures exist to verify that the specified criteria were

**(i) used and (ii) followed in the (aa) 2013-14, (bb) 2014-15 and (cc) 2015-16 financial years;**

* An internal audit is conducted on an annual basis prior to the payment of incentive remuneration to ensure compliance with company policy and scheme rules;
* The remuneration increase and bonus payment schedule is signed-off by relevant authorized company officials

**Air Transport Navigation Systems (ATNS)**

1(a) The criteria within the Company’s Performance Management and Short Term Incentive Policies were used to determine the eligible rate.

The application of the criteria is audited by an External Auditing Company, every financial year.

**South African National Roads Agency Limited (SANRAL)**

1(a) criteria were used to approve

(i) salaries

* The Board uses comprehensive Market Surveys to determine the appropriate level for each pay grade, with a minimum and maximum per grade. The grade and adjustments includes consideration for inflation (including medical aid inflation), scarce skills, qualification and experience. Individual pay adjustments are based on performance or merit ratings.

(ii) bonuses

The current SANRAL Short Term Incentive (STI) policy, was introduced and approved by the SANRAL Board in 2012, after the pilot in 2011. This policy specifically abandoned the subjective discretionary bonus regime used since 1998. The policy takes the following principles into account:

a. The organisation as a whole has to perform above a specified minimum in terms of the Annual Performance Plan, in order to be eligible.

b. An individual has to score at least a 3 (5 point scale) merit rating to be eligible for a bonus

c. Four tiers of measurable performance was identified: Organisation, Region, Cluster and individual.

d. Each region and cluster has to perform above a specified level, per their identified measurable criteria, in order for that region or cluster to qualify for a score in that tier. The criteria is directly linked to the SANRAL strategic objectives.

e. Each grade participates in various weighting on the tiers depending on their opportunity to influence the tier.

This formula and all the supporting documentation or proof to determine the scores for each performance rating is reviewed in detail by Internal Audit before the payment is made. Once payment is made, this is checked against the calculated values for errors. The Auditor General then reviews during their normal annual audit the same process. On every tier, each performance criteria has to comply with the principles of “SMART” criteria, which leaves little room for subjectivity.

Individual performance contracts, which also includes performance criteria, signed annually between each individual and his/her line manager and submitted to HR for recordkeeping. This process is also audited by the AG in great detail. An individual will receive a merit rating, annually, which is then used as follows:

a. Adjust annual salary (also formula based), effective from 1 March each year.

b. Included in the formula to determine STI bonus, which is paid after the Annual Financial Statements and Performance information is signed off by the AG, normally in September.

(b) procedures exist to verify that the specified criteria were (i) used and (ii) followed in the (aa) 2013-14, (bb) 2014-15 and (cc) 2015-16 financial years;

The processes are audited internally and externally by the AG.