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ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

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National Assembly

1. Report of the Portfolio Committee on Justice and Correctional Services on the removal from office of Ms JF van Schalkwyk, Chief Magistrate at Kempton Park, in terms of section 13(4) of the Magistrates Act, 1993, dated 1 June 2022.

The Portfolio Committee on Justice and Correctional Services, having considered the Minister of Justice and Correctional Services' report, dated 27 July 2021, on the removal from office of magistrate of Ms JF van Schalkwyk, Chief Magistrate at Kempton Park, tabled in terms of section 13(4) of the Magistrates Act, 1993 (Act No 90 of 1993), reports as follows:

1. Ms JF van Schalkwyk is Chief Magistrate at Kempton Park, Johannesburg. She has held this position since 2004.

2. After a preliminary investigation, the Magistrates Commission (the Commission) charged Ms Van Schalkwyk with 18 counts of misconduct. The Commission, at its meeting held on 11 May 2013, agreed to provisionally suspend Ms van Schalkwyk pending an investigation into her fitness to hold office as contemplated in terms of section 13(3)(a) of the Magistrates Act, No 90 of 1993 (the Act). The Minister provisionally suspended her from office on 4 June 2013 and Parliament confirmed Ms Van Schalkwyk's provisional suspension from office in November 2013.

3. On 18 September 2013, the Commission appointed a Presiding Officer and a Person to Lead the Evidence (PLE) at the hearing, informing Ms van Schalkwyk in writing. The misconduct inquiry was postponed several times at the request of the defence and to allow the defence an opportunity to file an application at the High Court challenging the validity of the Regulations for Judicial Officers and the Code of Conduct for Magistrates and for the State to oppose the application. The misconduct inquiry against Ms Van Schalkwyk was kept in abeyance pending the finalisation of the application.

4. The application was heard on 15 March 2017 and judgment was reserved. On 1 August 2017, the High Court delivered its judgment and dismissed the application with costs.

5. The Applicant filed a Notice of Application for leave to appeal on 29 August 2017 but, having heard both parties on 8 November 2017, the High Court dismissed the application with costs (on 10 November 2017).

6. The Commission was of the view that Ms Van Schalkwyk was deliberately delaying the disciplinary process against her and determined to withhold Ms Van Schalkwyk's remuneration in terms of section 13(4A)(a) of the Act with immediate effect, pending the conclusion of the disciplinary inquiry against her. Subsequently, having considered the Minister's report on the matter, Parliament resolved to confirm the determination to withhold Ms van Schalkwyk's remuneration.

7. Despite numerous challenges encountered during the misconduct proceedings, evidence was eventually led and both parties were given the opportunity to submit their respective heads of argument on the merits and orally amplify them before the Presiding Officer on 17 and 18 September 2020. Ms van Schalkwyk elected not to testify at the inquiry. The Presiding Officer postponed the inquiry to 1 and 2 October 2020 for judgement and imposition of a sanction. The Presiding Officer delivered his judgment and found Ms van Schalkwyk guilty on 13 of the 22 remaining counts of misconduct preferred against her.

8. After having given both parties an opportunity to present any aggravating or mitigating factors to him on the imposition of an appropriate sanction, the Presiding Officer recommended that Ms van Schalkwyk be removed from office as contemplated n section 13 of the Magistrates Act.

9. Having considered all the relevant documentation, the Commission resolved to recommend that Ms van Schalkwyk be removed from office on the ground of misconduct. On 27 July 2021, the Minister of Justice and Correctional Services confirmed the removal from office.

10. The Committee was briefed on the matter on 26 August 2021. At the meeting, the Commission informed the Committee that Ms J van Schalkwyk has applied to have the Commission's decision to recommend her removal from office set aside.

11. On 30 August 2021, the Committee received a letter from Ms van Schalkwyk, through her attorneys, informing it that she had instituted proceedings to review the decision of the Commission. She requested that the Committee hold the matter in abeyance pending the review application.

12. The Committee requested a legal opinion and was informed that there was no recourse sought against Parliament and that there was no justifiable basis in law to prevent Parliament from carrying out its positive legal obligations imposed by the Act.

13. The Committee wrote to Ms van Schalkwyk, through her attorneys, to inform her that it intended to deliberate on the matter on 31 May 2022. Ms van Schalkwyk's attorneys wrote back, in a letter dated 31 May 2022, informing the Committee of the progress of the review application and requesting that the Committee postpone its deliberations until the review application is finalised.

14. At its meeting on 31 May 2022, the Committee was briefed by the Commission and also considered the contents of Ms van Schalkwyk's letter. The Committee is of the view that there is no justifiable basis in law for it to postpone its deliberations. Furthermore, Ms van Schalkwyk holds a senior position within the magistracy and the suspension prevents the position from being filled on a permanent basis to the detriment of the administration of justice.

Recommendation

15. The Committee, having considered the report from the Magistrates Commission, the Minister's suspension and removal of Ms JF van Schalkwyk from the Office of

Magistrate, reports that it concurs with the suspension and recommends that the National Assembly resolve not to restore Ms van Schalkwyk to office.

Report to be considered

2. REPORT OF THE STANDING COMMITTEE ON FINANCE ON THE FINANCIAL SECTOR AND DEPOSIT INSURANCE BILL [B3-2022] DATED 18 MAY 2022.

The Standing Committee on Finance, having considered the Financial Sector and Deposit Insurance Levies Bill [B3-2022] (National Assembly – Section 77) referred to it and classified by the JMT as a Money Bill, reports the Bill with amendments [B3A – 2022] as follows:

1. INTRODUCTION AND RATIONALE FOR THE BILL

1.1. The Financial Sector and Deposit Insurance Levies Bill ("Levies Bill" or "the Bill") seeks to make provision for the collection and administration of levies imposed in terms of the Financial Sector and Deposit Insurance Levies Bill, 2022.

1.2. This Bill is a Section 77 (of Constitution) Bill as it is primarily concerned with making provision for the imposition and calculation of financial sector and deposit insurance levies on supervised entities. These levies will fund the operations of the Prudential Authority (PA), the Financial Sector Conduct Authority (FSCA), the Corporation for Deposit Insurance (CDI of CoDI), the Financial Services Tribunal (FST), the Ombuds Council, the Office of the Pension Funds Adjudicator (OPFA), and the FAIS Ombud.

1.3. The Bill is one of the final implementing stages of the country's financial sector regulatory reforms which introduced the so called "Twin-Peaks" regulatory architecture. These reforms followed from the 2008 global financial crisis.

1.4. One of the initial broad policy papers entitled: '*A safer Financial Sector to serve South Africa Better*' was adopted by the Cabinet and published in 2011. This policy paper sought to introduce more intensive, intrusive and effective financial regulation.

1.5. In 2015, NT and the Reserve Bank published a further policy paper entitled "*Strengthening South Africa's Resolution Framework for Financial Institutions*" and a discussion paper entitled '*Designing a Deposit Insurance Scheme for South Africa*' in 2017.

1.6. The Financial Sector Regulation Bill which was approved by Cabinet in 2014 and introduced in Parliament in 2015, got enacted in 2017. It was followed by the enactment of the Insurance Act, 2017. The Financial Sector Regulation Act (FSRA), 2017, headlined the regulatory reforms, introducing the "Twin-Peaks" model of financial regulation. The "Twin-Peaks" model of financial regulation is touted as a comprehensive system for regulating the financial sector, representing a radical shift away from fragmented regulation and mitigating the risk of regulatory arbitrage.

1.7. The FSRA saw the introduction of two main regulatory authorities which are the Prudential Authority (PA), within the South African Reserve Bank (SARB), and the Financial Sector Conduct Authority (FSCA). The PA is responsible for the safety and soundness of banks, insurers and financial conglomerates (systemically important financial institutions). The FSCA is responsible for the protecting customers of financial firms, ensuring the integrity and efficiency of financial markets, and promoting effective consumer education. They were both established on 1 April 2018.

1.8. SARB, under the FSRA, 2017, is responsible for the overall financial stability, with a statutory inter-agency Financial Stability Oversight Committee (FSOC), chaired by the Governor of SARB. This entails planning for worst and ensuring that there are plans in place to manage systemic failures in the financial system. This includes the introduction of deposit insurance as a financial safety net.

1.9. In 2021, Parliament enacted the Financial Sector Laws Amendment (FSLA) Bill which established the Corporation for Deposit Insurance (CoDI) and the Deposit Insurance Fund (DIF). These, for the first time, will ensure that depositors are protected in the event of a bank failure.

1.10. The objectives of financial sector regulation are to ensure a stable, inclusive and transformed financial sector that is a key driver of economic growth and job creation. The financial sector plays an important role of providing financial products and services to citizens, thus supporting economic activity. The efficient and effective regulation and supervision of financial institutions and markets minimises the risk of market failures. A strong system of financial sector regulation ensures the protection of financial customers.

1.11. In order to achieve all these, an appropriate funding model in line with the Twin Peaks system is needed to provide for cost of regulation and capacity enhancement. The Levies Bills seeks to ensure that there is adequate funding and resourcing of regulators and supervisors. The financial sector requires regulatory resources proportional to its centrality as a result of the dependence of the entire economy on the sector as well as its size in relation to the economy.

1.12. Finance is the largest industry in South Africa at 24% of GDP, followed by Personal Services at 17%, Trade at 14%, Manufacturing at 13%, Mining and Government at 9% each, Transport at 7%, Electricity, gas and water at 3%, and Construction and Agriculture at 2% each.

1.13. Currently, prudential regulation of banks by the PA is funded from the general revenue of the SARB, as the operations of the former Office of the Registrar of Banks were funded. The FSCA is currently funded by levies raised in terms of section 302 of the FSRA and its regulations.

Other financial sector bodies are funded through other arrangements. All these arrangements will be primarily funded by this Bill, when enacted.

2. PUBLIC PARTICIPATION

2.1. This Levies Bill was introduced into the National Assembly by the Minister of Finance on 21 January 2022. The Committee was briefed on the Bill by the National Treasury on 09 February 2022. A call for public comments was issued by Parliament thereafter and only written submissions were made. The following organisations made written submissions to the Committee: Banking Association of South Africa (BASA), Financial Intermediaries Association of South Africa (FIASA), Johannesburg Stock Exchange (JSE), Masthead, Moonstone, Outsurance, South African Insurance Association, and Wealth Tap.

2.2. On 11 May 2022, officials from the National Treasury and the affected regulatory bodies responded to the written submissions. As a result of the submissions, a number of amendments were made to the original A version of the Bill. The B version of the Bill was submitted to the Committee on 16 May and the Committee deliberated on 17 May 2022.

2.3. NT reported that prior to the Bill being tabled, it undertook extensive consultations with affected stakeholders, including the regulatory agencies and industry.

3. SUMMARY OVERVIEW OF THE BILL

3.1. The Levies Bill provides for: **Clause 2**- the imposition of financial sector levies on supervised entities; **Clause 9** - the imposition of a deposit insurance levy to fund the Corporation for Deposit Insurance; **Clause 10**– Ministerial powers to amend Schedules subject to Parliamentary approval; **Clause 11-** exemption from levies under certain circumstances; **Clause 12-** the allocation of amounts levied to financial sector bodies.

3.2. The Bill also has several Schedules as follows: **Schedule 1**– calculation of levies applicable to certain supervised entities by the PA; **Schedule 2**– calculation of levies applicable to certain supervised entities by the FSCA; **Schedule 3**– calculation of levies for purposes of funding Financial Services Tribunal; **Schedule 4**– calculation of levies for purposes of funding the Ombud Council; **Schedule 5**– calculation of levies to fund OPFA and FAIS Ombud; **Schedule 6**– calculation of levies to fund Corporation for deposit insurance.

4. KEY ISSUES RAISED IN THE SUBMISSIONS

4.1. The submissions received from stakeholders focused on technical and substantive issues. Some of these issues were accepted by National Treasury, leading to technical amendments. A number of technical comments were raised on the Definitions section of the Bill.

4.2. Other comments and submissions were on: Clause 4: Amount and Payment of financial Sector Levy; Clause 5 and Clause 6: Levy Year and levy Period; Clause 7: Apportionment; Clause 8: Special Levy; Clause 9: Deposit Insurance Levy; Clause 10: Amendment of Schedules; Clause 11: Exemption from Levies; Schedule 1 and 2: Financial Sector Levy Calculation for Supervised Entities in respect of PA and FSCA; Schedule 4 and 5: Financial Sector Levy Calculation for Supervised Entities in respect of Ombud Council and in respect of Statutory Ombud Schemes; Schedule 6: Deposit Insurance levy and tables; and General Comments.

4.3. Most of the substantive policy comments on the Bill focused on what can be referred to as compliance costs, particularly the quantum of the levies, possible duplication of the levy, and the special levy. Below some of these issues are summarized.

COMPLIANCE COSTS

4.4. A number of stakeholders made comments about the compliance costs as proposed in the Levies Bill; highlighting that the collection of levies for different supervisory bodies separately could lead to duplication and cause strain on the supervised entities and consumers. They also raised issue with the charging of the special levy. The main issues was that the compliance costs are too high, would create barriers to entry for new players, would lead to low penetration in the market, limit competition. All of these would therefore lead to increased costs for customers of the regulated financial institutions.

4.5. To these issues raised above, the National Treasury emphasised the importance of regulation and supervision of the financial sector that is appropriately and adequately funded to enable regulators to execute their mandate effectively. NT pointed out that all regulation comes with some costs. It said that the cost of fund regulators under the Levies Bill will largely be based on cost recovery and will kept at minim. NT mentioned that while FSCA will be fully funded by the industry, SARB will continue to fund a portion of PA’s total costs from its resources.

4.6. It further explained that PA will recover direct costs from the industry, clarifying that indirect costs, which are estimated at 40% of the total costs will be funded by SARB. On cost-recovery, NT stated that it should be borne in mind that the regulators and regulatory supervisors were non profit-making organisations. It said that the rationale behind imposing levies is to recover the costs involved in the regulation of the sector. It further assured that the formulation of levies was such that smaller financial sector institutions will pay less than the larger ones, ensuring that new entrants pay a base amount that is set at a threshold that does not create barriers to entry.

4.7. NT further dismissed the view that levies payable to FSCA and PA would amount to duplication of costs. It explained that these authorities were separate and each had its own objectives and functions. It further stated that levies will be imposed for each of the different licensed activities undertaken by supervised entities.

4.8. On the Special Levy, NT stated that it was only for the first levy years to enable regulators to cover set-up and required systems costs. NT stated that the Special Levy had initially been proposed at 15% over one year, but this has been split up two years at 7.5%, per year and falling away from year 3 going forward.

4.9. NT further explained that the Bill makes provision for the granting of exemptions from the payment of all or part of the levy in the circumstances set out in Clause 11 of the Bill, in order to accommodate entities facing hardship.

5. COMPLIANCE WITH SECTION 11(6) OF THE MONEY BILLS ACT ON AMENDMENTS TO SECTION 77 BILLS

5.1. On 19 May 2022, the Minister of Finance, Mr Enoch Godongwana, addressed a letter to the Chairperson and the Committee, commenting on the proposed amendment to the Bill following public submissions, in line with section 11(6)(b) of the Money Bills Act. The Minister commented as follows:

"PROPOSED AMENDMENTS TO THE FINANCIAL SECTOR AND DEPOSIT INSURANCE LEVIES BILL [B 3—2022] IN TERMS OF SECTION 11 OF THE MONEY BILLS AMENDMENT PROCEDURE AND RELATED MATTERS ACT, 2009

I refer to the Financial Sector and Deposit Levies Bill [B3—2022] (Levies Bill) that was introduced in Parliament on 21 January 2022. The Levies Bill lays the final stage for implementing the comprehensive Twin Peaks regulatory reform agenda undertaken by Government after 2011. The Levies Bill makes provision for the imposition of financial sector levies and a deposit insurance levy on certain entities to fund the operations of the Prudential Authority, the Financial Sector Conduct Authority, the Corporation for Deposit Insurance, the Financial Services Tribunal, the Ombuds Council, the Office of the Pension Fund Adjudicator and the FAIS Ombud. The Levies Bill is a money bill as contemplated in section 77 of the Constitution.

I hereby acknowledge the proposed amendments to the Levies Bill, made as a result of the submissions made by the stakeholders during the Parliamentary public hearings on the Levies Bill, and hereby submit the following comments on the substantive proposed amendments in terms of section 11 of the Money Bills Amendment Procedure and Related Matters Act, 2009, for consideration by the Committee:

- *Clauses 7 and 9 of the Levies Bill dealing with the apportionment for the payment of the levy*

The proposed amendments seek to clarify that pro-rata refunds of levies will be payable to the supervised entity or member if a license for that supervised entity is withdrawn or cancelled during a levy period or a member ceases to be a member during a levy period.

- *Clause 10 dealing with amendment of schedules to the Levies Bill*

  The proposed amendment in clause 10(1)(a) seeks to explicitly introduce a 30-day period for public comment prior to the submission of proposed amended schedules to Parliament.

  The proposed amendment to clause 10(1)(c) seeks to clarify that if Parliament does not pass a resolution approving, adopting or rejecting amendments to the proposed amended schedules, Parliament will be deemed to have approved the amended schedules.

- *Clause 11 dealing with exemption from levies*

  The proposed amendments seek to make provision for the Financial Sector Conduct Authority, the Prudential Authority and the Corporation for Public Deposits, to be able to grant exemption not only by application by a supervised entity, but also at the initiative of the Financial Sector Conduct Authority, the Prudential Authority, or the Corporation for Public Deposits, as the case may be, and that the exemption can be granted not only to individual persons or entities but to categories or types of persons or entities.

• *Items 2 of Schedules 1 and 2 of the Levies Bill dealing with alleviation of double levy payment in respect of a clearing house*

> *The proposed amendments seek to clarify that a licensed independent clearing house that is also licensed as a central counterparty will not make a double levy payment as both a clearing house and as a central counterparty.*

• *Table B of Schedule 2 dealing with financial sector levy calculation for certain supervised entities in respect of the Financial Sector Conduct Authority, specifically Financial Service Providers (FSPs) licensed in terms of the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002) (FAIS Act)*

> *The proposed amendments in relation to Category I and Category IV FSPs lower the base amount from R4000 to R3600 and the amount in the variable formula from R620 to R520, whilst increasing the cap from R2 000 000 to R2 500 000. These amendments seek to alleviate the financial burden of the impact of the levies on smaller businesses within FSP license categories, by reducing the amount of levies payable by these persons and entities. It is noted, however, that because the overall maximum levy payable by a single entity will be increased from R2 000 000 to R2 500 000, the largest FSPs will pay a higher levy amount. The aggregate amount of levies that would be payable by FSPs will remain essentially unchanged from the levies that would be payable in terms of the tabled Levies Bill.*

The proposed amendments in relation to Category II, IIA or III FSPs lower the base amount from R8000 to R7500 and the amount in the variable formula from R520 to R620, whilst increasing the cap from R2 000 000 to R2 500 000. These amendments seek to alleviate the financial burden of the impact of the levies to the smallest categories of financial service providers by reducing the amount of levies on smaller businesses within these FSP license categories, by reducing the amount of levies payable by these persons and entities. It is noted, however, that because the overall maximum levy payable by a single entity will be increased from R2 000 000 to R2 500 000, the largest FSPs will pay a higher levy amount. The aggregate amount of levies that will be payable by FSPs will remain essentially unchanged from the levies that would be payable in terms of the tabled Levies Bill.

The proposed amendments for Category I and IV FSPs in respect of only the following financial products sub-categories: Long term insurance subcategory A or Friendly Society Benefits, lower the base amount from R4000 to R3600 and the amount in the variable formula from R280 to R250, whilst increasing the cap from R2 000 000 to R2 500 000. These amendments seek to alleviate the financial burden of the impact of the levies on these transformative businesses, by reducing the amount of levies payable by these persons and entities. It is noted, however, that because the overall maximum levy payable by a single entity will be increased from R2 000 000 to R2 500 000, the largest FSPs will pay a higher levy amount. The aggregate amount of levies that will be payable *by FSPs will remain essentially unchanged from the levies that would be payable in terms of the tabled Levies Bill.*

The proposed amendments seek to delete in its entirety the formula for calculation of the levy payable by Financial Service Provider (Other), as it is not necessary to have reference to a category of "other" FSPs, as all of the current FSPs are covered in other categories provided for in the current schedule.

I acknowledge the set of additional grammatical and technical amendments proposed by National Treasury officials to the SCOF, which I fully support.

The above proposed amendments (together with other technical amendments) to the Levies Bill are set out in Annexure A, which National Treasury officials submitted to the SCOF at its hearing yesterday. I would like to formally record that I have proposed all these amendments for the consideration of the Committee in terms of section 11 of the Money Bills Amendment Procedure and Related Matters Act, 2009, which I understand the Committee has duly done at its hearing of 18 May 2022. I have requested Mr Ismail Momoniat to advise the Committee on any further queries it may have in this regard."

6. COMMITTEE OBSERVATIONS

6.1. The Committee acknowledges the submissions made in the processing of this Bill. It however believes it would have benefitted more from oral presentations and engagements with stakeholders in the public hearings. The Committee had to cancel its scheduled public hearing on this Bill as there were no stakeholders who wanted to make oral submissions.

6.2. Be that as it may, the Committee appreciates the comprehensive technical substantive written submissions on the Definitions, the clauses of the Bill and the Schedules. This shows that the stakeholders engaged with the contents of this Bill very intensively. This is borne out by the numerous proposed amendments which were accepted by NT and the related financial regulatory bodies in the B version of the Bill.

6.3. The Committee notes and accepts the comments from the Minister of Finance in a letter addressed to it on 19 May 2022, cited above, regarding the proposed amendments to the Bill as required by section 11(6)(b) of the Money Bills Act.

6.4. The Committee notes that this Bill is part of a suite of measures aimed at financial sector reforms under the Twin-Peaks system, necessitated by the global financial sector reforms following the global financial crisis of 2008. The last Bill that the Committee adopted in this regards was the Financial Sector Laws Amendment Act, enacted by Parliament in 2021. The latter Act established the resolution framework of banks, systemically important non-bank institutions (non-bank SIFIs) and the holding companies of these institutions. It also amended the FSRA, 2017, adding a new Chapter 12A to provide for the resolution objective, powers and functions of the

Resolution Authority, the SARB. It also provided for the establishment of the Deposit Insurance Fund and the Corporation for Deposit Insurance.

6.5. Other Acts that form part of the new regulatory architecture are the FSRA, 2017, which established such bodies as the FSCA and the PA, among others, and the Insurance Act of 2017.

6.6. As part of the overarching reforms, the Committee still awaits and urges the Minister to prioritise the tabling of the Conduct of Financial Institutions Bill (CoFI Bill), which will, among other things, consolidate and strengthen market conduct laws, protect customers against weak and harmful market practices, promote financial inclusion and financial sector transformation.

6.7. The Committee notes that the levies and special levies will provide the necessary funding mechanism to enable financial sector bodies to fulfil their functions in terms of the FSRA and related financial sector laws. The breakdown of these costs in the first year of the Bill are expected to be:

6.7.1. Prudential Authority (R465m- Levy) and (R34m- Special Levy): The levies collected by the PA will fund direct costs incurred by the PA, while the Reserve Bank will continue to fund PA's indirect costs. The Levies will be paid by: Deposit-Taking Institutions- which are banks, mutual banks and co-operative banks; Insurance companies (which include life, non-life and micro insurance firms); Market Infrastructures (MIs) and the Road Accident Fund. It is noted that Cooperative Financial Institutions are exempt from the levies. The banking sector will contribute the largest portion (61%) of the total levies, followed by insurers (31%) and market infrastructures (3%)

6.7.2. Financial Sector Conduct Authority (R821m- Levy) and (R81m- Special Levy). Additional income of R66m is envisaged comprising fees, interest received and other income. The levies will be paid by Banks; Insurance Firms; Market Infrastructures (exchanges, central counterparties, over-the-counter derivative providers, central securities depository, and credit rating agencies); Collective Investment Schemes (participation bonds, foreign schemes unit trusts, local unit trusts, and hedge funds); and Pensions (pension funds and pension fund administrators). FAIS institutions will contribute 31% of the levy, followed by pension funds (22%), insurers (17%), and banks (12%).

6.7.3. Office of the Pension Fund Adjudicator (R90m incl. special levy)

6.7.4. FAIS Ombud (R81m incl. special levy)

6.7.5. Financial Services Tribunal (R34m incl. special levy)

6.7.6. Ombuds Council (R22m incl. special levy)

6.8. The Committee notes that, based on the estimates made by NT, having undertaken consultation with regulatory agencies, the direct costs of regulation under the 'twin-peaks' system will amount to R1,6 billion per annum. This represents a marginal increase of R290m on the current costs of about R1,3 billion.

6.9. NT further projected that the total levies that will be paid by insurers and banks account for about 0,3% and 0,2% of the total operating costs respectively. It further stated that each institution as a percentage of the total profits generated will pay 0,8% and 0,4% respectively.

6.10. NT further estimated that the impact of these costs on consumers, if passed on, will amount to less than 50 cents per month towards the levies.

Table 1: Impact of cost on institutions and customers

Institution	Every customer per month	% of total operating costs	%of total profit before tax
Banks*	0,5	0,2	0,4
Insurers**	0,4	0,3	0,8
Mutual Banks	0,1	0,1	net loss was recorded
Co-operative Banks	0,2	0,2	0,5

*the estimates are based on figures derived as of March 2022
** Insurers estimates are derived based on figures recorded end of 2021
Source: *National Treasury: 18 May 2022 Parliament Report on Impact of Levies*

6.11. NT further illustrated the proportionality embedded in the calculation and imposition of levies, showing that the smaller financial institutions will pay less compared to their larger peers as shown in table 2 below.

Table 2: Illustration[1] of proportionality of the levies using Schedule 1

Institution type	**Levy to be paid by the largest entity per year**	**Levy to be paid by the smallest entity per year**
Banks	R45,000,000	R53,000
Insurers		
Life insurers	R15,000,000	R50,000
Non-life insurers	R13,000,000	R13,000
Microinsurers	R5,000	R5,000
Mutual Banks[2]	R86,000	R6,000
Co-operative Banks[3]	R5,000	R1,300
Co-operative Financial Institutions (CFIs)	No levy charged	No levy charged

Source: *National Treasury: 18 May 2022 Parliament Report on Impact of Levies*

6.12. The Committee further notes that mitigating the real impact of these costs is the exemption system embedded in Clause 11 of the Bill, and the fact that the Special Levy will fall away after the second year and has been spread across 2 years with a reduced rate of 7,5% per year instead of 15% once off payment.

[1] This is as at September 2020
[2] No levy is charged if the total liabilities of a Mutual Bank do not exceed R3 million.
[3] No levy is charged if the total liabilities do not exceed R2 million.

6.13. The Committee believes that although these may be necessary costs, it is concerned, that these costs will be borne disproportionately by the customers, particularly the poor and low income earners. This is why the Committee ordered NT to present to it a Socio-Economic Impact Study (SEIS) on the Levies Bill, before deliberating.

6.14. The Committee recommends that an independent survey be conducted to examine the actual pass-on costs of the levies to consumers after a reasonable time they have been collected.

7. CONCLUSION

7.1. The Standing Committee on Finance, having considered the Financial Sector and Deposit Insurance Levies Bill [B3-2022], reports the Bill with amendments [B3A – 2022].

The Democratic Alliance (DA) reserve their position.

Report to be considered

3. REPORT OF THE STANDING COMMITTEE ON FINANCE ON THE FINANCIAL SECTOR AND DEPOSIT INSURANCE (ADMINISTRATION) AND DEPOSIT INSURANCE PREMIUMS BILL [B4-2022] DATED 18 MAY 2022.

The Standing Committee on Finance, having considered the Financial Sector and Deposit Insurance (Administration) and Deposit Insurance Premiums Bill [B4-2022] (National Assembly – Section 75) referred to it, reports the Bill with amendments [B4A – 2022] as follows:

1. INTRODUCTION AND BACKGROUND

1.1. The Financial Sector and Deposit Insurance Levies (Administration) and Deposit Insurance Premiums Bill ("Levies Administration Bill" or "the Bill") seeks to make provision for the collection and administration of levies imposed in terms of the Financial Sector and Deposit Insurance Levies Bill, 2022.

1.2. This Bill is a Section 75 (of Constitution), ordinary bill which does not affect the provinces.

1.3. This Bill amends the Financial Sector Regulation Act, 2017, (FSRA) in order to provide for the administration of levies. It also provides for the imposition, collection and administration of deposit insurance premiums. It also amends the Pension Funds Act, 1956, the Banks Act, 1990, the Mutual Banks Act, 1993, and the Financial Advisory and Intermediary Services Act, 2002, in order to align them with the FSRA, 2017, in respect to the financing of financial sector bodies.

2. PUBLIC PARTICIPATION

2.1. The Levies Administration Bill was introduced into the National Assembly by the Minister of Finance on 21 January 2022. The Committee was briefed on the Bill by the National Treasury on 09 February 2022. A call for public comments was issued by Parliament thereafter and only written submissions were made. The following organisations made written submissions to the Committee: Banking Association of South Africa (BASA), Financial Intermediaries Association of South Africa (FIASA), Johannesburg Stock Exchange (JSE), Masthead, Moonstone, Outsurance, South African Insurance Association, and Wealth Tap.

2.2. On 11 May 2022, officials from the National Treasury and the affected regulatory bodies responded to the written submissions. As a result of the submissions, a number of amendments were made to the original A version of the Bill. The B version of the Bill was submitted to the Committee on 16 May and the Committee deliberated on 17 May 2022.

2.3. NT reported that prior to the Bill being tabled, it undertook extensive consultations with affected stakeholders, including the regulatory agencies and industry.

3. KEY ISSUES RAISED IN THE SUBMISSIONS

3.1. Only BASA made technical inputs on this Bill which led to its revision in the proposed B version of the Bill.

4. CONCLUSION

4.1. The Standing Committee on Finance, having considered the Financial Sector and Deposit Insurance (Administration) and Deposit Insurance Premiums Bill [B4-2022], reports the Bill with amendments [B4A – 2022].

The Democratic Alliance (DA) reserve their position.

Report to be considered

4. Report of the Standing Committee on Finance on the Oversight Visit to the Land and Agricultural Development Bank of South Africa (*Land Bank*), dated 01 June 2022

1. INTRODUCTION

1.1. The Standing Committee on Finance (the Committee) undertook an oversight visit to the Land and Agricultural Development Bank of South Africa (*Land Bank*) on the 21 April 2022 in Gauteng.

1.2. The main purpose of the visit to the Land Bank was to get an update on the status of the annual report and corporate plan, highlighting the challenges and steps being taken for redress**,** key developments and challenges faced by the Land Bank and liability solution (resolution of the liquidity challenges), audit outcome and remediation plan, the Land Bank's intermediary model and to meet staff/union representatives to discuss labour related issues.

2. DELEGATION

Parliamentary Delegation

2.1. The Committee delegation comprised of the following members: Mr MJ Maswanganyi (Chairperson of the Committee, ANC), Ms P Abraham (ANC), Ms D Mabiletsa (ANC), Mr G Skosana (ANC), Ms Z Nkomo (ANC), Mr IK Morolong (ANC), Dr D George (DA), Mr F Shivambu (EFF) and Inkosi E Buthelezi (IFP). The delegation was accompanied by the following parliamentary officials: Mr A Wicomb (Committee Secretary), Mr T Bottoman (Committee Assistant) and Dr Z Hlophe (Content Advisor).

Land Bank Delegation

2.2. The Land Bank delegation comprised of: Ms T Nkosi (Chairperson of the Board), Ms M Makgatho (Chair of the Credit and Investment Committee), Ms K Mukhari (CFO), Ms M Pillay (Chair of the Audit and Finance Committee), Mr F Stiglingh (Executive Manager: Post Investment Management), Mr D Van Der Westhuizen (Member of the Human Resources Committee), Ms M Dlamini (Executive Manager: Human Capital), Mr M Mzaidume (Company Secretary), Mr A Memela (Head of Audit), Mr A Rakgalakane (Managing Director: Insurance), Mr S Soundy (Executive Manager: Strategy and Communications), Mr A Kekana (CEO), Mr S Diza (Chief Risk Officer), Mr S Sebueng (Executive Manager: Legal), Mr L Makupula (Acting Executive Manager: Business), Mr G Maritz (Acting Executive Manager: Agri-Economics), Dr M Tom (Chair of the Human Resources Committee) and Ms T Mushondo (Non-Executive Director)

3. OVERVIEW OF THE LAND BANK

3.1. The Land Bank has been experiencing liquidity and funding challenges, which resulted in a default on its debt on 01 April 2020. It has not yet finalised the Liability Solution that seeks to cure it of its default status. The delay in finalising a Liability Solution poses significant uncertainty regarding its going concern status.

3.2. In the audit report of the annual financial statements (AFS) for 2019/20 financial year (FY), the Auditor-General of South Africa (AGSA) recommended that oversight and monitoring be strengthened to ensure that the turnaround strategies of the Land Bank are implemented and the Liability Solution is finalised in order to mitigate the related financial and fiscal risks associated with the Land Bank.

3.3. On the 08 February 2022, in a meeting with the Committee, the Land Bank indicated it is taking steps to address the audit findings. Amongst others, the Bank stated the following:

3.3.1. The Land Bank received a qualified audit outcome from the AGSA for the year ended 31 March 2021;

3.3.2. The above-mentioned is a significant improvement from the disclaimed audit outcome received by the Land Bank for the FY2020 audit;

3.3.3. The Land Bank is taking steps to address internal control deficiencies that led to the audit outcome and has re-instituted the remedial programme to address same issues, as well as overall enhancement of the internal control environment with regard to the management of the loan book;

3.3.4. The majority of the loan book previously managed by intermediaries has now been insourced and managed internally. This further allows the Land Bank to implement required controls on this portion of the book as well; and

3.3.5. The Land Bank is committed to addressing the challenges experienced regarding the internal control deficiencies and also committed to finding a solution to cure the event of default.

4. UPDATE ON THE STATUS OF THE ANNUAL REPORT AND CORPORATE PLAN, HIGHLIGHTING THE CHALLENGES AND STEPS BEING TAKEN FOR REDRESS

4.1. The Corporate Plan for 2021/22 was submitted to National Treasury on 31 March 2021. In light of the event of default and dependency on conclusion of the Liability Solution, the Land Bank was however exempted from tabling the Corporate Plan until its debt default has been cured. The event of default has not yet been cured.

4.2. A Stabilisation Plan was developed and implemented to guide the performance activities of the Land Bank for the FY2022. A Strategic Plan is in the process of development and will be implemented in the FY2023.

4.3. A Shareholder Compact for 2022 was approved by the board and submitted to the Minister of Finance, although the process was significantly delayed. A Strategy and Performance Scorecard for 2023 is underway, with a target to submit to National Treasury by the end May 2022.

4.4. The 2021 financial year Integrated Annual Report & Annual Financial Statements was submitted to National Treasury on 31 March 2022, and subsequently tabled in Parliament during May 2022. Work is currently underway to complete the IAR and AFS for FY 2022.

5. KEY DEVELOPMENTS AND CHALLENGES FACED BY THE LAND BANK AND LIABILITY SOLUTION (RESOLUTION OF THE LIQUIDITY CHALLENGES)

5.1. Since the Land Bank's last briefing to the Committee, the following developments and key challenges are notable:

5.1.1. The Land Bank remains in default on its liabilities since April 2020;

5.1.2. Negotiations to conclude the Liability Solution have not yet yielded an agreement with lenders;

5.1.3. A Disclaimer of Opinion Audit Outcome for 2019/20 was issued by the Auditor General of SA;

5.1.4. The 2020/21 audit resulted in a Qualification as AGSA was unable to find audit evidence related to the loan book managed by an external party;

5.1.5. The Integrated Annual Report for the year ending 31 March 2021 has been submitted to the Minister of Finance on 31 March 2022;

5.2. The following concerning trends have been experienced since 2018/19: (a) significant reduction in the loan book; (b) reduced interest margins and income; (c) increasing non-performing loans; (d) significantly reduced support to the agricultural sector; and (e) high staff turnover.

5.3. The above-mentioned trends pose a risk of an unsustainable Land Bank and continued need for State support in a constrained fiscal environment.

5.4. The Land Bank Insurance Company has done well over the period, posting profits in 2020/21 and a clean audit outcome.

5.5. The funding structure of the Land Bank has been a fundamental challenge. Even before the start of the Bank's credit downgrade and liquidity challenges that resulted into the default, the Land Bank's funding structure has posed fundamental problems. There was a dependency on commercial funding sources from the capital markets at borrowing rates that are relatively more expensive than the repo rate.

5.6. These borrowings are not suited to a Development Finance Institution (DFI) that is meant to close the financial market gap and provide finance to clients, especially development farmers, at affordable rates. Dependency on short term funding led to a liability and loan book tenure mismatch, with loans made up of significant long term facilities.

5.7. The Land Bank has been significantly reliant on roll-over of short term funding facilities to maintain liquidity. Although progress was made to reduce short term funding, the risk still remained, and was realised when significant roll-overs could not be made by funders post the credit downgrade.

5.8. The recommendations of the Strauss Commission (the Commission of Inquiry into the Provision of Rural Financial Services, 1996) on state support for the Land Bank were not fully implemented. The Land Bank has remained with a weaker capital structure and various attempts to address the capital structure of the Bank were made but have not yet yielded successful outcomes.

5.9. In April 2020, the Land Bank defaulted on certain payment obligations and this triggered a cross-default on substantially all of the Land Bank's borrowings. The Bank suspended the payment of interest and capital across all of its facilities.

5.10. Since the default the Land Bank has been in a *de facto* standstill with all its lenders (except for one lender who has since been settled due to a court order). All lenders have not called on the Land Bank to settle its debts and have thus far ensured that the Bank does not have to liquidate its assets to settle them.

5.11. During May 2020, the Bank appointed a Corporate Finance Advisor to design and implement a Liability Solution and cure the event of default. Three versions of the Liability Solution have been considered since then with all three being rejected by lenders.

5.12. In June 2020, R3b equity injection by the State was announced and received in September 2020. This was intended to provide a degree of financial stability to the Land Bank in order to be able to sustain its disbursements to existing customers and resume the payment of interest to lenders.

5.13. During August 2020 the Bank paid arrear interest and resumed normal interest payments. A request for recapitalisation of the Land Bank was submitted into the Medium Term Budget process, and a R7b recapitalization was subsequently approved in the 2021 National Budget.

5.14. Since the inception of the event of default in April 2020, the Land Bank has worked to restore and catch up all interest due on all funding and in addition has made the following three capital reduction payments to lenders: February 2021: 12% (R4.9 billion) of capital outstanding; June 2021: 10% (R3.4 billion) of the then capital outstanding; and October 2021: 10% (R3.1 billion) of the then capital outstanding. Although this adds up to 32% it represents a 28.7% (R11.4 billion) reduction of the original amount outstanding to lenders.

5.15. A new Board was appointed during December 2021. On 09 February, the Board convened a workshop with all the local lenders to consider all the burning issues raised by the lenders about the proposed Liability Solution. The lenders requested for reasonable time to work through the proposals, and have provided an indicative date of 30 September 2022 as a realistic time to finalise an acceptable Liability Solution.

5.16. In the meantime, the Board has obtained the in-principle support of the lenders to resume lending activities by setting aside R500m of its cash resources to originate a new portfolio of development clients, whilst continuing to support existing clients with their production and seasonal loan financing requirements.

5.17. The lack of liquidity continues to hamper support for the sector. The default status has disabled the Land Bank from sourcing new funding, thus restricting it from fully supporting the loan requirements of its clients. Since the default, the Bank has been reliant on collections of instalments / repayments it receives from its clients to service interest and partial capital redemption of its debts, as well as to cover its operating cost. Disbursements to existing creditworthy clients have further been limited to 50 per cent of collections.

5.18. The Land Bank cannot fully commence with its developmental and transformation initiatives if it is not cured from the default, and get its funding structure resolved for a financially sustainable business model. Work is in progress between the Land Bank, lenders and the shareholder to develop a Liability Solution that will be acceptable to all stakeholders in order to cure the Bank's default. The solution will take cognisance of the conditions of the capital injection that were outlined by the Minister of Finance following the appropriation of R7 billions of equity injection.

6. LAND BANK AUDIT OUTCOMES AND REMEDIATION PLANS

6.1. The Land Bank received a qualified audit outcome for 2020/21. The remediation work that was undertaken by the Bank since the disclaimer of audit in 2019/20 led to an improved audit outcome for 2020/21. The reason for the qualified audit outcome was as a result of Unigro, one of the intermediary partners of the Land Bank, refusing to provide information required to verify disbursements and repayments on the loan book. The loan book that was previously managed by Unigro has since been insourced, from 01 October 2021, and is now managed in-house.

6.2. All the 2021 audit findings (besides the outstanding information from Unigro) were successfully addressed as part of the audit process. In order to prevent a recurrence in the 2022 audit, the Land Bank, through its lawyers, had engaged Unigro to ensure all information regarding the loan book is handed over to the Land Bank.

6.3. Following the insourcing of the Unigro portfolio, it became apparent that the Land Bank requires certain information to enable it, inter alia, to respond to AG queries. Request for information was submitted to Unigro and there was resistance from Unigro's side. Unigro indicated that given that the Service Agreement (SA) and Service Level Agreement (SLA) had been terminated they were under no obligation to provide any assistance to the Land Bank, but would be willing to do it at a fee.

6.4. In the Land Bank's view Unigro's stance is contrary to the provisions as set out in the terminated SA, SLA and Transitional Agreement. In order to find an amicable solution, a meeting was held between the Land Bank and Unigro's Holding Company (AFGRI), pursuant to which an agreement was reached that there is no need for a legal process but rather to find a solution between the parties. As a result, Unigro was requested to make a proposal, in respect to fees payable, for Land Bank's consideration. The proposal has since been received and considered by the Executive Committee of the Bank which has subsequently made a recommendation to the Board Committees.

6.5. The Land Bank received a qualified audit outcome for the year ended 31 March 2021. This is a significant improvement from the disclaimed audit outcome received by the Land Bank for the 2019/20 audit. The Land Bank is taking steps to address internal control deficiencies that led to the audit outcome and has re-instituted the remedial programme to address same, as well as overall enhancement of the internal control environment as regards management of the loan book.

6.6. The majority of the loan book (60%) previously managed by intermediaries has now been insourced and managed internally. This further allows the Land Bank to implement required controls on this portion of the book, as well. The Land Bank is committed to addressing the challenges experienced regarding the internal control deficiencies and also committed to finding a solution to cure the event of default.

6.7. In a prudent approach to ensure that residual internal control deficiencies in the management of the loan book are fully addressed, the Land Bank has again initiated a Remediation Programme to address audit findings coming out of the 2022 audit. The Audit and Finance Committee of the Board has oversight on the remedial process and meets every second week.

6.8. Management has constituted a National Task Team (NTT) with representation from all areas of the Bank, including the provinces. The NTT meets weekly to assess progress on the work of the different work streams. Work streams have been formed along the lines of areas that are responsible for the gaps that have been identified through the external audit process. These work streams report on progress weekly to the NTT. Any remaining challenges experienced with the remedial plan are addressed at the NTT and solutions provided. The Auditor General team is invited to the NTT sessions to observe the process.

7. LAND BANK INTERMEDIARY MODEL

7.1. Because SLA Partners manage the end-to-end credit function from origination right through to collections (including Legal Recoveries), they are compensated by way of an administration fee – to cover operating costs. SLA Partners are further incentivised through a margin (profit) share mechanism, which is underpinned by actual lending rates achieved and Land Bank's actual cost of funding.

7.2. Shortcomings of the existing SLA Finance Model causes asset and liability tenor matching, which brings about sub-optimal loan asset pricing relative to the Land Bank's cost of funding. Loan asset mix might not be optimal, potentially leading to loss of margin and SLA's not being competitive. The lack of "risk based" rating and pricing tools, which results in the fact that loan assets aren't appropriately priced for assumed risks.

7.3. SLA partners earn large fixed fees through the admin fee structure (as a percentage of the loan book), and a smaller variable fee through the Margin (Profit) Share structure. Treatment of legal fees is not clearly defined in SLA agreements, which results in the following:

7.3.1. Uncertainty around who is liable for legal fees in the recovery process, i.e. Land Bank or SLA Partner?

7.3.2. Legal fees are capitalised to client's loan accounts, resulting in SLA Partners earning inflated admin fees and potentially benefitting from Margin (Profit) Share thereon.

7.4. The partnerships with SLA partners saw the loan book grow from R12bn in 2010 to R46bn in 2020 (271%), with most of the growth being achieved through the SLA model. During the 10-year tenor, at an aggregate level, there had been a gradual increase in non-performing loans (NPL) as the SLA portfolios began to mature over the years from 0,1% in 2013 to 7% in 2018. The NPL peaked at 10.4% in 2016 as the effects of drought conditions across the country began to translate to loan book deterioration and increased NPLs.

7.5. Despite the increase, the NPL were still in line with Land Banks NPL covenant of 10% contracted with the lenders. However, the Bank remained concerned with NPL of certain SLAs, namely Suidwes and Vincemus as these SLA operated in severely affected areas where farmers were struggling to recover from the effects of drought.

7.6. As a result of the increased poor performance of the SLA book, backed by internal audit work and recommendations emanating from a deep-dive into one of the SLA partners that was undertaken through an external audit firm (Mazars), and a pointed need to improve the commercial terms of the SLA agreements, an SLA improvement plan was developed in 2018 and approved in January 2019 by the Land Bank Board.

7.7. As the Bank initiated negotiations with the SLA partners to implement the improvement plan, it became apparent that certain SLA partners were not willing to agree to revised and improved terms, thus the Bank made a decision to terminate certain SLAs, starting with Suidwes, as the credit management environment and NPL for the said portfolios were not showing signs of improvement. The insourcing was intended to give the Land

Bank full control of the loan book and thus protect the Bank's interests and long term financial sustainability.

8. LAND BANK STAFF, UNION AND LABOUR ISSUES

8.1. The Bank has had leadership instability for a while. For a period between December 2018 to February 2020 there were Acting CEO's and CFO's. Stability at this level was established in February and March 2020 with the appointment of the CFO and CEO, respectively. The CEO has since resigned and will be leaving at the end of April 2022. A recruitment process has been initiated.

8.2. The uncertainties caused by the Bank's financial challenges have led to a high level of turnover (attrition), particularly for critical skills. The Land Bank has been unable to offer salary adjustments for the last two financial years (2020/21 and 2021/22).

8.3. The Bank's insourcing of the loan portfolios of SLA Intermediary partners has led to additional work and need for complementing the appropriate portfolio management skills with fixed term contract workers. Some of the critical staff that have been retained thus far have been overworked as they close the gaps left by exited staff. The Bank's culture climate survey has indicated an employee base that is demotivated. The performance and consequence management of staff – inclusive of rewards and punitive interventions, as appropriate, needs significant improvement.

8.4. As at 31 March 2022 Land Bank had 399 active employees. Of the 399, there are 271 employees in the bargaining unit. The Bank's recognised union (South African Society for Banking Officials "SASBO") has 181 members across all level (from Top Management to Unskilled level). There are 166 employees who are union members within the bargaining unit, (61.25%).

8.5. Salary negotiations for 2020/21 commenced in October 2020. Due to the financial state of the Bank a 0% increase was accepted by the union, in February 2022. The union registered its unhappiness about the rejection of the Accrual Salary Increase system. The parties are in the process of signing the agreement to conclude the 2020/2021 salary negotiations.

8.6. Salary negotiations for 2021/22 commenced on 2 March 2022. Prior to commencing the negotiations, the Land Bank indicated that from now henceforth negotiations for Land Bank and Land Bank Insurance will be separated as both entities are legally separate entities and should be treated as such.

8.7. SASBO, the recognised Finance Union at Land Bank, was not in support of separating the two entities despite the rationale provided that legally the two entities are separate. After engagements between the parties, SASBO provided a revised demand of 5% increase, whilst the Bank offered no increase (i.e. a zero percent (0%) increase). On 11 March SASBO declared a dispute. On 25 March attempts were made to resolve the dispute. This was, however, not successful as the Land Bank would not improve its offer. A referral of the dispute to the CCMA was served on Land Bank on 11 April 2022. The Committee was informed that Land Bank's financial performance does not justify an increase in the operating costs of the Land Bank, including increases in staff costs. Despite the Bank's state of default and reduced loan book, staff numbers have remained relatively unchanged and all benefits continue to be paid to all employees.

8.8. Representatives of SASBO briefed the Committee and expressed their unhappiness with the state of affairs as it currently stands. They highlighted low staff morale and employees having to take on extra responsibility, resulting in burnout. They further explained to the Committee that the lack of increase has had a detrimental impact on employees' mental wellbeing and that of their families.

9. COMMITTEE OBSERVATIONS AND RECOMMENDATIONS

9.1. The Committee notes that the Land Bank is still in default on its liabilities since the event of default in March/April 2020, which is exactly two years now. Since then, the Land Bank has been negotiating with lenders and developing a Liability Solution that is aimed at curing its default status. The Land Bank was exempted from submitting its Corporate Plan until it cures it default position. The Committee notes however that a Stabilisation Plan was developed and is being implemented.

9.2. The Committee welcomes the appointment of the new Board by the Minister of Finance in December 2021. The Committee believes that this Board should expedite the implementation of the Stabilisation Plan and urgently finalise the Liability Solution.

9.3. The event of default at the Land Bank followed after a downgrade of its credit rating in January 2020. This, followed by a mandatory redemption of its R1,1 billion credit facility from one of the asset management companies, led to the current cross-default situation. The Committee notes that although there has been this default standstill, all lenders have not called the Land Bank to settle its debts and thus have to liquidate its assets in order to settle them. This has enabled the bank to service its interest payments and reduce its debt by 28% (R11.4bn) since the event of default.

9.4. The Committee notes that as of 14 April 2022, R13,4bn outstanding debt had matured although the total of debt stood at R28.9 bn debt as a result of the cross-default clauses. Only R1.5 bn of this debt was guaranteed by government.

9.5. The Land Bank received an equity injection of R3 billion in September 2020 to deal with its debt crisis. The Land Bank used this to pay its debts. It received a further recapitalisation of R7 billion during the MTBPS of 2020 (R5bn in FY22, R1 in FY23 and further R1bn in FY24). The Committee believes that these equity and capital injections will enable the Land Bank to finalise the Liability Solution and to resume its lending activities to the agricultural sector for the current planting season.

9.6. The Committee believes that the current negotiations on the Liability Solution should be finalised during this financial year in order to enable the Land Bank to resume with its lending activities during the current financial year. The Bank has not been supporting its clients' funding needs as there has been no loans disbursed since the event of default.

9.7. The Committee believes that the outsourcing of work that the Land Bank can perform through its employees should be reviewed and curtailed. This talks specifically to issues of its SLA partnerships where the Land Bank has outsourced its loan book to intermediaries, which then expose the Land Bank to what can been viewed as duplicate fees. In this regard, the Committee notes that some SLAs have been cancelled or not renewed and the work insourced. The Committee strongly believes that the Bank should not outsource its primary activities to intermediaries, as this exposes it to a number of risks, including credit (i.e. non-performing loans) and concentration risks.

9.8. The Land Bank received a Disclaimer of Audit in 2019/20 and a Qualified Audit outcome in 2020/21. The latter was as a result of the refusal of an SLA Intermediary Partner to provide information required for the verification of disbursement and repayments on the loan book of about R31 billion. This is a cause for concern for the Committee. The Committee urges the Board and the Minister to ensure that such instances do not recur and that the audit action plans are implemented. The Committee will continue to exercise closer scrutiny on the implementation of audit action plans across the finance portfolio, including at the Land Bank.

9.9. The Committee calls upon the Minister of Finance and National Treasury to ensure that the business/funding model of the Land Bank is reviewed in order to ensure its sustainability. Among others, the Committee will request to be briefed by the Land

Bank and National Treasury on the implementation of the recommendations of the Strauss Commission of Inquiry into the Provision of Rural Financial Services Report (1996). The Committee believes that the development and transformation mandate of the Land Bank needs some blended financing strategy which will be favourable to up-and-coming farmers. This financing should include grants, rather than expensive funding sourced from the capital markets.

9.10. The development and transformation mandate of the Land Bank is very crucial in ensuring that there is transformation and development of black farmers and that there is food security. In this regard, the Committee requires the Land Bank to supply it plans to support transformation and development of upcoming black farmers.

9.11. The Committee is therefore concerned that the loan book of the Land Bank is not representative of the demographics of South Africa. Women and youth constitute less than 17 per cent of the Banks' loan book and Africans are not adequately and reflectively represented. This means that the larger number of the Land Bank's loan recipients remains white males. This is a cause for concern and calls for a loan book that is reflective of the demographics of South Africa.

9.12. The Committee, in consultation or liaison with the leadership of the Land Bank, the National Treasury and the Ministry and Department of Agriculture, Land Reform and Rural Development, will consider the legislative re-construction of the Land Bank in order to position it as a development finance institution that will play a leading and meaningful role in the financing and support of small scale farmers, developmental agriculture and food production. The Committee believes that this will help realise some of the objectives of the Land Bank, which according to the Land and Agricultural Development Bank Act include (a) promotion, facilitation and support of equitable ownership of agricultural land, in particular the increase of ownership of agricultural land by historically disadvantaged persons; (b) agrarian reform, land redistribution or development programmes aimed at historically disadvantaged persons or groups of such persons for the development of farming enterprises and agricultural purposes; (c) the removal of the legacy of past racial and gender discrimination in the agricultural sector; (d) programmes that contribute to agricultural aspects of rural development and job creation; and (e) food security.

9.13. The legislative reconstruction of the Land Bank should, among other options, include its repositioning into a development finance institution which will equitably provide agricultural finance and grants to all people in a manner that is representative of South Africa's racial, gender and age demographics. It should also necessarily include an alteration of the Land Bank's financing model in a manner that will make it not wholly dependent on capital markets, but additionally on the National Revenue Fund to finance, support, harness and enhance inclusive agricultural development for all the people of South Africa and in all areas.

9.14. The Committee notes that between December 2018 to February 2020, there were acting CEOs and CFOs at the Land Bank. The Land Bank CEO resigned in April 2022 and this will again result in another acting stint in that critical portfolio as the recruitment processes often delay. The Committee once against call upon the Board and the Minister of Finance to ensure that critical positions at the Bank are filled expeditiously in order to ensure stability.

9.15. The Committee engaged with SASBO, the recognised union of the employees of the Land Bank. The Committee notes the concerns raised by the union on issues of staff morale, lack of salary increases and incentives and the dispute that the union has referred to the CCMA. The Committee believes that the SASBO, the Board and Executive Management of the Land Bank need to find each other and seek to resolve disputes amicably before resorting to the Courts. With demoralised employees, the Land Bank is unlikely to implement an effective and efficient turn-around strategy.

Report to be considered

The DA reserved its position.

5. Report of the Standing Committee on Finance on the Oversight Visit to the South African Special Risk Insurance Association (SASRIA), dated 01 June 2022

1. INTRODUCTION

1.1. The Standing Committee on Finance (the Committee) undertook an oversight visit to the South African Special Risk Insurance Association (SASRIA) on 20 April 2022 in Gauteng.

1.2. The main purpose of the visit to SASRIA was to get a briefing on their annual report and strategic and annual performance plans and the implementation of the audit action plans, the impact of the July unrest on SASRIA and to meet staff/union representatives to discuss labour related issues.

2. DELEGATION

Parliamentary Delegation

2.1. The Committee delegation comprised of the following members: Mr MJ Maswanganyi (Chairperson of the Committee, ANC), Ms P Abraham (ANC), Ms D Mabiletsa (ANC), Mr G Skosana (ANC), Ms Z Nkomo (ANC), Mr IK Morolong (ANC), Dr D George (DA), and Inkosi E Buthelezi (IFP). The delegation was accompanied by the following parliamentary officials: Mr A Wicomb (Committee Secretary), Mr T Bottoman (Committee Assistant) and Dr Z Hlophe (Content Advisor).

SASRIA Delegation

2.2. The SASRIA delegation comprised of: Mr M Ngoasheng (Chairperson of the Board), Mr C Masondo (Outgoing CEO), Mr M Tyikwe (Incoming CEO), Ms B Mthiyane (Finance Director), Ms T Chocho (Executive Manager: Human Capital), Ms F Benjamin (Executive Manager: Insurance Operations), Mr M Mavuso (Executive Manager: Governance), Mr M Dladla (Executive Manager: Stakeholder Engagement) and Ms D Legodi (Manager: Secretariat)

3. OVERVIEW OF SASRIA

3.1. SASRIA faces liquidity and solvency risks due to the July 2021 riots in KZN and parts of Gauteng. The delayed submission of their annual report was as a result of the following factors:

3.1.1. SASRIA was not able to submit the 2021 integrated report, audited annual financial statements for the financial year ended 31 March 2021 due to an outstanding audit opinion as a result of material uncertainties surrounding the going concern status of the company;

3.1.2. SASRIA provided an external auditor with the supporting evidence that supports the going concern status of the company for assessment;

3.1.3. The external auditor confirmed that the letter from the Prudential Authority is appropriate and advised that there will be internal deliberations regarding the outstanding funding commitment letter. As of the date of this letter, the external auditor has not expressed an audit opinion on the annual financial statements of SASRIA for the period ended 31 March 2021;

3.1.4. The National Treasury transferred funds to SASRIA and the auditors confirmed that they were able to finalize the audit opinion by end of February 2022 due to the fact that with this financial injection SASRIA has achieved accounting solvency in terms of the Companies Act, 2008.

4. ANNUAL REPORT, STRATEGIC AND ANNUAL PERFORMANCE PLAN PRESENTATION

4.1. SASRIA received an unqualified audit opinion for the financial year. Some key highlights of the 2021 Financial Statements include the following: R2.786b gross written premium; R1.249b net underwriting results; R1.503b profit after tax; R352m claims incurred; R806m investment income; R102m dividend paid; R8.358b equity; 21.6% return on equity; 73.3% achievement of KPI's; R9.584b assets under management; Unqualified audit opinion; R2.786b gross written premiums; R352m claims paid; R1.043b cost of other services; and R806m investment income.

4.2. The total value distributed for the financial year included: R124m employee compensation; R102m shareholder dividend; R41m capital spend on infrastructure; R2.197b total value distributed; R32m socio-economic development; R539m income tax; and R1.359b retained income before transfer to reserves.

4.3. Key performance indicators not achieved for the reporting period included:

Table 1: Annual Performance Indicators (Not achieved)

Strategic Focus Area (SFA)	**Key Performance Area**	**2020/21**		**Notes/ Explanation**
		Actual	Target	
Sustainability – good	No irregular, fruitless and	Actual fruitless and	Zero irregular, fruitless and	Target not met.

corporate governance.	wasteful expenditure.	wasteful expenditure: R26 million. Irregular expenditure: R804 000.	wasteful expenditure.	The fruitless and wasteful expenditure relates mainly to penalties and interest levied by SARS for various tax-related transgressions. In August 2021, SARS remitted interest and penalties to the value of R17.5 million from the R26 million fruitless and wasteful expenditure.
Sustainability – sound corporate governance.	Submit all PFMA submissions within the stipulated deadlines.	Not achieved.	Submit all PFMA submissions within the stipulated deadlines.	The Annual Procurement Plan was submitted after the stipulated PFMA deadline.
Socio-economic impact – capacity building in	Score achieved relating to the Financial Sector Code for skills development.	Not achieved. Actual performance: 16.95 out of 25.	23 out of 25.	The performance was impacted by the lockdown as this limited the availability of training programmes.

the financial sector.				

5. IMPACT OF THE JULY 2021 UNREST

5.1. The total claims incurred for the unrest sits at a total of R37.14b as at 19 April 2022. R22.52b had been settled, which represents a total of 8 853 claims. R14.62b, representing a total of just over 17 000 claims, remain outstanding.

5.2. In terms of liquidity, the cash injection from National Treasury in January and increase in premium flows ensured that there is no immediate liquidity challenge. The financial sustainability projections indicate that the business will be profitable by the 2022/23 financial year.

5.3. Sustainability concerns remain, and if any event the magnitude of the July unrest was to happen; SASRIA cautioned that it would not survive as a business.

5.4. The stakeholder management component developed a media strategy that is yielding positive results. SASRIA maintains it has good relationships with all its stakeholders which include clients, brokers, National Treasury and the regulators.

5.5. SASRIA will seek to implement risk mitigation initiatives as well as new underwriting initiatives. A new re-insurance structure was implemented in August 2021, new rates implemented in February 2022, and a new MOI was approved by the Minister of Finance and awaiting Prudential Authority approval.

6. STAFF, UNION AND LABOUR ISSUES

6.1. SASRIA has a total staff compliment of 117 employees with a staff turnover rate of 9.9%. SASRIA is not unionised. The total vacancy rate stands at 3.42%. The risk of losing critical skills remains a concern. The climate survey conducted in 2020 showed an improvement in the mood in the company. This can be attributed to employees' receptiveness to their employee value proposition, which is based on opportunities, benefits and rewards.

6.2. SASRIA aims to develop and acquire skills to implement the new strategy and to foster a climate where talent can thrive and to remove engagement barriers. It enables career planning and development for performance, engagement and retention. Staff embraced remote working as the new normal, and continue doing so.

7. COMMITTEE OBSERVATIONS AND RECOMMENDATIONS

7.1. The Committee notes that SASRIA has faced enormous challenges of liquidity and solvency as a result of the July 2021 riots in parts of KZN and Gauteng provinces. This led to SASRIA being unable to submit is its 2021 Integrated Report and Audited Annual Financial Statements for the year ended on 31 March 2021 as a result of material uncertainties surrounding its going concern status.

7.2. The Committee welcomes that SASRIA received support from the fiscus (R22bn) in order to deal with claims arising from the July 2021 riots. SASRIA also received payments of R9.5bn from its reinsurers. The National Treasury transferred funds to SASRIA and its external auditors confirmed that they were able to finalize the audit opinion by end of February 2022 due to the fact that with this financial injection SASRIA had achieved accounting solvency in terms of the Companies Act, 2008.

7.3. SASRIA incurred claims of R37.14bn as a result of the July unrests. When the Committee met SASRIA in April 2022, it reported that it had paid out claims of about

R22.52bn to about 8853 claimants and had outstanding claims of R14.62bn of more than 17000 claimants. The Committee commends SASRIA for the manner in which it handled the whole situation, including announcing timeously that it will accept its liabilities, thus assuring the markets. The Committee calls for the expedited resolution of the valid outstanding claims, especially affording some special assistance to insured smaller businesses who may struggle with quantifying their claims.

7.4. The Committee believes that there needs to be a wider public awareness campaign by SASRIA in ensuring that small businesses, and households in general, understand the value of its insurance cover as a monopoly provider of such type of insurance.

7.5. The Committee notes though that while the cash injection from National Treasury in January and increase in premium flows ensured that there is no immediate liquidity challenge, and that SASRIA's financial projections indicate that it will be profitable by 2022/23 financial year, there remains concerns about the sustainability of SASRIA should an event of the magnitude of the July riots occur again.

7.6. The Committee notes that the political risk in South Africa remain high and this has affected the reinsurance risk premium for SASRIA, as premiums for reinsurance have grown by 1000% following the July unrests.

7.7. Despite the calamity of the July unrests, the Committee notes that SASRIA appears to be managed and governed very effectively and efficiently. Some of its performance highlights are that over the past 10 years, SASRIA has paid a dividend of over R11.1bn to the shareholder, the South African government. In 2020/21, SASRIA collected gross premiums of R2.786bn versus R2.417bn the previous year. It also made investment income of R806mn as opposed to R257mn in 2019/20. SASRIA has also achieved unqualified audit opinions for several years, although with findings in some years.

7.8. The Committee was particularly impressed by the succession planning and handover of the outgoing CEO to the incoming CEO. The Committee believes that other state organs can learn something from this on filling strategic positions timeously.

Report to be considered.

The DA reserved its position.

6. Report of the Standing Committee on Finance on the Oversight Visit to the Financial and Fiscal Commission (FFC) dated 01 June 2022

1. INTRODUCTION

1.1. The Standing Committee on Finance (the Committee) undertook an oversight visit to the Financial and Fiscal Commission (FFC) on the 22 April 2022 in Gauteng.

1.2. The main purpose of the visit to the FFC was to get a briefing on their annual performance plan, audit findings and action plan and to meet staff/union representatives to discuss labour related issues.

2. DELEGATION

Parliamentary Delegation

2.1. The Committee delegation comprised of the following members: Mr MJ Maswanganyi (Chairperson of the Committee, ANC), Ms P Abraham (ANC), Ms D Mabiletsa (ANC), Ms Z Nkomo (ANC), Mr IK Morolong (ANC), and Dr D George (DA). The delegation was accompanied by the following parliamentary officials: Mr A Wicomb (Committee Secretary), Mr T Bottoman (Committee Assistant) and Dr Z Hlophe (Content Advisor).

FFC Delegation

2.2. The FFC delegation comprised of: Dr P Mbava (Chairperson of the Board), Ms A Dowra (Head: Office of Commission Chairperson), Mr C Tseng (Acting CEO & Head: Research), Mr H Eksteen (Parliamentary Liaison), Prof L Erasmus (Part-Time Commissioner) and Prof A Mokadi (Commissioner), Mr K Mviko (CFO), Ms R

Mokebe (Head: Corporate Services) and Mr T Mankga (Financial Analyst: National Treasury)

3. OVERVIEW OF THE FFC

3.1. The FFC received an unqualified audit opinion with findings and continued to struggle on compliance with legislation. The prevalent instances are in areas of supply chain management and consequence management. These challenges are similar to those reported in the prior year and may be indicative of ineffective audit action plans and inadequate consequence management.

3.2. Furthermore, the FFC had material non-compliance findings on expenditure management, which was primarily driven by irregular expenditure incurred from non-compliance with procurement prescripts. In most instances, the FFC was able to detect non-compliance with procurement prescripts and the related irregular expenditure and the preventive controls that have been implemented by management.

3.3. Effective consequence management processes remained a challenge at the FFC, as material non-compliance findings were raised relating to lack of investigations or of evidence to support such investigations.

4. FFC ANNUAL PERFORMANCE PLAN

4.1. The FFC is established by section 220 of the Constitution and the FFC Act to make recommendations to Parliament, provincial legislatures and any other authorities determined by national legislation. Its mandate is to make recommendations as sourced from the following provisions in the Constitution: equitable share and allocations of revenue (s214(2)); government guarantees (s 218(2)); provincial taxes (s 228(2)(b)); municipal fiscal powers and functions (s 229(5)); provincial loans (s 230(2)); and municipal loans (s 230A(2)). All legislation referred in the above sections "may be enacted only after" an "recommendations of the Financial and Fiscal Commission have been considered".

4.2. FFC annual performance plan is comprised of two programmes, namely the administration programme and the research programme. The proportion of the FFC's total budget taken up by the research programme has decreased from 36.7% in 2018/19 to 16.2% in 2020/21 in the audited outcomes. Over the medium term, on average, 67.5% of the total expenditure is concentrated on the administration programme, which consists of Office of the Chairperson, Commissioners, CEO's office, Finance and Corporate Services.

4.3. Of the total staff complement of 37, there are 7 full-time researchers including the Head of Research, and 11 research interns. Slower spending during the financial year has accumulated to an underspending of R11.5 million in the budget or accumulated surplus of R12.4 million for the financial year. The cash balance at the end of the year amounted to R16.2 million. This is in spite of the return of prior year surplus to the fiscus of R19.7 million made during that year.

5. FFC AUDIT OUTCOMES FOR THE PREVIOUS YEAR AND AUDIT ACTION PLAN

5.1. The FFC struggles repeatedly on compliance with legislation. The prevalent instances are in areas of supply chain management due to ineffective audit action plans and inadequate consequence management. Some examples are the mis-identification of root causes on the accountability chain (e.g. programme, roles and responsibilities etc.), and the mis-interpretation of risks and audit opinions.

5.2. Material non-compliance findings on expenditure management, which was primarily driven by irregular expenditure incurred from non-compliance with procurement prescripts. This can be described as: fruitless and wasteful expenditure; poor contract vs payment management, especially of multi-year contracts; ignored early warning signals in conjunction with weak internal controls: process and procedure in collating evidence; inconsistent policies and policy applications, and misinterpretation and misapplication of the procurement prescripts and preventive controls.

5.3. Below is an in-depth analysis on investigations of reported irregular expenditure and, where appropriate, disciplinary actions against those found to be responsible for such expenditure.

Type	**Issue under consideration/Affected class of transactions / account balance / disclosure**	**Undertaken by/other party**	**Commenced**	**Expected completion**	**Potential Liability**
Investigations: Procurement Irregularity	Omission of bidder's submission	Consulted State Attorney for action	Yes	31 March 2023	R46 057.50
Claims: Labour Litigation matter	Inconsistencies in the Commission policies regarding long-term service award	Instructed State Attorney to appoint Counsel	Yes	31 March 2023	R137 871.94

Claims: Letter of Demand escalating to a court summon	Irregular extensions without notice of termination.	Head: Corporate Services meeting with lawyers to confirm amount in dispute	No	31 March 2023	R172 202.30
Investigations: Irregular, as well as wasteful and fruitless expenditures for the 2020/21 financial year	Various issues as per the 2020/21 Annual Report	CFO: Procurement of a standing forensic service underway to commence investigation	No	31 March 2023	R12 753 328 irregular expenditure; R2 909 038 fruitless and wasteful expenditure. Alternatively, 23.5% of the R66.6 million budget
Investigations: Disciplinary Hearing of the CEO	Wasteful and fruitless expenditure on the Data Warehouse project	The Commission	Yes	31 July 2022	Misconduct, Data Warehouse project: R1 891 750.00 (Project budget: R2 525 100.00)

5.4. In February 2022, upon juxtaposing the terms and conditions of the contracts against the payments, management discovered some concerning inconsistencies. Management is reviewing and investigating a company's (Company A) contract as a matter of caution as the payments to date are out of sync with the remaining contract period (payments made are more than the time period already elapsed) and at the rate of expenditure, the contract amount will be fully expanded long before the lapse of the contract period.

5.5. All known irregular contracts have been terminated, with the exception of two that could not be terminated until the outcome of the investigations. One relates to a contract worth R9 299 837.19 signed into effect over three years ending in 30 November 2023, and the second a contract expiring in 30 June 2022. Forensic investigation services were appointed on 7 April 2022

5.6. The FFC's audit improvement plan is derived from the audit outcomes and each control deficiency is assessed for the root cause as well as the control deficiency. A plan of action is then developed to ensure that they improve the control environment (process improvement) which will eliminate the root cause.

5.7. The FFC commits to timeous, consistent compliance to enable an easier implementation of the process improvements.

6. **FFC STAFF, UNION AND LABOUR ISSUES**

6.1. The FFC sits with a vacancy rate of 20.8%. There currently is a recruitment plan to fill all vacancies, with special focus on the research division. Executive management turnover is of particular concern, as the stability of the FFC has been affected by consistent movement.

6.2. The FFC does not have a recognition agreement with any union, although correspondence has been received from the National Public Service Workers Union in September 2018, and October and November 2021. An application for recognition must be compliant with the provisions of section 21 of the Labour Relations Act 1995 (as amended) and the union was advised in all instances to remedy the deficiency, which they have failed to do. The FFC is not opposed to recognition of unions, however, it must be in line with legislation.

7. COMMITTEE OBSERVATIONS AND RECOMMENDATIONS

7.1. The FFC plays a particularly important constitutional role which includes advising government, Parliament and provincial legislature on fiscal issues. Its mandate is to make recommendations on equitable share and allocations of revenue (s214(2) Constitution); government guarantees (s 218(2)); provincial taxes (s 228(2)(b)); municipal fiscal powers and functions (s 229(5)); provincial loans (s 230(2)); and municipal loans (s 230A(2)). According to section 220, which established the FFC, all legislation referred in the above sections "may be enacted only after" any "recommendations of the Financial and Fiscal Commission have been considered".

7.2. The Committee is therefore very concerned that recommendations made by the FFC during the Budget Processes are sometimes reportedly not considered or ignored. The Committee believes that there should be more cooperation particularly between the FFC and NT. This may involve also relooking at the manner in which the FFC receives its budgetary allocation in order to ensure its independence.

7.3. The Committee notes that there has been high leadership instability at the FFC. This is exacerbated by the fact that the current CEO is suspended and that there has been high turnover of CFOs. In the past 7 years there has been more that 7 CFOs and 4 CEO, including in acting capacities. The Committee believes that there should be leadership stability in order for the FFC to improve its governance.

7.4. Over the past few years the FFC has received concerning audit outcomes which the AGSA has said are caused by leadership instability, failure of management to monitor compliance with the PFMA and Treasury Regulations, inadequate implementation of the audit action plans, and failure to implement proper controls in order to ensure that annual financial statements were accurate. There has also been issues with irregular and fruitless and wasteful expenditure. The Committee will be monitoring progress in the implementation of the audit action plans presented to it in February and during the oversight visit in April.

Report to be considered

The DA reserved its position.

7. REPORT OF THE PORTFOLIO COMMITTEE ON INTERNATIONAL RELATIONS AND COOPERATION, ON THE PROTOCOL TO THE CONSTITUTIVE ACT OF THE AFRICAN UNION RELATING TO THE PAN-AFRICAN PARLIAMENT, 1 JUNE 2022

The Portfolio Committee on International Relations and Cooperation, having considered the request for approval by Parliament of the Protocol to the Constitutive Act of the African Union relating to the Pan-African Parliament, recommends that the House, in terms of section 231(2) of the Constitution, approve the said Protocol.

Report to be considered.

8. REPORT OF THE PORTFOLIO COMMITTEE ON INTERNATIONAL RELATIONS AND COOPERATION, ON THE AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF INDIA, THE GOVERNMENT OF THE FEDERATIVE REPUBLIC OF BRAZIL AND THE GOVERNMENT OF THE REPUBLIC OF SOUTH AFRICA, ON THE IBSA FUND FOR THE ALLEVIATION OF POVERTY AND HUNGER (IBSA Fund Agreement), 1 JUNE 2022

The Portfolio Committee on International Relations and Cooperation, having considered the request for approval by Parliament of the Agreement between the Government of the Republic of India, the Government of the Federative Republic of Brazil and the Government of the Republic of South Africa, on the IBSA Fund for the Alleviation of Poverty and Hunger (IBSA Fund Agreement) recommends that the House, in terms of section 231(2) of the Constitution, approve the said Agreement, which should be amended following entry into force.

Report to be considered.

9. REPORT OF THE OVERSIGHT VISIT OF THE PORTFOLIO COMMITTEE ON DEFENCE AND MILITARY VETERANS TO SELECTED ARMSCOR FACILITIES, DENEL'S LYTTELTON CAMPUS, SPECIAL FORCES SCHOOL AND THE DEPARTMENT OF MILITARY VETERANS' HEADQUARTERS, 21 AND 22 APRIL 2022, DATED 01 JUNE 2022.

1. INTRODUCTION

The Portfolio Committee on Defence and Military Veterans (PCODMV) arranged an oversight visit to four of Armscor facilities, Denel's Lytleton Campus, the Special Forces School and Department of Military Veterans' (DMV) Headquarters on 21 and 22 April 2022. This formed part of the execution of the Committee's oversight responsibilities over the DMV, Armscor and on request to Denel's Lytleton Campus to be briefed and inspect the Badger Infantry Fighting Vehicles (IFVs) as part of the Department of Defence's (DOD) Project Hoefyster.

1.1 Primary aim of the Oversight Visit

The primary aim of the Oversight visit was for the PCODMV to conduct site visits to the above-mentioned facilities to acquaint itself of the conditions and challenges experienced, as well as to facilitate inputs and insights to enhance its oversight functions.

1.2 Defence Committee Members and Support Staff

The Delegation comprised of the following:

Members of the Defence Committees:

African National Congress
Mr TN. Mmutle – Delegation Leader
Me TI Legwase
Dr M Basopu
Me M Mothapo
Democratic Alliance
Mr SJF Marais
Mr ML Shelembe
Economic Freedom Fighters
Mr TWI Mafanya

Support Staff
Peter Daniels - Content Advisor

Wilhelm Janse van Rensburg - Researcher
Bryan Mantyi - Committee Secretary
Jabulani Majozi - Communication Official

Officials from entities, DOD and DMV

Dr P Dexter - Armscor: Chair of the Board
Adv SP Mbada - Armscor CEO
Mr JG Grobler - Armscor CFO
Dr N Mkaza - Group Executive: Research and Development
Mr W Hlakoane - Denel Interim Group CEO
Mr P Petje - Denel: CEO PMP
Brig Gen HG Mashego - GOC Special Forces
Col JL Mogotsi - Senior Staff Officer Logistics
Col C Ndouvhada - Officer Commanding Special Forces School
Col M Motloung - Senior Staff Officer: Parliamentary Liaison Officer
Ms I Mpolweni - DMV: Director- General
Mr S Monakali - PLO - Defence Ministry

1.3 Programme

On Thursday, 21 April 2022, the Delegation visited the Gerotek Facility of Armscor in Pretoria-West, where a brief overview by the entity's the CEO, Adv S.P. Mbada, the Group Executive: Research and Development, Dr N.M. Mkaza, and the Board's Chairperson Dr Dexter, was received.

The Delegation then divided into two groups who alternatively were taken on the Skidding pan and the High speed track. Members were then allowed to link up with the respective Caucuses while en route to Centurion where four Armscor Defence Evaluation and Research Institutes (DERI's) were visited. On conclusion of this visit, the Delegation travelled to Denel's Lytleton Campus to receive a short overview of the site where the Badger IFVs were being assembled. After this Members were driven in the Badgers to the Denel's new parts storage facility, the driver training simulators, and the auditorium where a briefing took place.

On Friday, 22 April 2022, Members went to the South African National Defence Force (SANDF) Special Forces School in Murray Hill to receive briefings on the Special Forces Brigade and on the School. Subsequently, the Delegation drove past the living quarters and was shown the dilapidated houses, after which the Urban Fighting Facility inside the base was visited. The Delegation was shown the damage caused by the theft of electrical cables along the fence of 4 Vehicle Reserve Park, which led to the units in the area being without electricity for an extended period.

The Delegation then departed to Hatfield, Pretoria, where the DMV's headquarters is situated, to be briefed by the DG, which included a short overview of the Call Center. The visit was concluded with a short question and answer session.

2. OVERSIGHT VISIT TO ARMSCOR FACILITIES 21 APRIL 2022

The Delegation visited Armscor's Gerotek Test Facilities in Pretoria West on 21 April 2022. After being welcomed by the Chairperson of the Board and the CEO, Adv SP Mbada, the Group Executive: Research and Development, Dr Mkaza, presented a brief overview of the facilities.

2.1 Gerotek Test Facilities

The Gerotek Test Facilities is a multi-disciplinary organization, providing accredited, independent test and evaluation services; product launch promotions and corporate events; and advanced driver training- and development programmes for the automotive, electronics, defence industries including security forces, and other local and international industries. In recent years, Armscor has been using its own funds to maintain the facility. Gerotek has seven (7) operations/divisions with their own cost centres;

- **Five (5) income generating divisions:**

–Gerotek Testing (Vehicle, Environmental and EMC)
–Paardefontein National Antenna Testing Range (PNATR)
–Gerotek Advanced Driver Training
–Gerotek Events
–Sidibane Restaurant

- **Two (2) support divisions:**

–Technical Support (Maintenance and Facilities) and SHEQ,
–Finance, Administration, Business Development and Marketing.

Successes: Some of the successes achieved at Gerotek include the vehicle testing by, for instance, Mercedes Benz; the hosting of Events by private organisations such as the Cars.co.za; and Armscor capability demonstrations.

Challenges: These include the lack of investment to stay ahead of competition; the high cost of infrastructure; urbanisation around Gerotek; escalated maintenance costs; Competitors such as Kayalami and Zwartkops; and, the need to upgrade continuously vs Gerotek's limited budget available for upgrades.

Mitigation: Some of the mitigation strategies include the sweating of land at Gerotek; plans for a small 12-person accommodation facility; and reprioritising the budget to ensure new test equipment to improve the service offering (e.g. electric vehicle; autonomous-vehicle test facility).

2.1.1 Observations and questions by Members

- One question related to whether other state entities are using the facility and the response was that it was mostly utilised by Denel, but that Denel's testing has significantly declined in recent years due to internal challenges. Armscor is reaching out to metros and the Department of Trade and Industry to assist with marketing Armscor's service offerings. This, however, is not enough since the cost of running Gerotek is significant.

- On the question how market competitiveness is maintained, the response was that this is done through the variety of test tracks available, but it was stressed that there was a need to improve marketing efforts, especially since the state of facility is criticised by the private sector.
- In response to a question whether there are any SA Defence Industry (SADI) companies testing at Gerotek, it was stated that all SADI companies use Gerotek.
- Another response was that not all of the land facility is being utilised. It was suggested that if more funds could be made available, the facility could be extended to improve its service offerings.
- With regards to engagement with Metropolitan Municipalities, it was pointed out that there is an ongoing engagement, but that the drive is now to market Gerotek more to other entities in order for it to become the preferred supplier of their service offerings.
- Given the land occupation around Gerotek, it was enquired what Gerotek is doing in this regard. The response was that the land belongs to DPWI, and Armscor needs to reach out to this Department. There was an engagement, but it did not yield any results and there is not much more Armscor can do at this stage. They also pointed out that this encroachment impacts on Gerotek's water and electricity supply, hence they are trying their best to manage the situation without antagonizing the "illegal invaders." The Committee encouraged Armscor to seek to gain control of the land around it.
- The SAPS is using the facility for VIP driver training, but not extensively as there is an opportunity to increase driver training for the state sector in general.

Dr Mkaza also outlined some of the Defence, Evaluation and Research Institutes(DERI's) in the Armscor's stable which the Committee later visited in Centurion namely:

2.2 Protechnik Laboratories (Protechnik)

Protechnik conducts project work in the field of chemical and biological (CB) defence on behalf of the SANDF. The institute also provides technical support to the South African Council for the Non-Proliferation of Weapons of Mass Destruction on aspects related to the implementation of the Chemical Weapons Convention (CWC). South Africa is a signatory to the CWC, an international statute that prohibits the development, production, stockpiling and use of chemical weapons. Protechnik has a staff complement of thirty employees of which twenty are 20 females.

Successes: Some of the include the Covid-19 hand sanitizer production and testing; Covid-19 protective gear testing; Testing of carbon filters; and, Synthesis of small scale chemical warfare agents, biomedical metabolites and fine chemicals.

Challenges: These include Funding; loss of skills; and, delays in certification of sanitizers by the South African Bureau of Standards (SABS).

Mitigation: These strategies include Commercialisation; increasing the pool of specialists for Talent Development; and, engaging the SABS to expedite sanitizer approvals.

2.3 Ergonomics Technologies (ERGOTECH)

ERGOTECH is a leading ergonomics consultancy, providing a comprehensive service in ergonomics, occupational health and safety, both locally and internationally. The various methods deployed by ERGOTECH have evolved over the years to provide solutions which are in line with world standards and best practice, but also take the South African context into consideration.

2.4 Hazmat Protective Systems

Hazmat manufactures and markets a comprehensive range of respiratory products. Hazmat started its business by supplying Full Face Masks, Chemical and Biological Warfare (CBW) filters to the DOD. No local manufacturer of respiratory products was available and the establishment of this manufacturing capability was identified as strategic (sovereign) to ensure availability of these controlled items to the DOD.

2.5 Fluid and Mechanical Engineering Group (Flamengro)

Flamengro for is mandated to develop, maintain and manage a modelling and simulation capability for the DOD. It offers an additive manufacturing, computational mechanics, test measurement and software development capabilities to its main client, the DOD, as well as to the commercial clients in the defence industry. This type of work involves investigation on Weapon Systems Launch Response, Integrated Ballistics Simulation, Artillery Range Extension Mechanisms, Ammunition Technology, 3D Printing Hybrid Rocket Motor Grain and Weapon Mounting Dynamics.

2.6 Observations by Committee Members

- The Committee enquired into the cooperation/competition between the CSIR, Armscor and Denel. It was pointed out that there are areas where Armscor can work with private sector. Armscor subsidiaries focus specifically on the military and CSIR/others do not. Armscor also takes care not to duplicate the work of the CSIR and they indicated that they even outsource some work to the CSIR.
- A question directed at the work of Ergotech related to the problems that the SANDF had with boots in DRC, which some Members observed personally during an oversight in March 2018. The response was that although Ergotech could provide guidelines and recommend the standards and quality that equipment should adhere to, they were not responsible for the final procurement of such products. Most complaints are on the quality of materials used to manufacture the boots and uniform, but Ergotech only provide anthromorphologic data.
- It was further pointed out that Ergotech assists with the recommendation of specifications for the type of boots to be used but the DOD does not manufacture and relies on what is available in the market. e.g. when Special Forces could not find the type of boot they wanted in South Africa, they then needed to import. However, the DTI restricted them from importation, insisting on local procurement, despite the fact that these boots were not locally available. When requesting an exemption from DTI, it added to the time to procure the boots, which impacts on the Special Forces' operational capacity. After several engagements with DTI on sourcing boots from abroad, the DTI came back the previous week with an exemption to procure, but limited it to 500 pairs of boots.

- Armscor agreed that given the confidential DOD information that they are privy to, they keep medical information confidential and stressed that all scientists are vetted.
- The Armscor Board Chair indicated that military procurement is not centralised and that it could make sense to develop a capability to produce military requirements internally, if needed.
- Regarding Protechnik, it was asked to what extent Chemical and Biological Warfare (CBW) is still a threat and whether the capability is still justified. The response was that it is still justified and that the unique capabilities and skill-sets in this entity, speaks to sovereignty and strategic independence, and that the country needs such capabilities to be readily available.
- On the questions of some of the reasons why they are losing scare skills, the response was that scientists are in demand and that they get "poached" by entities such as Prasa/Transnet and the private sector.

At the conclusion of the Armscor facilities visit, an opportunity was allowed for Members to join their respective Caucus meetings while en route to Denel Lytleton Campus.

3. SITE VISIT TO DENEL LYTLETON CAMPUS ON 21 APRIL 2022

On arrival at the hangar where*, inter alia*, the Badger Infantry Fighting Vehicle is assembled, the Delegation was shown the various aspects in assembling the Badger by some of the engineers and personnel involved in Project Hoefyster. It was emphasised that no photo taking was allowed given the confidential nature of the project.

The Committee was shown the various components of the Badger, i.e. such as the platform on which it is built and the Turret. After the assembly, a system check is performed in order to ensure the functionality of the system. The Committee was informed that it takes the Engineering team a total of 1 200 hours to complete a single system. The Delegation was then taken to the second workshop where spray-painting is being done. Members were shown the 15 Badger Systems that have gone through the assembly stage and are partially complete/operational. The Training Simulators, where the drivers are trained to operate the system, was also shown to the Delegation. Members were also shown the parts storage facility where various new and unused component parts of the Badger system are stored. The Committee was informed that the parts have been in storage in excess of 5 years.

On conclusion of the tour of the facility, the Delegation was invited for a short ride in four Badgers to the presentation venue. The presentation on Denel Land Systems (DLS), was marked "controlled confidential" focused on the following:

Key aspects emerging from the Denel Presentation on Project Hoefyster:

The DLS manpower history was reflected as follow:

Date	Manpower	Reduction	Percentage
May 2020	476	-	-

December 2021	427	49	10,22
May 2021	379	97	20,25
December 2021	263	213	44,74

The DLS's Business risks were listed as:

RISKS	MITIGATION
Non Payment of salaries/related payments •Salaries outstanding: R 147 m Related payments: R163 m •Suppliers Estimate: R 700 m **Loss of Critical Skills due to salary payment inconsistencies results in:** •Resignations lead to single resources and no skills to sustain business (243 resignations since May 2020/ 78% critical skills)	**Work stoppage by Organised labour** • Ring fencing of projects to generate cash (110 employees) • Business sustainability Denel.5Y Critical Skills required due to resignations to ensure cash generating sales • Approval of Policy (Flexible Resources

DLS also provided a development overview of Project Hoefyster:

- The design and development phase of the programme is, to a large extent, complete and only about 9% of work by value to update and complete the data packs is outstanding. The current major issue is delays in processing the lead variant project product baseline deliverables with Armscor since April 2020.
- Overdue intervention from executives (SA Army, Denel and Armscor) of these organisations in dispute resolution mechanisms to unlock Development finalisation has become extremely critical.

The DLS Development schedule, according to what Denel claims is possible going forward, was presented as follow:

BADGER VARIANT	FORECASTED FINISH DATE
SECTION	Armscor still doing internal processes which impact conclusion of other variants. Position Paper with Armscor since March 2021
FIRE SUPPORT	3 – 5 months – Armscor response
MISSILE	14 – 18 months – Armscor response
COMMAND	8 – 12 months – Armscor response
MORTAR	10 – 14 months – Armscor response

Production Phase Overview

- The production phase has been on hold uncontractually mainly due to Armscor's refusal to accept deliverables according to terms and conditions of contract.
- This has, as a main contributing factor, led to inability of Denel to meet its contractual obligations with Hoefyster suppliers, leading to a huge liability exposure on Denel with associated litigations – e.g. SAAB, SME, Patria, Parker etc. Denel view based on current Armscor cancellation recommendations is that:

- This ill-considered alternative to suit only Armscor is likely not to succeed as it will result in a R5 bn write-down in Denel, to be funded by Government.
- The SANDF to spend circa R 2.6 Billion, as informed by the termination clauses.

Capability to Deliver

- In Section variant, which is the major deliverable, all jigs and fixtures are in place, all production documentation is completed (the production recipe has been written).
- Only limited delta work to be done on the other variants (Industrialisation).
- Given the delay in Production Phase, there will be a level of re-industrialisation required in the production environment.
- Majority of the work (70%) is done by SADI for this phase -Denel conducts the integration of units that are supplied through SADI.
- Uncertainty on the future of Denel and limited operations disable any planning and will be key to support the above when properly addressed, hopefully in near future as the situation is deteriorating beyond control threshold.

Why continue with the Programme?

- Support SA Army to fulfil its constitutional mandate through deployable capability
- Reposition South Africa in the world as a force to be reckoned with in the defence sector
- Sustainability of Denel Capability base to support SANDF maintenance of its fleet, and major contracts
- The already developed level of ballistic protection, mobility, and firepower already far exceed that of the aging Ratel
- Upgrading of the Ratel as an alternative will face major obsolescence issues, making it a lengthy and expensive alternative
- Retention and creation of Jobs and stimulation of the economy
- Enhancement of skills in Science, Defence Technology, Engineering and Maths
- Sustainability of local defence sector and establishment of BBBEE suppliers.

Way Forward

The following key decisions need to be aligned and taken across all stakeholder levels until the final position has been agreed and approved contractually:

- An agreed meeting between Denel CEO, Armscor CEO and Secretary of Defence to advise on moving the programme forward.
- Chairpersons of the respective Boards of Directors, respective CEOs, Ministries of Defence and Public Enterprises, National Treasury and cabinet support for this programme to proceed as proposed.
- Acceptance of Section Variant Development Baseline by all stakeholders to unlock Phase 2.
- Unlocking sales of Pre-Production Models (PPMs –R170 million) and Line Replaceable Units (LRUs –major components –R400 million) to generate much needed cashflow.

- Continued sitting of the joint Armscor/ Denel EXCO and STEERCOM respectively to ensure execution alignment on the programme.

3.2 Armscor's response to the presentation

The CEO of Armscor and the Group Executive: Acquisition and SCM, Mr M Teffo, responded to the presentation as follow:

- A letter from Denel in 2018 noted that they are unable to meet all the specifications of the Project Hoefyster contract.
- Subsequently, after a number of engagements, there was a proposal to move forward, but some capability gaps remained and especially the funding of the Project remained a concern given that significant funds have already been invested.
- It was agreed by both Armscor and Denel that Phase 1 has not been completed.
- Challenges that remained include the fact that the 30mm gun was not fully developed; that the gun's accuracy remained a problem; and that the smoke extractors did not work effectively.
- Denel is therefore not able to deliver on Project Hoefyster according to the timelines and system requirements put forth by Armscor as contract management agent for the SANDF.

3.3 Observations and questions by Committee Members

- The Committee enquired about the reasons why Denel was unable to finalise the project to specifications.
  - ✓ Denel's CEO responded that there was complexity in the project and that there were decisions made on Project Hoefyster in the past that were outside the scope of the project. For example, with only 70% of engineering design completed, Denel started production, which was wrong. Denel and Armscor agreed on this and stated it to be one of the reasons why the Project was facing so many challenges today.
  - ✓ Denel's CEO further stated that Armscor, the DOD and Denel need to reach consensus on outstanding issues and then decide on a way forward.
  - ✓ Armscor CEO in turn pointed out that Armscor needs to determine what Denel can and cannot do. He stressed that DOD, as the client, wants certainty on what Denel can and cannot do and they want to know whether Denel can deliver and, if not, what were alternative vehicles that will then be delivered.
  - ✓ He further pointed out that there was an agreement to establish a team to guide the way forward, but emphasised that Armscor remains liable for the contract if the product is not delivered.
- One question related to how far Denel is to deliver fully completed vehicles to Armscor, even if it is not the full number of Badgers as specified in the original contract, as well as whether they have the cash-flow to fund the completion of some of the variants. Members were referred to the Forecast Finish Dates in the Denel presentation, with a focus on the finalisation of the development phase that can be completed rapidly. Denel's CEO also pointed out that the Entity specialise in integration and

most of the contracts have made use of SA Defence Industry role-players. He remains hopeful that if there is agreement, Denel can deliver part of the contract.
- Members expressed concern around the significant loss of skills at Denel, specifically engineers, which could limit the capacity of the entity to deliver on Project Hoefyster. On the question of whether they are able to get engineers and other specialists to return when needed if the go-ahead is given, the response was that they know where some of these specialists are and some have indicated that they are willing to return if requested to do so.
- On the parlous financial situation Denel finds it in, the response was that the R1.8 billion bail-out went to suppliers (R900m) and SARS (R400m), and that not much was left for salaries. Denel then started ring-fencing specific projects to allow some projects to run, however, this means that the rest of Denel is "crumbling." Their salary bill was R10m per month and DLS generates only about R4m per month of which R2m is for ring-fenced projects. The Denel CEO stressed that if Project Hoefyster collapses, DLS will collapse.
- On the question whether they still have the capacity to deliver, the CEO responded that there is a small number of people who are still with them, but the bulk of the work (70%) will have go to SA Defence Industry role-players while Denel will focus on systems integration.
- In response to the question how they will get out of this situation, it was stated that Armscor and Denel is working on a solution and that Denel have to look how they can fund the estimated R171m required to complete Phase 1 (the Development Phase). Of the 244 original order, Denel has different scenarios where it can deliver between 150 and 176, but that it is important that Denel and Armscor decide whether they can meet each other half-way.

4. OVERSIGHT SPECIAL FORCES SCHOOL ON 22 APRIL 2022

The Delegation was met by the Officer Commanding of the School and invited to a presentation on the Special Forces Brigade as a whole and the School in particular. The first presentation was done by Col Jerry Mogorosi, the Brigade's Logistics Senior Staff Officer in the absence of the General Officer Commanding Special Forces, Brig Gen Mashego who was attending a handing and taking over parade of the Brigade's Sergeant Major.

4.1 Presentation

The presentation highlighted the following:

Strategic Profile

Focus was on the Special Forces' mandate, vision and mission as well as the values of military professionalism; integrity; respect and accountability. The latter in view of the fact that operators are entrusted with equipment worth millions of rands. The next section dealt with its Command and Control where it was emphasised that they report to Chief of Joint Operations (CJOPS), who are tasked by the Chief of the SANDF regarding special operations. Their different units in the country center on the Special Forces' Headquarters, School, Supply Unit, and the two operational units namely 4 Special Forces Regiment (SFR) in Langebaan and 5 SFR in Phalaborwa, each with its own specialised training.

Role and Functions

These include:

- Special Reconnaissance to enhance situational awareness
- Direct action missions- jointly, independently or in conjunction with allied partners
- Combatting terrorism
- Countering threats and support to RSA Government departments.
- Advise, organise, train and assist allied nations
- Conduct unconventional warfare missions
- Conduct special search and rescue operations

State of infrastructure and facilities

Here emphasis was placed on issues such as the:

- Encroachment of informal settlements near/close to the bases in Wallmansthal and Phalaborwa
- At the Madimbo corridor challenges are being experienced with land claims and potential mining rights on the military property
- Serous infrastructure and living accommodation challenges are being at 4 SFR, 5SFR and te SF Supply Unit.
- The State of the road infrastructure at the SF Headquarters, and potholes at 5SFR, are some of the other challenges.
- Related to the encroachment, is the security of the bases, especially the fences such as at SF School and at the SAWONG (SA Weermag Opleidingsgebied) training area near Phalaborwa.

Critical Success Factor: Facilities Master Plan at the SF School

The SF Brigade proposed that the SF School be extended to allow for a state of the art facility to assist with the very specialised training of special force members. The proposed extension's cost analysis amount to a projected final cost of R510 m which include the design costs; construction costs; pre-contact escalation as well as contract price adjustments. The projection is that the total project will be done in phases over six years.

Strategic and administrative challenges

The following challenges were listed:

- Procurement and especially the role of Armscor especially related to specialised equipment that can only be sourced from abroad
- Budget cuts and its impact on for instance flying and sea hours for especially training purposes
- Land claims and the resultant uncertainty for future projects and planning
- Staffing especially the appointment of Public Service Administration Personnel (PSAP) members and critical logistic personnel.

- Others include challenges with maintenance contracts; impaired mobility due to lack of sufficient log, combat vehicles and boats
- Electricity challenges at SF School where the generator cannot supply the server due to lack of electricity at Wallmansthal; that the Computer Aided Logistics Management Information System (CALMIS) can't operate with a generator, and that the School has been without electricity for almost 15 months.
- Shortage of water within SF School where water pipes have been vandalised, while there are also water challenges in the SAWONG training area, which forced the SF Brigade to utilise water tanks (jo-jo tanks), and water bunkers.

Concerns around the conditions of service related to, inter alia, security clearances; vetting; aging and deteriorating infrastructure; and, no replacement of PSAP members when they exit the system.

4.2 Observations and questions by Committee Members

- One of the first questions related to the state of Special Force's equipment and the kind of equipment they require as well as what their intelligence requirements were.
- Concern was also raised about Special Forces' need for air support which has not been as forthcoming from the SAAF, and the impact this has on air-time for parachute training.
- A question was raised about what has been done by SFs management to address the situation in terms of accommodation for their members, the general poor state of these facilities and, especially, what kind of recommendations they have in this regard.
- The presenters were also requested to explain what they mean by 'we are working independently.'
- One Member stressed that the Committee needs the SANDF/SF to note what really needs to be prioritised and what kind of interventions are required.
- In this context the Committee felt that issues of water, electricity and land claims/invasions should be prioritised, given its knock effect on other activities.
- Given that various departments, entities and municipalities are involved to address some of their challenges, the question was asked whether there is a multi-party platform where all these aspects are considered.
- The fact that the restricted budgetary allocation impact on their activities led to the question what they can actually do with what you have.
- Concerns were also expressed around Supply Chain Management/procurement challenges, especially given that the SFs need to be able to respond to developments in a short space of time.
- The Committee enquired with whom the School has spoken to address the electricity challenges and who should be replacing the stolen electricity cables. The response was that there were several engagements with the City of Tshwane regarding the electricity cables. As they are utilising diesel for the generators, the Committee enquired about the amount and whether these figures can be provided, which the presenter undertook to do.
- Regarding the water supply, the Committee was informed that Magalies Water supply water to the area, but that the water problem has been with them for a long time. They informed the Delegation that members of the public resident in the informal settlement nearby intercepted the water, but the

current situation was that the infrastructure has been permanently damaged. It was also asked why they are not drilling bore holes for water.

- On the question what they have been doing to address the matter of land invasions around military facilities across the board, the response was that many letters have been written through DWF to relevant institutions.
- Lastly, the Committee enquired whether the extension plans for the project to build a new state of the art SF school, has been approved to Military Command Council. The response was that these have been shared with higher authorities, but to date no feedback has been received at the level where they are operating.

The Committee subsequently visited the Special Forces Urban area training facility in the Base, after which it was shown where the electricity cables have been stolen along the 4 Vehicle Reserve Park fence line. Members were also shown the high number of unserviceable and old vehicles at 4 Vehicle Reserve Park (4VRP) which is at an increasing risk of vandalism and theft. It was indicated that these vehicles need to be disposed of, as these increased the risks of fires that often flare up. This concluded the Oversight visit to Special Forces School, after which the Delegation departed to Irene where the DMV Headquarters are situated.

5. OVERSIGHT VISIT TO THE DMV HEADQUARTERS IN IRENE ON 22 APRIL 2022

The concluding oversight visit was to the DMV Headquarters in Hatfield, Pretoria, which was shortened due to time constraints. The DG, Ms Irene Mpolweni, welcomed the Delegation and after a few introductory remarks, was invited by the Leader of the Delegation, Mr Thabo Mmutle, to proceed with the short presentation.

5.1 Presentation

The presentation covered the following aspects:

- **DMV Headquarters**

The DMV's HQ lease expired at end November 2018 and has since been leased on a month to month basis. The DMV is engaging National Treasury with the assistance of DPWI to acquire the PRASA building and on 14 October 2021 DPWI indicated that they have commenced with these engagements.

- **Provincial Offices**

An outline was given of the expiry and renewal of the various lease agreements of the provincial offices. In KZN a shared building was acquired, while in Limpopo the DMV was invited to a site inspection on 14 October 2021 and DPWI is finalising the evaluation. In Johannesburg DPWI indicated they received an approval for the DMV request and a Bid Specification Committee was supposed to be arranged for 15 October 2021.

The DMV indicated that they will continue to engage DPWI weekly and on monthly bilateral meetings to finalise the acquisition of the DMV HQ.

- **DMV Call center**

The DMV, through its business agreement with SITA, has entered into a Service Level Agreement which include the Annexure for Service Desk Services. The technical aspects of the Call Center include the following:

  - Call Center equipment
  - Maintenance and functional support
  - Call payback (a toll free number which allows for DMV to consume the costs of calls)
  - Training of DMV Call Center users
  - Reporting tool for systems uptime.

5.2 Observations by Committee Members

- Members enquired whether the Department is enjoying legal protection if they do not provide the eleven benefits as provided for in the Military Veterans Act (No. 18 of 2011). It was for instance noted that the DMV had committed to delivering the pension benefit by the 1st April 2022, and this has not materialised. A concern was raised that this may open up the DMV to litigation.
- Members also questioned whether the housing benefit includes assistance with the removal of asbestos roofs if these are the military veterans' own properties and if other benefits exit such as settling the bond. The DG responded that housing is implemented at provincial and municipal levels, and that plans have been requested from the provinces and municipalities.
- Members inquired what is being done to assist military veterans to access the medical benefits, as they are complaining to Members of Parliament that they are far from the medical facilities and get little assistance from DMV, when they required these services. The DMV noted that the SA Military Health Services (SAMHS) remain the primary healthcare provider through which the DMV provides services. For non-elective procedures, SAMHS refers veterans to private facilities and for elective procedures the DMV transfers patients.
- Concerns were also raised around the school benefit such as school fees where in one case it required the assistance of a Member of Parliament to see that a disabled child is being assisted. The DMV admitted that a major challenge is the fact that all applications are processed manually, which is problematic and slow. Further, some schools do not comply with required legislation which complicates the roll-out of the education benefit in some cases.
- Members lamented the fact that given the restricted time available for engagement, that they will not be able to do justice to, for instance, the continued lack of progress to cleanse and finalise the military veterans' database.
- Pertinent questions were raised around the fact that the headquarters lease expired at the end of November 2018, yet no new lease has been signed and, in particular, no new/alternative headquarters could be sourced in this period. In addition, and very concerning, is the fact that the headquarters rental is now being paid on a month to month basis, which is not only more expensive but also incurring additional costs which could have been prevented.
- Related to the headquarters lease, questions were raised around the ownership of the building given this protracted process. The DG noted that the current building used is owned by NMI Group Limited.

- The question of access to the DMV and staff at the headquarters was again raised as Members are continuously approached by military veterans regarding the disrespectful treatment by DMV staff. It was reiterated that this is unacceptable and that the DMV needs to improve on its service delivery and especially treatment of military veterans.
- The Committee noted the number of vacant Senior Management positions leading to officials acting in these positions. This was lamented against the background of four Senior Staff members who are on precautionary suspension. Clarity was sought on whether provincial offices were fully capacitated to assist military veterans, and what the relationship between the headquarters and the provincial offices are.
- The Committee raised its concern around the statement by the DG that the building was not secure and that this poses security risks to staff and wanted to know how this impact on the core business of the Department.
- Questions were raised around the functioning of the Call Center, whether it's is fully staffed and operating optimally to assist military veterans with their queries. The DMV noted that the Call Centre is currently functional, but that some problems still exist. The Department is trying to address problems with SITA and is currently looking for a different operating system.

6. RECOMMENDATIONS BY THE COMMITTEE

Given the briefings the various defence-related facilities, the SF School and DMV Headquarters as well as the responses to questions by the Delegation, the PCODMV makes the following recommendations:

7.1 Armscor Facilities

- Concerns raised in several units during the Committee's oversight visits were around the lack of adequate military uniform and boots, which ought to be addressed urgently as this relates to the basic operational needs of any military force. The Committee recommends that the DOD calculate the requirements in this regard and shift funds in the 2022 adjustments budget to address the problem. The DOD should report back to the Committee during deliberations on the adjusted budget for 2022/23. Armscor's ergonomics division should also be consulted to ensure the appropriate uniform and footwear are procured for the SANDF.

- The Committee is aware of the financial constraints under which the DOD is functioning and that the sweating of assets to raise funds is a ministerial priority. To this end, the Committee is concerned about the high number of old and unserviceable vehicles at military facilities that ought to be sold for scrap metal and/or parts. The Committee recommends that the DOD and Armscor jointly develop a plan to speed up the generation of revenue through the sale of old equipment. The DOD and Armscor should report progress on this plan to the Committee during deliberations on the adjusted budget for 2022, including how the projected revenue will be spent.

7.2 Denel – Project Hoefyster

- The Committee observed a disjuncture between the views of Armscor and Denel on the prospects of Project Hoefyster. The Committee therefore notes the urgent need for a final decision on Project Hoefyster as further delays impact negatively on the SANDF's operational capability, Armscor's contract management responsibilities and Denel's future planning. The Committee recommends urgent engagements between Armscor, Denel and the SANDF on the future of the project. Armscor should report back to the Committee in writing, not later than 21 July 2022, on the outcome of such engagements and the way forward for project Hoefyster.

7.3 Special Forces Brigade and School

- During several recent oversight visits, the Committee has noted the impact of human settlements on military areas, notably land invasions of areas adjacent to military bases and Defence Entities. While the Committee is cognisant of the sensitivities around human settlement requirements in South Africa, it is concerned about the security of military bases and the safety of surrounding communities. The Committee therefore recommends that the DOD and other relevant departments work together to find a lasting solution to land invasions around military bases. The DOD should also provide updates in its Annual Reports, starting with the 2021/22 Annual Report, on progress in this regard with a detailed breakdown of affected areas and relevant engagements to address the matter.

- The Committee noted the observation that several SANDF areas are subject to the land claims process. The Committee is also aware that, by 2021, the DOD was still awaiting the Regional Land Claims Commissioner to submit the official Request for the Release of State Land to DPWI. The DOD should, in subsequent Annual Reports, provide a more detailed breakdown of the specific bases and military areas under land claim and the progress on this specific claim.

- The Committee noted the special equipment requirements of the SA Special Forces and the need for the Force to maintain constant operational readiness. In this regard, the Committee recommends an engagement between the DOD, the DTI and National Treasury on the establishment of a permanent, reasonable, departure or special dispensation for foreign procurement for specialised equipment unique to the Special Forces' environment. The DOD should prioritise this engagement and provide feedback on its outcome to the PCODMV during deliberations on the adjusted budget for 2022.

- The non-availability of electricity and water at several military bases in the Wallmansthal area is of extreme concern to the Committee, especially since this has been the case since 2017. The Committee recommends urgent intervention from the DOD, Eskom and the City of Tshwane to address this matter. The DOD should report in writing to the Committee on progress in this regard no later than 2 months after adoption of the report. Should a permanent solution to the repair of electricity lines not be possible, the DOD should consider the use of solar or other power generation as an alternative means to supply units in the area.

- The Committee noted the non-availability of electricity at for instance 4 Vehicle Reserve Park, and its impact on the proper storage of Prime Mission Equipment (PME) which need to be stored under certain climatic conditions. The Committee thus recommend that during its third quarterly meeting, the DOD should brief the Committee on measures to address the lack of electricity at military bases, and the subsequent impact thereof on the proper storage of PME, including at 4 Vehicle Reserve Park.

- The Committee further recommends that in order to process the issues of the Special Forces Brigade, the Committee should convene a closed meeting with the Senior Management of the DOD to deal with the challenges faced by the Special Forces.

7.4 DMV Headquarters

- The Committee recommends that the DMV should prioritise the delivery of medical benefits to military veterans, as Members continue to receive complaints in this regard. It was also stressed that the bursaries for school fees should be enhanced especially in the case of disabled children, as challenges in this regard from DMV side further complicate an already challenging situation.

- The DMV should during its Third Quarterly meeting with the PCODMV report specifically on the DMV Headquarters lease, and in particular what they have done to address the situation, as the first lease has expired in November 2018. They should also report on all leases for the Provincial Offices and also whether these offices are functional and fully staffed. The DMV should explain what they are doing in the interim to make the DMV Headquarters more secure given the security risk that the building poses.

- The DMV was encouraged to further enhance the Call Center and actively improve awareness of the Call Center amongst military veterans, given the reported challenges to access the DMV Headquarters and provincial offices. Progress on the finalisation and improvement of the Call Centre and the Integrated Database Management System should be reported to the Committee during the Third Quarterly meeting.

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The Committee would like to extend its gratitude to all the personnel at the Armscor and Denel facilities, the Special Forces School and the DMV Headquarters for their cooperation and sharing their challenges with the Committee in an open and transparent manner. The Committee also extends its appreciation to the Members of Parliament and Committee Support Staff who made this oversight visit possible and ensured that it was successful.

Report to be considered.

National Council of Provinces

1. REPORT OF THE SELECT COMMITTEE ON SECURITY AND JUSTICE ON THE 2022/23 BUDGET VOTE 5, ANNUAL PERFORMANCE PLAN (APP) OF THE DEPARTMENT OF HOME AFFAIRS, DATED 01 JUNE 2022

1. INTRODUCTION

The National Council of Provinces represents the provinces to ensure that the provincial interests are taken into account in the national sphere of government as stated in section 42(4) of the Constitution. One of these functions is to hold the government to account in respect of how the taxpayers' money is used. It detects waste within the machinery of government and public agencies. Thus it can improve the efficiency, economy and effectiveness of government operations.

The Department of Home Affairs (DHA) carries out its mission in line with its commitment to citizen empowerment and inclusivity, economic development and national security, by:

- Being an efficient and secure custodian of citizenship and civil registration
- Securely and strategically managing international migration
- Efficiently managing asylum seekers and refugees
- Efficiently determining and safeguarding the official identity and status of persons

The DHA's services are divided into two broad categories: civic services and immigration services.

On 18 May 2022, the Select Committee on Security and Justice met with the Department on Home Affairs to receive a briefing on the Department's Annual Performance Plan and budget. The report represents the main discussions and recommendations of the Committee.

2. DISCUSSIONS / RESPONSES BY MINISTER/ DEPARTMENT

2.1 War on Queues:

All members raised concerns regarding the long queues which citizens have to wait in to access the services of the Department of Home Affairs. The Minister responded that the war on queues is one big issue facing the Department. He informed the Committee that there are short, medium and long term solutions to this problem. The Minister explained that the problem does not always reside within the Department of Home Affairs. The Department will focus on online booking systems as this seems to be working well. This will obviate the need for people to buy space in queues and counter corruption which is difficult to deal with. Last month, 412 Home Affairs offices were down for more than 3 hours, sometimes systems are down for a whole day. The Department found that this related to 1 cable being down at SITA. The biggest challenge is outside the control of the Department of Home Affairs. Infrastructure in SITA and Home Affairs are some challenges and the Department is looking at sourcing IT services from outside of government. Most of the Department's office space is also hired and they would like to build customized home affairs offices. Staff shortages also contributes to the problem in that if 39% filled, there are fewer people servicing clients. The move to filling 42% of posts will still not be adequate. The Minister informed the Committee that more detailed plans will be outlined in his budget speech.

2.2 Suspensions

Members wanted to know the length of time officials are suspended and the amount these suspensions cost the Department. The Department is handling this in terms of the Public Service Management Regulations. If the employer moves too fast, they may transgress the regulations. Delays are caused by employees as they know the law very well, and because they do not wish to have certain chairpersons presiding over a particular matter. Those suspended receive their full salary whilst on suspension.

2.3 Unemployed Youth

Members wanted to know what is being done about this and what the current challenges are. The Department is working with National Treasury and they are currently finalizing a revised business plan.

2.4 Digitization of records

Members wanted to know what the Department is doing to improve its IT capacity and the digitization of its services. The Minister responded that there are 300 million records from the year 1895 which are all manual records. The lack of digitized records therefore causes further delays as it takes months for staff to go through 300 million files which further contributes to citizens having to return to the Home Affairs offices on numerous occasions for updates on their applications, particularly if they wish to alter information on their ID documents.

2.5 Media engagements and rural communities

Members wanted to know more about their media outreach programmes and how it will reach rural areas. The Department has a strong stakeholder management forum including provincial, districts and civil society organisations. This has been working well and they use community media and mobile units have been increased to 110 mobile units and they are looking at buying more which will increase the reach to rural areas.

2.6 Biometric Management System

Members wanted to know the reasoning for the increase in this target from 24 ports of entry in 2021/22 to 34 ports in the current financial year. Members also wanted to know what challenges the Department encountered. The Department responded that it had challenges with procurement and supply chain management during Covid as there was a shortage of services. However, now they are able to place their orders and are receiving the appropriate equipment to proceed.

2.7 Northern Borders

Members wanted to know in respect of the borders from Northern Cape to KZN, how many borders are still closed. Members expressed concern that due to this, the economy is down in some of these towns. The Department reported that they have reopened Alexander Bay and they have implemented a process through DIRCO, with neighbouring countries to reopen borders. They reported that Gemsbok has also been re-opened.

2.8 Service Delivery

Members wanted to know what the Department is doing to ensure efficient and effective service delivery on a provincial basis. The Department is busy implementing a service delivery model. They are reviewing a number of areas including customer segmentation and looking at key resources with key partners and other government departments. The Department offered to present this model to the Committee at a later stage.

2.9 Passports

Members wanted to know what processes the Department has in place to reduce the length of time for the issuance of passports. The Department has a pilot project which will be rolled out in the UK at the beginning of June 2022 to reduce the turnaround time for passports applied for abroad. If this pilot is successful, they will use this model for all other countries.

2.10 Budget allocation to Provinces

Members wanted to know what informs the budget allocation to provinces. The Department normally uses the baseline and also reviews how the provinces spend their budget throughout the year. The Department looks at the actual spending of branches to assist provinces who are running out of money. This is monitored on a monthly basis.

2.11 Targets for Smart Identity Documents

Members wanted to know why the Department is not reverting to the pre-COVID-19 annual target of issuing 3 million Smart ID's in a financial year. The Department responded that due to Covid-19 this was reduced and they then reviewed this. The target has been revised now that the Disaster Management is no longer in place. As the financial year progresses, the Department will go back to the 3 million target as over time they want to do away with green ID books to reduce incidents of fraud.

2.12 Vacancies

Members wanted to know what the Department is doing to increase capacity and to fill vacant posts. The Department responded that it currently has to fill 187 posts. They have advertised the posts and are in the process of filling the posts. Capacity issues are challenging and they are working towards improving this by utilizing HR capacity and collaborating with Institutions of Higher Learning and using interns to fill posts. The Minister responded that this is a big problem from 5 years ago as National Treasury gave departments a ceiling for appointments. People also left through natural attrition and they were unable to fill vacancies. There are many vacancies in frontline offices and this contributes to long queues. Treasury has since given the Department some extra money for civic services. They are currently trying to fill posts of immigration officers.

2.13 GBVF awareness raising

Members wanted more information on the GBVF plan of the Department and how it is currently being rolled out. The Department responded that their sexual harassment policy needed to be revisited. The policy has been improved. The implementation plan includes awareness sessions talking to both men and women within the Department and providing information on what needs to be done and mechanisms in place to ensure proper reporting to address matters quickly. The Department is working with other stakeholders. The Department offers support to officials in cases where GBVF has been reported and they are putting together communication material so that clients also know the steps they should take when experiencing such incidents.

2.14 Law Enforcement Inspections

Members noted that the target for law enforcement inspections has increased by more than 100% and wanted to know whether the Department has the capacity to address the targets and what challenges exists in this regard. The Department indicated that law enforcement inspections are important in terms of ensuring that people are in South Africa lawfully. The Department is currently supporting BMA increase in number of operations and twice a month they have officials deployed on operations and inspections. They have also targeted a couple of Fridays each month when they conduct inspections and roadblocks around Gauteng Province, which supports police operations to deal with issues of illegal migration. The Department is also actively requesting tip offs on illegal activities.

2.15 Permanent Resident application target

Members wanted to the Department to explain the target of 85%. The Department responded that since January 2022, they opened up for applications for permanent residence. They have implemented an intervention process of appointing 16 new adjudicators on the permanent residence committee. On 1 June 2022, the Committee will sit and adjudicate new applications with a particular emphasis on the APP targets. One area that requires a dedicated focus is on the verification of supporting documents as the allocation of permanent resident status is an important responsibility. They will verify bank statements and comply with POPIA with a focus on achieving this target.

2.16 Fraud and Anti-corruption

Members wanted to know the percentage of cases on fraud and corruption that were finalized and why the baseline percentage is so low and what challenges are in place and as well as what measures the Department will put in place to improve performance. The Department responded that anti-corruption is focused on 4 pillars. The Department conducts trend analysis and reviews processes regularly and then makes recommendations to close loopholes. The target of 66 % was due to the capacity that they had. The target will increase annually. The Minister responded that convictions occur via courts and the Department works closely with the Hawks. There is a lot of work going on in terms of disciplinary action, however some cases go to labour courts 3 times through the appeals system, which are lengthy and creates further delays. The Minister responded that there have been some arrests by the Department. The Counter Corruption unit is however not adequately staffed and they intend filling 12 posts to strengthen the counter corruption unit. They conducted an operation in Krugersdorp and received tips from communities in respect of photo swops and fraudulent identity documents, which proved very useful.

2.17 Border Management Authority (BMA)

Members wanted an update on the progress and or challenges related to the implementation of the BMA. The Minister responded that the BMA is still a branch incubated in the Department of Home Affairs and they are hard at work to make it a stand-alone by April next year. The BMA Act provides for 9 ministers to be part of an inter-ministerial committee selected by the President. BMA is going to bring government Departments together. Those Police officers at the border posts reporting to SAPS will have to make a choice whether to be transferred to BMA. The proclamation allows the President to transfer certain functions from one Minister to another and the President may transfer staff. Department of Health officials will also be transferred to BMA. No transfers will be made from the South African Defence Force or SARS. Implementation protocols will determine the collaboration with BMA in terms of the working arrangements.

2.18 Border Management Authority (BMA) – Staff morale

Members wanted to know, with the implementation of the BMA and the movement of staff, whether staff were leaning towards taking packages and what the morale of staff was generally. The Department responded that thus far, they have had no official engagement with staff in ports and they will do this in a systematic manner. They are currently working/engaging with unions to ensure there is no confusion. In terms of their informal engagements, they have not seen any negative push back from staff and in fact they seem quite excited about the process.

2.19 Closed Border Posts

Members wanted to know which borders are still closed and when they will all be re-opened. Members also wanted to know which 6 border posts have been identified for redevelopment.

The Department responded in respect of the 53 land border posts, 24 are open and 29 are still closed. 22 commercial ports are open except Swaziland. In Namibia, there are 6 posts, 3 are open and 3 are closed. Those that are open are synchronized in terms of distance. Capacity challenges are preventing the Department from opening all the ports. The Department indicated that the following border posts have been identified for redevelopment: Beitbridge, Maseru Bridge, Kopfontein, Lebombo, Oshoek and Ficksburg.

2.20 Illegal Migration

Members were concerned that they were not receiving reports of the arrests of illegal migrants and were further concerned that the Department is mainly focused on African migrants and not those from European countries. The Minister responded that due to the nature of investigations, the information is not always forthcoming but they are doing lots of work behind the scenes discreetly. The Minister also wanted to correct the wrong perception that they are only chasing illegal migrants from the African continent. As a result of the 2010 world cup legacy project, any flight from any country, 24 hours before arrival has to send a list of all passengers and they are stopped before coming to South African borders. The Department does not solely focus on African continent illegal immigrants.

3. RECOMMENDATIONS

3.1 Committee members expressed their concern in respect of the long queues at the offices of the Department and encouraged it to implement its short, medium and long term plans in respect of the 'war on queues' to address this matter with speed to ensure effective and efficient service delivery. The Department should continue to implement the measures that are currently working in all provincial offices.

3.2 The Department should move with speed in rolling-out its piloted plan of "booking a space" to all the provinces in order to be able to fight the long queues that are experienced by the citizens when visiting Home Affairs offices.

3.3 Committee members welcomed the detailed implementation plan for the BMA. Members recommended that the Department should strictly adhere to the plan in order to ensure that the BMA is implemented within the stipulated timeframes and provide regular updates to the Committee.

3.4 The BMA should start a process of fully engaging all those who are working within the border posts as to avoid any negative push backs / conflicts that may arise.

3.5 The Department should maximize its efforts to address fraud and corruption and work closely with the relevant law enforcement agencies to ensure that arrests are made speedily.

3.6 The Department should work towards digitization of all its manual documents and address the challenges it has in respect of IT capacity which will further contribute towards efficient service delivery in all provinces.

3.7 The Department should continue to curb illegal migration through its law enforcement operations by working collaboratively with law enforcement agencies and with the communities. The Department should also closely monitor the private airstrips as there are those illegal migrants who are entering the country through those.

3.8 The Department should find lasting solutions to the filling of vacancies and continue to collaborate with Institutions of Higher Learning and to use interns to fill posts. The Department should address this as a matter of urgency, particularly in respect of the filling of vacancies of frontline staff.

3.9 The Department should continue to rollout more mobile units as this will increase the reach of the Department in rural areas and ultimately improve service delivery.

3.10 The Department should ensure that every effort is made to work speedily on re-opening the closed border posts and to redevelop the border posts it has identified in the APP.

3.11 The Department should ensure that it makes every effort to reduce the turnaround time for the issuance of passports.

3.12 The Department should continue its awareness raising initiatives in respect of GBVF and ensure that officials receive the necessary information as well as support.

4 CONCLUSION

The Committee thanked the Department and welcomed the presentation and plans on the implementation of the BMA. The Committee will, conduct oversight over a pilot border post, once the BMA has been implemented. The Committee further indicated that it will hold a meeting with the Department focusing on the ‘war on queues’. The Department was encouraged to fill vacancies as quickly as possible to ensure improved service delivery to all citizens. The Department was further encouraged to deal decisively with corruption to ensure that officials are arrested speedily.

The DA abstained from the adoption of the report.

Report to be considered.