Thursday, 20 October 2022]

No 164—2022] FOURTH SESSION, SIXTH PARLIAMENT

PARLIAMENT

OF THE

REPUBLIC OF SOUTH AFRICA

ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

THURSDAY, 20 OCTOBER 2022

TABLE OF CONTENTS

National Council of Provinces

COMMITTEE REPORTS

National Assembly

ANNOUNCEMENTS

National Assembly

The Speaker

1. Classified documents received from the IPID

(a) Classified documents were received from the Independent Police Investigative Directorate (IPID), submitted for consideration by members of the Portfolio Committee on Police. A process has been developed to regulate the accessibility of the documents by full-time members of the Committee.

2. Timetable for conduct of preliminary inquiry by the Section 89 Independent Panel

(1) Timetable for the conduct of the preliminary inquiry initiated by the National Assembly to remove the President in terms of section 89 of the Constitution of the Republic of South Africa and its rules:

SECTION 89 INDEPENDENT PANEL: 30 CALENDAR DAY TIMETABLE FOR THE REPORT

DAYS	**DATE**	**ACTIVITY DESCRIPTION**
Day 1-3	19 – 21 October 2022	Start date for the appointment of the Panel and 30 calendar day period. Preparation and publication of notice to Members in the ATC to submit information to the Panel.
Day 4-09	22 – 27 October 2022	Timeframe allowed to any member of the Assembly to submit information
Day 10-19	28 October to 6 November 2022	Timeframe allowed to the President to respond to information received
Day 21-30	7 – 17 November 2022	Timeframe for the Panel to consider all information received, conduct any additional research required, deliberate on the facts, write, and finalise the Report.

3. Notice by the Section 89 Independent Panel inviting information from any member of the National Assembly

(1) Notice affording any member of the National Assembly an opportunity to submit relevant written or recorded information within a specific timeframe, in terms of National Assembly Rule 129G(1)(c)(i):

SECTION 89(1) INDEPENDENT PANEL

NOTICE IN TERMS OF RULE 129G(1)(c)(i) TO PLACE RELEVANT WRITTEN OR RECORDED INFORMATION BEFORE THE PANEL

The appointment of the Section 89 Independent Panel (the Panel), established by the National Assembly in terms of Rule 129D to consider any preliminary enquiry relating to the Motion proposing a Section 89 Enquiry, has been published in the Announcements, Tablings and Committees (ATC) and the 30-day period envisaged in the Rules commenced to run on 19 October 2022.

Pursuant to Rule 129G(1)(c)(i) the Panel invites any Member of the National Assembly who wishes to place before it relevant written or recorded information (the submission). The information must be submitted to the Office of the Independent Panel within 6 (six) days of the publication of this Notice in the ATC. The submissions must be made as follows:

a) An electronic version of the submission plus five hard copies of the submission must be delivered to the Office of the Independent Panel. (One copy for the record, three copies for each Panel Member and a copy to be sent to the President for his response.)
b) The electronic version must be contained on a memory stick.
c) A submission must be accompanied by all materials, such as cases law, academic works and statutes referred to in the submission.
d) Where reliance is placed on recorded materials, the submission must be accompanied by a transcription of the of the recorded material, duly certified as a true and correct transcription of the recorded material.

Please note that the Panel is working under severe time constraints. Non-compliance with the timeframe set out above will impact negatively on the timelines for the delivery of the Report to the Speaker. Late submissions will not be accepted without prior written consent of the Chairperson obtained before the expiry of the six-day period.

To facilitate processing of the submissions for transmission to the President, the five hard copies of the submission together with an electronic version should be delivered to the following address: **Room 701, 7th Floor, 100 Plein Street Building, Parliament, Cape Town (Between 10H00 and 15H00).**

ISSUED BY THE SECTION 89 INDEPENDENT PANEL
20 OCTOBER 2022

All enquiries must be directed to Ms. Fienie Viviers at Cell: 082 787 3640

4. Referral to Committees of papers tabled

(1) The following papers are referred to the **Standing Committee on Finance** for consideration and report. Report of the Independent Auditors on the Financial Statements and Performance Information is referred to the **Standing Committee on Public Accounts** for consideration:

(a) Report and Financial Statements of the Government Employees Pension Fund (GEPF) for 2021-22, including the Report of the Independent Auditors on the Financial Statements and Performance Information for 2021-22.

National Council of Provinces

The Chairperson

1. Bills passed by Assembly and transmitted to Council for concurrence

(1) Bill passed by National Assembly and transmitted for concurrence on 20 October 2022:

(a) **Electoral Amendment Bill** [B1B-2022] (National Assembly – sec 75).

The Bill has been referred to the **Select Committee on Security and Justice** of the National Council of Provinces.

TABLINGS

National Assembly and National Council of Provinces

1. The Speaker and the Chairperson

(a) Monthly Financial Statements of Parliament – September 2022, tabled in terms of section 54(1) of the Financial Management of Parliament and Provincial Legislatures Act, 2009 (Act No 10 of 2009).

National Assembly

National Council of Provinces

1. The Chairperson

(a) INVESTIGATION IN TERMS OF SECTION 106(1)(b) OF THE LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT, 2000 (ACT NO. 32 OF

2000) ON ALLEGATIONS OF MALADMINISTRATION, FRAUD, CORRUPTION OR ANY OTHER SERIOUS MALPRACTICES WITHIN MKHONDO LOCAL MUNICIPALITY, MPUMALANGA.

Referred to the **Select Committee on Co-operative Governance and Traditional Affairs, Water and Sanitation and Human Settlements** for consideration.

COMMITTEE REPORTS

National Assembly

1. THE BUDGETARY REVIEW AND RECOMMENDATION REPORT (2021/22) OF THE PORTFOLIO COMMITTEE ON PUBLIC WORKS AND INFRASTRUCTURE ON THE PERFORMANCE OF THE NATIONAL DEPARTMENT OF PUBLIC WORKS AND ITS ENTITIES, DATED 19 OCTOBER 2022

The Portfolio Committee on Public Works and Infrastructure (the committee, PC on PWI) met from 11 - 13 October 2022 to consider and assess the performance of the Department of Public Works and Infrastructure (DPWI), the Property Management Trading Entity (PMTE), and public works entities for the financial year under review (2021/22).

The assessment was based on an analysis of the strategic plan (SP 2020-2025), annual performance plan (APP for 2021/22), quarterly performance reports for the 2021/22 financial year, the audited annual financial statements contained in the annual reports, and an engagement with the Auditor-General on its findings. The committee reports as follows:

1. INTRODUCTION

Section 5 of the Money Bills Amendment Procedure and Related Matters Act (Act 9 of 2009, hereafter referred to as the Money Bills Act) guides that portfolio committees of parliament must conduct reviews of the audited financial statements of their respective departments and entities and, if required, issue recommendations on the forward use of resources. The Act further requires that committees submit the budgetary and recommendation reports "after the adoption of the Appropriation Bill and prior to the adoption of the reports on the Medium Term Budget Policy Statement."[1]

The process of oversight is a chain of interlinked events throughout the five-year term of this administration. These events consist of weekly oversight meetings, visits to projects sites, constituency activities, meetings with the auditor-general, including responses to

[1] Section 5(4), the Money Bills Amendment Procedure and Related Matters Act (Act 9 of 2009)

questions that Members put to the executive authority for written and oral reply. The budgetary review and recommendation report (BRRR) reflects on all responses that the department provide regarding enquiries and recommendations that the committee made in its budget vote reports. This report is not the culmination of all oversight activities during the year; it is **an instance of assessing in order to strategically flesh out further steps to accelerate improvement in the work of the department** as the implementer of the policy that the executive authority makes. In this way the report is **an assessment of the effectiveness and efficiency of the department's use and forward allocation of available resources**; and may include recommendations on the forward use of resources.

The Money Bills Act stipulates that the portfolio committees of the National Assembly should assess the performance of the department and its entities annually through an analysis of the:

"(a) medium term estimates of expenditure of each national department, its strategic priorities and measurable objectives, as tabled in the National Assembly with the national budget;

(b) prevailing strategic plans;

(c) the expenditure report relating to such department published by the National

Treasury in terms of section 32 of the Public Finance Management Act (PFMA);

(d) the financial statements and annual report of such department;

(e) the reports of the Committee on Public Accounts relating to a department; and

(f) any other information requested by or presented to a House or Parliament."[2]

In order to hold the Minister as executive authority, and the Director-General (DG) as accounting officer accountable, the quarterly performance reports presented to the committee during this financial year is part of the assessment process that the committee undertakes.

The Mandate of the DPWI and the PMTE

[2] Section 5(1) (a) to (f) of the Money Bills Amendment Procedure and Related Matters Act (2009).

Schedule 4, Part A of the Constitution of the Republic of South Africa containing the "Functional Areas of Concurrent National and Provincial Legislative Competence" sets out the legal mandate of the DPWI. The Government Immovable Assets Management Act (GIAMA) (2007) describes the department's mandate as custodian of government's immovable properties in further detail. The department is responsible for the official accommodation of all national departments. It provides construction, maintenance, and property management services to all client departments at national level. This includes the rendering of expert built environment services relating to the planning, acquisition, management and disposal of immovable assets.

The department also provides strategic leadership of employment creation through the implementation of phase three of the Expanded Public Works Programme (EPWP). The department plays a coordinating and capacity-enhancement role with provincial and local government counterparts to ensure the implementation of the EPWP.

The following Acts form the legislative mandate of the DPWI and PMTE:

- Government Immovable Asset Management Act, 2007 (Act No. 19 of 2007);
- The Infrastructure Development Act (Act No. 23 of 2014)[3];
- Construction Industry Development Board Act, 2000 (Act No. 38 of 2000);
- Council for the Built Environment Act, 2000 (Act No. 43 of 2000);
- The six Acts that regulate the Built Environment Profession Councils (BEPCs);
- The Agrément South Africa Act, 2015 (Act No. 11 of 2015);
- Public Finance Management Act, 1999 (Act No. 1 of 1999).

[3] See the effects of this as part of the legal mandate of the DPWI below that provides an analysis of the alignment of the Strategic Plan, Annual Performance Plan (APP) and the Annual Reports (AR).

The following policy texts contain the policy mandates of the DPWI, PMTE and public works entities:

- DPW White Paper: Public Works, Towards the 21st Century, 1997;
- DPW White Paper: Creating an Enabling Environment for Reconstruction, Growth and Development in the Construction Industry, 1999;
- Construction Sector Transformation Charter, 2006;
- Property Sector Transformation Charter, 2007;
- DPW Broad-based Black Economic Empowerment (BBBEE) Strategy, 2006;
- Property Management Strategy on BBBEE, Job Creation and Poverty Alleviation, 2007;
- Green Building Framework, 2011.

We emphasize that the department is not directly involved in service delivery. It provides accommodation and maintenance services to service delivery departments. It further provides professional built environment, construction, project management, and facilities management services to client departments. It is an important role player in infrastructure projects and assists local government with integrated spatial development framework planning processes. It plays a standard setting and regulatory role that assists client departments that directly provide services to the public. The assessment of the use of allocated budgetary resources gives a glimpse into how the contribution of each citizen to the fiscus is used to improve the lives of all citizens of the country.

The oversight function

The Public Finance Management Act (PFMA) makes an important distinction between the functions of the executive authority and the head official or accounting officer[4]. The executive authority "is responsible for policy matters and outcomes; this includes seeking Parliamentary … approval and adoption of the department's budget vote." The committee does oversight over the executive authority and how they lead the head official and the senior management team in translating policy into administrative programmes.

The PFMA continues by stating that "the head official (Director-General (DG)… is responsible for outputs and implementation, and is accountable to Parliament … for the management of the implementation of the budget."[5] The accounting officer must report to parliament on how the department uses the budgetary allocation to translate policy into implementable programmes. The DG reports to different levels of oversight to whom he or she is accountable.

Levels of oversight

The Office of the Minister[6] and the National Treasury functions as a first level of oversight over the administrative responsibility of the DG. There are various in-year reports regarding revenue and expenditure that the Office of the Minister and the National Treasury should receive from the DG and the senior management team.

The reporting responsibilities of the DG is outlined in section 40 of the PFMA; full and proper records financial statements must be kept according to prescribed norms and standards, and at various times during the financial year be submitted to the AG for auditing, National Treasury, the executive authority and parliament[7]. It underscores the work of this committee (PC on PWI) as the second level of oversight. The Auditor-General of South Africa (AGSA) functions as the third level of oversight. The committee interacts with the AGSA to deliberate on matters that may need attention as part of its

[4] S1 and S36 of the PFMA.
[5] Explanatory memorandum on the Act, Division of Responsibility, PFMA.
[6] Ministerial advisors, support staff, in combination with the Deputy Minister and support staff, is the Office of the Minister.
[7] All subsections of s 40 of the PFMA in this case, (1)(a) to (f), with the latter stipulating parliament and relevant portfolio committees.

oversight function. To date this collaborative work has been restricted to preparatory work for oversight over the annual financial statement and the annual report. Deliberations during the 2022 financial year led to a verbal agreement that this should happen on a more regular basis, possibly quarterly or bi-annually, so that we can further assist one another and the department to strengthen its work.

Components of the oversight focus

The committee's oversight focus is firstly on how the executive authority functions as policy leader. That is, whether, and how the Minister directed the DG and the administration to research, review, and draft policy and regulation that may be required to give effect to the public works mandate.

The second oversight focus is on how policy needs were translated into programmes. This is often as described in the Annual Performance Plan (APP) and five-year Strategic Plan (SP) of the department and the entities. The APP includes predetermined objectives described as performance targets with key performance indicators (KPIs) to be reached within stipulated time frames that assists to keep a check on whether targets were reached.

The third focus is on whether and how the Minister guided the DG and the administration to develop uniform standards for implementation, and regulated the implementation of these standards across the public works sector. It is further important to keep a check on how (as first level of oversight) the Minister, through in-year reports, monitored compliance to the Public Finance Management Act (PFMA) and the legislative framework. This aspect is important to ensure that the department uses the allocated budget for the financial year efficiently with as little fruitless and wasteful expenditure as possible, in order to achieve a clean audit of the implementation of public works programmes through which policy is implemented.

In short, the committee keeps the Minister as the leader of the sector responsible for the use of budgetary and human resources to ensure optimal performance of the DG and the administrative team.

2. EVIDENCE THAT THE COMMITTEE USED

In performing its oversight duty, and following the procedure as set out in the Money Bills Amendment Procedure and Related Matters Act (2009) to assess the department's performance, the committee used the following evidence:

1. The Department's five-year Strategic Plan (2020-2025), and the Annual Performance Plan. Note that we are approaching the middle of this five-year term this is the middle of the five-year term, and expect a review of this plan soon.
2. The oversight events of the committee during the period under review. This includes:
   - the deliberations with the department and the executive authority and entities during the financial year under review.
   - The committee support personnel and chair had meetings with the Office of the Auditor-General to discuss trends that could be identified over the last few financial years.
   - It also conducted meeting focused on the audited Annual Financial Statements (AFS) in the Annual Report and on the performance track of the DPWI and PMTE in the financial year under review.

This report records the analysis of this committee as set out in the introduction of this report, in compliance with section 5(1)(a) to (f) of the Money Bills Amendment Procedure and Related Matters Act (Act 9 of 2009).

To give effect to its mandated responsibility to analyse and assess the performance of the department, the committee first assessed the planning documents of the department and the PMTE.

3. ALIGNMENT OF THE LEGAL MANDATE, AND PLANNED INITIATIVES AS STATED IN THE DEPARTMENT'S PLANNING DOCUMENTS

This sub-section provides an analysis of the effects of the planning documents that includes the infrastructure component into the mandate of the department and renaming it from the Department of Public Works to Department of Public Works and Infrastructure (thus from DPW to DPWI).

3.1. Infrastructure and Public Works – Entering a Defragmented Spatial Planning and Land Use Management Terrain

This five-year administrative term places much emphasis on investing in infrastructure. The President introduced this in the state of the nation address in 2019 saying that, "infrastructure was a critical area of investment that supported structural transformation, growth and job creation". He reminded the country that in 2012 the National Development Plan (NDP) was adopted as "the guide to our national effort to defeat poverty, unemployment and inequality."[8] He stated that with 10 years to go before the year 2030 when most of the NDP targets[9] were to be reached, progress have been too slow and that we had to take "extraordinary measures, (to) realise Vision 2030"[10].

The decentralisation of government into national, provincial and municipal levels – and further power fragmentations and contestations within the local government and construction sectors – provides role players a defragmented field within which they must manage infrastructure projects.

Already in 2011, this problem was addressed by the institutionalising of the Presidential Infrastructure Coordinating Commission (PICC) to unify infrastructure and the public works function between the different levels of government. Another measure to address the challenge of defragmentation of the public works and infrastructure as evidenced in the case of spatial planning shown above, was to reconfigure the Department of Public

[8] Ibid.
[9] Note that these targets are referred to as Sustainable Development Goals (SDGs) listed in "The 2030 Agenda for Sustainable Development", adopted by all United Nations Member States in 2015.
[10] Ibid.

Works to include an infrastructure component. The importance of the infrastructure component was signalled in the renaming of the department to the Department of Public Works and Infrastructure (DPWI).

The committee held a strategic planning session in which it discussed the Infrastructure Development Act of 2014, and how it may impact on its mandate. The following sections are in part informed by the insights derived from that session and oversight that focused on infrastructure as a component of the committee's responsibility.

3.2. Infrastructure South Africa inside DPWI

The DPWI is the lead coordinating department in the infrastructure sector.

Infrastructure development as a component was transferred to the DPWI because it was the lead department for the construction, maintenance, accommodation, and social infrastructure facilitation and project management function across the three levels of government. This status as lead department is stated in the mandated function[11] of the department to:

- Provide policy formulation for, as well as coordination, regulation and oversight of the public works, professional built environment, and construction sector; this makes the national DPWI the coordinator and regulator of the accommodation of government departments that simultaneously plays a leading role in the land and infrastructure needs of national departments.
- Enhance intergovernmental relations by coordinating concurrent public works functions as set out in schedule 4 of the Constitution.
- Lead and direct the implementation of the national Expanded Public Works Programme (EPWP) by national and provincial departments and municipalities.

---

[11] The Constitution (1996), Schedule 4 describes the concurrent mandate of the national department; the Government Immovable Management Act (GIAMA) (no. 19 of 2007) describes its mandated functions as immovable asset manager of national and provincial government.

- Promote growth, job creation and transformation in the construction, property, and professional built environment related industries.

This announcement signalled that the role of the Minister as executive authority[12] (EA) would henceforth include functions described in the Infrastructure Development Act (IDA) (23 of 2014).

At a first reading, this might mean that the infrastructure component would have the public works EA serve on the Presidential Infrastructure Coordinating Commission (PICC) to assist with the coordination and oversight of the fragmented systems of public infrastructure development across the national, provincial and municipal government levels. If so, it would mean that the following three additional functions were added to the public works mandate:

- The coordinating responsibility for all public infrastructure development in the country.
- The Secretariat function of the PICC.
- The Infrastructure Delivery Management System (IDMS) (a system of processes with gateways to manage portfolio, programme, operations, maintenance, and project management to plan and implement infrastructure assets for public service delivery across the three levels of government).

The Strategic Plan (SP) 2020-2025, and the Annual Performance Plans (APP) for the previous financial year 2021/2022 indicated that the DPWI would play a more impactful role "alongside the Infrastructure Investment Office in the Presidency ("IIO"), to structure the country's Infrastructure-led Economic Growth under a single point of entry where the overall National Infrastructure Plan for South Africa is defined and the pipeline of bankable projects are focused within a new methodology."[13]

---

[12] Public Finance Management Act, (No. 1 of 1999), Chapter 1, under definitions, defines the EA as follows "in relation to a national department, means the Cabinet member who is accountable to Parliament for that department;"
[13] DPWI SP 2020-2025.

5. ANALYSIS OF THE BUDGET AND ANNUAL FINANCIAL STATEMENTS

5.1. Budget under review for the DPWI

The budget allocation was R8.35 billion for 2021/22. This is an increase of 8 per cent in nominal terms, and 3.7 per cent in real terms (calculating the impact of inflation) from the 2020/21 adjusted appropriation of R7.72 billion. The budget represents approximately 0.1 per cent of the national appropriation by vote, excluding direct charges.

During the adjustment process, the budget allocation increased to R8.35 billion.

Expenditure Trend of Department for 2020/21 and 2021/22

Programme R' million	Final Approp. 2021/22	2021/22 Actual Exp.	2021/22 Varian ce	2021/22 Exp. as % of budget	Fin al Approp. 2020/21	2020/21 Actual Exp.	2020/21Varia nce	2020/21 Exp. as % of budget
Administration	504,6	416,5	88,1	82,5%	456,9	384,3	72,6	84,1%
Intergovernmental Coordination	58,5	44,2	14,3	75,5%	58,2	42,3	15,9	72,6%
Expanded Public Works Programme	2 921,0	2 811,5	109,5	96,3%	2 468,8	2 412,1	56,7	97,7%
Property and Construction Industry Policy and Research	4 781,0	4 757,2	23,8	99,5%	4 676,5	4 643,8	32,7	99,3%
Prestige Policy	89,1	52,8	36,3	59,3%	63,9	48,5	15,4	75,9%
Total	**8 354,2**	**8 082,2**	**272,0**	**,7%**	**7 724,4**	**7 531,0**	**193,3**	**97,5%**

Source: Department of Public Works and Infrastructure (2022).

The final appropriation reported in the Annual Report equals R8.35 billion and of this, the department spent R8.08 billion, or 96.7 per cent. This equals an under expenditure of R272.0 million (or 3.3 percent) of the total appropriation. The department reported that the under expenditure occurred under all five main programmes. At the same time Programmes 1 to 5, reported that the underspending was mainly due to: Compensation of Employees (delays in filling of vacant posts, and non-implementation of projected annual salary adjustments); Goods and Services; Transfers and Subsidies; and Machinery and Equipment, to be discussed below.

Spending was recorded as R7,531 billion which is 97.5 per cent of the adjusted budget of R7,724 billion.

Programme 1: Administration received a final appropriation of R504.6 million and spent R416.5 million. This equates to under expenditure of **R88.1 million** or 17.5 per cent, by the end of the financial year as follows:

- R32.0 million – Compensation of Employees, due to delays in filling vacant positions.
- R52.0 million – Goods and Services mainly due to the nation-wide lockdown with the bulk of the activities being performed minimally, resulting in lower than projected expenditure.
- R4.0 million – Machinery and Equipment due to delays in planned acquisition of assets resulting from unfilled vacant positions.

Programme 2: Intergovernmental Coordination received R58.5 million of the total Department allocation and spent R44.2 million, an under expenditure of **R14.3 million** or 24.5 per cent.

The **R14.3 million** underspending, is reported to be due to:

- R7.0 million – Compensation of Employees, due to delays in the filling of funded vacant prioritised positions and those vacated during the financial year.
- R5.0 million – Goods and Services mainly due to the nation-wide lockdown

with the bulk of the activities being performed minimally, resulting in lower than projected expenditure.

- R2.0 – Machinery and Equipment due to a delay in procuring boardroom systems and other assets aligned to the projected filling of vacant priority positions.

Programme 3, the **EPWP** received the second largest allocation after Programme 4, with a total of R2.92 billion, of which 96.3 per cent or R2.81 billion was spent. It underspent by **R109.5 million** or 3.7 per cent.

The underspending of **R109.5 million** was reported as due to:

- R22.0 million – Compensation of Employees, due to delays in filling of funded prioritised positions and those vacated during the financial year.
- R21.0 million – Goods and Services which is mainly due to intermediary Management
- Fee Payment relating to the EPWP Non-State Sector Programme and outsourced services supporting the EPWP projects.
- R66.0 million – Transfers and Subsidies due to EPWP Non-State Sector programme
- payments being withheld, as a result of unfulfilled contractual obligations.
- R488 000 – Machinery and Equipment due to a delay in the planned acquisition of assets resulting from the unfilled vacant positions.

Programme 4: Property and Construction Industry Policy and Research received the largest allocation of R4.78 billion and spent R4.76 billion or 99.5 per cent of its allocation. The programme underspent by **R23.8 million** or 0.5 per cent, as follows:

- R17.0 million – Compensation of Employees mainly due to delays in filling of funded prioritised positions and those vacated during the financial year.
- R6.0 million – Goods and Services, mainly due to the nation-wide lockdown with the bulk of the activities being performed minimally, resulting in lower than projected expenditure.
- R293 000 – Machinery and Equipment due to a delay in planned acquisition of assets resulting from the unfilled vacant positions.

Programme 5: Prestige Policy received an allocation of R89.1 million, of which R52.8 million was spent. It under spent by **R36.3 million** or 40.7 per cent as follows:

- R2.0 million – Compensation of Employees due to delays in the filling of funded prioritised positions and those vacated during the financial year.
- R30.0 million – Goods and Services mainly due to the nation-wide lockdown restrictions, which affected spending on State Events.
- R4.0 million – Machinery and Equipment is mainly due to lower than projected spending on the planned acquisition of assets.

The department reported virements amounting to R66 000. These funds were applied as follows during the year under review:

- R66 000 net increase to Programme 1 under Transfers and Subsidies for Households to offset higher than projected expenditure related to settlements of arbitration awards and leave gratuity payment for exit packages under Programme 3.
- R66 000 net amount reduction from Programme 3 under Transfers and Subsidies for Households to offset lower than projected expenditure for leave gratuity payments relating to exit packages under Programme 1.

Unauthorised Expenditure

The department reported no unauthorised expenditure for the 2021/22 financial year. The reported total cumulative unauthorised expenditure of R261.2 million has been submitted to the National Treasury to be considered for condonement by Parliament. This is the opening balance of R261.2 million in unauthorised expenditure from 2017/18 that was awaiting previously reported to await condonement by Parliament.

During the 2020/21 financial year, note 9.4 in the Annual Financial Statement (AFS) provides the following detail on the reported unauthorised expenditure:

- R174.1 million - under capital expenditure incurred towards building of schools, which is a provincial competency.
- R3.98 million - on capital assets procured for schools.
- R67.1 million – overspending on Compensation of Employees.
- R13.6 million – overspending on Goods and Services.
- R2.3 million – overspending on Transfers and Subsidies.

It must be noted that the department's report on the economic classification of the unauthorised expenditure and the analysis of the type of unauthorised expenditure for 2021/2022 awaiting authorisation per type under notes 8.2 and 8.3 of the AFS respectively, differs from the above referred to note 9.4 reported in the 2020/21 financial year.

Note 8.2 details the economic classification of the unauthorised expenditure as follows:

- R80.8 million – Capital.
- R178.1 million – Current.
- R2.3 million – Transfers and Subsidies.

Note 8.3 details the analysis of the type of unauthorised expenditure awaiting authorisation per type as follows:

- R83.1 million - Unauthorised expenditure relating to overspending of the Vote or a main division within a Vote.

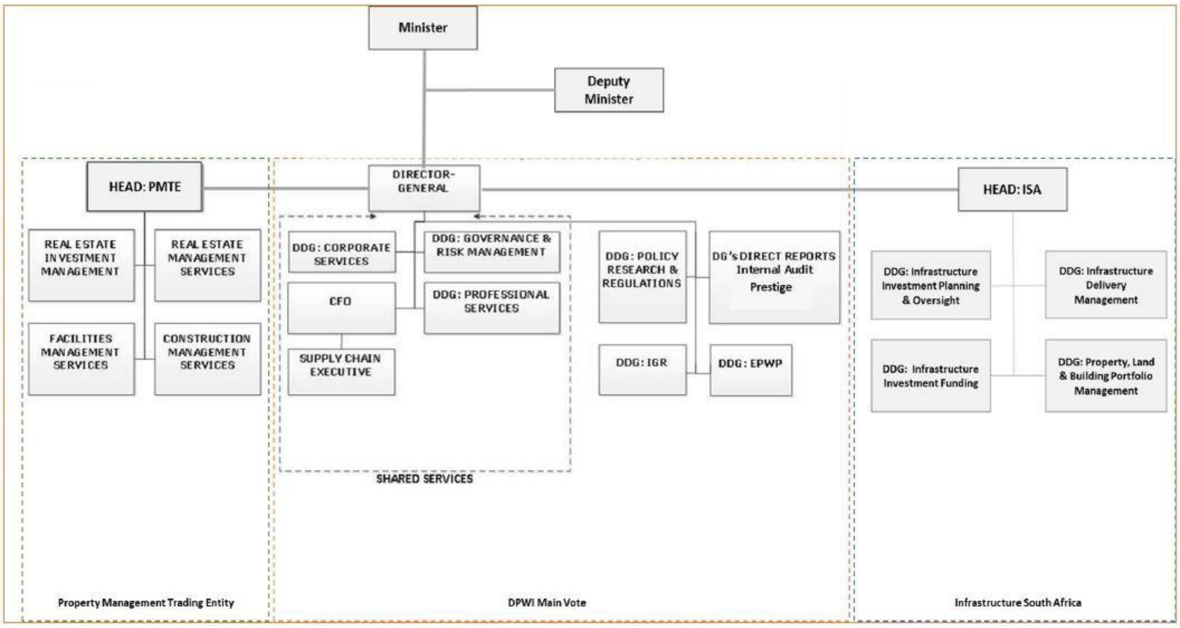
- R178.1 million - Unauthorised expenditure incurred not in accordance with the purpose
- of the Vote or main division.

Human Resource Management

The organogram shows the department is headed by the DG as Accounting Officer, and Head of the PMTE. They utilise a shared services model for Corporate Services; Governance and Risk Management; the Chief Financial Officer (CFO); Professional Services and Supply Chain Management (SCM).

The department further included the Infrastructure South Africa (ISA) component in the organogram, which functions under the Head of the ISA when reporting in the 2021/22 financial year. The Head of the ISA also functions as the Chief Executive Officer of the Infrastructure Investment Office in the Presidency. It is not clear how the operational responsibilities of the IIO and ISA is divided in terms of oversight – this creates tension and a possible vacuum within which infrastructure projects may not be properly be reported on.

Organogram of DPWI, PMTE and ISA



The organogram indicates that the reporting line of the DG of the Department is directly to the Minister, while the two Heads of the PMTE and ISA reports to the DG. As mentioned, it is not clear how these reporting lines are managed, given that they appear to all be situated at the same level. In addition, note the mentioned tension in terms of responsibilities to the DPWI and the Presidency.

This committee scheduled a meeting in November 2022 to deliberate with the DPWI, ISA, the Development Bank of South Africa (DBSA), and National Treasury about the different roles each play in managing large Strategic Infrastructure Projects (SIPS) that were gazetted as bankable by the Minister of Public Works and Infrastructure.

The Annual Report shows that the department has a total of 769 posts, of which 670 were filled at the end of 2021/22 with another 30 filled positions additional to the organisational structure.[25] During the year under review, the vacancy stood at 99 unfilled posts. This translates into a vacancy rate of 13 per cent.

Employment and Vacancies per Programme

DPWI Programme	Number of Posts	Filled Posts	Vacant Posts	Posts Filled Additional to the Establishment
1: Administration	437	386	51	22
2. Intergovernmental Coordination	40	32	8	4
3. Expanded Public Works Programme (EPWP)	223	200	23	3
4. Property and Construction Industry Policy and Research	29	15	14	1
5. Prestige Policy	40	37	3	0
Total	**769**	**670**	**99**	**30**

The largest portion of the 99 vacancies falls under Programme 1: Administration followed by Programme 3: EPWP with a total of 51 and 23 vacancies, respectively. Programme 4: Property and Construction Industry Policy Research reported a vacancy of 14 posts, while Programme 2: Intergovernmental Coordination and Programme 5: Prestige Policy reported the lowest number of vacancies, at eight and three respectively.

Programme 1 also have the largest portion, that is 22 additional posts of the total 30 filled posts that is additional to the Establishment, followed by Programmes 2; 3; and 4 with four, three and one additional post/s respectively; while Programmes 5 reported no additional posts.

With the PMTE becoming a Government Component within the Department of Public Works and Infrastructure in 2014, a large portion of the personnel and function were shifted to the entity. This may explain the decline in the vacancy rate within the department.

Reasons for Vacancies

Termination Type	Number for 2021/22
1.Death	2
2. Resignation	46
3. Expiry of Contract	23
4. Transfers	0
5. Discharged due to ill health	0
6. Dismissal – misconduct	2
7. Retirement	6
Total	**79**

A total of 79 persons vacated positions in the department during 2021/2022; 46 resigned, and 23 contracts expired; two died; a further two were dismissed for misconduct; and six retired. The department reported employing three foreign workers for the 2021/22 financial year. These are:

- 1 - Administrative Office Worker.
- 2 - Professionals and Managers.

However, the department further indicates in the report that a total of 30 foreign workers were employed during the 2021/22 financial year. The foreign workers were employed under the following occupations:

- 1 – Administrative Office Workers.
- 1 - Elementary Occupations.
- 27 - Professionals and Managers.

Audit Outcomes

The department received an **unqualified audit opinion** (with emphasis of matters and additional matters) for the 2015/16, 2016/17, 2017/18, 2018/19; 2019/20 and 2020/21 financial years. In 2021/22, it received its seventh consecutive **unqualified audit opinion** with emphasis of matter and additional matters.

Matters of Emphasis:

Impairment of Receivables: The AG found an estimated impairment of receivables amounting to R62.0 million (R62 026 000), disclosed as a result of long outstanding debts which may not be recovered. This represents 72 per cent of total receivables.

Details of fruitless and wasteful expenditures under assessment (not included in the main note): R54.5 million (i.e. R54 541 470) spent on behalf of the Department of Basic Education (DBE) in relation to the School Beautification Programme, has been referred for investigation subsequent to the year-end. This was, as a result, of a statement made by the DBE prior to year-end, indicating that no school benefitted from this programme. Furthermore, DBE indicated that it does not recognise any expenditure made by the department on its behalf in relation to the Beautification of Schools Project, and any amount referred to as outstanding debt.

Other Matters:

The AG found that for Programme 3: EPWP, the reported performance achievements did not match the supporting evidence provided for the indicators reported in the Annual Performance Report. The AG found that some supporting evidence provided, differed materially from the reported achievement, and in other instances was unable to obtain sufficient appropriate audit evidence. Due to the lack of accurate and complete records, the AG was unable to confirm the reported achievements via alternative means. The AG could not determine if the achievement of 1 016 646 work opportunities (WO) as reported on the Expanded Public Works Programme - Reporting System (EPWP-RS) by Public Bodies (Cumulative) required further adjustments.

The AG could not determine whether the percentage of EPWP participation of designated groups of 69% Women, 41% Youth and 1% People with Disabilities as reported on the EPWP-RS by public bodies required further adjustments.

Annual Financial Statements and Annual Report: The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by Section 40(1) (b) of the Public Finance Management Act No.1 of 1999 (PFMA). Material misstatements on current assets identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified opinion.

Expenditure management: Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R3.76 million (R3 759 000) disclosed in Note 24, as required by Section 38(1)(c)(ii) of the PFMA and Treasury Regulation 9.1.1. The AG indicated that the majority of the irregular expenditure disclosed in the financial statements was caused by salaries paid to the officials that were appointed irregularly per the Public Services Commission Investigation Report.

- Consequence Management: Disciplinary steps were not taken against some of the officials who had incurred fruitless and wasteful expenditure, as required by Section 38(1)(h)(iii) of the PFMA. This was due to investigations into fruitless and wasteful expenditure that were not performed.

- Internal control deficiencies: The AG reported on matters limited to the significant internal control deficiencies that resulted in the findings on the Annual Performance Report and the findings on compliance with legislation included in this report as follows:

  - Management did not adequately apply the Modified Cash Standards (MCS) Financial Reporting Framework in the preparation of the Annual Financial Statements. In addition, the appropriate level of management did not monitor adherence to the Developed Audit Action Plans in order to prevent repeat findings and improve internal reporting processes. Consequently, material adjustments on the statement of financial position were made in order to ensure that the financial statements are fairly and accurately presented.
  - Consequence management in line with the recommendations of completed Investigation Reports were not implemented in certain instances. Consequently, this has resulted in some of the officials who caused instances of irregular expenditure not being held liable.

- Lack of proper record keeping by Public Bodies responsible for uploading data into the EPWP-RS system and inadequate review of data captured on the system, has resulted in materially misstated reported performance information in relation to Programme 3: EPWP. These controls would have ensured that supporting evidence for reported performance information is available in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support performance information. Furthermore, internal control processes to ensure smooth co-ordination of Projects Unit and the Monitoring and Evaluation Unit were not adhered to in order to ensure that material misstatements in relation to Programme 8: Construction Project Management, were prevented and detected timeously.

Material Irregularities: The AG reported on the status of previously reported material irregularities as identified through the audit as follows:

- *Expenditure on State events exceeded contract amount*:
  - The prices that were charged on the invoices for three State events that occurred from 6 July 2018 to 7 November 2018 were different from the prices that were quoted on the pricing schedule that was submitted by the supplier during the tender process and the non-compliance resulted in a material financial loss of R825 832.
  - The non-compliance was identified with regard to TR 8.1.1, as the internal procedures and internal control measures did not identify or prevent the irregular payments mentioned above.
  - The Accounting Officer was notified of the material irregularity (MI) on 03 September 2020. Appropriate actions committed in response to the notification (i.e. to investigate the expenditure into State events, quantify the full quantum of the likely financial loss, identify responsible officials and initiate the process to recover the financial loss) have not been implemented within reasonable time, based on the evidence of progress made per the

Communication received from the Accounting Officer dated 07 May 2021.

Recommendations from the 2020/21 Audit Report of the Auditor-General:

The AG recommends that the Accounting Officer should take the following actions to address the material irregularity, which should have been implemented by 3 February 2022:

- The irregular expenditure should be investigated and the financial loss incurred quantified in accordance with the applicable instruction note(s) issued by the National Treasury dealing with irregular expenditure.
- Appropriate action should be taken to recover the financial loss suffered by the Department from the supplier.
- Effective and appropriate disciplinary steps should commence against any official that the investigation found to be responsible, as required by Section 38(1)(h) of the PFMA and in accordance with Treasury Regulation 9.1.3.
- The AG followed up with the Acting Accounting Officer and responses with supporting evidence were received on 31 August 2021 and 04 February 2022, which indicated that the following steps were being taken:
    - A Draft Policy Framework for Contract Management was introduced to be approved by 01 April 2022.
    - The Department has implemented a manual system where officials from Prestige Unit and Provisioning will manually compare quotation prices against scheduled prices before purchase orders are issued.
    - Director: Provision and Logistics has been mandated to review all invoices from Prestige Unit against pricing schedules and an official order to be issued to identify any anomaly.
    - Segregation of duties has been introduced with the Prestige Unit functions.
    - Furthermore, the Cost Norms and Standard Document has been drafted and

sent to the Presidency for inputs as part of the Review State, Official and Provincial Official Funeral Policy Manual.

- Management went through the payment batches to understand and identify who the responsible Project Manager(s) was/were and the official who approved the expenditure.
- Management has written to the responsible officials to begin disciplinary actions in line with the applicable prescripts on discipline.
- The Department has commenced with the processes of recovering the overpayment of R825 832 from Side Production (Pty) Ltd, via the State Attorney.
- The Department is embarking on buying its own infrastructure and developing internal capacity to implement by itself, and also procure a panel of service providers that are to be managed on a quotation basis.

The AG determined that based on the assessment of the response and evidence presented, the Accounting Officer is taking appropriate steps to address the MI. The AG plans to follow up on the implementation of further actions taken, including the recovery of the loss and the finalisation of the disciplinary actions, during the next audit.

- *Price and quantity variances pertaining to the funeral related expenditure:*
    - The prices that were charged on invoices for some State Funerals that occurred between May 2018 and December 2018 were different from the prices that were quoted on the pricing schedule that was submitted by the supplier during the tender process. In other instances, the invoice that was submitted by the supplier for payment purposes, included items that were not initially quoted on the pricing schedule, which was submitted by the supplier during the tender process. In addition, the quantities on the invoices in some instances differed from the quantities agreed to on the quotation, with no evidence of the additional items being requested by the Department.
    - This resulted in a financial loss of R9.1 million (R9 121 374). The non-

compliance was identified with regard to TR 8.1.1, as the internal procedures and internal control measures did not identify or prevent the irregular payments mentioned above.

- The Accounting Officer was notified of the MI on 02 September 2020 and the appropriate actions committed in response to the notification provided 7 May 2021 are being implemented based on the evidence of progress made per the Communication received from the Accounting Officer dated 10 June 2022.
- Management conducted its own investigation into the matter to establish the accuracy of the issues raised by the AGSA. The investigation was finalised on 29 March 2019, confirmed the AGSA findings, and further identified additional irregularities with respect to each funeral.
- The Department opened a case with the South African Police Service (SAPS) for civil recovery against the supplier as recommended by the Investigation Report. The case number is CAS 793/2020 opened at the Pretoria Central Police Station. The Investigation Report recommended disciplinary actions against the responsible officials. The matter was further referred to the Special Investigating Unit (SIU) on 18 September 2020.
- An investigation by the Special Investigating Unit (SIU) on the matter commenced in 2021, and indicated that the SIU will pursue a civil claim against the supplier. However, the SIU has not made the Report available to the Department.
- The Communication noted that the Department approached the State Attorney to appoint legal counsel to assist the Department with disciplinary proceedings against the three officials still in the employ of the Department. The disciplinary proceedings are currently under way for the suspended Director-General and is being handled by The Presidency. The hearings for the other two officials implicated in the irregularity is being handled by the State Attorney. As at the date of this

report, the disciplinary hearing had not been concluded against the officials.

- A combined summons have been filed at the Gauteng High Court (Pretoria) for case number 20987/22, in a matter between Minister of Public Works and Infrastructure (Plaintiff) and the supplier on 01 April 2022. The summons is in relation to payments made by Department of Public Works and Infrastructure in excess of the agreed pricing schedule provided by the plaintiff during the tendering process stage by the supplier. This covers the two funerals in which the supplier was used to render services for the Mama Veronica Sobukwe funeral (R371 186) and the M Mtslali funeral (R124 315). The bulk amount of the outstanding financial loss to be recovered is being followed up by the SIU.

  The Accounting Officer wrote to Treasury (NT) on 27 January 2022 requesting the supplier and its director to be restricted from doing business with the State due to fraudulent misrepresentation when submitting invoices for payment in respect of State Funeral Services. The application was referred back by NT on 31 Mar 2022 on the basis of the restriction being on PPR of 2017. The department is currently implementing the recommendations made in the response by NT.

- The Accounting Officer approved the Contract Management Policy on 11 April 2022, which sets out guidelines on contracts to enable effective delivery of goods, services and works in accordance with the terms and conditions of the contract.
- The AG will follow up on the investigation and the implementation of the planned actions during the next audit.

Other reports: Investigations

In addition to the investigations relating to material irregularities, the AG drew attention to the following engagements conducted by various parties, which had, or could have, an impact on the matters reported in the financial statements reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of the AG's opinion on the financial statements or findings on the reported performance information or compliance with legislation.

The AG highlighted the following:

- Investigation on Procurement Fraud and Irregular Payments' allegations that were made to the transportation companies. The transport companies are responsible for the transportation of Members of Parliament and learners to and from the Parliamentary Villages, Parliament and schools. The investigation was concluded in the current financial year.
- Investigation into the allegation of project mismanagement leading to the Department incurring Fruitless and Wasteful expenditure. It was alleged that an amount of R6.7 million (R6 689 725.96) was incurred as Fruitless and Wasteful expenditure for a project of repairing and maintenance at 1 Military Hospital. It was also alleged that electrical work was done at the first floor and was to be re-done during the upcoming project of refurbishment of the same first floor. This investigation was still ongoing as at year-end.

7. THE PROPERTY MANAGEMENT TRADING ENTITY (PMTE)

7.1 Background

The PMTE was established in April 2006, as part of a long-term reform programme to provide improved property management services to client departments. National Treasury allocated a capitalisation amount of R450 million to initiate the process. From the start the challenge was to deal with the maintenance backlog of the immovable asset portfolio. This meant that all properties had to be recorded on a regularly updated national immovable asset register (IAR). It further meant that the immovable asset registers at municipal and provincial levels of government also had to be properly compiled and regularly updated.

The main function of the PMTE is always referred to as the execution of all property management and maintenance related functions. The PMTE should do this on behalf of national government departments; this includes property rate and service related payments to municipalities. What is clear is that this more obvious iteration leaves the consistent task of coordinating the updating of municipal, provincial and national IARs in the shadows. This coordinating task requires a PMTE that has a footprint in every region and province of the country. That footprint is to be found in the eleven regional offices (ROs) that are headed by regional office managers reporting to the national DPWI. This is the network of offices within which the actual work of the PMTE, both the coordinating of the IARs and actual property management and maintenance related functions on behalf of government departments should take place.

Even though it was established as early as 2006 as an internal entity of the department, it only started performing as an entity in 2014. Since then, its structure and functions have not been fully realised. To fully realise its function, the entity needs a full contingent of qualified, experienced property maintenance, information and communication technology (ICT), construction project, and contract management specialists. Such skilled personnel are hard to source and retain as they are absorbed by national and international property sector companies.

The PMTE has therefore not been fully operational as a trading entity that can properly manage the government's immovable asset register (IAR). It has since 2014 achieved some progress but struggles with consistent leadership that is required to overcome its human resource and financial management challenges.

The full operationalisation is further facing the challenge of managing the property portfolio of government across eleven DPWI regional offices (ROs) headed by Regional Office Managers (ROMs). These offices ensure that the PMTE and DPWI has a footprint in main metropolitan municipalities in each of the nine provinces. In spite of this benefit, it also causes fragmentation of an entity that at the initial stages of its operationalisation may require a more unified centralised leadership and management. There is a need for this to be managed by the political leadership of the DPWI, National Treasury, and the Department of Public Service and Administration (DPSA) and the Public Service Commission. Once a strategic conceptualisation is translated into a policy path, it should be further fleshed out into an implementable implementation by the Director-General, senior management and Regional Office Managers.

In the following sections we deal with how these challenges have manifested itself by looking at in the expenditure for this financial year, human resources, and further tasks required to strengthen the PMTE learnt from the audit opinion of the Auditor-General.

7.2. Expenditure Analysis for 2020/21 to 2021/2022

	Programme	2021/22				2020/21			
		Final budget	**Total Expenditure**	**Variance**	**% Spent**	**Final budget**	**Total Expenditure**	**Variance**	**% Spent**
		R'000	**R'000**	**R'000**	**%**	**R'000**	**R'000**	**R'000**	**%**
1	Administration	895 670	864 938	30 732	97%	1 299 568	1 015 191	284 377	78%
2	Real Estate Investment Services	199 845	171 358	28 487	86%	181 360	177 700	3 660	98%
3	Construction Project Management	5 851 154	4 190 729	1 660 425	72%	4 248 179	2 980 979	1 267 200	70%
4	Real Estate Management Services	12 634 428	11 547 487	1 086 941	91%	12 770 725	11 558 965	1 211 760	91%
5	Real Estate Information and Registry Services	59 499	57 006	2 493	96%	96 395	59 998	36 397	62%
6	Facilities Management Services	3 001 581	2 915 966	85 615	97%	3 523 311	2 705 128	818 183	77%
	Total	**22 642 177**	**19 747 484**	**2 894 693**	**87%**	**22 119 538**	**18 497 962**	**3 621 576**	**84%**

Source: DPWI Annual Report 2021/2022

The PMTE received an allocation from the Department amounting to R4.35 billion for 2021/22, which is an increase of R109.7 million from the R4.24 billion adjusted allocations of 2020/21. The allocation remained unchanged during the adjustment period. The R4.35 billion was transferred to the PMTE from the main budget vote (DPWI), Programme 4: Property and Construction Industry Policy and Research.

The entity reported collecting an estimated R17.15 billion in revenue for the 2021/22 financial year. The final appropriation to the entity was R22.64 billion, which is an increase of R522.6 million from the R22.12 billion received in 2020/21.

At the end of the 2021/22 financial year, the entity spent R19.75 billion (an under-expenditure of R2.89 billion or 12.8 per cent) for 2021/22. This is mainly due to under-expenditure against Infrastructure Projects (under Programme 3 Construction Project Management), Property Rates (under Programme 3 Real Estate Management Services) and Goods and Services.

Reasons that the PMTE provided for under-expenditure is dealt with below under each programme.

Programme 1: Administration

R895.7 million of the budget (or 4 per cent of the R22.64 billion) was allocated for 2021/22. The Programme spent R864.9 million, which constitutes an under expenditure of R30.7 million, due to the following:

Underspent on funds allocated for the acquisition of laptops. There was a delay in the acquisition laptops due to a shortage of stock in the country.

- The delivery of laptops has improved, but payment will only be made in the next financial year.

Programme 2: Real Estate Investment Services

R199.8 million of the budget (or 0.9 per cent of the R22.64 billion) for 2021/22. The

Programme spent R171.4 million, which constitutes an under expenditure of R28.5 million:

- Due to the unspent funds that were allocated for the Development of Standard Guidelines for Architectural Services; and delays were experienced during the procurement process.
- The delay in the filling of vacant funded positions has also contributed to under spending.

Programme 3: Construction Management Programme

As the branch that manages construction of and maintenance to client properties, this programme received the second largest portion of the budget allocation, R5.85 billion (or 25.8 per cent of the R22.64 billion) for 2021/22. It spent R4.19 billion, which constitutes an under-expenditure of R1.66 billion. The PMTE explained this under-expenditure as being due to the following:

- Delays in the execution and finalisation of the projects. This was reported as being caused by poor performance by some of the contractors. There were also reported delays experienced due to deviation from the initially projected completion timeline of some construction projects.
- Another reason posed in the report was the delay in finalizing some of the final accounts and the non or late submission of the final invoices by the contractors.
- While the cost involved in such delays and deviations on construction projects are recoverable, the PMTE has to request approval from client departments before tenders are advertised, or when recommended bids are higher than the estimate and every time there is an increase in the cost of the project.
- Delays in responses from client department are a major cause of underspending. Clients are expected to sign-off on their available allocations before the start of the financial year. Unfortunately, some clients only make the allocations available during the first quarter of the financial year. This leads to further delays and under-expenditure as projects cannot be placed on the procurement plan before approval of the budget.

- The delay in the filling of the vacant funded positions have also contributed to under-spending.

Programme 4: Real Estate Management Services

The PMTE pays for property valuations, property rates, and services to municipalities, and distributes transfers to the public works and infrastructure entities, from this programme. It received the largest portion of the budget, R12.63 billion (or 55.8 per cent of the R22.64 billion) for the financial year under review. Programme 4 spent R11.55 billion, which is an under expenditure of R1.09 billion.

The PMTE provided the following explanations for this under-expenditure:

- Property rates and services due to municipalities depend on property valuations. The PMTE reported that it unsuccessfully calculated the cost due for the financial year, and failed to correctly plan for this cost.
- Invoices from the property rates and municipal services could not be paid before the end of the financial year due to the late submission of the invoices.
- The Moratorium to stop payments on month-to-month leases.
- The unspent R35 million, which was allocated to the project on the Rectification of Illegally Occupied Properties.
- The delay in the filling of the vacant funded positions has also contributed to under-spending.

Programme 5: Real Estate Information and Registry Services

This programme should coordinate and manage the regularly updated Immovable Asset Register (IAR). The trading function of the PMTE require that IARs from municipalities, other government departments (and entities like ESKOM[14]), and provinces are regularly

[14] ESKOM owns roughly 32 000 hectares that will now be used to lease to private companies for a reported 25 to 30 year periods to erect large renewable energy generating facilities. This is part of creating a new energy market where government property is being used to facilitate private participation.

updated and consolidated so that the value of government's property portfolio can be used to generate income on the property trading market. This remains the weakest aspect of getting the PMTE to operate as a fully operational entity of the DPWI.

This programme received R59.5 million of the budget (under 0.3 per cent of the R22.64 billion) for 2021/22. The programme spent R57.0 million, which is an under-expenditure of R2.5 million.

The entity reported that this under-expenditure was due to the delay in the filling vacant funded positions.

Programme 6: Facilities Management

This programme received the third highest portion of the budget, that is, R3.00 billion (or 13.3 per cent of the R22.64 billion) for 2021/22. The Programme spent R2.92 billion, which constitutes an under expenditure of R85.6 million, due to:

- The delay in the execution and finalisation of repair projects which was caused by poor performance by some of the contractors, and delays due to deviations that were made to project time-lines on some of the projects.
- The other reasons for under expenditure were due the delay in finalising some of the final accounts, this was mainly due to none or late submission of the final invoices by the contractors and the delay in the procurement of new cleaning and gardening contracts where the existing contracts have expired.

7.4. PMTE Human Resources per programme:

	Programme	Number of Posts	Filled Posts	Vacant Posts	Posts Filled Add to Establmt.
1	Administration	1 205	1049	156	154
2	Real Estate Investment Services	275	226	49	5

3	Construction Project Management	613	520	93	195
4	Real Estate Management Services	184	159	25	3
5	Real Estate Information and Registry Services	109	103	6	35
6	Facilities Management Services	2709	2392	317	101
	TOTAL	**5 095**	**4449**	**646**	**493**

Source: DPWI Annual Report 2021/2022

7.4.1. Vacancy rate:

The entity has a total of 5 095 posts of which 4 449 were filled at the end of 2021/22 with another 493 filled positions additional to the establishment. During the year under review, the vacant posts were 646. This translates into a vacancy rate of 12.7 per cent.

The largest portion of the 646 vacancies falls under Programme 6: Facilities Management Services with 317 vacancies followed by Programme 1: Administration, with 156 vacancies, and Programmes 3: Construction Project Management with 93 vacancies. This constitutes 566 (or 87.6 per cent) of the vacant positions.

These three programmes have the largest portion of posts filled additional to the establishment. From the additional 493 positions: Programme 3 has a total of 195 posts; Programme 1 accounts for an additional 154 posts and Programme 6, has 101 posts filled additional to the establishment.[14] This constitutes 450 (or 91.3 per cent) of the 493 additional positions.

Programme 2: Real Estate Investment Services reported 49 vacancies and 5 additional posts; and Programme 4: Real Estate Management Services reported 25 vacancies and 3 additional posts. Programme 5 reported the lowest vacancies with six unfilled posts, but has 35 posts filled additional to the establishment.

7.4.2. Vacant Posts – Critical Occupations:

Critical Occupations	Number of Posts	Filled Posts	Vacant Posts	Posts Filled Additional to Establmt
1: Architects, Town and Traffic Planners	86	73	13	43
2. Civil Engineering Technicians	32	29	3	19
3. Engineers and Related Professionals	183	139	44	34
4. Mechanical Engineering Technicians	14	11	3	9
5. Quantity Surveyors and Related Professionals	14	14	0	0
Total	329	266	63	105

Source: DPWI AR 2021/2022

The PMTE also reported on a total of 329 posts by critical occupation of which 266 were filled at the end of 2021/22 with another 105 filled positions additional to the establishment.[15] At the 2021/22 year-end, the PMTE reported that there are 63 critical occupation vacancies, which equates to a vacancy rate of 19.2 per cent.

The largest vacancy at 44 falls under Engineers and Related Professions, and includes 34 posts filled additional to the establishment. This is followed by 13 vacancies under Architects, Town and Traffic Planners, that also report 43 posts filled additional to the establishment. The Quantity Surveyors and Related Professionals at 14 posts, have no vacancies and have zero posts filled additional to the establishment.

7.4.3. Reasons Employees Vacated Positions

Termination Type	Number for 2021/22
1.Death	32
2. Resignation	189
3. Expiry of Contract	1 537

4. Dismissal-operational changes	0
5. Discharged due to ill health	3
6. Dismissal – misconduct	7
7. Retirement	67
8. Other	0
Total	**1835**

Source: Department of Public Works and Infrastructure (2022).

The PMTE reported that a total of 1 835 officials' employment was terminated during the period under review. The highest number of terminations at 1 537, falls under expired contracts, followed by 189 resignations.

A total of 67 people retired; 32 people died; 3 left due to ill health and 7 were dismissed for misconduct, respectively. The expiry of contracts constitutes 83.8 per cent of the total number of officials' leaving the PMTE, with another 12.3 per cent resigning.

In terms of labour relations, the PMTE reported it finalised 26 misconduct cases and that:

- 1 - Employee was suspended from work without payment.
- 9 - Issued with final written warnings.
- 1 - Issued with written warnings.
- 1 - Issued with verbal warning.
- 2 - Cases withdrawn/ not guilty/ cases not pursued due to inconclusive evidence.
- 12 – Cases not pursued/retirement/resignations/transfer/death.

During the year under review, the PMTE addressed seven grievances, of which all seven were finalised; and none remained unresolved. The PMTE further addressed three disputes, of which two were upheld, and one was dismissed.

Two employees were placed on precautionary suspension, at a total cost of R2.01 million (i.e. R2 010 450). One employee's suspension exceeded 30 days at a cost of R2.0 million (i.e. R2 008 212), while the other's person's precautionary suspension did not exceed 30 days, at a total cost of R2 238.

7.4.4. Financial Performance 2021/2022

PMTE Financial Performance Revenue	2021/22 R'000	2020/21 Restated R'000	2020/21 R'000
Revenue from exchange transactions	12 726 667	13 101 717	13 092 246
Revenue from non-exchange transactions	4 358 863	4 242 173	4 242 173
Construction revenue	67 741	84 150	83 381
Total Revenue	**17 153 271**	**17 428 040**	**17 417 800**
Expenditure			
Construction expenses	67 741	84 150	83 381
Depreciation, amortization and impairments on assets	3 109 210	2 924 150	3 029 559
Employee related costs	1 933 547	1 914 526	1 914 526
Impairment loss on receivables	2 820 062	1 428 410	760 185
Interest expense	413	7 208	7 208
Loss on disposal	5 004	39 257	38 444
Operating leases	5 264 648	5 128 644	5 122 527
Property maintenance (contracted services)	2 769 388	2 113 758	2 113 731
Property Rates	1 765 250	1 253 885	1 248 964
Sundry operating expenses	1 329 837	1 588 181	1 588 181
Total Expenditure	**19 065 100**	**16 482 169**	**15 906 706**
(Deficit)/Surplus for the year	**-1 911 829**	**945 871**	**2 451 517**

The total **revenue** of the PMTE declined by R274.8 million to R17.15 billion in 2021/22 from the R17.43 billion in 2020/21. This is mainly due to the decrease of:

- R375.1 million under revenue from exchange transactions from R13.10 billion in 2020/21 to R12.73 billion in 2021/22.
- R16.4 million under construction revenue from R84.2 million in 2020/21 to R67.7 million in 2021/22.

At the same time, the **revenue** increased as follows:

- R116.7 million under revenue from non-exchange transactions from R4.24 billion in 2020/21 to R4.36 billion in 2021/22.

Revenue from exchange transactions is mainly generated from accommodation charges on leasehold intergovernmental; freehold private; management fees on municipal services; sundry revenue and interest revenue, for example.

The PMTE’s **interest expense** decreased by a net amount of R413 000 during the year under review. This is R6.8 million less than the R7.2 million in interest paid in 2020/21.

Interest due on backlog municipal services and property rates was provided for in the budget, but that has not been paid. The Department indicates that an explanation is provided under Note 16 of the AFS, however, the explanation is unclear as it deals with maintenance and legal proceedings.

Loss on disposal/transfer of assets decreased by R34.3 million in 2021/22 to R5.0 million from R39.3 million in 2020/21, which is due to losses on Property, plant and equipment.

Operating lease increased by a net amount of R136.0 million to R5.26 billion in 2021/22 from R5.13 billion in 2020/21. This is mainly due to an increase of:

- R16.3 million (from R5.05 billion to R5.21 billion in 2021/22) on operating leases – building and improvements. However, the following two decreased as follows:
- R26.3 million (from R47.2 million to R20.9 million in 2021/22) on operating leases – fleet vehicles.
- R994 000 (from 30.21 million to R29.2 million in 2021/22) on rent on land.

Property maintenance (contracted services) increased by a net amount of R655.7 million to R2.77 billion in 2021/22, from R2.11 billion in 2020/21. This is mainly due to the increase of:

- R647.3 million under Property, Plant and Equipment from R2.08 billion in 2020/21 to R2.73 billion in 2021/22.
- R5.1 million under Heritage Assets from R22.4 million in 2020/21 to R27.4 million in 2021/22.
- R3.8 million under Leased Properties from R7.1 million in 2020/21 to R10.9

million in 201/22.

In addition, Investment property decreased by R479 000 from R570 000 in 2020/21 to R91 000 in 2021/22. The property maintenance expenses constitute transactions with contractors for services rendered related to the repairs and maintenance on properties.

Sundry operating expenses decreased by R258.3 million to R1.33 billion in 2021/22 from R1.59 billion in 2020/21. A select number of expenses will be noted below to highlight some of the increases.

- R257 000 increase to R2.3 million in 2021/22 from R2.1 million in 2020/21 on advertising.
- R11.6 million increase to R38.5 million in 2021/22 from R26.9 million in 2020/21 on Auditor's remuneration.
- R7.2 million increase to R7.4 million in 2021/22 from R186 000 in 2020/21 on claims against the State.

The following line-items declined during the period under review:

- R7.9 million decrease to R642 000 in 2021/22 from R8.6 million in 2020/21 on Bad debts written off.
- R45.6 million decrease to R371.4 million in 2021/22 from R417.1 million in 2020/21 on Municipal service expenses.
- R16.8 million decrease to R101.3 million in 2021/22 from R118.1 million in 2020/21 on consulting fees.
- 30.3 million decrease to R59.5 million in 2021/22 from R89.7 million in 2020/21 on consumables.

The PMTE reported a **deficit** of R1.91 billion in 2021/22, this is a reduction of 965.9 million from the R945.9 million surplus recorded in restated figures for 2020/21.

8. The Audit Opinion on the Annual Financial Statements of the DPWI and PMTE from the Office of the Auditor-General

The PMTE received a **disclaimer of opinion** with emphasis of matters and additional matters in 2021/22. This is the first disclaimer following from four successive qualified audit opinions received between 2017/18 to 2020/21. It is also a further deterioration from the **adverse audit opinion** (including emphasis of matters and additional matters) from the Auditor-General (AG) for the 2016/17 financial year.

A select number of issues will be noted below. The AG's basis for the **disclaimer** for 2021/22 are dealt with below.

Property Plant and Equipment

The AG was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding amounts for property, plant and equipment in the financial statements, as described in Note 37 of the AFS.

- The restatement was, as a result, of the Trading Entity reconstructing the Asset Register, overriding the one that was audited in the prior year.
- The restatement could not be substantiated by supporting audit evidence and the AG
- was unable to confirm the restatement by alternative means.
- As a result, the AG was unable to determine whether any adjustments effected in the corresponding opening balance of R129.8 billion were necessary.
- Consequently, the AG was unable to place reliance on the closing balance of property, plant and equipment stated at R129.6 billion.

Payables from exchange transactions

- The Trading Entity did not accrue for payables from exchange transactions in accordance with GRAP 19, *Provisions, contingent liabilities and contingent assets*.

- Goods and services were received before year-end, however, the Trading Entity did not correctly recognise the accrued expenses.
- The payables from exchange transactions are therefore understated by R245.0 million and expenditure was understated by R245.0 million).

Payables from exchange transactions- Accrued expenses- Leases

- The Trading Entity did not correctly recognise payables from exchange transactions in accordance with GRAP 104, financial instruments.
- Lease accruals were recorded at incorrect amounts. As a result, lease accrual was overstated by R172.9 million, revenue accrual - recoverable leases was overstated by R104.9 million and operating lease expense was overstated by R67.9 million.

Emphasis of Matters and Other Matters

A select number of issues that were highlighted by the AG are noted below:

The AG questioned the PMTE's ability to remain a going concern and indicated that the entity had a bank overdraft of R1.02 billion (March 2021: R905 million) and the current liabilities exceeded current assets by R6.7 billion (March 2021: R4.5 billion).

- Irregular expenditure of R188.8 million (R188 832 000) was incurred, as a result, of a lack of recoverability in long outstanding receivables.
- Identified material impairments of material losses of R2.82 billion (R2 820 062 000), as a

  result, of a lack of recoverability in long outstanding receivables.

- *Impairment – Receivables from exchange transactions*: As disclosed in Note 22 to the financial statements, material losses were incurred, as a result, of an inability to recover long outstanding receivables.
- In terms of section 40(3) (a) of the Public Finance Management Act No. 1 of 1999

(PFMA), the Trading Entity is required to prepare an Annual Performance Report. The Trading Entity's performance information was reported in the Annual Performance Report of Department of Public Works and Infrastructure. The usefulness and reliability of the reported performance information was tested as part of the audit of Department of Public Works and Infrastructure and any audit findings are included in the management and Auditor's Report of Department of Public Works and Infrastructure.

Compliance with legislation

Expenditure Management

- Steps taken to prevent irregular expenditure amounting to R133.5 million were not effective or appropriate in certain instances, as required by Section 38(1)(c)(ii) of the PFMA and Treasury Regulation 9.1.1.
- The majority of the irregular expenditure disclosed in the financial statements was caused by incorrect procurement processes followed by management.
- Effective internal controls were not in place for approval and processing of payments, as required by Treasury Regulation 8.1.1.

Annual Financial Statements

- Financial statements submitted were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records as requited by Section 40(1)(a) and (b) of the PFMA.
- Material misstatements identified by the Auditor were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a disclaimer of opinion.

Revenue Management

- Effective and appropriate steps were not taken to collect all money due, as required by Section 38(1)(c)(i) of the PFMA.

Consequence Management

- The AG was unable to obtain sufficient appropriate audit evidence that investigations were conducted into all allegations of financial misconduct committed by officials, as required by Treasury Regulation 4.1.1.
- Disciplinary steps were not taken against officials who had incurred irregular expenditure, as required by Section 38(1)(h)(iii) of the PFMA.

Internal control deficiencies

- Explained as due to the decentralised functions responsible for management of leases spread between the Finance Unit and Real Estate Management Services Unit; there is lack of accountability and oversight to enable proactive implementation of mechanisms to address material misstatements on leases as well as the recurrence of overpayments.
- Senior officials entrusted with significant elements of the financial statements lack adequate and critical skills fundamental for preparation of financial statements. This is indicated by numerous errors and misstatements that were identified in the submitted financial statements for audit.
- Although the majority of the allegations related to irregular expenditure were prioritised by the investigation structures, the implementation of recommendations from the finalised reports were not always prioritised by the senior management of the Trading Entity.

The OAG Identified the following Material Irregularities (MIs)

- Overpayment on a four year (office accommodation with parking) lease for the

Department of Rural Development and Land Reform (DRDLR)[15]. The lease dates from 1 October 2015 with a commencement rental amount of R771 656.22 per month and an annual escalation rate of 5.5 per cent. The expiry date on the lease agreement states 30 September 2019. In spite of this, PMTE lease management continued to make payments based on the old lease contract. This caused overpayments of R1.64 million (R1 636 993, 88) from 1 June 2019 up to the end of 31 March 2021.

  - Management reportedly initiated measures to recover the overpayments from the landlord and the recovery process is in progress. An amount of R9.68 million (R9 681 612) has already been recovered from the landlord as at year-end.

- The PMTE entered into a contract with a service provider on 28 November 2013 to construct a Magistrate Court building at Mamelodi (WCS 044028). The contract was for a period of 18 months for construction and the contract value was R94.7 million (R94 742 592.85).
  - The construction of the Mamelodi Magistrate Court project has been significantly delayed and the expenditure paid to date exceed the initial contract amount. The practical completion date of the contract has been extended and the PMTE has been approving the contract extensions with adjustments to the contract value with the daily rate of R24 283,26 charged by the contractor. Based on the approved claims 4, 5, 8 and 9, the delays resulted from civil unrest, riots, strikes and lockouts.
  - This was a contravention of the JBCC 2000 Principal Building Agreement Clause 29.1, which stipulates that the contractor is entitled to a revision of the date of practical completion, but for which the contract value should not be adjusted if it pertains to delays related to civil unrest, riots or strikes. However, requests for extensions with a financial impact where the cause of the delay related to civil unrest,

[15] Since 2019 agriculture has been added to this department. It has been renamed Department of Agriculture, Rural Development and Land Reform (DARDLR).

riots, strikes and related matters were approved.

   - The Delegation of Authority dated 08 December 2009, in paragraph 7.4 pertaining to the approval of the extension of contract periods as part of the general notes and condition 2 on the approved delegation, stipulates that any decision regarding the extension of the contract needs to be based on the conditions of the contract and that the decision-taker has no opportunity to exercise any discretion in reaching the decision. The approval of claims 4, 5, 8 and 9 were not in line with the conditions of the contract.

- The PMTE entered into a lease agreement on behalf of the Department of Defence (DoD). The original lease agreement was entered into on 24 April 2014 for a period of five (5) years and only took effect on occupation on 01 April 2015. The lease agreement was amended for additional space and parking bays based on the same terms and conditions as the main lease with effect from 01 April 2016 for a period of four (4) years.
   - Upon the implementation of the Archibus leasing system in September 2019, management commenced consistently making overpayments to the landlord. The overpayments amounting to R14.1 million (R14 062 727) occurred from the implementation of Archibus leasing system up to 31 March 2021. Although some of the overpayments were recovered as at February 2022 the cumulative remaining not recovered overpayments amounted to R3.8 million (R3 802 787).

Issues that may affect matters in AOG Report:

In addition to the investigations relating to material irregularities, the AG drew attention to the following engagements conducted by various parties, which had, or could have, an impact on the matters reported in the Trading Entity's financial statements:

- Compliance with applicable legislation and other related matters.

- These reports did not form part of the AG’s opinion on the financial statements or findings on the compliance with legislation.
- Numerous allegations, mainly relating to alleged transgressions with regard to supply chain management (SCM), potential fraud and financial misconduct, are still being investigated on an ongoing basis by the Special Investigation Unit.
- These investigation(s) were in progress at the time of the Auditor’s Report.

MATTERS THAT EMERGED RELATED TO THE ANNUAL REPORTS OF THE ENTITIES REPORTING TO THE MINISTER OF PUBLIC WORKS AND INFRASTRUCTURE

9.1. Independent Development Trust

The Independent Development Trust (IDT) is listed as a Schedule 2 entity in terms of the Public Finance Management Act (PFMA). This means that it should be able to generate income from management fees collected from client departments for whom it constructs and manages social infrastructure projects. This has been a challenge with the DPWI having to provided grants over the last few years to ensure it continues operating.

The IDT has been severely hampered in terms of governance and administration. In the previous financial year it struggled to fully report on its operations and finances could not be audited.

The 2021/22 reporting period is the first time in four years that the entity had a fully functional and complete Accounting Authority since the appointment of a new Board of Trustees, which took office during the course of the second quarter of the 2021/22 financial year.

9.1.1. Background

The entity’s past failures to generate revenue and resultant reliance on government grants to remain operational has been reported on in past budgetary vote and recommendation reports. The challenges it faced over the last few years saw several skills and experienced personnel leave the entity as there seemed to be no clear long term future. The downturn in the construction sector added to the challenges. All these had an adverse impact on the entity's ability to retain clients which had an adverse effect on its going concern status. The Board did not provide sufficient vision and the entity had to address these matters with urgency.

Since the appointment of a new Board, various steps have been taken to rectify the entity's status. Even though the entity continues to experience financial sustainability challenges, there are promising signs that it would soon emerge from this and break towards collecting debt owed and return to profitable operations.

In its engagement with the committee the entity reported that the actions included:

- Client engagement efforts for projects to increase own income-generation;
- Efforts to transform the future organizational form and legal status have started;
- Addressing obsolete enabling information and communications technology (ICT);
- Expediting acquisition of human resource capacity that constrains performance.

In planning ahead, the entity reported that it remained focused on addressing:

- **Long-term sustainability and certainty of mandate**– the IDT retains its mandate and status as a programme implementing agent and an entity of government.
- **Corporate form and identity** – the IDT currently remains a Schedule 2 entity (foreseen to be so for the next three years irrespective of proposal for new corporate form (and name)). Changes in corporate form may be introduced during this period. However, this will not significantly affect or alter the role of the entity as a programme implementing agent for government.
- **Going Concern Status** – the IDT has to work toward becoming a going concern over the next three years. Financial injection will be sourced to fund critical areas of operations to improve efficiencies with a target of financial surplus or at least

break even.

- **Grow the Business Portfolio** – The IDT plans to attract sufficient value of business portfolio year on year. Execution on secured programme portfolio will enable the entity to financially break even and ultimately generate operating surplus.

9.1.2. Internally the IDT reported the following requirements, for the entity to improve in the future:

- Delivery Capacity – the IDT will have to (source) sufficient capacity and resources (people and finances) to deliver on its mandate.
- Enabling Technology - the IDT will timeously resource itself with appropriate enabling technology to deliver on its mandate efficiently.
- Business processes – The organisation's design, structure and processes are fit for purpose (processes institutionalised and diligently implemented).
- Organisational culture – The IDT has developed and implemented an appropriate organisational culture that is client-centric and conducive for excellent results (high-performance culture).
- Quality of personnel – The IDT is able to attract and retain the right and required skill when and where they are needed.

The entity reported that it designed a three-year strategy to overcome its obstacles and challenges.

9.1.3. Financial Situation for 2021/2022

1. **Construction programmes spend:** By 31 March 2022 this totalled R 2.2829 billion against an annual target of R 2.634 billion.
2. **Management fees billed:** This was R 122.112 million against total operating expenditure of R 205.020 million. This means that for 2021/2022, the IDT was at a 60,0% self-funding rate.

3. **Operating cost deficit:** 40% was funded through a grant (R93 million) transferred from the DPWI's Programme 4.

4. **Cash and Cash equivalent:**

   The entity had cash and cash equivalent of R 56, 586 million as at 31 March 2022. This is a 28. 13% decrease compared to cash and cash equivalent of R78, 736 million as at 31 March 2021.

5. **Trade and other receivables:**

   As of March 31 2021 it was reported at R40,041 million (2021: R40,392 million) were impaired and provided for. The amount of the provision was R72,538 million as of March 31 2022 (2021: R88. 377 million) with the balance mainly composed of management fees receivable from client departments.

   The age of these trade receivables was reported to the committee as follows:

Current	**31- 60 days**	**61 - 90 days**	**> 90 days**	**Total**
R 21. 947m	R 2. 241m	R1. 297m	R13. 125m	R38. 610m

6. **Programme assets and liabilities:**

   The entity reported that it has entered into binding arrangements with various client departments wherein it acts on behalf and for the benefit of the client departments in delivering programmes committed in their various votes. Such arrangements require the IDT to undertake transactions with third parties. As at 31 March 2022, the IDT had obligations to service providers to the value of R 1.558 billion and consequently had receivables of the same amount from client Departments to honour the liability. This represents a 10.62% decrease compared to the 2020/21 programme assets and liability of R 1.743 billion.

7. ***Projection - Cash Flow Challenges:***

   The entity reported that it requires an additional revenue stream to fund the shortfall in revenue and operational expenses. Currently, the organization is not able to fund its operations from the generation of management fee revenue alone.

   A request for grant funding has been submitted to DPWI. The grant funding approval was received on 22 September 2022 from National Treasury and DPWI. A grant of R70.3m was approved to fund the IDT deficit for the 2022/23 financial year.

9.1.4. Corporate Governance, A Functional Board, and Financial Oversight

Functioning of the Board: the IDT operated under the leadership and oversight of a Board of Trustees comprised of eight (8) members whose term ended in April 2021. On 6 July 2021, the Minister appointed a new, full, 12-member Board of Trustees.

Meetings of the Board of Trustees: The Board held eight meetings and a strategy workshop during 2021/2022.

Audit and Risk Committee: The Board of Trustees established an Audit, Risk, and Compliance Committee to assist in fulfilling its oversight responsibilities for internal control and risk management, the audit process, and monitoring compliance with all applicable legal requirements and accounting standards. This committee met twice during the reporting period.

OAG Audit Outcome for 2021/2022

After more than five years of audit disclaimers, the IDT received a qualified Audit Outcome for the 2021/22 financial year. An Audit Action Plan has been prepared in line with the AGSA's management report in order to address the findings contained therein. The AGSA will be conducting a debriefing session with all relevant staff members on the root causes and the appropriate remedial actions, and this will aid in ensuring that the targeted actions are adequate to resolve the audit queries and prevent a recurrence.

9.2. AGRÉMENT SOUTH AFRICA

9.2.1. Background

Agrément South Africa was established in terms of a delegation of Authority from the then Minister of Public Works in July 1969. The organisation is currently a schedule 3A public entity under the Public Finance Management Act No. 11 of 1999 and is established under the Agrément South Africa Act No 11 of 2015.

The organisation is an entity of the DPWI and its mandate is within the domain of the built environment and as such, the legislation and mandates that impact on the built environment and public works guide the functioning and operations of Agrément South Africa.

The main objectives of the entity are to:

- **Conduct assessment and confirmation of fitness- for-purpose of non-standardised construction related products or systems.**

  ASA plays a critical role in ensuring that fit-for-purpose innovative construction material, technologies, and build systems are introduced into the built environment. It does technical assessments in the selection process of non-standardised building systems and products for departments such as the national Department of Human Settlement and the construction industry that benefits broader society. Importantly, once ASA has done assessments, certificates are issued to innovators for the products, technologies and systems to be marketed and introduced to the general construction and built environment market.

- **Provide assurance to specifiers and users of the fitness-for-purpose of non-standardised construction related products or systems.** It contributes to the mandate of the DPWI by addressing issues of poverty alleviation and unemployment reduction. The certificates it issues grant users an opportunity to build innovative infrastructure. It is aligned with and assists builders to comply with National Building Standards for use to deliver social infrastructure, create employment opportunities amongst vulnerable sectors of society.
- **Support policy makers to minimise the risk associated with the use of a non-standardised construction related products or systems**: Products, technologies and systems that ASA certifies are used to replace and eradicate pit toilets that are unsafe across the country. The magnitude of projects to eradicate these unsafe structures and replace them with social infrastructure that can restore our people's dignity cannot be understated. ASA assists specifiers such as the national Department of Basic Education, together with the Provincial Department of Education, Department of Water and Sanitations, Department of Human Settlements so that they are aware to the risks of using unsafe or uncertified products and systems.
- **Green building rating tool and eco label projects – New projects**

  The green building rating tool and eco labelling of materials projects will further enhance revenue streams of ASA once these projects are implemented. The implementation of these projects is effective 2023/24 financial year onwards. All public sector buildings will be rated using this tool and at the same time materials will be labelled in terms of reduction of waste, environmental impacts, water, and energy efficiency which contribute towards green economy We conclude that this project remains economically viable especially looking at the future of work and green economy.

9.1.2. Financial Performance

Revenue & Expenditure	%	Variance	2022	2021
		R	R	R
From services	175.19%	2,266,549	3,560,339	1,293,790
Recoveries from bad debts and	107.95%	80,708	155,471	74,763
Interest received	0.78%	9,028	1,168,020	1,158,992
Sub-total	93.15%	2,356,285	4,883,830	2,529,566
Government Grants	13.96%	4,051,000	33,078,000	29,027,000
Total revenue	**20.31%**	**6,407,285**	**37,961,830**	**31,554,545**
Personnel related costs	5.53%	1,220,106	23,282,658	22,062,552
Depreciation and Amortisation	-49.94%	-1,354,210	1,357,287	2,711,497
Lease rental on operating lease	4.75%	120,713	2,661,797	2,541,084
Debt Impairment	-82.05%	-208,480	45,600	254,080
COVID-19 expenses	-100.00%	-314,120		314,120
Operating expenses	-19.03%	-1,189,686	5,062,321	6,252,007
Total expenditure	-5.06%	-1,725,677	32,409,663	34,135,340
(Deficit) / Surplus for the period	**315.13%**	**8,132,962**	**5,552,167**	**-2,580,795**

Source: ASA, 2021/2022

Revenue from services increased from R1.293 790 in 2020/21 to R3.560 339. This shows improvement in its project execution that struggled in the immediate aftermath of the Covid-19 pandemic and caused significant disruption in its operations. Recoveries from bad debt further showed signs of recovery from R74 763 in 2020/21 to R155 471 in this year. The rise in the interest rate announced by the Reserve Bank led to an increase in return on investment of R9 028 to R 1.168 020 compared to R1.158 992 in the previous year. Grants received for 2021/2022 increased by R4.05 000 to R33. 078 00 from an adjusted R29.027 000 due to the Solidarity Fund.

Budget limitations continued to affect the completion of some activities. This includes certifying some non-standardised construction related products and systems as it could not procure the necessary technical expertise and access an accredited laboratory for the testing of prototype products and systems.

Procurement challenges and identified inefficiencies in supply chain management (SCM) delayed the completion of some planned activities and projects before the end of the financial year. The three projects are the Green Building Rating Tool, ASA Eco-Labelling Tool, and planned office relocation. This led to a surplus of R10.608 582 that needs to be rolled over.

Management made arrangements for supply chain management staff to be trained by National Treasury to address this so that it can improve in the next financial year. SCM also reviewed some policies and procedures that would assist this process.

ASA is strengthening strategic efforts to get certified non-standardised construction related products and systems products and systems into the professional build environment and construction section. It is doing this through:

- Partnerships with specifiers of non-standardised construction related products and systems ((Departments of Human Settlements, Water and Sanitation, Transport, Cooperative Government and Traditional Affairs and related implementing entities);
- Participation in the Bid Specification Committees of Specifiers to promote the introduction and fit-for-purpose use of non-standardised construction related products and systems;
- Conducting market analysis to determine usage and impact of ASA certified products and systems.

Organisational performance

After the untimely passing of the long-time CEO Mr Joe Adhiambo, the entity had to appoint a new Chief Executive Officer, the Executive Committee also had a bit of instability with the Executive Manager: Corporate Services being temporarily appointed. Operations were further affected by a high staff turn-over during 2021/2022.

While stability is being achieved since the appointment of well qualified and experienced staff in the mentioned positions, the high staff turnover and disruptions points to the need for an organisational review to put in place a second layer of leaders that make it responsive and to change and responsive to the organisational objectives that ensures continued delivery during times of possible disruptions.

Support to Government Policy Objectives:

The entity remains positioned to support government-wide plans identified in the seven priorities identified to address the harsh economic challenge facing the globe and the country. The Executive Committee and Board is committed to:

- Supporting socio-economic development;
- Good governance and raising living standards and prosperity;
- Encouraging and facilitating the use of innovative, non-standard construction products and systems; and
- Providing a certification scheme for such systems based on a regime of tests and standards;

ASA is thus aligned to the policy regime of the executive authority of the DPWI in addressing poverty and unemployment in the country. The Executive Committee and Board reported a willingness to participate in oversight and audit activities and provide information that further strengthens the organisation. This, it believes is an important component that streamlines the organisation to operate and perform efficiently in attempts to provide testing and certification of non-standard construction products and systems so that social infrastructure can be constructed that serves the people of the country.

Programme Performance

Programme 1: Administration

This programme comprises of three sub-programmes, namely, Technical, Financial and Corporate Services.

Regarding outputs, as stated in its APP for the 2021/2022 financial year, three eco-labelling specifications were approved and published. This contributes to the implementation of the government-endorsed Eco Label Scheme.

Projects managed and finalised within timeframes were 16, out of 27 (59.3% achievement rate); 15 certificates were issued and 01 certificate were not approved.

ASA audited quality management systems of 63% of certificates (178/284) in issue, for quality and compliance, against a target of 85%. The objective of these outputs was to promote improved and environmentally sustainable methods of construction, thereby contributing towards the impact of innovative non-standard construction related products and systems.

Due to delays in revising the mandate from the DPWI, the Public Buildings Green Building Certification Framework and Rating tool could not be developed.

Regarding the effective implementation of corporate governance across the board, 88.9% (8 out of 9) external audit recommendations have been implemented.

To monitor compliance with the prescripts of supply chain management and ensure that all invoices are approved and paid within 30 days, a total expenditure of R45,519.24 was paid outside 30 days and 61.20% (R29.6 million of annual budget of R48.4 million) of approved expenditure spent of the approved budget with an amount of R274,242 was incurred on irregular expenditure.

The entity has further been able to achieve 100% implementation of planned training, contributing towards empowered human capital, a resilient, ethical, and capable entity, with the objective of providing overall strategic leadership, operational efficiency, and service excellence, as well as providing organizational support services to operate and function as an organisation with a track record of quality, effective delivery, and professional service.

Corporate Services – Linking Performance with Budget Allocation:

	2021/2022			2020/2021		
Programme/ activity/ objective	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Employee related costs	30839	23283	7556	28073	22063	6011
Depreciation and Amortisation	1379	1357	22	0	2712	(2712)
Lease rental on operating lease	3315	2662	653	4738	2451	2197
Debt Impairment	0	46	(46)	0	254	(254)
Operating expenses	17689	5062	12619	16201	6566	9635
Total	**53222**	**32401**	**20804**	**49012**	**34135**	**14877**

Source: ASA, 2021/2022

The entity recognises the need to fill vacancies to ensure that it has the required skilled and qualified experts to successfully and timeously complete projects. It cannot make plans and state performance objectives without such personnel and the required equipment and laboratory space to do assessments, test prototypes, and issue reliable certification for non-standardised building material and systems.

	2021/2022			2020/2021		
Sources of revenue	**Estimate**	**Actual Amount Collected**	**(Over)/Under Collection**	**Estimate**	**Actual Amount Collected**	**(Over)/Under Collection**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Grants and retained surplus funds	50320	33078	17242	46780	29027	17753

Assessments Fees	2904	3560	(656)	2634	1294	1340
Interest Received	1416	1168	248	1630	1159	471
Recoveries	0	155	(155)	0	75	(75)
Total	**54640**	**37962**	**16678**	**51044**	**31555**	**19489**

Revenue collected:

Source: ASA, 2021/2022

ASA collected R33.1 million which is R4.1 million more than the previous year. The total estimated revenue of R50.3 million consisted of the following:

- Annual government grant - R33.1 million.
- Approved 2021 retained surplus funds - R17.2 million.

ASA is dependent on clients voluntarily submitting applications for technical assessments of their innovative construction related products and systems. Due to improvements on project management ASA collected assessment fees at approximately R0.6 million more than what was budgeted for in 2021/2022. The return on investment received is interest received from surplus funds invested which were not immediately required, was equivalent to R1.2 million which is almost R0.2 million less than planned due to changes in interest rate during the period under review. ASA recovered bad debts that were written off in the previous period which amounted to R141 360 and R14 111 was sundry income.

Human Resources

As mentioned earlier, the entity experienced a high turnover rate in the year under review. It had a negative impact on some of the performance, yet due to a strong governance and agile management structure, ASA could deliver on most of the objectives as stated in its APP for this financial year.

The Chief Executive Officer position is vacant due to previous CEO passing away in July 2021. The process to recruit a new CEO has been finalized for the new CEO to start on 01 April 2022. After this, the Executive Team has been operating at Top Management level hence the change to how Top and Senior Management is reported this year in comparison to the previous year.

The table below shows cost incurred for personnel per programme, percentage of expenditure per cost for personnel, number of employees, and the average cost spent per employee.

Level	Personnel Expenditure	% of personnel exp. to total personnel cost	No. of employees	Ave. personnel cost per employee
Top Management	R4 295 425	21%	3	R 1 431 808
Senior Management	R3 993 534	19%	5	R798 707
Professional qualified	R11 548 116	56%	26	R444 158
Skilled	R332 856	2%	1	R332 856
Semi-skilled	R583 577	3%	1	R583 577
Unskilled	R0	0%	0	R0
TOTAL	**R20 753 510**	**100%**	**36**	**R576 486**

9.2. THE CONSTRUCTION INDUSTRY DEVELOPMENT BOARD (cidb)

9.2.1. Background and mandate

The cidb is a Schedule 3A public entity established by the Construction Industry Development Board Act (No. 38 of 2000). The cidb is responsible for providing leadership to stakeholders and to stimulate sustainable growth, reform and improvement of the construction sector, for effective delivery and the industry's enhanced role in the country's economy. In terms of the Public Finance Management Act, the Board of the cidb is the accounting authority, responsible to the Minister of Public Works. The board submits its Annual Performance Plan and budget to the executive authority. This entity reports to the Portfolio Committee on Public Works and Infrastructure on its Annual Performance Plans and Annual Report. The committee calls it to report on strategic issues identified in the course of its oversight activities throughout its term.

The Mandate of the cidb is to:[16]

Provide strategic leadership to the construction industry stakeholders to stimulate sustainable growth, reform and improvement of the construction sector;

Promote sustainable growth of the construction industry and the participation of the emerging sector in the industry;

Determine, establish, promote improved performance and best practice of public and private sector clients, contractors and other participants in the construction delivery process;

Promote uniform application of policy throughout all spheres of government and promote uniform and ethical standards, construction procurement reform, and improved procurement delivery management – including a code of conduct;

Develop systematic methods for monitoring and regulating the performance of the industry and its stakeholders, including the registration of projects and contractors.

The regulation of the construction industry takes place through the Register of Contractors (RoC), Register of Projects (RoP), and code of conduct for all involved in construction procurement. The Construction Industry Development (CID) Regulations of 2004, as amended, give effect to these prescripts and the cidb operationalises and enforces them.

9.2.2. Performance Managing the Register of Contractors (RoC)

Contractors register on the RoC and are placed within applicable grades. It is mandatory for contractors wishing to do business with organs of state awarding construction works tenders. Any organ of state awarding a tender to an unregistered contractor commits an offence. Placement on the RoC is done according to proven capabilities of contractors to manage works of a particular contracted financial value, time towards completion within budget, and quality of works on

[16] CIDB Annual Report, 2021/2022.

completion.

The RoC provides a record of contractors per grade and facilitates public sector construction procurement and promotes contractor development. During this financial year, 77 459 applications were received and processed on the RoC, which is a decline of 1.48% from 2020/2021. Registration turnaround time for the financial year improved from 96% the previous year to 99%.

Number of RoC applications processed in 2021/2022					
Application type	**Quarter 1**	**Quarter 2**	**Quarter 3**	**Quarter 4**	**Total**
Three-year renewal	3 609	3 530	2 822	3 338	13 299
Additional classes of works	3 336	3 385	2 803	2 793	12 317
Annual updates	1 969	1 451	1 051	1 138	5 609
New applications	8 300	7 350	5 473	7 354	28 477
Three-year moratorium	1 103	1 316	1 116	1 279	4 814
Confirmation of updates	1 589	1 652	1 242	1 474	5 957
Update of tax clearance certificate	334	168	110	90	702
Upgrade	1 754	1 695	1 349	1 486	6 284
Total	21 994	20 547	15 966	18 952	77 459

RoC Grade Progression, Development and Assessment Criteria

Around 7% of the registrations reported for this year represents Grade 1 contractors. This provides an indication of potential contractors drawn to the various categories in the construction industry.

This raises the other important function of the cidb, namely that of the development and standardisation of construction contractors. As development happens and contractors graduate further up the grades of the RoC, the number of Grade 1 contractors should drop.

The cidb has to develop, publicise and inform the large construction community of standard setting assessment criteria along which capabilities to manage the financial value of contracts and quality of work per grade. These should be linked to development programmes that ensures the development of contractors from one grade to the next. It is further important to ensure that the contractor community form part of the development processes of such criteria and that they are well communicated and publicised for information of the whole industry and the public.

Investigating and Resolving Conduct Breaches

The Construction Industry Regulations (CID) (2014) empowers the cidb to investigate, resolve and process conduct breaches with other investigating authorities. During 2021/2022, 139 code of conduct breaches were reported through the cidb's anonymous hotline, case management processes, and referrals from law enforcement agencies (the Directorate for Priority Crime Investigations (DPCI)[17] and the Special Investigating Unit (SIU)). After investigating them, 72 were resolved and closed.

Cases related to RoC applications included:

- Submission of fraudulent tax clearance certificates
- Falsified track records
- Misrepresentation of financial statements
- Fraudulent bank statements
- Client non-compliance with the RoC.

[17] Former name but often colloquially referred to as 'the Hawks'.

9.2.3. Register of Projects (RoP)

Infrastructure projects nationally, including government and private sector projects are recorded on the RoP. The RoP provides a record of public sector infrastructure projects from tender advertisement and award through to project completion or termination. Note that it is mandatory for public and private sector clients to register contracts on the cidb RoP.

The 2014 CID Regulations (Section 18(1A)) provides that the RoP applies to every project comprising a single construction works contract whose value exceeds R200 000 for public sector and, for the private sector and a public entity listed in Schedule 2 of the Public Finance Management Act, 1 of 1999, for projects of more than R10 million.

In its annual report for the 2021/2022 financial year the cidb reported that in spite of the longstanding capacitation programme for public sector clients to compensate for the turnover of supply chain management personnel, RoP and cidb i-tender compliance remains low.

To improve compliance, infrastructure construction projects not registered on the RoP are flagged. On 31 March 2022, 4 231 tenders were advertised on cidb i-tender, a drop of 8% from the previous year. There were 2 779 awarded projects on the RoP at 31 March 2022.

Monitoring Compliance

The cidb monitors and enforces compliance with the CIDB Act, 2000, CID Regulations, 2004, as amended, Standard for Uniformity in Construction Procurement, the cidb Code of Conduct for parties involved in construction procurement and the newly implemented B.U.I.L.D Programme.

In its annual report for this financial year the cidb shows non-compliance with the requirements in the award of tenders among South Africa's the top infrastructure clients as follows:

Top 20 public sector clients by	Budget	RoP

infrastructure spend	(Rm)	compliance rate 2021 quarter 4
Eskom	45 418	36%
Transnet	33 659	41%
Passenger Rail Agency of South Africa	13 313	21%
Sanral (toll and non-toll)	10 766	59%
City of Cape Town Metropolitan Municipality	8 751	60%
Department of Transport and Public Works: KwaZulu-Natal	8 118	27%
Rand Water	5 794	25%
eThekwini Metropolitan Municipality	5 522	-
City of Johannesburg Metropolitan Municipality	4 981	-
National Department of Higher Education and Training	4 813	-
Property Management Trading Entity	4 695	-
City of Ekurhuleni Metropolitan Municipality	4 625	13%
National Department of Water and Sanitation	4 436	76%
Department of Transport and Public Works: Western Cape	4 009	67%
City of Tshwane Metropolitan Municipality	3 812	53%
Department of Transport and Public Works: Limpopo	3 381	47%
Department of Transport and Public Works: Gauteng	2 810	41%
Department of Transport and Public Works: Eastern Cape	2 573	4%
Department of Education: KwaZulu-Natal	2 447	-
Umgeni Water	2 145	62%

The cidb reported awareness that much needed to be done to strengthen this aspect of its work. This included the establishment of a Regulatory Compliance Unit and appointment of a compliance manager to oversee its work during 2021/2022. The PC on PWI recognised this and looks forward to future reports on the outcome which should improve compliance to the legislative and regulatory regime of the cidb.

9.2.4. Developing the Construction Industry - Skills through Infrastructure Projects - The BUILD Programme

The Standard for Developing Skills through Infrastructure Contracts was published in Government Gazette No. 43495 on 3 July 2020. It carries the signatures of the Ministers of Public Works and Infrastructure, Higher Education and Training, and Economic Development. This shows the collective understanding that had been developed on the need to put in place a sustainable developmental scheme along which construction contractors of varying categories can continue to be developed in line with agreed-to standards.

From 1 April 2021, national government departments and public enterprises implementing contracts for cidb grades 7 to 9 contractors had to start allocating 0.2% of projects to a maximum of R2 million to the B.U.I.L.D Fund to ensure sustainable construction contractor development.

The cidb hosted 25 stakeholder engagements during 2021/2022 to provide information to clients, contractors and industry associations about the requirements and the need to comply with the programme. The B.U.I.L.D Programme is an integral part of infrastructure procurement. The sessions focused on how to incorporate the programme into procurement processes and implement the standards for indirect targeting and skills development in projects. All engagements were virtual, which allowed more people to participate.

During 2021/2022, the cidb billed R43.4 million in B.U.I.L.D revenue, of which R12.3 million, or 28%, was collected, which translates to about 28%. As the concept is new, the collection rate was not up to par for this financial year. It also created misunderstanding with the OAG which will be dealt with in more detail in a further section. With time and continuous client liaison, the cidb is convinced that the programme will play a major role in rejuvenating the industry in terms of quality and output.

9.2.5. Research and Development across the Higher Education and Training Sector

The PC on PWI commended the output of the cidb in the higher education and training sector. The cidb has for many years hosted post graduate research conferences where students have the opportunity to present papers on their research on the built environment and construction industry. This work has continued in the 2021/2022 financial year with the entity reporting on its work in partnership with the Centre of Excellence at the Department of Construction Management and Quantity Surveying of the University of Johannesburg.

The two organisations partnered to host an inaugural 'State of the South African construction industry' seminar at which national and international experts presented on issues affecting the industry, with special emphasis on how the industry can mitigate the effects of the Covid-19 pandemic.

The cidb hosted a virtual doctoral workshop for students registered or intending to register for doctoral studies which was virtually beamed to more than 120 participants across five African countries.

The centre produced five honours, two masters and two PhD candidates. Both PhDs are South African women who were retained as lecturers and postdoctoral fellows to enable them to enhance their research skills and start their academic careers.

During 2021/2022, two study reports that were later prepared for publication as books were completed on behalf of the cidb into issues pertinent to the construction sector. The first documented construction-related fourth industrial revolution research in South Africa. It provides a database of studies presenting the latest thinking and trends to guide those driving skills development and transformation in the sector and highlighting skills and talents needed for the current and future workplace. The next phase will include the development of a database of educational programmes offered by South African universities, universities of technology and TVET colleges.

The second study examined the causes and effects on stakeholders of construction tender cancellation, a practice that is costly and time consuming for tenderers, may disrupt service delivery and is suspected to fuel industry corruption.

A developmental partnership was initiated during the year with the Faculty of the Built Environment at Walter Sisulu University to support lecturers to undertake research and obtain higher degrees at masters and doctoral levels. In addition, 10 journal articles were published on subjects ranging from construction digitalisation and skills for 21st century employment to construction sector health and safety practices.

9.2.6. Governance: Risks Identified that Hamper Performance

The slow pace of industry transformation is evident in the RoC with 70% of grades 7 to 9 contractors being black owned; 33% of grades 7 to 9 are women-owned; the entity refers to the recent judgement in the case *Minister of Finance v Afribusiness NCP* that set aside the Preferential Procurement Regulations published under the Preferential Procurement Policy Framework Act (PPPFA) as negatively impacting on its performance target to whittle down the 70% in respectively the first category to 45% average, and the second one from 33% to 11% average.

The cidb lists municipalities as clients that struggle to move the municipal budget spend from 84% to 69% spending. The entity has very little control over this matter as there is a lack of capacity in the local government sector that prevents this target to be reached. What is important, is that the cidb investigate the causes and impacts of cancellation of tenders, and identify strategic responses to address and resolve them. Such work to include efforts which has to be undertaken collaboratively with national provincial departments of cooperative government and traditional affairs (COGTA) as their executive authorities have a Constitutional prescribed duty (section 154(1)) stated as, "must support and strengthen the capacity of municipalities to manage their own affairs, to exercise their powers and perform their functions." The cidb to work on measures to enhance client capacitation on the Infrastructure Development Management System (IDMS), and Framework for Infrastructure Delivery and Procurement Management (FIDPM).

Public sector compliance with the cidb Act and CID Regulations need to be improved so that performance targets to improve the rate at which public sector institutions at the three levels of government register projects on the RoP. This weakness is due to a lack of enforcement implemented on government institutions. There is often a lack of appetite to institute criminal action against government departments which has been reported as often due to political interference. The entity further reported ineffectiveness of its strategy to improve private sector compliance to the regulations. To address this, the entity is working on strategies to improve registration on and compliance with the RoP, implement punitive measures against defaulters, generate reports for the DPWI Ministers, Directors-General, Parliamentary committees. It is has also identified the need to improve its reporting to the Auditor-General which includes a memoranda of understanding signed with Auditor-General (to add to scope of work).

Incidences reported during 2021/2022

Incidences of cidb officials soliciting bribes came to light in Gauteng, Free State, and KwaZulu-Natal offices. Disciplinary action was initiated against three officials for one in the Gauteng provincial office and two incidences in the Free State. All were found guilty and dismissed. Assets damaged and stolen at the KwaZulu-Natal office during the July 2021 riots were valued at R901 000. A claim was lodged with the insurer and payment was reported to have been received in this financial year.

9.2.7. Auditor-General's Report to Parliament

The AG stated that in all material respects the financial statements fairly presented the financial position of the cidb as at 31 March 2022. The financial performance and cash flows for the year ended was done in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 PFMA).

However, the AG expressed a qualified opinion on aspects of the report. This was based on the AG interpreting evidence that the cidb did not bill and collect all the revenue due to the entity in accordance with GRAP 23. This was under the category 'Revenue from non-exchange transactions' and relates to the manner in which the BUILD fees were collected. The AG identified this as construction contracts that qualify for best practice project assessment scheme but for which a build fee was not billed and recorded.

The AG expressed the qualified opinion on the financial statements as the evidence did not allow the auditing team to determine the full extent (R43 419 216) of the understatement of build fees in the financial statements, and related receivables from non-exchange transactions build fees (R31 107 602). This added to the stated surplus amount reported at the end of the financial year.

The audit further had to look at whether effective and appropriate steps were taken to collect all revenue due, as required by section 51(1) (b)(i) of the PFMA. Due to the inability to collect BUILD fees in time before the end of the financial year, the AG had to state that the cidb did not take effective steps.

The CEO and Board referred to this as an unfortunate interpretation as it could have been corrected by closer collaboration between the cidb and the AG. One of the corrective measures that emerged from this unfortunate audit outcome is the MOU that was signed to work closer together to ensure that such misunderstandings is averted.

The AG further reminded the Portfolio Committee that the Special Investigating Unit (SIU) was investigating allegations on the registration of contractors at the cidb in terms of a presidential proclamation. The investigation covers alleged actions between 1 January 2006 and 15 April 2016. At the date of the audit report, the SIU was still investigating these allegations and the public entity had not received the results of the finalised investigations.

The PC on PWI may need a progress report on this matter in 2023.

9.2.8. Financial Performance

	2021	2020 Restated*
Assets		
Non-current Assets Property, plant and equipment	106 007 902	96 555 529
Intangible assets	29 438 002	33 892 283
Current Assets	135 445 904	127 821 623
Receivables from exchange transactions	9 270 594	5 663 452
Receivables from non-exchange transactions	31 107 602	-
Cash and cash equivalents	**174 462 698**	**169 577 691**
	214 840 894	175 241 143
Total Assets	**350 286 798**	**303 062 766**
Liabilities		
Current Liabilities		
Income received in advance	94 279 023	86 378 222
Finance lease obligation	277 232	-
Payables from exchange transactions	17 744 471	14 118 432
Employee benefits	6 873 903	5 469 803
Total Liabilities	**119 174 629**	**105 966 457**
Non-current Liabilities Finance lease obligation	351 707	-
Total Liabilities	119 526 336	105 966 457
Net Assets	230 760 462	197 096 309
Accumulated surplus	230 760 462	197 096 309
Total Net Assets	230 760 462	197 096 309

9.3. THE COUNCIL FOR THE BUILT ENVIRONMENT (CBE)

9.3.1. Background

The Council for the Built Environment (CBE) is a schedule 3A entity established by the Council for the Built Environment Act (No. 43 of 2000). This entity is responsible for regulating the councils for the built environment professions of architecture, engineering, landscape architecture, project and construction management, property valuation and quantity surveying. Together with these built environment professional councils (BEPCs), the CBE has the responsibility to "regulate those Built Environment Professions who conceptualise, design, build, maintain and transfer social and economic infrastructure"[18] for the South African communities. As such, the entity and the BEPCs play a pivotal role in the implementation of programmes that give effect to the basic rights that all South Africans deserve.

9.3.2. Legislative Mandate

The objectives of the CBE as per section 3 of the CBE Act, 2000 are to:[19]

- Promote and protect the interest of the public in the built environment.
- Promote and maintain a sustainable Built Environment and natural environment.
- Promote on-going human resources development in the Built Environment.
- Facilitate participation of the Built Environment Professions in integrated development in the context of national goals.
- Promote appropriate standards of health, safety and environmental protection in the Built Environment.
- Promote sound governance of the Built Environment Professions.
- Promote liaison in the field of training in the Republic and elsewhere and to promote the standards of such training in the Republic.
- Serve as a forum where the Built Environment Professions can discuss relevant issues.
- Ensure uniform application of norms and guidelines set by the Professional Councils throughout the Built Environment.

9.3.3. Revenue collected

[18] CBE Annual Report (2018/19).

[19] Ibid

	2021/22			2020/21		
Source of Revenue	**Estimate**	**Actual Amount Collected**	**Over/Under Collection**	**Estimate**	**Actual Amount Collected**	**Over/Under Collection**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Government grant from DPWI (Programme 4 Transfer)	53 528	53 528	-	48 813	48 813	-
Levies	2 308	1 711	597	-	2 075	(2 075)
Interest	553	584	(31)	445	481	(36)
Other operating income	1	241	(240)	469	730	(261)
Total	**56 390**	**56 064**	**326**	**49 727**	**52 099**	**(2 372)**

Reasons provided in the Annual Report for Over/Under Collection of Revenue:

(i) Government Grant from DPWI

The transfer of R53 528 was from the DPWI Programme 4 Main Vote.

(ii) Levies Received

Levies from professional associations were less than what was budgeted for; Engineering Council SA collected less due to reduced membership. The committee questioned this but did not receive a satisfying reply.

(iii) Other Operating Income

The major contributor for the over collected amount was from:

- proceeds from insurance claims for assets replaced
- accrued income for a claim finalised after year-end from the employment benefit service provider.

9.3.4. Expenditure per programme 2021/2022

	2021/22			2020/21		
	Budget	**Actual Expenditure**	**Over/ Under Expenditure**	**Budget**	**Actual Expenditure**	**Over/Under Expenditure**
Programme 1: Administration	52 271	50 280	1 991	47 133	50 388	(3 255)
Programme 2: Transformation	571	805	(234)	186	49	137
Programme 3: Skills and Capacity Development	2 084	2 064	20	1 718	1 165	553
Programme 4: Research and Advisory	648	21	627	24	14	10
Programme 5: Regulation and Public Protection	816	616	200	666	652	14
Total	**56 390**	**53 786**	**2 604**	**49 727**	**52 268**	**(2 541)**
Assets (additions)	-	1 662	(1 662)		993	(993)
Total including assets (additions)	**56 390**	**55 448**	**942**	**49 727**	**53 261**	**(3 534)**

Source: CBE Annual Report 2021/2022

Administration

The surplus is attributable to the following reasons:

- Depreciation and amortisation which is not budgeted for in a cash-based budget.
- A delay in finalising the datacentre cloud bid.
- A budget was allocated for the CBE's 20-year strategic review, but there was no suitable service provider identified to undertake the project, hence it remained unspent.
- The settlement for the severance of the former CEO's was budgeted as indicated but was not finalised by the end of the financial year.
- Prior year committed funds, utilised for the revenue enhancement strategy, organisational redesign and computer expenses (note that these are reported

as for software such as Microsoft 365, Kaspersky (anti-virus software) and the Integrated Electronic Built Environment System). These are reported as having resulted in actual expenditure exceeding budgeted expenditure. The difference was offset against the underspending as indicated above.

Transformation

The shortfall is attributable to the payment of TCC Chairpersons, which exceeded what was initially budgeted for.

Skills and Capacity Development

The surplus is attributable to accreditation visits not scheduled due to the third wave of the COVID-19 pandemic, which resulted in savings on travel.

Research and Advisory

The procurement of the Knowledge Management Hub was finalised towards the end of the financial year. The problem is that the Senior Manager and required staff positions remain vacant. This means that the Knowledge Hub may be finalised yet remains non-functional.

Regulation and Public Protection

There was a surplus due to appeal committee fees. Due to the unpredictable nature of appeals, the number of appeals cannot be accurately determined at the beginning of the year.

9.3.5. Human Resource Management

Human Resources Expenditure per Programme:

Programme	Total Expenditure for the Entity (R'000)	Personnel Expenditure (R'000)	Personnel Expenditure (% of Total Expenditure)	No of Employees	Average Personnel Cost per Employee (R'000)
Programme 1:	50 280	19 728	39.23%	26	759

Administration					
Programme 2: Transformation	805	6 110	759.01%	6	1018
Programme 3: Skills and Capacity Development	2 064	3 165	153.34%	4	791
Programme 4: Research and Advisory	21	2067	9 842.86%	3	689
Programme 5: Regulation and Public Protection	616	-	-	-	-
TOTAL	**53 786**	**31 070**	**57.89%**	**38**	**818**

Source: CBE Annual Report 2021/2022

Expenditure on Training per Programme

Programme	Personnel Expend. (R'000)	Training Expend. (R'000)	Training Expend. (% of Personnel Cost)	No. Trained	Ave. Training Cost per Employee
Programme 1: Administration	19 728	143	0.72%	7	20
Programme 2: Transformation	6 110	3	0.04%	1	3
Programme 3: Skills and Capacity Development	3 165	0	0.00%	0	0
Programme 4: Research and Advisory	2 067	26	1.26%	2	13
Programme 5: Regulation and Public Protection	-	0	0.00%	0	0
TOTAL	**31 070**	**172**	**0.55%**	**10**	**17**

Source: CBE Annual Report 2021/2022

Vacancies per Programme

Programme	2020/21 No of Employees	2021/22 Approved Posts	2021/22 No of Employees	2021/22 Vacancies	% Vacancies

Programme 1: Administration	24	25	23	2	8.00%
Programme 2: Transformation	2	2	2	0	0.00%
Programme 3: Skills and Capacity Development	5	5	5	0	0.00%
Programme 4: Research and Advisory	2	4	2	2	100.00%
Programme 5: Regulation and Public Protection	2	3	2	1	50.00%
TOTAL	**35**	**39**	**34**	**5**	**12.82%**

Source: CBE Annual Report 2021/2022

Further detail on dealing with Vacancies

There seems to be no progress with filling these positions during the current financial year as the revised organisational structure remains incomplete. This adds to the concern expressed regarding strategic leadership and forward-planning evident in the entity. The posts are as follows:

(i) **Research and Policy - Senior Researcher**
(ii) **Research and Policy – Manager**
(iii) **Strategic Planning, Monitoring and Evaluation - Strategic Planning, Monitoring and Evaluation Officer:** This position is currently undertaken by a fixed- term appointment. Permanent recruitment is on hold pending the implementation of the above mentioned revised organisational structure.
(iv) **Regulations and Legal Services – Paralegal:** This position became vacant in the middle of the year as the incumbent was promoted to Legal Compliance Specialist.
(v) **Knowledge Management and IT - Senior IT Technician**

In addition to the concern regarding the incomplete revised organisational structure, the Portfolio Committee further showed concern about information that showed 100% vacancy for Programme 4, Research and Advisory. Looking closely at the information in the Annual Report, it is clear that the claim of a Completed Knowledge Hub is not as positive an element of the year's performance. The information further shows that the entity aims to appoint a Manager and Senior Researcher, yet no mention is made of other research staff that would operationalise the Knowledge Hub. This limits the ability to investigate the BEP sector fully and implement strategies to reach transformation and quality driven targets.

This places it in a position where, instead of building in-house research and advisory abilities that can collaborate with the larger BEP sector on an equal footing, it may be forced to use financial resources to purchase information about the built environment professions. Information that is purchased as a service from outside agencies may not benefit the strategic direction of the entity and the executive authority that it reports to. This is a reverse of what its sister-entities, Agrément SA and specifically, cidb reported. This matter means that a strategic shift is required to ensure that it is better equipped to provide updated information and advisory services to the executive authority on the BEP sector.

Reasons for Staff Vacating Positions:

The report showed that 66.7% leave due to resignation. This is a high rate that requires further information. The CBE needs to give more attention to retaining staff. The 33.3% progression due to promotion also requires more information; on the positive side, it may indicate a well-crafted strategy to grow the organisation leadership; on the other hand, if it is not done with the necessary training and care, it may in part lead to resignations by other staff who competed, but failed to be appointed. The report unfortunately does not provide the required detail to explain the information provided.

9.3.6. Performance and AG's Audit Opinion

The CBE succeeded to complete more than 50% of the Performance targets stated in its Annual Performance Plan for the 2021/2022 financial year.

As in the previous financial year, the entity received a clean audit report. Its Board is functional, and the internal audit functions well. It complied with the PFMA's in-year and quarterly reports to the Board and the Executive Authority via the DPWI's IGR branch.

Note of appreciation

The committee thanks the Minister and Deputy Minister of Public Works and Infrastructure, the senior management of the DPWI, the Auditor-General, and the Board leadership and administrative teams of the entities of public works and infrastructure for the collective commitment and willingness to deliberate and engage with Members of this committee so that we can strengthen ourselves to improve services to the people.

10. RECOMMENDATIONS

The committee recommends that the Minister ensure that the department and entities provide reports as follows:

1. A report by the Director-General (or Acting DG) on implementing the Parliamentary Village Board Act (No. 96 of 1998) and establish a fully functional Parliamentary Village Board. Financial reporting and governance needs urgent attention as it has a negative impact on matters such as living conditions, safety, and security of Members of parliament and sessional staff.

2. Report on the investigation on Procurement Fraud and Irregular Payments' allegations that were made to the transportation companies responsible for the transportation of Members of Parliament and learners to and from the Parliamentary Villages, Parliament and schools.

3. Progress report in the second quarter report of 2022/23 on the skills audit to get a proper fitting of skills in the PMTE at Head Office and across the 11 regional offices to manage the immovable asset register, leases, maintenance contracts, and

construction management projects. The report to take into account that vacancies across the DPWI, PMTE and entities remain unfilled. It should further cover whether the lead department have a strategic plan to address the on-going challenge to appoint critical skills in the property, construction and built environment professional sector.

4. A progress report by March 2023 by the DG and Head of the PMTE on the responses from National Treasury and the Accounting Officers of client departments to deal with the outstanding balance of outstanding debt to the DPWI/PMTE so that detail of disputes and other constraining matters can be identified and dealt with.

5. A report on the use of consultants, project managers, and community liaison officers to effectively deal with social unrest and the invasion of projects that causes delays in completion dates and overspending on infrastructure projects. The report to deal with:

    5.1. the need for more effective community liaison and social facilitation to ensure community ownership of infrastructure projects;

    5.2. a report with the South African Police Service on a strategy to deal with securing and safeguarding construction projects including protection from ‘construction mafias’.

6. A report on the strategy to ensure the appointment of designated groups in the organogram as the annual report showed regression in achieving transformation targets.

7. A report on high vacancies and underspending in specifically key programmes such as Facilities Management Services and Asset Registry Services.

8. A report on progress with the SIU investigation into alleged actions related to the registration of contractors at cidb offices having taken place between 1 January 2006 and 15 April 2016.

9. A report on initial investigations dealing with irregularities in lease management at the eleven regional offices to process a Presidential proclamation for further investigation.

10. The CBE to report on the operationalising of the Knowledge Hub, appointment of its management and researchers, and the plan to lead collaborate with research institutions into the built environment professions that could assist the executive authority to design BEP policies that address key matters that influence the BEP in the future. These are matters (not limited to these only) such as:

    10.1. fit-for-purpose teaching in BEP faculties at universities and private higher education institutions covering non-standardised innovative green building material and systems;

    10.2. the effect of labour intensive building methods on planning, costing, time-to-completion, and construction project management;

    10.3. the demands of large infrastructure project management that are funded in public private partnership arrangements on the construction project management as a BEP field;

    10.4. the identification of tendencies and trends emerging in legal cases before courts affecting the work of all BEPs to enhance compliance to the Framework for Infrastructure Procurement Delivery Management (FIPDM);

    10.5. the skills pipeline from high schools to professional registration; recognition of prior learning that ensures that standards and quality is not diluted in each of the voluntary associations; the relationship between CBE and other BEP associations where BEP professionals register, but are not functioning under its mandated authority.

11. Progress report required from the PMTE Facilities and Construction Project Management team including the lead officials and project manager(s) on the investigation into the allegation of project mismanagement leading to the Department incurring Fruitless and Wasteful expenditure amounting to R6.7 million (R6 689 725.96) on the project to repair and maintain 1 Military Hospital. The report to include allegations that electrical work was done at the first floor which had to be

re-done in a follow-up refurbishment project of the same first floor.

12. A quarterly progress report on the Public Works Bill and the amendment of the legislation of the cidb and the CBE to respectively transform the construction and professional built environment sector to improve the transformation of the construction industry; strengthen the processing of the funds collected for development and progression of contractors on the Register of Projects; and enforce compliance with the Construction Industry Regulations.

13. An update report by August 2023 on the work with the Government Technical Advisory Centre (GTAC) to reconfigure the IDT into a social infrastructure development and property maintenance agency that serves the objectives of the National Development Plan.

14. A report from the DG and leadership and officials of the relevant branch (Real Estate Information Registry Service) that should manage and maintain the Immovable Asset Registry on the reasons why the IAR was reconstructed which led to the restatement of an amount of R129.8 billion for property, plant and equipment in the financial statements, as described in Note 37 of the 2021/2022 AFS.

15. A report on the establishment of scheduled instead of ad hoc maintenance of immovable assets in the country as a key step to prevent maladministration in maintenance contracts across the immovable asset portfolio in order to increase the lifespan as well as increase the value of the immovable assets. This report to include a list of assets that is scheduled and planned for maintenance per regional office in each financial year.

Report to be considered.

2. The Budgetary Review and Recommendations Report (BRRR) of the Portfolio Committee on Health, dated 19 October 2022

Contents

The Budgetary Review and Recommendations Report (BRRR) of the Portfolio Committee on Health, dated 19 October 2022

The Portfolio Committee on Health (the Committee), having assessed the performance of the Department of Health (the Department) against its mandate and allocated resources, reports as follows:

1. INTRODUCTION

The Money Bills Procedures and Related Matters Amendment Act (No. 9 of 2009) sets out the process that allows Parliament to make recommendations to the Minister of Finance to amend the budget of a national Department. The Portfolio Committee compiles a Budgetary Review and Recommendation Report (BRRR) which is a performance assessment of how the public health sector has used allocated resources. Based on the assessment, recommendations are made to inform effective, efficient and economic use of allocated resources. The BRRR takes into account the following:

- Medium-term estimates of expenditure;
- Sector strategic priorities and measurable objectives;
- Prevailing strategic plans and annual performance plans of the Department;
- Prevailing strategic plans and annual performance plans of Entities;
- Expenditure reports relating to the Department published by National Treasury in terms of Section 32 of the Public Finance Management Act (PFMA) (No.1 of 1999);
- Financial statements and annual reports of the Department;
- Financial statements and annual reports of the Entities;
- Reports of the Committee on Public Accounts relating to the Department; and
- Any other information requested by or presented to Parliament.

1.1. Purpose of the report

This report summarises presentations received from the Department and Entities focusing on the 2021/22 Annual Reports and financial statements. The report details the deliberations, observations and recommendations made by the Committee relating to the Department and its Entities' financial and non-financial performance for the 2021/22 financial year.

1.2. Process

In assessing the performance of the Department of Health and Entities for the financial year 2021/22, the Committee reviewed and analysed the following reports and/or documents:

- 2022 Estimates of National Expenditure;
- Strategic Plan of the Department of Health (2020/21 – 2024/25);
- Annual Performance Plan of the Department of Health (2021/22);
- Annual Report of the Department of Health (2021/22);
- Annual Report of the National Health Laboratory Services (2021/22);
- Annual Report of the Office of Health Standards Compliance (2021/22);
- Annual Report of the South African Medical Research Council (2021/22);
- Annual Report of the Office of the Health Ombud (2021/22);
- Annual Progress Report of the Compensation Commissioner for Occupational Diseases (2020/21);
- Annual Report of the Council for Medical Schemes (2021/22);
- Annual Report of the South African Health Products Regulatory Authority (2021/22);
- Report of the Financial and Fiscal Commission (2021/22); and
- Report of the Auditor General South Africa (2021/22)

On 11 October 2022, the Portfolio Committee on Health was briefed by the Financial and Fiscal Commission on its analysis of the annual reports of the health sector and the Auditor-General of South Africa (AGSA) on the audit outcomes of the sector.

On 11 to14 October 2022, the Portfolio Committee on Health engaged the Department and Entities on their 2021/22 Annual Reports and financial statements.

2. STRATEGIC OVERVIEW

2.1. Policy Priorities for 2021/22

The Department of Health's Strategic Plan (2020/21 – 2024/25) responds to the strategic priorities of government and other relevant policies such as the National Development Plan (NDP) Goals and Priorities (Vision-2030), Sustainable Development Goals 2030, the 2021 State of the Nation Address (SONA) and the Medium-Term Strategic Framework (2019-2024).

2.1.1. Department's Five Year Strategic Goals

The Department's five-year strategic goals are as follows:

Strategic Goal 1: Increase life expectancy, improve health and prevent disease – Improve health outcomes by responding to the quadruple burden of disease in South Africa; and address the social determinants of health through inter-sectoral collaboration.

Strategic Goal 2: Achieve universal health coverage by implementing NHI Policy – Progressively achieve universal health coverage through NHI.

Strategic Goal 3: Quality improvement in the provision of care – Improve quality and safety of care; provide leadership and enhance governance in the health sector for improved quality of care; improve community engagement and reorientate the system towards PHC through community based health programmes to promote health; improve equity training and enhance management of Human Resources for Health (HRH); improve the availability of medical products and equipment; and ensure robust and effective health information systems to automate business processes and improve evidence based decision making.

Strategic Goal 4: Build health infrastructure for effective service delivery – Execute the infrastructure plan to ensure adequate, appropriately distributed and well maintained health facilities.

2.1.2. The National Development Plan (Vision – 2030)

The National Development Plan (NDP) forms an integral part of policy plans within all government departments, including the Department of Health, charting a path to prosperity and improving the lives of all South Africans within various sectors. The NDP articulates nine health-related goals that broadly endorse a health system that raises life expectancy, reduces infant mortality and the occurrence of HIV and AIDS, and significantly lowers the burden of disease.

The NDP identifies demographics, burden of disease, health systems and the social and environmental determinants of health as the key areas for intervention required to improve the health system in the country. The nine health goals have been identified in the NDP are as follows:

- Raised life expectancy of South Africans to at least 70 years
- Progressively improved TB prevention and cure
- Reduced maternal, infant and child mortality
- Significantly reduced prevalence of non-communicable diseases
- Reduced injury, accidents and violence by 50% from 2010 levels
- Completed health system reforms
- Established primary healthcare teams to provide care to families and communities
- Implemented universal health coverage
- Filled posts with skilled, committed and competent individuals

2.1.3. State of the Nation Address (SONA) – 2021

During the February 2021 SONA, the President highlighted the following main health-related issues:

- Defeating the coronavirus pandemic and the rollout of the vaccination programme was the key issue in this year's SONA. The President highlighted the comprehensive response to overcome the coronavirus. By restricting movement and activity via the lockdown, preparing health facilities, and implementing basic health protocols, government prevented potentially greater devastation by the pandemic.
- The President also highlighted the need to intensify prevention efforts and strengthening the health system. A massive vaccination programme will be rolled out with millions of vaccines having been procured and being delivered. The President applauded the scientists who lead research that discovered the Astra Zeneca vaccine which was procured was ineffective against a new variant (known as 501Y.V2) that is dominant in South Africa.
- Emphasising that a science-driven approach will continue to be used, the President emphasised the important role SAHPRA plays in relation to all medication imported into the country.
- The President further emphasised the importance of collaboration between all sectors of society including business, labour, the health industry and medical schemes in implementing the mass vaccination drive.
- Implementation of the National Anti-Corruption Strategy. The Special Investigating Unit (SIU) was authorised to investigate COVID-19 related procurement by all state bodies. The SIU released a report in February detailing alleged personal protection equipment (PPE) corruption. Over R13.3 billion worth of tenders were investigated, in respect of 189 State institutions and entities, with allegation still being received.
- Roll out broadband to hospitals and other government facilities. This will be important to modernise particularly administration and filing systems and in preparation for the National Health Insurance which will require all users/patients to be registered on the Health Patient Registration System (HPRS).

2.1.4. Department's Planned Policy Initiatives (2021/22)

The key policy priorities of the Department for 2021/22 included the following:

- **COVID-19 response plan:** The Department's COVID-19 response plan aims to halt the spread of the virus in South Africa. A major focus of the plan is on vaccination rollout. The

Department aims to vaccinate at least 40 million people by the end of the 2021/22 financial year.

- **Facilitate the implementation of the National Health Insurance (NHI) service.** The introduction of universal health coverage, also known as NHI, is a key priority for the Department. The first phase of a 5-year preparatory work plan to improve health systems performance and improve service delivery has been implemented. The Department is aiming to implement NHI by 2026. This will be guided by the Presidential Health Compact, a collaborative effort of multiple stakeholders who came together to contribute to improving the health sector.
- **Increased Life Expectancy.** The Department aims to increase life expectancy to at least 66.6 years and to 70 years by 2030.

3. REPORT OF THE FINANCIAL AND FISCAL COMMISSION

The FFC highlighted that the Covid-19 vaccine rollout is vital in containing the spread of the virus and limiting the severity of infections. It was indicated that the 2022 budget allocated an additional R2.3 billion to buy more doses and to administer vaccines. The FFC highlighted that the provinces will receive an additional funding of R15.6 billion over the MTEF period to support the fight against Covid-19 and to address shortfalls in essential goods and services.

The FFC noted that over the next three years, R440.5 million will be shifted from the health's main budget to move the forensic chemistry laboratories function to the National Health Laboratory Services (NHLS) to improve processing times for laboratory services.

On the department's performance, the FFC noted that the number of health facilities implementing the national quality improvement programme per year, indicates that 16 quality learning centres were identified to cover 80 hospitals and 64 primary health facilities. The FFC further notes that the number of ideal clinics per year is declining from 1906 in 2019/20 to 1444 in 2020/21.

On changes to provincial allocations, the FFC indicated that over the MTEF period, R15.6 billion is added for provincial departments of health to continue to respond to Covid-19 and to reduce the impact of budget reductions on essential medical goods and services. To address a funding shortfall for medical internship and community services posts over the MTEF, R745 million has been prioritised to the human resources and training grant.

4. REPORT OF THE AUDITOR-GENERAL OF SOUTH AFRICA

4.1. Department and entities

The National Department of Health received a qualified audit opinion with findings in the current year. The qualification on accrued departmental revenue relates to the recoupment and re-imbursement of Covid-19 vaccine related costs.

The Council for Medical Schemes, National Health Laboratory Services and South African Health Products Regulatory Authority received unqualified audit with findings. The South African Medical Research Council, Compensation for Occupational Diseases and Office of Health Standards Compliance received an unqualified audit with no findings. Overall, the audit outcomes of the portfolio improved mainly due to the Compensation for Occupational Diseases achieving a clean audit outcome.

The AG reported that during the period under review, the Department and Entities incurred irregular expenditure amounting to R1.3 billion. Irregular expenditure increased by 42% compared to the prior year.

4.2. Provincial Departments

The provinces remained stagnant as they received the same audit outcomes as in the previous financial years. There was no improvement to the audit outcomes for Eastern Cape, Free State, Northern Cape and KwaZulu-Natal, as they remain qualified for four consecutive years. The AG commends the Western Cape for maintaining clean audit outcomes consistently over the years. The AG noted that the Eastern Cape, Northern Cape and KwaZulu-Natal are the most concerning provinces.

On medico-legal claims, the AG reported that as at 31 March 2022, there were 15 148 claims that have been lodged against the sector, values at R125.3 billion. During the 2021/22 financial year, the departments paid R855.6 million towards medico-legal claims.

5. PERFORMANCE OF THE DEPARTMENT OF HEALTH (2021/22)

This section provides an overview of the financial and non-financial (service delivery) performance of the Department for the 2021/22 financial year.

5.1. Financial Performance

For 2021/22, the Department received a budget of R65.9 billion, of which it spent R65.2 billion. This constitutes expenditure of 98.8%, down from 99.1% expenditure rate in the previous financial year. The Department underspent its allocated budget by more than three quarters of a billion rand R771.3 million (or 1.2%) of the final appropriation. The underspending of R771.3 million increased from R578.8 million in the previous financial year. It should be noted that under-expenditure in the Department has increased steadily from R101.2 million (or 0.3%) in 2016/17, R220.9 million (or 0.5%) in 2017/18 and nearly R1 billion (R913.8 million or 1.9%) in 2018/19 and R422.4 million in 2019/20. This again represents a negative trend of increased under-expenditure and the Parliament should examine this closely with the Department.

Table 1: Programme Expenditure 2021/22

Programme R'000		2021/22			2020/21		
		Final Appropriation	Actual Expenditure	Over/under expenditure	Final appropriation	Actual expenditure	Over/under expenditure
1	Administration	828 730	672 727	156 003	663 552	550 965	112 587
2	National Health Insurance	1 025 966	838 153	187 813	1 200 556	1 021 911	178 645
3	Communicable & Non-Communicable Diseases	35 741 509	35 595 481	146 028	28 624 113	28 348 440	275 673
4	Primary Health Care	255 705*	251 526	4 179	277 085	314 971	-37 886
5	Hospital Systems	21 114 133	21 011 761	102 372	21 219 600	21 188 507	31 093
6	Health System Governance	6 442 722	6 360 530	82 192	6 680 006	6 661 283	18 723

	and Human Resources						
	Direct charge against the National Revenue Fund	500 000	407 253	92 747			
	TOTAL	**65 908 765**	**65 137 431**	**771 334**	**58 664 912**	**58 086 077**	**578 835**

The largest amount of under-expenditure representing nearly a quarter (24.3%) of the Department's total under-expenditure was *Programme 2*: *National Health* Insurance as it underspent by R187.8 million (previous financial year R178.6 million or 14.9%) of the programme's budget.

Programme 1: Administration underspent by R156.0 million, which is 18.8% of the programme's available budget, and 20.2% of the total under-expenditure.

Programme 3: Communicable and Non-Communicable Disease, which underspent by R146.1 million (or 0.4%) of the programme budget. This is down from the R275.7 million (or 1%) of the programme budget in the previous financial year.

In terms of economic classification, expenditure on Compensation of Employees (COE) amounted to R848.2 million (or 95.1%) (reported as 94.8% in the Annual Report) of the COE budget allocation of R892.6 million. With regard to COE, the Department notes that there were reprioritisation of filling of posts resulting in delays in filling vacant posts. An additional R38 million was received during the Adjustment Estimates Budget for anticipated salary increases, contributing to underspending on COE.

Goods and Services expenditure amounted to R9.1 billion (or 95.6%) of the budget allocation of R9.5 billion. Reasons for under-expenditure include.

- Outstanding invoices from the Department of Public Works could not be processed by 31 March 2022 due to insufficient supporting documents.
- Procurement process for the Security System of the Department is underway.

- Underspending on Medicine Stock Surveillance and Health Patient Registration Systems (HPRS) emanated from the revision of the HPRS business plan to consider COVID-19 Information Technology (IT) activities.
- The Ideal Clinics Peer reviews were cancelled due to COVID-19 pandemic.
- Procurement in Forensic Chemistry Laboratories (FCL) was stopped on 31 August 2021 due to FCLs function shift from NDoH to National Health Laboratory Services as of 01 April 2022 (it is not immediately clear if the dates provided are correct).

Transfer payments: Expenditure of R54.492 billion (or 100%) was incurred from the budget of R54.494 billion.

Purchase of Capital Assets: An amount of R660.5 million (or 68.4%) (reported as 69.5% in the Annual Report) was spent on capital payments from the budget of R965.8 million. The underspending is attributed to the slow start of infrastructure projects due to COVID-19 pandemic.

Direct charges against the National Revenue Fund (NRF): An amount totalling R500 million was funded directly from the NRF for COVID-19 Vaccines programme.

Virements: Approval was obtained from National Treasury to vire R13.1 million after the Adjustments Budget, from Goods and Services to Transfers and Subsidies. No funds were rolled-over.

No **unauthorised expenditure** was incurred during the period under review. R49.7 million was noted as unauthorised expenditure in the previous financial year, with R30.6 million noted as recoverable. There is thus a balance of R19.2 million recorded as unauthorised expenditure awaiting authorisation. The unauthorised expenditure is recorded as having been identified by National Treasury after the audit was finalised in the 2020/21 financial year. However, this amount was noted in the Annual Report of the respective financial year. No further detail was provided except to indicate that R37.9 million was Primary Health Care and R11.8 million was for Health Systems Governance. In both reports, i.e. the current and previous financial years' Annual Reports, no indication is given of any disciplinary steps being taken nor criminal proceedings being instituted. The AGSA also was unable to find audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure, as well as fruitless and wasteful expenditure, as required by the PFMA, since investigations were not performed.

Cumulative fruitless and wasteful expenditure amounts to R1.5 million, down from R2.1 million in 2020/21, as R565 000 was written off. No fruitless and wasteful expenditure was incurred in the year under review. Fruitless and wasteful expenditure increased from zero in 2015/16, to R402 000 in 2016/17, R1.1 million in 2017/18, and R2.1 million in 2018/19. Previous years' fruitless and wasteful expenditure was largely constituted by penalties and interest due to the late payment to suppliers, and South African Revenue Service (SARS) penalties. The Department also investigated fruitless and wasteful expenditure from no-shows and penalties from motor vehicle licences, which were renewed late in previous years.
Irregular expenditure for 2021/22 totalled R16.6 million, related to, amongst other things:

- R11.3 million – Commitments: Payment exceeded authorised order amount.
- R4.0 million- payment made for ICSP without service level agreement (SLA).
- R500 000- Comaf (Communication of Audit Findings) 41 – Evidence that quotations were obtained from suppliers that are registered on the central supplier database (CSD) was not obtained.

5.2. Non-Financial (Service Delivery) Performance

The Department's performance appears to have improved slightly compared to the previous years. During the financial year under review, the Department achieved 23 out of 37 targets (or 62.2%) compared to the 2020/21 when the Department achieved 21 out of 43 targets (or 48.9%), and the 2019/20 financial year where the Department achieved 33 out of 71 targets it had set itself (46.5%). Table 2 below provides an overview of the number of targets that the Department achieved against the set targets in the Annual Performance Plan 2021/22.

Table 2: Programme Performance Overview

Programme	2021/22					2020/21	
	Number of targets	Achieved	Not fully achieved	Targets Achieved	Budget Spent % 2021/22	Targets Achieved 2020/21	Budget Spent % 2020/21
1. Administration	4	2	2	50.0%	81.2%	33.3%	83.1%
2. National Health Insurance	5	2	3	40.0%	81.7%	66.7%	85.1%
3. Communicable & Non-Communicable Diseases	9	6	3	66.7%	99.6%	33.3%	99.1%.
4. Primary Health Care	9	6	3	66.7%	98.4%	50%	113.7%
5. Hospital Systems	3	3	0	100%	99.5%	100%	99.9%
6. Health System Governance and Human Resources	7	4	3	57.1%	98.7%	33.3%	100.2%
Total	**37**	**23**	**14**	**62.2%**	**98.8%**	**48.9%**	**99.1%**

The slight improvement in the Department's performance should be viewed in the context of it having again spent almost 100% (98.8%) of its allocated budget (in the previous three financial years it spent 99.1% (2020/21), 99.2% (2019/20), and 98.1% (2018/19)). With this in mind, questions must be raised on the value for money that the Department's services offer, as well as, whether proper costing is being done for its functions. The low rate of targets achieved must be seen in the context of relatively high spending. These will be discussed in more detail below.

5.2.1. Performance per programme

This section provides an analysis of the performance of the Department under each of its six main programmes. The analysis focuses particularly on the overarching targets and achievements under each programme and highlights some of the challenges that prevented the Department from achieving these target.

5.2.1.1. Programme 1: Administration

The programme achieved only two (or 50%) of the four planned targets for 2021/22. It should be noted that the number of targets set in the APP for this programme had fluctuated from eleven (11) in 2015/16, three (3) in 2019/20 and six (6) in 2020/21.

Table 3: Programme 1

	2021/22	2020/21
Total targets set	4	6
Targets achieved	2	2
Targets not fully achieved	2	4
Success rate	50.0%	33.3%
Total budget	R828.7 million	R663.6 million
Total budget spent	R672.7 million (81.2%)	R551.0 million (83.1%)

The notable targets under the programme during the period under review include the following:

- Two targets relate to medico-legal claims- neither the Case Management System nor the policy and legal framework to manage medico-legal claims were fully achieved. The AG noted that this may be a potential area of fruitless and wasteful expenditure, as money was spent on developing and rolling out a Case Management System, but this is not being utilised fully by the provinces except one. It further noted that this should be a priority for the Portfolio Committee on Health to monitor going forward.
- The Department met its target of achieving an unqualified audit opinion for 2020/21. However, it should be noted that in 2018/19 its target was to achieve a clean audit. The AG noted that controls relating to financial management and reporting need to be strengthened to ensure an improved outcome. It is of concern that the Department received a qualified audit opinion for the financial year under review.
- The Eastern Cape, Free State, Northern Cape, Limpopo and KwaZulu-Natal Provincial Departments of Health received qualified audit opinions with findings.

This programme was allocated R828.7 million and spent R672.7 million (or 81.2%) slightly down from 83.1% expenditure rate in the previous year. Under-expenditure totalled R156.1 million.

5.2.1.2. Programme 2: National Health Insurance (NHI)

The number of targets under the programme has been reduced from 27 in 2017/18 and 12 in 2018/19 and 2019/20. In the year under review, there are only five targets. Out of the five planned targets, the NDOH achieved only two (or 40%), down from 66.7% in the previous financial year.

The NHI legislation is in the legislative processes of Parliament. Notably, medical aid beneficiaries are not registered on the Health Patient Registration System. More than 5 million patients are enrolled for receiving medicines through the CCMDD (centralised chronic medication dispensary and distribution) system (target: 4.5 million).

Table 4: Programme 2

	2021/22	**2020/21**
Total targets set	5	6
Targets achieved	2	4
Targets not fully achieved	3	2
Success rate	40.0%	66.7%
Total budget	R1.026 billion	R1.201 billion
Total budget spent	R838.1 million (81.7%)	R1.022 billion (85.1%)

The Department exceeded the target set (target: 3 830) for the number of health facilities reporting stock availability at the National Surveillance Centre with 3 873 facilities reporting.

The Department again exceeded the number of patients registered for receiving medicines via the Centralised Chronic Medicine Dispensing and Distribution (CCMDD) System, with 5.1 million patients registered against a target of 4.5 million. According to the Department, more patients were enrolled on CCMDD due to COVID-19 impact on limiting resources at facilities.

Spending continues to decline in the programme compared to previous financial years in both actual amount spent and in percentage terms. This is of concern as the budget was reduced from R2 billion in 2019/20 to R1.1 billion in 2021/22, and only R838.1 million or 81.7% was spent. This represents an under-expenditure of R187.8 million. Only two (2) of the five targets (40%) were reached.

5.2.1.3. Programme 3: Communicable & Non-Communicable Diseases

Programme 3 consists of sub-programmes that relate directly to SDG 3 and critical indicators for health in the country. The Department fully achieved only six out of nine targets or 66.7%. This is an increase from its achievement of only 2 out of 6 targets or 33.3% in the previous financial year.

The number of targets in this programme has been reduced significantly over the past few financial years, from 57 in 2015/16, 16 in 2019/20, and only five in 2021/22.

Table 5: Programme 3

	2021/22	2020/21
Total targets set	9	6
Targets achieved	6	2
Targets not fully achieved	3	4
Success rate	66.7%	33.3%
Total budget	R35.7 billion	R28.2 billion
Total budget spent	R35.6 billion (99.6%)	R27.9 billion (99.1%)

The Department vaccinated nearly 21 million people (target 40 million) against COVID-19. It is clear the decision to incorporate the vaccination drive as part of the existing services provided at clinics and healthcare facilities is not reaping the desired results. There is a great risk of unused vaccinations, which were bought at great cost, being destroyed if not donated or utilised swiftly. This will only occur if a concerted campaign is launched to, amongst other things, get more people vaccinated, making vaccinations more easily accessible, and countering anti-vaccination messages.

The Department reports that the National Multi-Sectoral Strategic Plan for control of Tobacco Products and Electronic Delivery Systems 2022-2027 has been developed. It would be important for the Committee to receive a briefing on this Strategic Plan.

The Department reported that 510 (target: 500) medical officers and professional nurses were trained in clinical management of mental disorders. Also, 290 (target: 75) State patients were admitted into psychiatric hospitals.

The Department did not achieve the targets related the National Strategic Plan (NSP) for Non-Communicable Diseases (NCDs) as the NSP was approved by the National Health Council (NHC) a week before the end of the financial year and could thus not be published in time.

New guidelines for maternal care as well as neonatal care have been approved.

This programme was allocated R35.7 billion (up from R28.2 billion) and spent R35.6 billion, which is a 99.6% expenditure rate. Under-expenditure amounted to R146.1 million.

5.2.1.4. Programme 4: Primary Health Care

This Programme consists District Health Services, Emergency Services and Trauma, and Environmental and Port Health services. However, it is important to note that this Programme's budget allocation is even smaller than Programme 1: Administration.

Table 6: Programme 4

	2021/22	**2020/21**
Total targets set	9	12
Targets achieved	6	6
Targets not fully achieved	3	6
Success rate	66.7%	50.0%
Total budget	R255.7 million	R277.1 million
Total budget spent	R251.5 million (or 98.4%)	R315 million (or 113.7%)

With regard to the Ideal Clinic programme 1 928 PHC facilities (target: 2100) attained Ideal Clinic status. The failure to reach the target was attributed to COVID-19 and the resultant shifting of resources. The Department again reports delays in the finalisation of the Policy on Traditional Medicines. All nine provinces were assessed for compliance with the Emergency Medical Services (EMS) Regulations. Whilst they were assessed, it is not clear if all provinces complied with the Regulations. Community Health Workers (CHWs) traced 509 626 (target: 250 000) clients lost to follow up for TB treatment.

The budget allocation for this Programme declined from R277.1 million in 2020/21, to R255.7 million in 2021/22. In terms of performance, six out of nine targets (or 66.7%) were fully achieved.

5.2.1.5. Programme 5: Hospital Systems

This Programme develops national policy on hospital services and responsibilities by level of care; referral guidelines; developing hospital plans; and facilitating improvement plans for hospitals. The Programme is also responsible for the management of the National Tertiary Services Grant and ensures that the planning of health infrastructure meets the needs of the country.

The two budget sub-programmes in this programme are, Health Facilities Infrastructure Management; and Hospital Management.

Table 7: Programme 5

	2021/22	2020/21
Total targets set	3	4
Targets achieved	3	4
Targets not fully achieved	0	0
Success rate	100%	100%
Total budget	R21.114 billion	R21.220 billion
Total budget spent	R21billion (or 99.5%)	R21.2 billion (or 99.9%)

All three targets (100%) were achieved, similar to the previous financial year when all four targets were achieved. Targets achieved include:

- 52 PHC facilities constructed or revitalised (target: 40);
- 21 Hospitals constructed or revitalised (target: 21); and
- 121 Public Health Facilities (Clinics, Hospitals, Nursing Colleges, EMS base stations) maintained, repaired and/or refurbished (target: 120).

5.2.1.6. Programme 6: Health System Governance and Human Resources

The aim of this Programme is to develop policies for planning, managing and training of the Health sector human resources and the planning, monitoring, evaluation and research sector. It exercises oversight over all health public entities and statutory Health Professional Councils in South Africa. It also provides forensic laboratory services.

Table 8: Programme 6

	2021/22	2020/21
Total targets set	7	9
Targets achieved	4	3
Targets not fully achieved	3	6
Success rate	57.1%	33.3%
Total Budget	R6.4 billion	R6.5 billion
Total budget spent	R6.4 billion (98.7%)	R6.5billion (100.2%)

The number of targets has decreased from nine in 2020/21 to seven in the year under review. Only four of the seven targets (57.1%) were achieved.

Those targets achieved include:

- 9 Public Nursing Colleges were supported to achieve accreditation for basic and specialist nursing and midwifery programmes;
- 100% (8 346) eligible students were allocated to a health facility for community service;
- 3 674 COVID-19 vaccination sites registered on EVDS; and
- Revised Health Research priorities produced.

Targets not achieved include:

- 8 Provinces supported to develop implementation plans for strengthening clinical governance
- Community service policy not published.
- Alpha version of networked TB/HIV Plus Information System not developed pending an internal review of information systems processes.

This Programme has spent 98.7 % of its appropriated funds, amounting to R6.4 billion.

5.2.2. Human Resources

The Department reports that it had a total of 1 337 permanent posts filled, out of 1 696 approved posts which represents a vacancy rate of 16.9%. In the Senior Management Services (SMS), the highest vacancy rates were experienced at level 14 (29.0%, n= 9), level 15 (27.3%, n=3) and level 13 (23.5%, n= 20).

5.2.3. Report of the Auditor-General on the Department

The Department's audit outcomes deteriorated as it received a **Qualified Audit Opinion**, with emphasis of matter. This means that the financial statements, except for the matters described in the basis for the qualified opinion, present fairly its financial position. This is a regression in performance as the Department has, for the previous ten consecutive years obtained an unqualified audit opinion from the AG.

The basis for the qualified opinion is that the AG could not obtain sufficient evidence for accrued departmental revenue. The Department's system of internal control relating to the recoupment process of COVID-19 vaccine programme was inadequate. The AG could therefore not ascertain whether any adjustment was needed to accrued revenue of R2.1 billion. This had a consequential impact on the departmental revenue and contingent assets.

The AG found that the financial statements submitted for audit had not been prepared in accordance with the prescribed financial reporting framework and supported by full and proper records. Material misstatements were identified by the auditors were subsequently corrected. However, the uncorrected material misstatements resulted in the financial statements receiving a qualified opinion. The AG also reported that corresponding figures for 31 March 2021 were restated due to an error in the financial statements for the year ended 31 March 2022.

Effective and appropriate steps had again not been taken to prevent irregular expenditure as required by the PFMA and the Treasury Regulations.

With regard to consequence management, the AG was unable to find sufficient appropriate audit evidence that disciplinary action was taken against officials who had incurred irregular expenditure, as investigations into irregular expenditure and fruitless and wasteful expenditure were not performed. Citing internal control deficiencies, the AG noted the investigations into the irregular expenditure regarding the multimillion Rand communication contract (commonly known as the Digital Vibes scandal).

5.2.4. Technical Issues

An error was found in the Annual Report**,** in Table 2.2 (p.19) Primary Health Care Final appropriation is reported as R255 112 (000) when it should be R255 705 (000) as reported on page 49. Further, in the narrative on page 19, reference is made to the Department having "spent R64,092 billion of its allocation from the budget of R64,771 billion, representing 99,0% spending rate." Which differs to the information provided in Table 2.2. Programme Expenditure.

6. PERFOMANCE OF ENTITIES (2021/22)

This section provides an overview of the financial performance of Entities for the 2021/22 financial year.

6.1. National Health Laboratory Services (NHLS)

NHLS is a Schedule 3A Public Entity established by the National Health Laboratory Service Act (No. 37 of 2000) (*hereafter*, the Act). In line with the Act, NHLS is governed by a Board and the Chief Executive Officer (CEO). By the end of the reporting period, the entity had about 268 public laboratories across the nine provinces. As a Schedule 3A Public Entity, the NHLS is required to provide quality, affordable and sustainable health laboratory and related public health services to all public healthcare providers, other government institutions and any private healthcare provider in need of service. It is also mandated to provide training for health science education in conjunction with medical faculties at universities and universities of technology.

6.1.1. Highlights Over the Reporting Period 2021/22

Between April 2021 and March 2022, the entity reported the following:

- Increased its revenue from R10.5 billion to R12.2 billion.
- Generated a surplus of R76.4 million for the financial year.
- Achieved 88% of its set targets, compared to 86% in the previous financial year.
- Conducted 30 webinars with over 11 225 participants trained on COVID-19-related topics.
- Published 688 articles in peer-reviewed journals compared to 673 during 2020/21 period.
- Revenue for COVID-19 testing amounted to R2.4 billion for over 5 million tests conducted.
- Increased assets from a restated R7.4 billion in the prior year to R7.8 billion by March 2022.

- 18 new laboratories accredited by the South African National Accreditation System (SANAS) as compared to 15 in the previous financial year.

6.1.2. Performance for the Period 2021/22

Below is a closer look on the entity's performance per programme. The reported performance is assessed against the stated performance target on its annual performance plan (APP) for the reporting period.

6.1.2.1. Programme 1: Laboratory Service

Programme 1 represents the core business of the entity, as mandated by the Act to provide cost-effective and efficient health laboratory services to all public sector health care providers and other government institutions in and beyond the borders of South Africa. The long-term objective of this programme is to ensure that its services are provided in an equitable, comprehensive, quality, timeous and cost-effective pathology manner resulting in improved patient care. Table 9 provides performance information against the planned targets and compares with 2021/22.

Table 9: Performance on Planned Targets – Programme 1

	2021/2	**2020/21**
Targets reported in APP 2021/22	23	24
Targets reported in Annual Report 2021/22	12	12
Targets fully achieved	8	10
Targets not achieved	4	2
Performance success rate	66.6%	83.3%
Expenditure	**R909.4 million**	**R7.1 billion**

Programme 1 shows only 12 total targets against 23 in its APP. Two of the performance targets were achieved in 2020/21 however carried forward to the 2021/22 APP. Load-shedding and water shortage were cited as key factors for failing to meet some of the targets especially in the Eastern Cape. On page 37, the entity reports that this programme budgeted R8.5 billion and spent R909.4 million. It further claims that it overspent with R477 million due to the higher volume of tests performed compared to what was budgeted for. In contrast to the annual report, its APP states an amount of R8.9 billion as having been budgeted for this programme.

6.1.2.2. Programme 2: Academic Affairs, Research and Quality Assurance

Programme 2 has three sub-programmes i.e. Quality Assurance, Academic Affairs and Research and Innovation. Its purpose is to strengthen the mandate of the NHLS of maintaining and providing quality assured and accredited laboratory medicine and the academic platform. It does this among other things, by ensuring that research is conducted to contribute to service delivery improvement and quality, as well as ensuring national coverage by NHLS pathologists. This programme also oversees and collaborates with various training institutions that contribute to the development of qualified and skilled people operating within the scientific field of pathology services. Table 10 discusses performance information of planned targets for this programme:

Table 10: performance of planned targets – Programme 2

	2021/22	2020/21
Targets reported in APP 2021/22	22	22
Targets reported in Annual Report 2021/22	11	11
Targets achieved	11	8
Targets not achieved	0	3
Performance success rate	100%	72.2%

Programme 2 achieved 100% of its reported targets by end of March 2022. It is a jump from 72.2% achieved in the previous financial year. This programme saw a greater achievement on the number of district laboratories that are SANAS accredited compared to the previous reporting period, where there was a decline due to COVID-19. The overachievement is attributed to most laboratories having been assessed in previous financial year and recommended for accreditation in the year ending March 2022. The programme *expenditure stood a R383.3 million resulting in an R321.5 million overspent according to its annual report. However, there is a disconnect between the budget of R343.1 million given in the APP (P 64) and the one given in the annual report R617 69.*

6.1.2.3. Programme 3: Surveillance of Communicable Diseases

The National Institute for Communicable Diseases (NICD) is a national public health institute for South Africa and provides reference microbiology, virology, epidemiology, surveillance and public health research to support the government's response to communicable disease threats. Below is table 11, which shows performance information against the planned targets.

Table 11: Performance on Planned Targets – Programme 3

	2021/22	2020/21
Targets reported in APP 2021/22	14	14
Targets reported in Annual Report 2021/22	7	7
Targets achieved	7	7
Targets not achieved	0	0
Performance success rate	100%	100%
Expenditure	**R420.2 million**	**R398.5 million**

6.1.2.4. Programme 4: Occupational and Environmental Health and Safety

The National Institute for Occupational Health (NIOH) is a National Public Health Institute that provides occupational and environmental health and safety services across all sectors of the economy, in order to improve and promote workers' health and safety. The National and provincial government departments and public entities are important clients, including the Medical Bureau for Occupational Diseases (MBOD) of the National Department of Health (NDOH). The Institute achieves this by:

- Providing occupational medicine, hygiene, advisory, statutory pathology and laboratory services;
- Conducting research; and
- Providing teaching and training in occupational and environmental health and safety.

Table 12: Performance on Planned Targets – Programme 4

	2021/22	2020/21
Targets reported in APP 2021/22	8	8
Targets reported in Annual Report 2021/22	4	4
Targets achieved	4	3
Targets not achieved	0	1
Performance success rate	100%	75.0%
Expenditure	**R141.2 million**	**R135.8 million**

The overall performance success rate for Programme 4 was 100.0% of the reported performance targets. For the reporting period, this programme overachieved the percentage of occupational and environmental health laboratory tests conducted within the predefined turnaround time. The overachievement is attributed to test volumes decreasing during the reporting financial year. The budget for this programme was R156.2 million, and the total expenditure amounted to R141.2 million. The entity had R14.9 million underspent due to successful implementation of cost-containment.

6.1.2.5. Programme 5: Administration

Programme 5 has four sub-programmes include i.e. Financial Management, Information and Communication Technology (ICT) as well as Human Resources Management. This programme plays a crucial role in the delivery of the NHLS services through the provision of a range of support services, such as organisational development, human resources and labour relations, information technology, property management, security services, legal, communication and the integrated planning function. NHLS depends highly on the effective management of financial resources and procurement process as administered within the financial department.

Table 13: Performance of Planned Targets – Programme 5

	2021/22	**2020/21**
Targets reported in APP 2021/22	34	33
Targets reported in the Annual Report 2021/22	17	17
Targets achieved	15	12
Targets not achieved	2	5
Performance success rate	88.2%	70.5%
Expenditure	**R2.6 billion**	**R3.8 billion**

Programme continues to face some challenges compared to the other 4 programmes. This programme overspent by R1.4 billion from its initial allocation of R1.1 billion. By the end of the reporting period, the total expenditure amounted to R2.6 billion. The reason for the over-expenditure is attributed to the consolidated debt impairment for the entire entity.

6.1.3. Financial Performance

The NHLS financial statements for 2021/22 provide full account of the income and as a *controlling entity*, including its subsidiary, the South African Vaccine Produces (SAVP). The consolidated statements are referred to as the *economic entity* in the Annual Report. During the reporting period, the NHLS total assets increased from a *restated* R7.4 billion in the prior year to R7.8 billion in the current year. For a comprehensive picture of the NHLS financial performance together with its subsidiary (SAVP), more focus will be given to statements for the economic entity.

Table 14: Statement of Financial Performance – Economic Entity (NHLS + SAVP)

	2021/22	2020/21
	R'000	R'000
REVENUE	**12 237 665**	**10 537 490**
Cost of Sales	(10 117 395)	(10 450 491)
Gross surplus	**2 120 270**	**86 999**
Other income	400 773	1 051 680
OPERATING EXPENSES	**(2 639 024)**	**(1 232 840)**
Operating Deficit/Surplus	(117 981)	(94 161)
Interest income	201 404	163 705
Fair value adjustments	1	15
Interest Expense	(8 546)	(3 697)
Surplus before taxation	74 878	65 862
Taxation	1 553	(480)
SURPLUS FOR THE YEAR	**76 431**	**65 382**

Following the restating of its financial statement, the NHLS grew its revenue from R10.5 billion in 2020/21 to R12.2 billion in 2021/22. The lion share of the revenue is derived from services rendered (R10.1 billion), followed by government grants & subsidies (R640 million). The rise of inflation and cost of sales have both contributed to a noticeable increase in the *operating expenses* from R1.2 billion in 2020/21 to R2.6 billion in 2021/22. Compared to the previous reporting period, its *operating deficit* was R94.16 million, while it increased to R117.9 million in 2021/22. The *interest income* received from debtors amounting to R201.4 million offset the operating deficit of R117.9 million leading to the entity having *R76.4 million surplus for the year* – up from R65.3 million in March 2021.

Table 15: Statement of Financial Position – Economic Entity (NHLS + SAVP)

	2021/22	**2020/21**
	R'000	**R'000**
Current Assets	6 300 786	5 920 326
Non-current Assets	1 484 191	1 458 745
Total Assets	**7 784 977**	**7 379 071**

Current Liabilities	2 224 858	1 995 881
Non-Current Liabilities	982 858	882 369
Total Liabilities	**3 207 716**	**2 878 250**
Net assets	**4 577 261**	**4 500 821**

By end of March 2022, the entity's net assets remained relatively similar to the previous year – i.e. at around R4.5 billion. Total assets increased from R7.3 billion to R7.7 billion. Equally, the total liabilities increased from R2.8 billion in the preceding financial year to R3.2 billion in 2021/22.

Current assets include, amongst others, its inventories (valued at R837.4 million), funds from exchange transactions (services rendered), receivables from non-exchange transactions amounting to R34.8 million and cash and cash equivalents to the value of R3.4 billion. Exchange transactions relate to debt owed to the entity, which includes outstanding monies that have been *impaired*, while some are disputed by the KwaZulu-Natal Department of Health, while other provinces remain in debt for services rendered and received. For example:

- A total amount of R664 million is outstanding from the Eastern Cape Department of Health. Of this an *amount of R303 million has been impaired*.
- Gauteng Department of Health owes the entity an *amount of R719 million, of which R307 million has been impaired*.
- KwaZulu-Natal Department of Health owes R2.792 billion and R2.575 billion has been impaired. In resolving the debt, an external audit was conducted, which concluded that of R1.8 billion is owed by KwaZulu-Natal Department of Health to the entity. However, the parties involved have neither agreed nor acknowledged the outcome of the audit. This issue has consistently been raised by the NHLS for some time.
- Northern Cape Department of Health has a balance of *R192 million due to the entity of which R98 million has been impaired*.
- A total *amount of R211 million* is outstanding from the North West Department of Health. Of this debt, *an amount of R61 million has been impaired*.

6.1.4. Report of Independent Auditors

During the reporting period (2021/22), the NHLS received an **Unqualified Audit Opinion** with findings from the auditing firm Nexia SAB&T.

The issues identified on the Audit report were the following:

- *Effective and appropriate steps were not taken* to prevent irregular expenditure, as required by section 51(1) (b)(ii) of the PFMA.
- *Management did not implement effective controls* to ensure accurate financial reporting nor did they exercise adequate oversight responsibility over compliance with applicable legislation.
- An amount of *R4.7 billion was stated as impaired* as a result of irrecoverable debt. P.163
- The entity incurred an *irregular expenditure of R1.2 billion* up from R778.6 million in 2020/21. P 163
- Some of the *quotations and contracts were awarded* to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state as per Treasury Regulation 16A8.3.
- Some of the *goods and services of a transaction value above R500 000* were procured without inviting competitive bids, as required by Treasury Regulation 16A6.
- *Some of the persons in service of the entity* who had a private or business interest in contracts awarded by the entity failed to disclose such interest, as required by Treasury Regulation 16A8.4.
- The financial statements submitted for *auditing were not fully prepared in accordance with the prescribed financial* reporting framework and supported by full and proper records, as required by section 55(1) (a) and (b) of the PFMA.

6.2. Office of the Health Standards Compliance (OHSC)

The National Health Amendment Act (No. 12 of 2013) establishes OHSC as a Schedule 3A Public Entity in terms of the Public Finance Management Act (PFMA). Section 78 of the same Act provides for the OHSC to promote and protect the health and safety of the users of health services in South Africa. The OHSC is mandated to, amongst others:

- Advise the Minister on matters relating to norms and standards for the national health system and the review of such norms and standards, or any other matter referred to it by the Minister;
- Inspect and certify compliance by Health Establishments (HEs) with prescribed norms and standards, or where appropriate and necessary, withdraw such certification;
- Investigate complaints about the national health system;
- Monitor risk indicators as an early-warning system about serious breaches of norms and standards and report any breaches to the Minister without delay;
- Identify areas and make recommendations for intervention by a national or provincial department of health or municipal health department, where necessary, to ensure compliance with prescribed norms and standards;
- Recommend quality assurance and management systems for the national health system to the Minister for approval; and
- Keep records of all OHSC activities.

The OHSC carries out its work having due regard to the fundamental rights as contained in the Constitution and other related legislation. More importantly to the work of the OHSC are the Norms and Standards Regulations, which the Minister of Health promulgated on 02 February 2018. The regulations came into operation on 02 February 2019 and applies to different categories of health establishments.

6.2.1. Performance for the Period 2021/22

For a closer appreciation of OHSC's performance over the reporting period 2021/22, this subsection provides an analysis of each of the five programmes, namely: Administration; Compliance Inspectorate; Complaints Management and Office of Ombud; Health Standards Design, Analysis and Support; and Certification and Enforcement. The analysis takes into account the achievement of set targets, budget allocation and expenditure and compares the previous financial year's performance with the current reporting period and highlights pertinent issues for consideration.

Overall, the OHSC had 22 output indicators for the 2021/22 financial year and achieved (14) 64% of its set targets in 2021/22 financial year.

6.2.1.1. Programme 1: Administration

The purpose of this programme is to provide the leadership and administrative support necessary for the OHSC to deliver on its mandate and comply with all relevant legislative requirements. This programme has four sub-programmes, namely; Human Resource Management, Finance and Supply Chain Management, Information and Communication Technology (ICT) as well as Communication and Stakeholder Relations.

Table 16: Performance on Planned Targets – Programme 1

	2021/22	**2020/21**
Total number of targets in APP 2021/22	7	14
Targets reported in Annual Report 2021/22	7	7
Targets fully achieved	6	3
Partially achieved	-	3
Targets not achieved	1	1
Performance success rate	85.7%	42.6%
Budget	**R61.4 million**	**R60.7 million**
Expenditure	**R68.8 million**	**R64.5 million**
Financial expenditure rate	**112%**	**106.3%**

Six of the seven targets for Programme 1 were fully achieved. The target relating to the turnaround time for the filling of funded vacancies was not achieved.

This programme had an approved allocation of R61.4 million, and overspent with an amount of R7.3 million, a 6% (R3.7 million) increase as compared to the previous financial year. Over-expenditure for 2021/21 is attributed to information technology maintenance and support as well as replacement of obsolete computer equipment.

6.1.1.2. *Programme 2: Compliance Inspectorate, Certification and Enforcement*

The purpose of this programme is to manage the inspection of health establishments in order to assess compliance with the national health system's norms and standards. It is also to certify health establishments (HEs) as compliant or non-compliant with prescribed norms and standards and makes recommendations to the Certification and Enforcement Unit on the certification of HEs that have been inspected. Table 17 below depicts the performance on annual planned targets against those set on the annual performance plan.

Table 17: Performance on Planned Targets – Programme 2

	2021/22	**2020/21**
Total targets in APP 2021/22	5	8
Targets reported in Annual Report 2021/22	4	4
Targets fully achieved	3	1
Partially achieved	-	1
Targets not achieved	1	2
Performance success rate	75.0%	25.0%
Budget	**R54.1 million**	**R48.1 million**
Expenditure	**R49.7 million**	**R41.1 million**
Financial expenditure rate	**91.9%**	**85.4%**

Programme 2 has experienced challenges in meeting all its targets. In 2020/21, only 4 out of 8 (25%) targets were achieved; while in 2021/22 the programme's performance increased to 75%. This performance could be attributed to the removal of the indicators pertaining to compliance inspections in the private sector.

In terms of financial performance, the programme underspent on its allocation. The initially approved budget was R54 million, and the total expenditure was R49 million. The under expenditure was R4.3 million.

6.1.1.3. *Programme 3: Complaints Management and Ombud*

The purpose of this programme is to consider, investigate and dispose of complaints relating to the non-compliance with prescribed norms and standards in a procedurally fair, economical and expeditious manner. This programme has three sub-programmes: Complaints Call Centre; Complaints Assessment Unit; and Complaints Investigation Unit.

Table 18: Performance on Planned Targets – Programme 3

	2021/22	2020/21
Total targets in APP 2021/2022	5	10
Targets reported in Annual Report 2021/22	5	5
Targets fully achieved	1	2
Targets not achieved	4	3
Performance success rate	20.0%	40.0%
Budget	**R20.4 million**	**R19.8 million**
Expenditure	**R22.1 million**	**R18.8 million**
Financial expenditure rate	**108.3%**	**98.9%**

The programme's performance drastically decreased from 40% in 2020/21 to 20% during the period under review. Only one of five output indicator was fully achieved. One of the reasons cited for the under-performance, is the historic backlog cases, dating back to 2015. This was further compounded by the vacancy rate of 45%. Other reasons were attributed to the delays and lack of responses from health establishments for requested information.

Given the under-performance on its annual targets, the programme also overspent on its allocation. The budget for this programme was R20.4 million and the expenditure by end of the reporting period was at R22.1 million. The programme overspent by R1.7 million. The reason for the expenditure was due to the funding of short-term contracts funded from the surplus.

6.1.1.4. *Programme 4: Health Standards Design, Analysis and Support*

The purpose of the Health Standards Design, Analysis and Support programme is to provide high-level technical support to the Office through research, health systems analysis, development of data collection tools, training in the use of these tools, and analysis and interpretation of the data collected. The programme also drives the establishment of stakeholder networks for capacity building and the co-creation of information management systems.

Table 19: Performance of Planned Targets – Programme 4

	2021/22	2020/21
Total targets in APP 2021/22	2	4
Targets reported in Annual Report 2021/22	2	2
Targets fully achieved	2	0

Targets partially achieved	-	2
Targets not achieved	-	0
Performance success rate	100%	0%
Budget	**R13.4 million**	**R12.7 million**
Expenditure	**R9.8 million**	**R9.2 million**
Financial expenditure rate	**73.1%**	**72.4%**

All the targets in this programme were fully achieved. In the beginning of the reporting financial year, this Programme was allocated R13.4 million, with an expenditure of R9.8 million. The R3.6 million under-expenditure is attributed to savings arising from a vacant post that could not be filled due to unavailability of suitable skills.

6.1.1.5. *Programme 5: Certification and Enforcement*

The purpose of this programme is to certify compliant health establishments and take enforcement action against non-compliant health establishments. The programme is required to publish information relating to the certificates of compliance issued and enforcement action taken.

Table 20: Performance of Planned Targets – Programme 5

	2021/22	**2020/21**
Total targets in APP 2021/22	3	5
Targets reported in Annual Report 2021/22	3	3
Targets fully achieved	2	1
Targets partially achieved	-	1
Targets not achieved	1	1
Performance success rate	66.7%	33.3%
Budget	**R2.7 million**	**R2.6 million**
Expenditure	**R2.2 million**	**R2.2 million**
Financial expenditure rate	**81.5%**	**82.7%**

Programme 5 had three planned targets, two were achieved. The performance success rate is thus 66.7%. This is an improvement from the previous financial year's performance of 33.3%. The programme had a budget of R2.7 million and its annual expenditure was R2.2 million.

6.2.2. Financial Performance

The OHSC's revenue is derived from an allocation from National Treasury under the budget vote for the National Department of Health. During the reporting period (2021/22), the entity was allocated R158 million (compared to R137.6 million in 2020/21).

Compared to 2020/21, wherein the entity generated R139.2 million in revenue – in 2021/22, the total revenue generated increased to R160.1 million, attributed an additional R6 million of government allocation and R2 million interest from investment. In 2020/21, the entity achieved a surplus of R11 million (an increase from R6.1 million in 2020/21).

Table 21: Statement of Financial Performance

	2021/22	**2020/21**
	R'000	R'000
Total Revenue	160.1	139.2
Operating expenses	(40.8)	(35.3)
Total expenditure	(149.0)	(133.1)
Deficit /Surplus for the Year	**11.0**	**6.1**

Table 22 below depicts the financial position comprising assets, non-current assets, current liabilities and non-current liabilities as at the end of the reporting period.

Table 22: Statement of Financial Position

	2021/22	**2020/21**
	R'000	R'000
Current Assets	65.9	52.2
Non-current Assets	12.2	15.6
Total Assets	**78.1**	**67.7**
Current Liabilities	12.4	13.0
Non-Current Liabilities	-	-
Total Liabilities	**12.4**	**13.0**
Net assets	**65.8**	**54.7**

6.2.3. Report of the Auditor General

- The OHSC obtained an **Unqualified Audit opinion** from the AGSA.

- There were no material findings on the usefulness and reliability of the reported performance information reported

6.3. South African Medical Research Council (SAMRC)

The South African Medical Research Council Act, (No. 58 of 1991) (as amended) establishes and mandates the SAMRC to improve the health and quality of life of South Africans. In fulfilling its remit and in line with the aforementioned Act, the SAMRC does this through research, development and technology transfer.

6.3.1. Highlights over the reporting period ending March 2022

During the reporting financial year 2021/22, the SAMRC reported several achievements post the difficult period emanating from severe acute respiratory syndrome coronavirus 2 (SARS-COV-2) also known as COVID-19. The following highlights some of the achievements of the SAMRC.

- *Launched a* 2022 – 2026 Transformation Strategy focusing on increasing the proportion of Black people in senior management and leadership positions;
- *Made a contribution* to the management of COVID-19 through its Wastewater Surveillance and Research Programme (SAMRC WSARP) that has been conducted in many provinces;
- *Launched a Network* for Genomic Surveillance in South Africa (NGS-SA) together with the Department of Science and Innovation (DSI) for a rapid response to public health threats in South Africa;
- *Partnered with the Chan Soon-Shiong Foundation* on an ambitious program to build a vaccine manufacturing workforce;
- *Conducted a study in partnership* with the Perinatal HIV Research Unit (PHRU), which showed that female sex workers (FSWs) are exposed to extremely high levels of violence;
- *Contributed to HIV prevention* by enrolling its Verulam Clinical Research Site in Durban, KwaZulu-Natal became the fourth site on the African continent for the PrEPVacc HIV Prevention Vaccine clinical trial. This site is fourth after Masaka, Uganda; Mbeya and Dar es Salaam in Tanzania; and

- *Together with the DSI adapted* the Hyrax Biosciences Exatype software for enabling automatic SARS-CoV-2 variant typing on sequence data.

6.3.2. Strategic outcome orientated goals

Accounting on its annual performance for the period under review, the SAMRC underscores that its activities are premised on 5 strategic goals that are interlinked to the health sector Negotiated Service Delivery Agreement (NSDA). The five strategic goals are to:

- Lead the generation of new knowledge;
- Administer health research effectively and efficiently;
- Translate new knowledge into policies and practices to improve health.
- Build human capacity for the long-term sustainability of South African health research;
- Support, through funding and other mechanisms, technology development and implementation, translation of research into policy and practice, and innovations in health and technology delivery to improve health.

6.3.3. Performance for the Period 2021/22

This subsection mirrors the reported performance against the annual performance plan for 2021/22 financial year. It also compares the previous financial year's reported performance with the current performance to assess improvement in performance and potential stagnation.

Table 23: Performance on set Objectives

IMPACT STATEMENT	SRATEGIC PERFORMANCE TARGET FOR 2020/21 - 2024/25	FINAL PERFORMANCE 2021/22
Strengthening of corporate governance processes towards an	A clean audit opinion on the SAMRC from the Auditor-General	Performance target **Clean Audit**. - **TARGET ACHIEVED**

IMPACT STATEMENT	SRATEGIC PERFORMANCE TARGET FOR 2020/21 - 2024/25	FINAL PERFORMANCE 2021/22
unqualified audit opinion from the Auditor General	Percentage of the government allocated SAMRC budget spent on administration	Performance target **20% of the allocation** spent on administration. **- TARGET ACHIEVED**
Promote the improvement of health and quality of life (prevention of ill health, improvements in public health and treatment) in South Africa through research.	Number of accepted and published journal articles, book chapters and books by SAMRC affiliated and funded authors.	Performance target - **3 150** **TARGET EXCEEDED - 3550 Articles published**
	Number of accepted and published journal articles by SAMRC grant-holders with acknowledgement of the SAMRC	Performance target - **825** **TARGET EXCEEDED – 930 articles published**
To build an innovation community, developing life changing health solutions for South Africa, Africa and beyond	Number of new innovation and technology projects funded by the SAMRC aimed at developing, testing and/ or implementing new or improved health solutions	Performance target – **70** **TARGET NOT ACHIEVED**
	Number of innovation disclosures made by the SAMRC intramural research and innovation	Performance target **– 5.** **TARGET NOT ACHIEVED,**
To provide research support in the form of funding and supervision to the next generation of scientists in the broad field of health	Number of awards (scholarships, fellowships and grants) by the SAMRC for MSc, PhD, Postdocs and Early Career, Scientists.	Performance target – **495** **TARGET ACHIEVED WITH 660 AWARDS BEING MADE**
	Number of awards by the SAMRC to Black South African citizens and permanent resident MSc, PhD, Postdocs and Early Career Scientists classified as African	Performance target – **100** **TARGET ACHIEVED WITH 108 AWARDS**
	Number of awards by the SAMRC to MSc, PhD, Postdocs and Early Career Scientists from historically disadvantaged institutions (HDIs).	Performance target - **70** **TARGET NOT ACHIEVED**

IMPACT STATEMENT	SRATEGIC PERFORMANCE TARGET FOR 2020/21 - 2024/25	FINAL PERFORMANCE 2021/22
To contribute to building a public and policy-maker understanding of health, drivers of ill-heath, and practice, interventions and technologies that can prevent ill health and strengthen health services and encouraging use of research evidence in policymaker, practitioner and public decision-making.	Number of local or international policies, reports and guidelines that reference SAMRC research	Performance target **27**. **TARGET ACHIEVED**
	Number of conferences, seminars and continuing development points workshops supported by the SAMRC	Performance target – **10.** **TARGET ACHIEVED - 72 conferences and seminars held**

6.3.4. Financial Performance

Table 24 below presents the entity's financial performance for the reporting period ending in March 2022. Key features of the financial performance include, among others, the revenue, operating surplus as well as an indication of deficit or surplus for the year. The aforementioned features provide a compressive overview of the financial standing of the entity as shown below.

Table 24: Statement of Financial Performance

	2021/22	**2020/21**
	R'000	R'000
Revenue	1,267,978,551	1,169,592,562
Other income	17,612,723	15,774,552
Operating expenses	(1,306,199,153)	(1,128,036,885)
Operating (deficit) surplus	**(20,607,879)**	**57,330,229**
Investment income	25,729,929	19,638,086
Fair value adjustments	1,103,297	2,396,550
Finance costs	(204,087)	(146,531)
(Deficit) Surplus for the year	**6,021,260**	**79,218,334**

Generated revenue in 2021/22 show a moderate increase to R1.267 billion from R1,169 billion in 2020/21. Other income reflects an increase from R15.57 million in 2020/21 to R17.6 million in the 2021/22 reporting period.

Notable is the operating deficit which amounts to R20.6 million during this reporting period, while R57.3 million operation surplus was recorded in 2020/21. The operating deficit was primarily due to increases in employee costs, general expenses, and Impairment loss/reversal of impairments on intangible assets and property, plant and equipment.

Compared to March 2021, the investment income increased from R19.6 million to R25.7 million by end of March 2022. A noticeable contrast on surplus for the year is an overall surplus of R6 million by March 2022, unlike R79.2 in March 2021.

Table 25 depicts a stable financial status for the year that ended in March 2022. Similar to the previous year, the accumulated surplus stood on R422.7 million. Total assets jumped from R922 million in the preceding year to R1 billion in 2021/22 reporting period.

Table 25: Statement of Financial Position

	2021/22	**2020/21**
	R’000	R’000
Current Assets	786,821,546	675,795,572
Non-Current Assets	274,852,335	246,281,070
Total Assets	**1,061,673,881**	**922,076,642**
Current Liabilities	624,003,894	490,199,771
Non-Current Liabilities	10,899,898	11,128,042
Total Liabilities	**634,903,792**	**501,327,813**
Net Assets	**426,770,089**	**420,748,829**
Accumulated surplus	426,770,089	420,748,829

Also noted is the total liabilities that stood at stood at R634.9 million, which is a slight increase from the R501.3 million recorded in the preceding year. This is due to increase in deferred income for the financial year for research grants it received in advance from donors.

6.3.5. Report of the Auditor-General

- The AG *did not identify any significant deficiencies* with respect to internal controls.
- The AG gave the entity a *clean audit.* This is a continuation of its clean audit performance that has been achieved in preceding years.
- The AG *confirmed the entity's donation* of vaccines to the Department of Health for the vaccine roll-out in response to the COVID-19 pandemic valued at R58.98 million.
- The AG selected Programme 2: Core Research and *did not identify any material findings* on the usefulness and reliability of the reported performance information.
- The *AG did not identify any material findings* or non-compliance with the specific matters in applicable legislation set out in the general notice issued in terms of the Public Audit Act: (PAA).

6.4. Office of the Health Ombud (OHO)

The Office of the Health Ombud (the Office) is an independent body established in terms of the National Health Amendment Act of 2013. The Office is located within the Office of Health Standards Compliance (OHSC) and shares annual allocation and human resources and reports to and is accountable to the Minister of Health. The Office was established and specifically mandated to protect and promote users of health services by considering, investigating and disposing of complaints in the national health system relating to non-compliance with prescribed norms and standards and contribute towards a development of public service culture characterised by fairness, dedication, commitment, openness, accountability and the promotion of the right to good public administration.

6.4.1. Milestones during the 2021/22 reporting period

The OHO notes the following milestones:

A. Eastern Cape Department of Health Investigation

The OHO undertook a follow-up investigation following the investigation of the Public Protector and the OHSC Compliance Inspectorate, in response to complaints of below standard service delivery at Livingstone Hospital, Dora Ngiza Hospital and Uitenage Provincial Hospital. As well complaints of a sub-optimal relationship between the province and the medical school.

The OHO found that very little progress has been achieved regarding the Public Protector and the OHSC Compliance Inspectorate's findings and recommendations. The OHO notes with concern that the consequence of this finding is the continued suffering of patients due to poor service delivery. Furthermore, the building of an excellent research culture would suffer negatively.

B. **The Twinning Agreement** between the Office of the Health Ombud of South Africa and the UK Parliamentary and Health Service Ombudsman (PHSO) was signed in March 2021 by the heads of both the entities. The aim of the twinning agreement is to foster cooperation and the exchange of knowledge, experience and skills in investigating and managing health-sector complaints, which cannot be resolved by other government departments or related institutions.

   In terms of progress, a total of five learning exchange sessions were held between the PHSO and the OHO.

6.4.2. Performance for the Period 2021/22

This section discusses the performance of the OHO per programme.

6.4.2.1. Complaints Management Programme

The Complaints Management Programme comprises three sub-programmes, namely: Complaints Call Centre; Complaints Assessment Unit; and Complaints Investigation Unit.

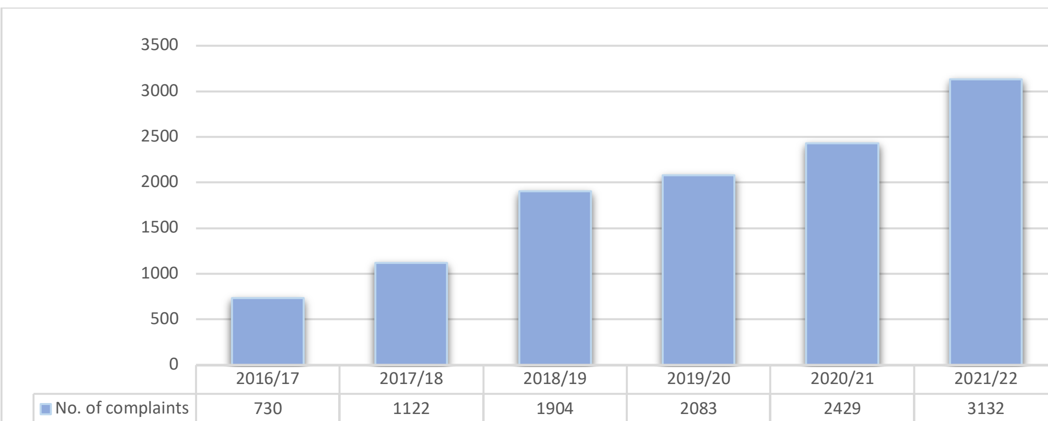
6.4.2.2. Sub-programme: Human Capital

During the reporting period 2020/21, the Complaints Centre and Assessment Unit operated at 74% (76% in the previous financial year) i.e. 20 of 27 posts filled. Six of the filled posts were funded on a contract basis within the Complaints Assessment Unit and contributed significantly in reducing the backlog in cases requiring assessment.

6.4.2.3. Sub-programme: Complaints Call Centre

The purpose of the Complaints Call Centre is to receive complaints from the public regarding breaches of norms and standards by health establishments through calls, walk-in submissions, email and written letters.

Figure 1: Number of Complaints received from 2016/17 to 2021/22



As shown in figure 1, the number of people utilising the Complaints Call Centre and Assessment Unit has grown steadily over the past five years. In 2021/22 the Complaints Call Centre saw a 28.9% year-on-year increase in complaints received and registered, 3 132 complaints, compared to 2 429 in 2020/21.

The Complaints Call Centre achieved 83% of its indicators, against a target of 75%. Measures implemented to ensure continuity of services included diverting calls to the phones of Call Centre staff and enabling remote access to the online complaints management system.

The majority of complaints were received from Gauteng (57%), followed by Western Cape and KwaZulu-Natal recording similar number of complaints (10.8% and 10.2% respectively). The OHO is of the view that the proximity of Gauteng to OHO and the confidence of residents in using reporting system may be a contributory factor to the significantly higher number of complaints received from the province

During the period under review, about 92.4% of complaints were received through email and all other complaints were registered by phone. In terms of the complaints classification, almost 99% of complaints received were classified as low risk, many resolved by health establishments. The majority (83%) of complaints logged were closed by the Call Centre within 25 days, within the target of 75%.

6.4.2.4. Sub-programme: Complaints Assessment Unit

The purpose of the Complaints Assessment Unit to assess medium risk-rated complaints and either propose ways to resolve them or refer them to the Investigation Unit for investigation.

The Complaints Assessment Unit has been under-resourced, it had 112 backlog complaints at the beginning of 2021/22 and managed to resolve 105 of these. The unit also managed to resolve 39 new complaints within 30 working days of receiving feedback from the complainant and/or health establishment. The unit managed to resolve a total of 144 cases during 2021/22 financial year. A total of 17 cases were referred for investigation.

6.4.2.5. Sub-programme: Complaints Investigation Unit

The Complaints Investigation Unit is comprised of two sections, namely: Healthcare and Legal. The OHO notes the 2021/22 financial year marks the 4th financial year that the unit operated with five vacancies attributed to funding limitations. These vacancies are said to contribute to the prolonged turnaround time for complaint resolution.

In 2020/21 reporting period, five cases were resolved and 23 cases in 2021/22. The performance of the unit was significantly affected by the Covid-19 pandemic in 2020/21, which required onsite investigations.

Of the 23 cases resolved for 2021/22, nine were from Gauteng in the following disciplines: accident and emergency, dentistry, family medicine, intensive care unit, internal medicine, maternity and surgery. Four of the 23 cases were from Eastern Cape, KwaZulu-Natal (1), Limpopo (1), Mpumalanga (1), North West (2), Northern Cape (1) and Western Cape (2).

On legal matters, the OHO received notice of appeal from two officials in respect of the investigation report into the circumstances surrounding the care and death of Mr Shonisani Lethole at Tembisa Provincial Tertiary Hospital on the 27th of January 2021. A Tribunal conducted hearings on 5th October 2021, awaiting outcomes. The OHO received legal opinion on four cases before it.

6.4.3. Financial performance

The OHO is housed and shares financial and human resources with the OHSC. Due to this reason, the financial performance of the Office is contained in the OHSC report.

6.4.4. Challenges the Office faces

The Office has stated the following obstacles that it faces:

- Failure of Parliamentarians to understand the role of the Health Ombud on the processes of lodging complaints;
- Delays in responses to requested information by some health establishments, which prolongs the turnaround time for the complaint resolution;
- Disgruntled complainants who are aggrieved by the findings and recommendations of the Ombud; and
- The unavailability of the key witnesses during onsite investigations impact the complaints resolution time.

6.4.5. Interventions implemented

Some of the interventions implemented by the OHO included the following:

- Issued correspondence to heads of department (HoDs) of the non-responsive health establishments to cooperate and supply the Ombud with the requested information.
- Conducted provincial outreach visits to Health MECs and HoDs to raise awareness on the functions of the office of the Health Ombud.
- Developed a policy on handling unreasonable complainants to mitigate challenges encountered with unreasonable complainants.

6.4.6. Achievements

Although the Office has reported some challenges, it also registered notable successes, which include amongst others the following:

- Successful registration of the Office to the African Ombudsman and Mediators Association (AOMA).
- Official launch of the twinning agreement of the OHO and the United Kingdom PHSO.
- Reviewed the draft OHO Bill in collaboration with the NDoH. The process is on track and progressing well. Dr Crisp has been assigned to oversee the completion of the process.

6.5. Compensation Commissioner for Occupational Diseases (CCOD)

The Compensation Commissioner for Occupational Diseases (the CCOD) in Mines and Works has changed its name in accordance with the establishing legislation - the Occupational Diseases in Mines and Works Act 1973, (No. 78 of 1973) (ODMWA, *thereaft*er, the Act) to Mines and Works Compensation Fund (the MWCF or the Fund). Among others, the Act prescribes two things i.e.:

- The Minister of Health shall appoint, an officer to be called the Compensation Commissioner for Occupational Diseases; and

- The establishment of a fund to be called the Mines and Works Compensation Fund (the MWCF).

In comparison with other entities, the MWCF is unique because it does not have a board but functions as a sub-programme of the National Department of Health, responsible for controlling and administering the Fund. The mandate of the MWCF is to ensure that there are effective and efficient processes of claims management and compensation of workers and ex-workers in controlled mines and works in terms of the Act. Additionally, the MWCF collects revenue on behalf of the Fund based on levies per risk shift per commodity. In terms of oversight, the NDOH plays that role of over the MWCF and provides funds from the fiscus for the administration of the Fund.

6.5.1. The MWCF's achievements over the reporting period

During the year under review (2021/22), the MWCF demonstrated utmost commitment to reclaiming its previous glory, while forging ahead by defying the odds and accomplishing considerable milestones. The subsection below depicts its achievements that were realised during the period under review despite some having been started in prior financial years:

- Collected levies from 83% of controlled mines and works.
- Issued payments to 6 155 claimants amounting to R139.3 million.
- Completed an assessment of controlled mines and works – which recorded 857.
- Introduced a web-based scanning process to track the movement of claimant files.
- Inspected 139 mines and works - more than 41 inspections done in the preceding year.
- Obtained unqualified audit opinion for 2019/2020 and 2020/2021 financial years.
- The AGSA audited its Annual Financial Statements for the 2019/2020 and 2020/2021.
- Concluded the Annual Reports and Financial Statements for the 2018/2019 and 2019/2020 financial years;
- The external actuary completed the actuarial valuation of the Fund as at 31 March 2022.
- Replaced the Interim Mineworkers Compensation System (iMCS) with the Compensation Claims Management System (CCMS); and

- Tabled its audited Annual Report and Financial Statements to Parliament for 2014/2015, 2015/2016, 2016/2017 and 2017/2018 financial years.

6.5.2. Key strategic objectives

In the 2021/22 financial year, the MWCF has four strategic areas:

- Enhancing the claims management system;
- Maintenance of the database of controlled mines and works;
- Submission of amendments to the ODMWA, to the Director-General of the NDOH; and
- The submission of annual reports of the Fund for the 2019/2020 and 2020/2021 financial years to the Auditor-General of South Africa.

6.5.3. Performance for the Period 2021/22

The MWCF annual report provides 9 performance targets, of which 5 were achieved, while 4 were missed. There are varied reasons for not achieving all the set targets. The following are some of the reasons:

- A significant reduction of claimant application packs received from service providers and one stop service centres was observed; and
- The new IT system phased rollout continued in the year leading to the reduced Benefit Medical Examination (BME) submissions from service providers and one stop centres for certification.

Table 20 below highlights the targets met and highlights the reasons for the targets not met.

Table 20: Performance on set targets for the financial year 2021/22

Planned Target	**Performance**	**Target Achieved/Not achieved**
		Achieved

Submission of amendments to ODMWA to the Director-General of the National Department of Health	New ODMWA bill was noted by the Director- General and the Minister of Health. A request to process the Bill was sent to the Deputy President from the Minister.	
Master database updated for payments made, new claims and new certifications for the month before the 7th of the next month. External data exchange updates and/or additions to the master database once a quarter	Master database updated for payments made, new claims and new certifications. External data exchange updates and/or additions to the master database external parties done for all quarters except Q2.	Not achieved
12 000 certifications finalised on the Mineworkers Compensation System per year	5 969	Not achieved
7 000 benefit payments made by the CCOD (other than pension payments)	4 678	Not achieved
60% Of all claims finalised in within 90 days of receipt of all completed claim documents	90%	Achieved
80% of controlled mines and works paying levies to the CCOD	83% of controlled mines and works paying levies to the CCOD	Achieved
Submission of the 2019/2020 and 2020/2021 annual financial statements to the AGSA	Submission of the 2019/2020 and 2020/2021 annual financial statements to the AGSA	Achieved
77 of the number of controlled mines and works inspected	139	Achieved

6.5.4. Financial Performance

Table 21 shows a total revenue amounting to R480.5 million for 2021/22 financial year, which is a jump from R377.1 million from the preceding financial period. On expenditure, the debt impairment shows an increase from R2.4 million in 2020/21 to R5.7 million by end of March 2022.

Table 21: Statement of Financial Performance

	2021/22	**2020/21**
	R'000	R'000
REVENUE		
Total revenue from exchange transactions	**422 279 179**	**319 520 852**
TRANSFER REVENUE		
Total revenue from non-exchange transactions	58 309 469	57 656 547
Total revenue	**480 588 648**	**377 177 399**
EXPENDITURE		
Debt impairment	(5 721 147)	(2 453 653)
Goods and services in-kind from the national Department of Health	(57 843 885)	(56 835 087)
Movement in provisions and general expenses	(3 747 420)	(173 188 714)
Total expenditure	**(329 629 478)**	**(517 824 555)**
Surplus / (deficit) for the year	**150 959 170**	**(140 647 156)**

Total expenditure is shown as having decreased from R517.8 million in 2020/21 to R329.6 million in 2021/22. Expenditure declined due to a decrease in actuarial valuation expenses, movement in provisions, and pension payments for pneumoconiosis.

Unlike the previous year where an overall deficit of R140.6 million was recorded – in 2021/22 financial year a surplus of R150.9 million was recorded. Table 3 presents the financial position comprising assets, current liabilities and non-current liabilities as at 31 March 2022 in comparison with the preceding period ending in March 2021.

Table 22: Statement of Financial Position

	2021/22	**2020/21**
	R'000	R'000
Current Assets	5 154 268 246	4 965 660 047

Non-Current Assets	-	-
Total Assets	**5 154 268 246**	**4 965 660 047**
Current Liabilities	1 103 416 321	1 178 743 225
Non-Current Liabilities	10,899,898	11,128,042
Total Liabilities	**3 552 525 990**	**3 514 876 961**
Net Assets	**1 601 742 256**	**1 450 783 086**
Accumulated surplus	1 601 742 256	1 450 783 086

In reference to table 22, current assets grew from R4.965 billion in 2020/21 to R5.154 billion in 2021/22. Total liabilities remained stable at R3.5 billion, while net assets and accumulated surplus increased from R1.4 billion in the preceding year to R1.6 billion in March 2022.

6.5.5. Reports of the Auditor General

6.5.5.1. For 2021/22 Reporting Period

- The AG gave an unqualified audit opinion for 2021/22 financial years with no findings;
- The AG did not identify any material findings or non-compliance with the specific matters in applicable legislation set out in the general notice issued in terms of the Public Audit Act (PAA).
- The AG asserts that the MWCF is not required to prepare a report on its performance against predetermined objectives, as it is not a listed public entity in terms of PFMA and therefore does not fall within the ambit of the Act.
- The AG furthermore, stated that the Occupational Diseases in Mines and Works Act does not require for the preparation and audit of the annual performance report.
- The AG did not identify any significant deficiencies with respect to internal controls.

6.5.5.2. For 2020/21 Reporting Period

- The AG gave an unqualified audit opinion for 2020/21 financial years with findings;
- The AG asserts that the CCOD is not required to prepare a report on its performance against predetermined objectives, as it is not a listed public entity in terms of PFMA and therefore does not fall within the ambit of the Act.

- The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA.
- Material misstatements of contingent assets identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.
- Leadership did not ensure that the entity has a functioning audit committee.
- Leadership did not exercise oversight responsibility for financial reporting and compliance, as well as related internal controls.
- Management did not prepare accurate financial reports supported and evidenced by reliable information.
- An independent consultant appointed by the entity was investigating various allegations of financial misconduct and possible fraud. The outcome was finalised in December 2020 and the service provider has handed over the cases for prosecution. These proceedings were in progress at the date of this report.

6.5.5.3. For 2019/20 Reporting Period

- The MWCF obtained an unqualified audit opinion for 2019/2020
- The fund is not required to prepare a report on its performance against predetermined objectives, as it does not fall within the ambit of the PFMA and such reporting is not required in terms of the entity's specific legislation.
- Financial statements were not submitted for auditing within the prescribed period after the end of the financial year, as required by section 55(1)(c)(i) of the PFMA.
- The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA.
- Material misstatements of revenue identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.
- The leadership did not exercise its oversight responsibility for financial reporting, compliance and related internal controls.

- Leadership did not ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively.
- Management did not prepare accurate financial reports that are supported and evidenced by reliable information.

6.5.5.4. For 2018/19 Reporting Period

- The AG gave a *qualified audit opinion* for the period ending March 2019.
- The AG stated that appropriate internal controls for section 62 (levies) and section 63 (research levies) were *not implemented effectively*.
- *Financial statements were not* submitted for auditing within the prescribed period after the end of the financial year, as required by section 55(1)(c)(i) of the PFMA.
- The financial statements submitted for auditing *were not supported by full and proper records* as required by section 55(1)(a) of the PFMA.
- *Material misstatements identified* by the auditors in the submitted financial statements were not corrected, which resulted in the financial statements receiving a qualified opinion.
- The *commissioner did not receive all moneys* payable to or for the benefit of the compensation fund and did not credit to the compensation fund, all such moneys and all moneys which, in terms of section 62 and 63 of the Occupational Diseases in Mines and Works Act 78 of 1973 (ODMWA), are to be paid to and received by the commissioner, as required by section 61(4) of the ODMWA.
- The *leadership did not exercise its oversight* responsibility for financial reporting, compliance and related internal controls.
- *Insufficient capacity at the entity* resulted in deficiencies in internal controls, which led to the failure to ensure that all revenue relating to the entity is invoiced and recorded.

6.6. Council for Medical Schemes (CMS)

The Council for Medical Schemes is established in terms of the Medical Schemes Act (MSA) (No. 131 of 1998), as a public entity mandated to regulate the medical schemes industry in South Africa.

The main objective is to protect the interests of members, thereby, promoting fair and equitable access to private health financing. CMS's mission is to regulate the medical schemes industry in a fair and transparent manner including:

- Protecting members of the public and informing them about their rights, obligations and other matters related to medical schemes;
- Ensuring that complaints raised by members of the public are handled appropriately and speedily;
- Ensuring compliance with the Medical Schemes Act (No.131 of 1998);
- Ensuring improved management and governance of medical schemes;
- Advising the Minister of Health on appropriate regulatory and policy interventions; and
- Ensuring Collaboration with other stakeholders in executing its regulatory mandate.

As per its Strategic Plan, the CMS has six strategic goals for the 2020 – 2025 period:

1. To promote the improvement of quality and the reduction of costs in the private healthcare sector;
2. To encourage effective risk pooling;
3. To ensure that all regulated entities comply with the MSA and Regulations;
4. To be a more effective and efficient organisation;
5. To conduct policy-driven research, monitoring and evaluation of the medical schemes industry to facilitate decision-making and policy recommendations to the Health Ministry; and
6. To collaborate with local, regional and international entities.

6.6.1. Performance for the Period 2021/22

In terms of performance, CMS achieved 83.3% of all target indicators set. Some of the performance achievements during the financial year include:

- Obtaining an unqualified report by the Auditor-General of South Africa (AG);

- The following prescribed minimum benefits (PMB) benefit definitions guidelines were published:
    - COVID-19 (updated);
    - Multiple Myeloma;
    - COVID-19 (updated);
    - Pain Management;
    - Prostate Cancer;
    - Adult T-Cell Leukaemia/Lymphoma;
    - Burkitt's Lymphoma;
    - T-Cell Prolymphocytic Leukaemia;
    - Myeloproliferative Neoplasm;
    - Acute Myeloid Leukaemia;
    - Cutaneous T-Cell Lymphoma;
- The number of stakeholder awareness activities were more than doubled (target: 25; achieved: 67) when, as in the previous year, one would reasonably expect this target not to have been reached due to COVID-19 lockdowns.

Table 23: Highlights of some of the key CMS Performance Indicators

PROGRAMME	PLANNED TARGET 2020/21	ACTUAL PERFORMANCE 2020/21
1. ADMINISTRATION	Obtain an unqualified opinion issued by the AG	Unqualified opinion achieved
	Ensure that overall performance of the entity is maintained at above 80%	83.3%
	Ensure that 95% of requests for information and finalised within 30 days	Achieved: 99%
	Minimise staff turnover to less than 15% per annum	Achieved: 9.5% Staff turnover.

PROGRAMME	PLANNED TARGET 2020/21	ACTUAL PERFORMANCE 2020/21
	Average turnaround time of 120 working days to fill vacancies	Not Achieved: 492 days. Vacancies for General Managers were not filled because of the approval of the new macro-micro structure.
	95% of employee performance agreements are signed	Achieved: 100%
	95% of employee performance assessments concluded biannually	Achieved: 99.72%
	Percentage of written and verbal legal opinions provided to internal and external stakeholders, per year-target 85%	Achieved: 85%
	Percentage of Appeal Committee and Appeals Board Scheduled within 14 days upon receipt of all supporting documents (as per schedule)	Not Achieved: 75%. The target was not achieved due to a shortage of staff which has since been addressed.
2. STRATEGY OFFICE	The number of benefit definitions published, target: 10	Achieved: 10
	Percentage of category 1 clinical opinions reviewed provided, target: 90%	Achieved: 100%
	98% of clinical enquiries received via e-mail or telephone reviewed within 7 days	Achieved: 100%
3. ACCREDITATION	Percentage of Managed Care Organisations (MCOs) applications processed within 3 months, target: 100%	Achieved: 100%

PROGRAMME	PLANNED TARGET 2020/21	ACTUAL PERFORMANCE 2020/21
	Percentage of applications by administrators and self-administered schemes accredited processed within 3 months, target 100%	Achieved: 100%
4. **RESEARCH AND MONITORING**	Number of research projects finalised, target: 12	Achieved: 12
	One non-financial report submitted for inclusion in the Annual Report	Achieved: one
5. **STAKEHOLDER RELATIONS**	25 stakeholder training and awareness sessions conducted	Achieved: 67 sessions were conducted, exceeded the target due to additional stakeholder interventions in response to a petition regarding breast reduction surgery and an initiative to make diabetes sensor technology available for all Type 1 Diabetics.
	Submit CMS annual report to the Executive Authority by 31 August	Achieved
6. **COMPLIANCE AND INVESTIGATIONS**	Number of routine inspections finalised, target: 15	Achieved: 17
	Percentage of commissioned inspections finalised, target: 80%	Not achieved: 29% (-51%). Two inspections were still ongoing during the period under review.
7. **BENEFITS MANAGEMENT**	80% interim rule amendments are processed within 14 days of receipt	Achieved: 80%
	90% of annual rule amendments are processed before 31 December each year	Achieved: 90% amendments were processed
8. **FINANCIAL SUPERVISION**	Recommendations in respect of Regulation 29 for 100% of business plans received	Achieved : 100%

PROGRAMME	PLANNED TARGET 2020/21	ACTUAL PERFORMANCE 2020/21
	Three (3) quarterly financial return reports published	Achieved
	Financial sections prepared for the annual report	Achieved
9. COMPLAINTS ADJUDICATION	70% of Category 4 complaints adjudicated within 120 working days	Achieved: 90% (+20%)
	70% of Category 3 complaints adjudicated within 90 working days and in accordance with complaints standard operating procedures	Achieved: 78% (+8%)

6.6.1.1.Medical Schemes industry

- In 2022, there were 72 medical schemes, and 27 administrators, 44 managed care organisations, 2156 broker organisations, and 7 530 individual brokers.
- Bear in the year 2000 there were 144 schemes, with 97 restricted schemes and 47 open schemes.
- Medical scheme **membership increased slightly** (by 48 887 beneficiaries) during 2021, to end the year with 8.95 million beneficiaries. However, the CMS anticipates that high inflation will affect membership in the long-term.

6.6.1.2.Complaints adjudicated

During the reporting period, the CMS received 2 265 new complaints with 974 complaints carried over from the previous financial year, totalling 3 239 complaints. Two thousand, three hundred and seventy-nine (2 379) complaints were resolved in 2021/22, with 860 complaints carried over to the next financial year.

6.6.2. Financial Performance

This section discusses the financial performance of the CMS for the period under review.

Table 24: Summary of Statement of Financial Position

	2021/22	**2020/21 Restated**
	R'000	**R'000**
Current Assets	22 313	17 099
Non-current Assets	14 923	16 230
Total Assets	**36 236**	**31 740**
Current Liabilities	29 581	44 937
Non-Current Liabilities	5 399	10 273
Total Liabilities	**34 980**	**55 210**
Net assets (liabilities)	**2 256**	**(21 881)**

Table 24, above, provides a summary of the financial position of the CMS. By end of March 2022, the entity's net assets increased from a liability of R21.9 million in 2020/21, to having a net asset value of R2.3 million. Total assets increased by 12.5 per cent from R31.7 million to R36.2 million. Total liabilities declined from R55.2 million in 2020/21 to R35.0 million in 2021/22 (36.6 per cent decrease). Current liabilities also decreased 34.2 per cent from R45.0 million to R29.6 million.

Table 25: Statement of Financial Performance

	2021/22	**2020/21 Restated**
	R'000	**R'000**
Revenue	186 772	183 893
Gain on disposal of assets	4	14
Administrative expenses	(26 203)	(27 189)
Auditors' remuneration	(1 961)	(2 583)
Operating Expenses	(23 395)	(40 217)
Staff costs	(110 144)	(116 771)
Depreciation and amortisation	(2 913)	(3 226)
Bad debt	-	(291)
Interest received	1 978	1 633
Finance costs	-	(51)
Surplus/(deficit) for the year	**24 137**	**(4 785)**

Table 25, above provides the Statement of Financial Performance. Some key points are highlighted including:

- Revenue increased 1.5 per cent from R183.9 million in 2020/21 to R186.8 million in 2021/22. The largest portion of revenue (90 per cent) is from levies income amounting to R170.1 million.

- CMS received a grant from the National Department of Health to the amount of R6.2 million in 2021/22, down 5.0% from the R6.5 million received in 2020/21.

- Administrative expenses were reduced from R27.2 million in 2020/21 to R26.2 million in 2021/22. Staff costs also declined from R116.8 million in 2020/21 to R110.1 million in 2021/22.

- The CMS moved from having a deficit of R4.8 million in the previous financial year to having a surplus of R24.1 million.

6.6.3. Report of the Auditor-General

- The CMS maintained an unqualified audit opinion with findings on compliance. The entity has been in this category for several years, mainly due to instances of non-compliance relating to the prevention of irregular expenditure and the material amendments to the annual financial statements.

- The AG did not raise any material findings on the usefulness and reliability of the performance information

- The AG found that effective and appropriate steps had not been taken to prevent irregular expenditure. Similar non-compliance was also reported in the prior year.

- Management had not adequately monitored compliance with applicable laws and regulations, as well as related internal control as evident by the non-compliance with supply chain management (SCM) prescripts that resulted in irregular expenditure.

- The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework, as required by the PFMA. Material misstatements of provision for long service awards, revenue and receivables, cash flow statements and financial liabilities identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

- The CMS did not exercise proper consequence management against officials who incurred irregular expenditure as required by the PFMA due to limited resources to perform investigations.

- CMS has an accumulated irregular expenditure of R64.1 million. R59.2 million is carried forward from previous years. R14.6 million was submitted to the National Treasury for condonation and R13.0 million (R12 969 000) was condoned.

- The performance report submitted had material misstatements that management were able to correct, resulting in no material findings in the audit report relating to reported achievements.

- Management needs to strengthen controls relating to the preparation and review of financial statements and performance reports and those relating to supply chain management processes. All instances of irregular expenditure need to be investigated and consequence management effected to prevent re-occurrence.

6.7. South African Health Products Regulatory Authority (SAHPRA)

The Medicines and Related Substances Act, (No. 101 of 1965), (as amended by Act 72 of 2008, together with Act 14 of 2015), provides for the establishment of SAHPRA, a Schedule 3A public entity, of the National Department of Health. SAHPRA came into existence in February 2018. SAHPRA is responsible for the regulation of health products intended for human and animal use; the licensing of manufacturers, wholesalers and distributors of medicines and medical devices, radiation emitting devices and radioactive nuclides; and to conduct clinical trials in a manner compatible with the national medicines policy

The following are some of the notabledevelopments in terms of the service delivery environment during the reporting period:

- SAHPRA was challenged through public protests and experienced political pressure in areas such as cannabis.
- SAHPRA faced litigation cases pertaining to the application for the approval of the use of Ivermectin, regulatory decisions on COVID-19 vaccines, the classification of cannabidiol and the regulations on complementary medicines. Some of the court cases have been finalised while others are still pending.
- SAHPRA reduced the time taken to register COVID-19 vaccines to less than three months, compared to the average of 20 months it takes to approve new medicines or vaccines.
- The transitioning to digital platforms, resulting in the receipt of applications electronically has proven to improve the turnaround time for the processing of applications.
- The progress of the backlog clearance programme was negatively impacted due to the global COVID-19 lockdown during the previous financial year, however there seem to be less challenges posed by the pandemic.
- SAHPRA approved and implemented the Policy on Priority Review Pathways for medicines. The policy provides for priority review to facilitate greater accessibility and availability of medicines. The pre-submission meetings provided a common understanding of the required supporting documentation as well as resolve issues before the application is submitted.
- SAHPRA implemented strategies to reduce the backlog building up in generic medicine registrations.
- SAHPRA conducted inspections related to Good Manufacturing Practice, Good Warehouse Practice, Good Clinical Practice, Good Distribution Practice and Good

Vigilance Practice as well as inspections related to complaints and matters of regulatory non-compliance.

- Local physical onsite inspections increased as full-onsite inspections, or hybrid method of on-site and remote online inspections were conducted.
- SAHPRA approved the majority of unregistered medicines that treat COVID-19 infections within 24 working hours. SAHPRA continued to provide access to Ivermectin through the controlled compassionate use programme.
- During the period under review, there was an increase in the number of applications for medical device establishment licences.

6.7.1. Performance for the Period 2021/22

During the period under review, SAHPRA achieved 18 out of the 25 indicators set (72%, a significant improvement, as compared to 52% in 2020/21). The performance achievements during the 2021/22 financial year are highlighted below:

Table 26: Highlights of some of SAHPRA's Performance Indicators

PROGRAMME	PLANNED TARGET 2021/22	ACTUAL PERFORMANCE 2021/22
10. LEADERSHIP AND SUPPORT	Obtain an unqualified opinion issued by the Auditor-General	Achieved: Unqualified audit opinion obtained
	Total revenue generated from fees (R162 million)	Achieved: R169 million
	Break-even of expenses and revenue	Achieved: R28 million
	40% of prioritised recommendations from the stakeholder survey implemented	Achieved: 67%
	50% of the change management interventions implemented	Achieved: 92%
	30% of the workplace skills plan implemented	Achieved: 39%
	60% of budgeted positions filled	Achieved: 96% of budgeted positions filled

PROGRAMME	PLANNED TARGET 2021/22	ACTUAL PERFORMANCE 2021/22
	Nine (9) business processes digitised	Not Achieved: 3 business processes digitised
11. HEALTH PRODUCTS AUTHORISATION	95% of medicine registration backlog cleared	Not Achieved: 75%
	95% of medicine variation applications in the backlog cleared	Achieved: 95%
	80% of New Chemical Entities finalised within 590 working days	Achieved: 100%
	60% of generic medicines finalised within 250 working days	Achieved: 80%
	40% of Quality Management System requirements implemented	Achieved: 73%
12. INSPECTORATE AND REGULATORY COMPLIANCE	60% of new GMP and GWP related licenses finalised within 125 working days	Not Achieved: 42%
	70% of permits finalised within 20 working days	Achieved: 71%
	70% of health product quality complaints reports reproduced within 30 working days	Achieved: 72%
13. CLINICAL AND PHARMACEUTICAL EVALUATION	Finalise 85% of applications for the sale of unregistered Category A (human medicines) within 24 working hours	Not Achieved: 57%
	Finalise 80% of human clinical trial applications within 90 days	Achieved: 95% finalised within 120 days
	70% of reports on health products safety signals issued within 40 working days	Not Achieved: 28% reports issued within 40 working days
	Number of safety awareness webinars held (target, 4)	Achieved: 13
14. **MEDICAL DEVICES AND RADIATION CONTROL**	70% of medical device establishment licence applications finalised within 90 days	Achieved: 76%

PROGRAMME	PLANNED TARGET 2021/22	ACTUAL PERFORMANCE 2021/22
	Develop Guidelines to support the medical device registration regulations approved by the Executive Committee	Not Achieved: Guidelines can only be approved once the Medical Device Regulations are approved; currently under review
	Finalise 70% of applications for radionuclide authorities within 30 working days	Achieved: 72% finalised within 30 working days
	Finalise 70% of licence applications for listed-electronic product within 30 working days	Achieved: 99% finalised within 30 working days
	Approve Co-Regulation Model with the National Nuclear Regulator	Not Achieved: Further work had to be undertaken to strengthen the initial Co-Regulation Recommendation

6.7.2. Financial Performance

SAHPRA's total revenue for 2021/22 was estimated at R367.5 million, with R191.7million from exchange transactions and R175.8 million from non-exchanged transactions. SAHPRA's total expenditure was R339.3 million against a budget of R357.6 million. SAHPRA's surplus at the end of the financial year totalled R28.2 million, as compared to a deficit of R19.6 million in 2020/21. The accounting surplus was due to additional funding, delays in filling vacancies and general under-expenditure.

Table 27: Statement of Financial Performance

	2021/22 R'000	2020/21 R'000
Current Assets	264 705	164 346
Non-current Assets	29 438	31 697
Total Assets	**294 144**	**196 043**
Total Liabilities	**240 499**	**170 636**
Net assets	**53 644**	**25 407**
Accumulated surplus	**53 644**	**25 407**
REVENUE		
Revenue from exchange transactions	191 696	113 732
Revenue from non-exchange transactions	175 848	180 208

Total revenue	**367 544**	**293 941**
EXPENDITURE		
Total expenditure	**(339 307)**	**(313 597)**
Surplus for the year	**28 237**	**(19 656)**

By March 2022 SAHPRA had a net asset position of R20.3 million. The current assets (totalled R264.7 million) include cash and cash equivalents of R244.4 million. Current liabilities amounted to R240.5 million, also makes provision for R12.5 million deferred income for the backlog reduction project.

6.7.3. Report of the Auditor-General

- SAHPRA obtained an Unqualified audit opinion (an improvement in audit outcomes as compared to 2020/21).

- On the usefulness and reliability of the performance information, the AG could not identify any material findings on the reported performance information for Programme 4 – Clinical and Pharmaceutical Evaluation.

- The AG notes that effective and appropriate steps were not taken to prevent irregular expenditure amounting to R3 009 867.

- On revenue management, effective and appropriate steps were not taken to collect all revenue due.

- The AG notes that the entity did not implement proper record keeping to ensure complete, relevant and accurate information to support financial statements.

7. COMMITTEE OBSERVATIONS AND FINDINGS

The Committee, during its deliberations made the following observations:

7.1. Department

Audit outcomes: -

- The Committee noted with concern that the findings of the Auditor-General on the National and Provincial Departments of Health remain unchanged year on year.
- The Committee further noted that there seems to be no accountability regarding consequence management.
- The Committee was concerned about the Department's regression in audit outcomes.
- The Committee noted the stagnation in audit outcomes of provincial departments.

Overall performance and reporting: -

- The Committee was concerned at the slow pace in the reopening of the nursing colleges.
- The Committee was concerned about the vacancy rates at the Office of Health Standard Compliance and the Office of the Health Ombud and were concerned how the two entities were going to deliver on their mandate with staff shortages.
- The Committee expressed concern over vacancies at the Department of Health and wanted to know when these will be filled.
- Concern was raised in relation to the decline in the number of primary healthcare facilities that qualify as Ideal Clinics. Further noting that clinics are the first point of contact for patients.
- The Committee expressed concern regarding the backlog in elective surgeries.
- The Committee was concerned about the lack of visible programmes implemented by the Department on Gender-Based Violence (GBV).

- Major concern was raised on general health service provision, particularly the inaccessibility of primary health care services, citing certain incidences where patients were denied access to health care services.

Medico-legal claims: -

- The Committee noted with concern that medico-legal claims exceed provincial departments' budgets.
- The Committee noted with concern that the Case Management System on medico-legal claims was only implemented in one province and questioned whether a feasibility study was conducted to determine its viability.

Infrastructure: -

- On the infrastructure audit by the AG, the Committee noted with concern that infrastructure management at provincial departments remains a major challenge.

Financial management: -

- The Committee expressed concern over the irregular expenditure incurred by the Department amounting to R16.6 million.
- The Committee noted with concern that provinces are under financial strain resulting in increased accruals and late payment of suppliers and wanted to know what the Department was doing to assist provinces.
- The Committee was concerned that irregular, wasteful and fruitless expenditure incurred in the health sector continue to increase amounting to billions.

7.2. NHLS

- The Committee commended the NHLS for obtaining an unqualified audit opinion.
- The Committee was concerned about the AG's findings, including the incurred irregular expenditure and wanted to know what the entity was doing to address these findings.
- The Committee noted the minimal presence of the NHLS in the Northern Cape.

7.3. OHSC

- The Committee commended the OHSC for movement in audit outcomes, from unqualified with findings to unqualified opinion with no findings.
- The Committee was concerned about the OHSC's budget constraints, restricting the entity from filling vacant positions. The Committee further noted with concern that only 41% of vacancies were filled and wanted to know what the entity's plans were to address this challenge, given that the mandate of the OHSC is heavily reliant on human resources.
- The Committee was concerned about the number of public health establishments inspected during the period under review and sought further details on plans to increase this to at most 50%.
- The Committee wanted to know what strategies were in place to ensure that health facilities are compliant under NHI and which facilities has been prioritised to reach compliance standards.

7.4. SAMRC

- The Committee commended the SAMRC for maintaining a clean audit.
- The Committee pointed out the need for research on mental health.

7.5. CCOD

- The Committee commended the CCOD for getting its financial reporting up to date.
- The Committee was concerned about the unclaimed benefits that needed to be paid to the beneficiaries.

7.6. OHO

- The Committee welcomed the progress made in drafting legislation that will ensure that the Office of the Health Ombud becomes an independent entity.
- The Committee was concerned about the staff shortages confronting the office of the Health Ombud.

7.7. CMS

- The Committee was concerned about the irregular expenditure incurred by the entity as reported by the AG and wanted to know what the entity was doing to address this.

- The Committee wanted to know why the Council for Medical Schemes was overstepping its jurisdiction by regulating medical insurance, whereas their mandate was to regulate medical schemes**.**
- The Committee sought progress on the Section 59 investigation into allegations of racial profiling by medical schemes.
- The Committee wanted to know how far the SIU investigation into maladministration at the CMS was and whether there were any actions taken against transgressors.

7.8. SAHPRA

- The Committee commended SAHPRA for the improved audit outcomes and for obtaining the WHO maturity level three.
- The Committee was concerned about the findings by the Auditor-General on the entity and wanted to know how they were going to address these.
- The Committee observed that there were deficiencies in internal controls and sought clarity on measures that the Regulator has put in place to address the shortcomings, specifically on supply chain management and consequence management.
- The Committee wanted to know who the sponsors and funders of SAHPRA were and the working relationship with each sponsor and funder.
- The Committee wanted to know why Pfizer has not withdrawn following the leaked report on possible adverse effects that were hidden from the public and whether SAHPRA was aware of this information and its response was thereof.
- The Committee wanted to know the number of cases on adverse effects and alleged deaths due to vaccines and the number of investigations that have been concluded thus far.

8. COMMITTEE RECOMMENDATIONS

The Committee recommends that the Minister of Health should consider the following:

8.1. Department of Health

Audit outcomes -

- Ensure that all the findings of the Auditor-General are addressed in order to improve on audit outcomes and report to the Committee on progress.
- Provide a detailed report to the Committee on how it is assisting provinces in dealing with accruals. The detailed report should be presented to the Committee on a quarterly basis.
- Provide a report to the Committee on how the three provinces (EC, NC and KZN) as flagged by the AG, are assisted to improve on their audit outcomes.
- Provide systems to assist provincial departments to develop internal controls and instruments to monitor and eliminate irregular, wasteful and fruitless expenditure to reduce inefficiencies.
- Provide a turnaround plan to address the recurring issue related to quality of performance information as reported by the AG.

Overall performance and reporting: -

- Provide a report on the implementation of the Mental Health Policy Framework to ensure effective provision of mental health care services.
- The Department should accelerate the reopening of nursing colleges in order to increase the output of nurses.
- Provide the Committee with a detailed turnaround plan to address the surgery backlogs.
- Report to the Committee on its role and plan to address GBV.
- Ensure the scale-up of the Ideal Clinic programme and report quarterly to the Committee on progress.

Medico-legal claims: -

- Provide the Committee with an action plan on the management of medico-legal claims, as these put immense pressure on provincial department's budget.
- Ensure extensive roll-out of the Case Management System to assist with the management of medico-legal matters.

Financial management: -

- Assist the health entities whose performance is restricted by budgetary constraints, to ensure their optimal operation.
- Put systems and measures in place to prevent irregular, fruitless and wasteful expenditure.

8.2. Entities

8.2.1. NHLS

- The entity should address all the matters raised by the Auditor-General of South Africa.

8.2.2. OHSC

- Engage the Minister of Health on the entity's budgetary constraints, to ensure that it is fully capacitated and it delivers on its mandate.
- Present to the Committee a detailed report on remedial actions and strategies to ensure that health facilities are compliant in preparation for NHI.
- Provide the Committee with a list of facilities which have been prioritised to reach compliance standards.

8.2.3. CCOD

- The CCOD should put mechanisms in place to track and trace beneficiaries of unpaid funds.

8.2.4. CMS

- The entity should ensure that it addresses all the AG's findings.
- Strengthen public education on medical schemes options and benefits.

9. CONCLUSION

Unless otherwise indicated, the Department of Health should respond to the Committee recommendations in three months from the day when the report is adopted by the House.

The Department and Entities to provide progress reports on all of the recommendations on a quarterly basis.

Report to be considered.

3. BUDGETARY REVIEW AND RECOMMENDATIONS REPORT OF THE PORTFOLIO COMMITTEE ON COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS, DATED 20 OCTOBER 2022

Having considered the 2021-22 financial and service delivery performance information of the Departments of Cooperative Governance and Traditional Affairs, Municipal Infrastructure Support Agent, CRL Rights Commission, Municipal Demarcation Board, and the South African Local Government Association, the Portfolio Committee on Cooperative Governance and Traditional Affairs reports as follows:

1. OVERVIEW

1.1. Section 5(2) of the Money Bills Procedures and Related Matters Act (2009) enjoins parliamentary Portfolio Committees to compile Budgetary Review and Recommendations Reports (BRRR) for tabling to the National Assembly. In terms of Section 5(3) of the Act, the Report's content is expected to encompass:

- Assessment of service delivery performance given available resources;
- Assessment of the effectiveness and efficiency of use and further allocation of available resources; and
- Recommendations on the further use of resources.

1.2. In line with Rule 227 of the National Assembly Rules, the Portfolio Committee is mandated to oversee the Departments of Cooperative Governance and Traditional Affairs (Votes 3 and 15), the Municipal Infrastructure Support Agent (MISA), the Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic communities (CRL Rights Commission), the South African Local Government Association (SALGA) and the Municipal Demarcation Board (MDB). The Cooperative Governance and Traditional Affairs (COGTA) Minister duly tabled the 2021-22 reports and audited financial statements of the relevant Departments and entities, in line with Sections 8(3) and 64(a) of the Public Finance Management Act (PFMA) 1999.

1.3. These PFMA Sections instruct the Minister to submit the consolidated financial statements, and the audit report on those statements, to Parliament for tabling in both Houses. The reports have been tabled within the legislated deadline. From 10 – 18 October 2022, the Portfolio Committee convened meetings with the responsible Departments and Entities to consider their financial and service delivery performance in respect of the 2021-22 financial year. This report draws from the proceedings of these Departmental and Entity briefings, as well as the contributions of the Auditor-General's Office. Overall, the COGTA Portfolio's financial performance remained unchanged from the previous financial year, with the Department of Cooperative Governance (DCoG) still the only auditee with qualified auditing findings. All other auditees have received clean audits.

2. DEPARTMENT OF COOPERATIVE GOVERNANCE

2.1. As noted previously, the Department of Cooperative Governance is still the only auditee with qualified auditing findings. However, the qualification areas have reduced to three, from five in the previous financial year. All three qualification areas relate to the Community Work Programme (CWP). The Department is also the highest contributor to the irregular expenditure identified during the period under review, having incurred R500m to this end. This also relates mostly to the CWP, in particular contracts that did not follow proper Supply Chain Management (SCM) processes, including a contract concluded in 2018-19, which the Seriti Judgment declared irregular. There also remains an unresolved R3.3bn in irregular expenditure emanating from prior years going back as far 2013.

2.2. The CWP was further predominantly responsible for the R4.4m incurred in fruitless and wasteful expenditure due to payments made to deceased CWP participants and those in the employ of the state. Although the Department incurred no unauthorised expenditure during the period under review, there is still an unresolved balance of R1.1m emanating from prior years. Thus, the bulk of the Department's Unauthorised, Irregular, Fruitless and Wasteful (UIFW) expenditure has been inherited from prior years. Most problems in the CWP arise from the actions of the non-profit organisations (NPOs) hired by the Department as CWP Implementing Agents (IAs). Fundamentally, the IAs have insufficient experience with financial reporting obligations, including proper asset management systems. Their experience with procurement from a public sector perspective is also limited. According to the Minister, the Department would ideally not have IAs, if it was at liberty to do so.

2.3. To mitigate against the recurring CWP implementation problems, the Department is revising the CWP implementation model on an ongoing basis. This has included interfacing the CWP database with the Home Affairs and PERSAL databases to prevent payments to deceased people and those already in the employ of the state. Administratively, the Department has come a long way in terms of rectifying problems in the CWP. However, this corrective action has not removed all imperfections. The main outstanding issues are historical in nature. The CWP's impact on the broader community, and whether it actually empowers people to do useful work, are issues that must be interrogated further. The AG however has also identified potential irregularities in the process of appointing the latest cohort of IAs. The Department is disputing these potential irregularities and National Treasury will be adjudicating on the matter.

2.4. DCoG has achieved 73 percent of its 2021-22 APP targets. While this is an improvement from the 68 percent achieved in 2020-21, it is still the lowest achievement rate in the entire COGTA portfolio of auditees. The Auditor-General has also raised the concern that the majority of the Department's performance indicators were changed in the course of the financial year. Although the Minister tabled in Parliament a letter dated 28 October 2021, informing the Speaker about the revision and re-tabling of the Department's 2021-22 APP, the AG maintains that poor planning problems are identified after tabling the initial APP, which is a concern to the Office.

2.5. Among the examples flagged by the AG is the tabling of the Monitoring, Support and Interventions Management Bill, which was originally due on 31 March 2022, but later extended on several occasions. Gaps were also identified in relation to the Department's Section 139 improvement plans on the basis that the same municipalities require interventions, but are not improving. Across the APPs in the COGTA Portfolio, similar initiatives are being implemented and this makes it difficult to attribute impact to the actions of a specific auditee. The nature of the Department's 'support' and interventions are not clearly defined.

3. MUNICIPAL INFRASTRUCTURE SUPPORT AGENT

3.1. MISA has improved from an achievement rate of 81 percent in 2020-21 to 91 percent in 2021-22. However, the majority of the entity's indicators refer to 'support' that has been provided to municipalities without the 'support' being clearly defined as to what activities have been undertaken to ensure that the municipalities in question are supported. Although the Entity has not incurred any irregular and fruitless and wasteful expenditure during the year under review, there is still an unresolved balance of R528 689 in fruitless and wasteful expenditure emanating from prior years.

4. DEPARTMENT OF TRADITIONAL AFFAIRS

4.1. Regarding service delivery performance against the 2021-22 APP targets, Traditional Affairs is the only auditee in the entire COGTA Portfolio that has achieved 100 percent of the targets set. This sustains the Department's previous financial year's performance. Although the Department incurred no unauthorised expenditure during the year under review, there is still an unresolved amount of R2.2m emanating from prior years.

5. CRL RIGHTS COMMISSION

5.1. The CRL Rights Commission's 82 percent achievement of pre-determined service delivery objectives has not changed significantly from the previous financial year where the Commission achieved 81 percent. The administration and the legal services and conflict resolution programmes account for all the non-achieved targets. Although no irregular and fruitless and wasteful expenditure has been incurred during the year under review, there is still a closing balance of R11.9m relating to irregular expenditure incurred in the prior years. There is also a closing balance of R1.6m relating to fruitless and wasteful expenditure incurred in the prior years.

6. MUNICIPAL DEMARCATION BOARD

6.1. The Municipal Demarcation Board's performance against pre-determined service delivery objectives amounts to 95 percent achievement of APP targets, which is a slight regression compared to the previous financial year, where 100 percent of targets were achieved for the first time in the MDB's entire history. Spending on allocated budget has also regressed from 100 percent in 2020-21 to 84.7 percent in 2021-22. Besides the Department of Cooperative Governance, the Board was the only entity in the COGTA Portfolio that had incurred irregular expenditure to the value of R500 000 following the appointment of a service provider whose tax matters were not in order. This has increased from the R398 000 irregular expenditure incurred in the previous financial year. Although the Board incurred no fruitless and wasteful expenditure during the period under review, there remains an unresolved balance of R6.8m emanating from prior years.

7. SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION

7.1. The South African Local Government Association's financial and service delivery performance during the period under review remains commendable. Over the last ten years, the entity has sustained its good financial governance, as seen in the achievement of a tenth consecutive clean audit. Achievement against predetermined objectives has also improved from 85 percent in 2020-21 to 92 percent or 57/62 in 2021-22. Some of the non-achieved targets were reportedly due to dependencies on other parties, which suggests some possible weaknesses in the target setting process. Fruitless and wasteful expenditure remains insignificant, although it has risen from R53 in 2020-21 to R4 732 in 2021-22.

7.2. The fruitless and wasteful expenditure relates to interest charged on unpaid SABC licenses that were sent to an employee that had long left the employment of SALGA, with no indication from the Service Provider that the e-mails are not getting through. Irregular expenditure on the other hand has reduced from R250 000 in 2020-21 to zero during the year under review. SALGA continues deriving 93 percent of its revenue from membership levies collected from the 257 member municipalities. The overall collection rate was 76 percent during the period under review, which is an improvement from 71 percent in 2020-

21. The reliance on membership levies remains a strategic risk for SALGA, especially in the context of the country's subdued economic climate.

8. COMMITTEE OBSERVATIONS

8.1. There is doubt as to whether the matters relating to the CWP in the Department of Cooperative Governance can be resolved as they appear to be intractable problems. There was no sense of comfort given as to whether the problems will be resolved by a certain deadline. The CWP remains a major concern for the Portfolio Committee. The Department needs to take decisive action to show the Implementing Agents that they cannot continue to do as they please. Failure should not be rewarded.

8.2. While the Portfolio Committee notes the Department's efforts to revise and remodel the CWP, it appears that this has neither produced any tangible outcomes nor made any significant difference to the end users. The Implementing Agents are out of touch with the people as they often reside away from where CWP work is taking place.

8.3. The Department of Cooperative Governance seems to be insufficiently appreciative of the fact that, for some, the CWP is the only means of putting food on the table. Had sufficient cognisance been given to this, the late payment of stipends would not persist.

8.4. It is not acceptable for the Minister to distance herself from the problems of the CWP and plead non-involvement in the Programme's Supply Chain Management processes. The Minister is the Department's political head, and any negative audit outcomes ultimately reflect unfavourably on her. The manner in which the Director-General habitually brushes over these CWP matters is also frustrating.

8.5. The Portfolio Committee should no longer accept as permissible the excuse that consequence management could not be instituted because the responsible officials are no longer in the employ of the Department. There must be consequences for wrong-doing irrespective of whether or not the wrong-doer is in the employ of the Department.

8.6. There is an apparent skills and capacity deficit at the level of the Department of Cooperative Governance. It is not clear what action is the Department's executive authority undertaking to address this matter. It is not acceptable for the Minister to attribute the Department's skills and capacity deficit solely to the position of the Chief Financial Officer that needs to be brought up to the Deputy Director-General level. If the skills and capacity deficit cannot be addressed properly at the departmental level, there is very little hope that municipalities will ever get it right.

8.7. The National Disaster Management Centre does not have adequate disaster response capacity. Its disaster response is haphazard and lacks organisation and planning. People affected by floods in April/May 2022 still live in shelters six months later, with no access to decent accommodation. Fire services are generally non-functional. In the North-West, fire trucks do not have water.

8.8. It is not clear how the Municipal Infrastructure Support Agent is engaging the problem of ageing infrastructure, especially as it relates to access to drinkable water. The Makana Local Municipality is grappling with this problem. Following the floods of April 2022, the Port St Johns Local Municipality is also experiencing water shortages. Some communities are swimming in sewer. The floods have also left Ward 6 in Msinga Local Municipality without access to water. In Ladysmith, some police stations and hospitals do not have access to water.

8.9. Provincial inconsistencies and discrepancies in remuneration of traditional leaders and funding of traditional councils persist. The Department of Traditional Affairs has also not been sufficiently vocal regarding the shooting and killing of traditional leaders.

8.10. The CRL Rights Commission is commended for attaining consecutive clean audits and is encouraged to maintain this trend. The Commission's lack of footprint in the provinces, however, is drawback as the conflict resolution space in these areas is being taken up by the courts, but from a foreign Roman Dutch Law perspective. Key conflicts relating to cultural matters have been seen in respect of two Kings in emaMpondweni, Eastern Cape, and the Bulobedu tribe in Limpopo. In all these instances, the CRL Rights Commission has not been sufficiently visible.

8.11. Furthermore, it seems inconsistent for the Commission to be requesting for more funding despite not having fully spent the budget allocated to it during the previous financial year. Nevertheless, the Commission is doing good work and should improve and build on the good work started. The Portfolio Committee looks forward to participating in the Commission's national initiation indaba scheduled towards the end of November 2022.

8.12. While the Portfolio Committee congratulates the Municipal Demarcation Board on its financial and service delivery achievement during the year under review, it remains concerned that Board's footprint at ward level, where it matters the most, is not yet well-stamped. The outsourcing of Board functions to municipalities contributes to this problem. The Board's lack of regional representation is a recurring matter.

8.13. The involvement of the Municipal Demarcation Board's Chairperson in party-political work risks compromising the Board's independence and neutrality and must strongly be discouraged.

8.14. It is not understandable why the South African Local Government Association's supportive role to municipalities should become minimal following constitutional intervention. There seem to be no logical reason as to why this should obtain.

9. COMMITTEE RECOMMENDATIONS

9.1. The Auditor-General and the Department of Cooperative Governance should strive to find common ground regarding the potential irregularities identified in the process of appointing the latest cohort of Implementing Agents. In the next BRR reporting cycle, both the AG and DCoG should update the Portfolio Committee on how this matter has been resolved.

9.2. The Portfolio Committee should, at the earliest convenience, convene a workshop with the Department of Cooperative Governance to discuss the Community Work Programme in more detail.

9.3. The Department of Traditional Affairs should furnish the Portfolio Committee with a report on the killing of traditional leaders, particularly in KwaZulu-Natal where the problem has become systemic.

9.4. The Portfolio Committee should, at the earliest convenience, engage the South African Local Government Association on the role it ought to play in the constitutional intervention process in municipalities.

Report to be considered

4. BUDGETARY REVIEW AND RECOMMENDATIONS REPORT (BRRR) OF THE PORTFOLIO COMMITTEE ON PUBLIC SERVICE AND ADMINISTRATION: VOTE 09 OF THE DEPARTMENT OF PLANNING, MONITORING AND EVALUATION AND BRAND SOUTH AFRICA 2021/2022, DATE 19 OCTOBER 2022

1. BACKGROUND

The Portfolio Committee on Public Service and Administration (hereinafter referred to as the Portfolio Committee) having considered the directive of the National Assembly as mandated by Section 5 of the Money Bills Amendment Procedures and Related Matters Act, No. 9 of 2009 to consider and report on the Annual Reports of the Department of Planning, Monitoring and Evaluation (DPME) and Brand South Africa (BSA) tabled by the Minister of Planning, Monitoring and Evaluation on 11 October 2022 and reports as follows:

2. INTRODUCTION

Parliament derives its mandate from the Constitution of the Republic of South Africa. The strategic objectives of the Portfolio Committee are informed by five strategic goals of Parliament. The functions of the Portfolio Committee on Public Service and Administration are as follows:

- Participating and providing strategic direction in the development of the legislation and thereafter passing the laws;
- Conducting oversight over the Executive to ensure accountability to Parliament towards achieving an effective, efficient, developmental and professional public service;
- Conducting public participation and engaging citizens regularly, with the aim to strengthen service delivery; oversee and review all matters of public interest relating to the public sector;
- Monitoring the financial and non-financial aspects of departments and its entities and ensuring regular reporting to the Committee, within the scope of accountability and transparency;
- Supporting and ensuring implementation of the Public Service Commission (PSC) recommendations in the entire public service;
- Participating in international treaties which impact on the work of the Committee.

3. PURPOSE OF THE BUDGETARY REVIEW AND RECOMMENDATIONS REPORT

In terms of Section 5 of the Money Bills Amendment Procedures and Related Matters Act, No. 9 of 2009 the National Assembly, through its Committees, must annually compile Budgetary Review and Recommendations reports (BRRR) that assess service delivery and financial performance of departments and may make recommendations on forward use of resources. The BRRR is also a source document for the Committees on Appropriations when considering and making recommendations on the Medium Term Budget Policy Statement.

Moreover, the Money Bills Amendment Procedures and Related Matters Act, section 5 (3) highlights focus areas on the budgetary review and recommendation report as:

- Providing an assessment of the department's service delivery performance given available resources.
- Providing an assessment of the effectiveness and efficiency of the departments' use and forward allocation of available resources; and
- Including recommendations on the forward use of resources.

3.1 Method

The Portfolio Committee on Public Service and Administration compiled the 2021/22 BRRR using the following documents:

- The National Development Plan: Vision for 2030.
- Medium Term Strategic Framework 2019-2024.
- State of the Nation Address 2021.
- Strategic Plans of the DPME and Brand SA.
- National Treasury (2022) 4th Quarter Expenditure Report 2021/22 Financial Year, Pretoria.
- Annual Performance Plans of the DPME and Brand South Africa 2021/22.
- Annual Report of the DPME and Brand South Africa 2021/22.
- Auditor-General South Africa's outcomes of audit findings 2021/22.
- The Portfolio Committee also met with the leadership and management of the Department and Brand South Africa.

4. NATIONAL DEVELOPMENT PLAN VISION 2030

The Department of Planning, Monitoring and Evaluation supports the National Development Plan's objective of an accountable and transparent government. The Department's focus is on strengthening accountability and improving coordination, and it works with the National Planning Commission to facilitate and monitor the implementation of the National Development Plan. The Department is responsible for mainstreaming the National Development Plan into the work of Government by drafting the Medium Term Strategic Framework to guide Government's programme. The strategic framework includes 14 outcomes, which form the basis of the new performance agreements between the President and individual Members of Cabinet.

5. MANDATE OF THE DEPARTMENT OF PLANNING, MONITORING AND EVALUATION

The mandate of the Department of Planning, Monitoring and Evaluation is derived from section 85(2)(c) of the Constitution, which enables the President to exercise authority over Members of Cabinet by coordinating the functions of state departments and administration. The primary aim of the Department is to improve government service delivery through planning, performance monitoring and evaluations. The DPME has the following key mandate:

- Facilitating the development of plans/delivery agreements for cross-cutting priorities or outcomes of Government, and monitor and evaluate the implementation of these plans/delivery agreements.
- Putting in place and managing guiding frameworks for strategic planning and annual performance planning in national and provincial departments.
- Monitoring the performance of individual national and provincial government departments and municipalities.
- Monitoring frontline service delivery.
- Managing the Presidential Hotline.
- Carrying out evaluations.
- Promoting good monitoring and evaluation practices in Government.

5.1 Overview of the 2021/2022 financial year

The Department has the following activities planned for 2021/22:

5.1 Reviewing the NDP

The NDP was adopted as a guide to achieving South Africa's goals, broadly in terms of socioeconomic development, and specifically in terms of eliminating poverty, creating jobs and reducing inequality by 2030. The National Planning Commission was tasked with reviewing some aspects of the NDP to address certain implementation challenges. Over the medium term, this review is expected to assess the capacity and capability of the State in measuring the implementation of the NDP. Related activities are set to be carried out in the *Management: National Planning Coordination* sub-programme in the *National Planning Coordination* programme.

5.2 Improving and strengthening government planning and coordination

The Department is mandated to improve and strengthen government's planning and coordination. This involves: ensuring the implementation of government's medium-term strategic framework, which is implemented in five year cycles to allow for revisions, and serves as a roadmap for achieving goals linked to NDP outcomes; and conducting assessments of national departments' draft strategic and annual performance plans to ensure alignment with the medium-term strategic framework and the NDP. In this regard, in each year over the medium term, the Department expects to produce 47 assessment reports. Based on the outcomes of these assessments, the Department will, in consultation with the National Treasury, identify delivery priorities for the funding of national departments. Related activities are carried out in the *Planning Coordination* sub-programme in the *National Planning Coordination* programme.

5.3 Supporting implementation of short-term and medium-term goals

Tracking the performance of the short-term and medium-term goals of Government's 2019-2024 medium-term strategic framework is a core function of the Department. Accordingly, over the MTEF period, the Department will engage national and provincial departments, government agencies and key state-owned entities to assess their implementation of the priorities and indicators of the medium-term strategic framework, and identify performance gaps and interventions to address underperformance. In this regard, the Department plans to produce two reports per year over the medium term for submission to Cabinet.

5.4 Monitoring and supporting implementation

Over the medium term, Government's 2020-2024 medium-term strategic framework will form the basis of using the Programme of Action monitoring system, which will identify critical actions to be taken by government towards achieving the NDP's vision while enabling direct links between the NDP, and departmental strategic and annual performance plans. Through the programme of action monitoring system, the Department will report to Cabinet bi-annually regarding the implementation of Government's 2020-2024 Medium-Term Strategic Framework.

These activities are carried out in the Outcomes Monitoring and Support sub-programme in the Sector Monitoring Services programme. Due to a growing demand from parliamentary committees and Cabinet, over the medium term, the Department plans to intervene and support the implementation of government policies and programmes at various levels of the service delivery value chain, particularly in provinces placed under administration and in areas of social unrest. Also, to fast-track the implementation of government policies and programmes in critical development issues through Operation Phakisa Monitoring Services programme.

5.5 Developing intervention programmes to support service delivery

The Department plans to produce two reports per year over the MTEF period to monitor the impact of policy priorities in relation to actual service delivery through various frontline monitoring programmes, including targeted site visits, citizen-based monitoring and the Presidential Hotline. To enhance capacity over the medium term, the Department plans to assess the performance of government departments, agencies, state-owned enterprises and local government. This will include the development of a new monitoring model to replace the management performance assessment tool, and support the annual development and assessment of performance agreements of Heads of Department. These activities will be carried out in the *Public Service Monitoring and Capacity Development* sub-programme in the *Public Sector Monitoring and Capacity Development* programme.

5.6 Conducting research and evaluations

The Department's ongoing focus is on maximising the use of its evaluations and research to generate rapid and relevant evidence to inform planning and monitoring, and appropriate interventions. As such, over the medium term, the Department plans to work towards improving research and knowledge, and maintain evidence-based policy development, planning, implementation and monitoring by providing support for data management. This will be achieved by developing and monitoring the implementation of a national evaluation plan, and conducting evaluations and research to support the planning and monitoring activities of the *National Planning Coordination* and *Sector Monitoring Services* programmes. Accordingly, in each year over the medium term, the

Department plans to produce 10 evidence reports on indicators related to evaluations, and research and development.

The priorities for the 2021/22 Annual Performance Plan of the Department of Planning, Monitoring and Evaluation are informed by the National Development Plan as translated in the Medium Term Strategic Framework (MTSF) for 2019-2024. The DPME has, through its outcomes monitoring and evaluation work, developed a number of monitoring and evaluation tools to fulfil the functions below:

- Facilitating the development of plans or delivery agreements for the cross-cutting priorities or outcomes of Government.
- Assessing departmental Strategic Plans and APPs to determine and enhance their alignment with the NDP, MTSF, Delivery Agreements and the budget.
- Monitoring and evaluating the implementation of service delivery agreements.
- Monitoring the performance of individual national and provincial government departments and municipalities.
- Monitoring frontline service delivery across the public service.
- Managing the Presidential Hotline.
- Carrying out evaluations.
- Promoting good monitoring and evaluation practices in Government.
- Providing support to service delivery institutions to address blockages in delivery.

6. DEPARTMENT'S PROGRAMME PERFORMANCE

6.1 Department of Planning, Monitoring and Evaluation

6.1.1 Budget Allocated and Expenditure 2021/22

The Department of Planning, Monitoring and Evaluation spent R396.7 million (86.4 per cent) of the allocated budget of R459.2 million in 2021/22 financial year. The Department underspent by R62.5 million (13.6 per cent) of the allocated budget as at March 2022. The underspending was experienced in all programmes of the department, with the National Planning Coordination highest with R22.8 million, Administration with R14.8 million, Evaluation, Evidence and Knowledge System with R10.1 million due to delays in procurement of evaluation and research service which require independent experts and Sector Monitoring Service with R9.4 million.

During the year under review, the Department recorded fruitless and wasteful expenditure of R58 thousand. The Department registered R808 thousand possible fruitless and wasteful expenditure which is still under investigation as at 31 March 2022. The Department recorded irregular expenditure of R14.3 million in the 2021/22 financial year. A total of 11.2 million of possible irregular expenditure was under investigation as at 31 March 2022. The Department reported that an investigation of irregular expenditure will be undertaken to enable implementation of consequence management and condonation/recovery plan.

The Department has an approved organisational structure of four hundred and eight approved positions. Due to budget cuts implemented by the National Treasury, twenty-nine position were unfunded in order to remain within the allocated Cost of Employment budget. A new 3-year Human Resource Plan which is aligned to the new organisational structure was approved in August 2021 and is being implemented and monitored. The Department filled 37 posts in 2021/22 financial year and managed to reduce vacancy rate from 10.5% in March 2022 The Department has managed to reduce vacancy rate to 8.4%, however, the department was still experiencing a high staff turnover resulting into vacancy rate of 11.4%. The Department managed to appoint 8.6% interns against target of 5%.

In achieving a 50% gender representation of females in SMS and increasing the percentage of people with disabilities employed in the Department, female representation was at 59.6% (8.3 above the Employment Equity target) and 52.4% female occupying SMS positions. This has to be commendable achievement to have reached this target of 52.4% since the establishment of the department. The Department has achieved 2% of people with disabilities by achieving 2.2% of employment of people with disabilities. The Department awarded bursaries to eight employees.

Table 1: Appropriation per programme (R'000)

2021/22				**2020/21**		
Programme	**Final Appropriation R'000**	**Actual Expenditure R'000**	**(Over)/Under Expenditure R'000**	**Final Appropriation R'000**	**Actual Expenditure R'000**	**Over)/Under Expenditure R'000**
Administration	190 777	175 964	14 813	160 070	156 528	3 542
National Planning Coordination	80 069	57 242	22 827	66 366	64 741	1 625

Sector Monitoring Services	66 545	57 172	9 373	58 625	57 416	1 209
Public Sector Monitoring & Capacity Development	80 513	75 094	5 419	79 231	75 901	3 330
Evaluation, Evidence and Knowledge Systems	41 309	31 246	10 063	35 682	32 553	3 129
TOTAL	**459 213**	**396 718**	**62 495**	**399 974**	**387 139**	**12 835**

Source: DPME Annual Report 2020/21

6.1.2 Programme Performance

The Department has six programmes in 2021/22 financial year organised as follows:

6.1.2.1 Programme 1: Administration

The main objective of the programme is to provide strategic leadership, management, administrative, financial and human resource services to enable the Department to achieve its strategic and operational goals. The Programme's key focus is to implement revised organisational structure and recruitment of key personnel, improve the quality of performance information, maintain good financial management practices to sustain clean audit outcomes and strengthen communication around the National Development Plan.

Programme 1 has spent R175.9 million of the allocated budget of R190.8 million, which is an estimation of 96% in 2021/22 financial year. Programme 1 underspend on sub-programme: Corporate Services and Financial Administration with R5.8 million, Departmental Management with R1.6 million and Ministry with R7.3 million. The total amount of under expenditure was R14.813 million. The programme had eleven (11) predetermined targets. Of total targets, the Department achieved six (06) targets and five (5) were not achieved.

The average vacancy rate was at 7.5% which is below 10% acceptable rate in the public service. The Department has drastically reduced the vacancy rate from 11.4% in 2019/20 financial year to 4.1% in 2020/21. During the under review, the Department has had an increase of the vacancy rate of 7.5% in 2021/22 financial year. The recruitment plan developed to fast track the appointment process in the past financial years has produced results. The Department has to use similar recruitment drive approach to avoid exceeding acceptable rate of 10% in the near future.

The Department produced four quarterly reports against the APP were submitted to the Executive Authority and National Treasury within 30 days at the end of the quarter. Section (1) (f) of the Public Finance Management Act, states that, "accounting officer of a department must settle all contractual obligations and pay all money owing, including intergovernmental claims, within the prescribed or agreed period'. In view of the above, the Department achieved 100% of the payment of valid invoices within 30 days. The Department achieved 98% Senior Management Service (SMS) disclosing financial interest in terms of Chapter 3, C.1 of the Public Service Regulations (PSR), required to disclose to their respective Executive Authorities (EAs), particulars of all their registrable interests (e.g. companies and properties) not later than 30 April each year, in respect of the period 1 April of the previous year to 31 March of the current year.

6.1.2.2 Programme 2: National Planning Commission

The purpose of the Programme is to develop, implement planning frameworks, and facilitate the alignment of the planning and budgeting functions across government and in the Department. The key objective of this Programme is to ensure the achievement of the NDP's objectives by 2030, through developing an annual budget prioritisation framework, embedding the national spatial development framework in the strategic and annual performance plans of national and provincial departments over the medium term.

The Programme further intends to coordinate planning functions across government by assessing the alignment of the strategic and annual performance plans of national and provincial departments and public entities with Government's 2019-2024 Medium-Term Strategic Framework annually. In addition, the Programme has to assess alignment of provincial growth and development plans with local government's Integrated Development Plans and, in turn, with Government's 2019-2024 Medium-Term Strategic Framework annually.

Programme 2 has spent R57.2 million of the allocated budget of R80.1 million, which is an estimated at 84% in 2021/22 financial year. The Department's personnel drive most of the outputs, most of the budget was expended on salaries and to a large extent on travel and accommodation. The Department had twelve (12) predetermined targets by March 2022. Eleven targets were achieved of total targets. Only one target was not achieved.

The Department had under this programme achieved the following, revising, updating and developing the policy and legislative frameworks which guide the country's planning system; developed the overall strategy and instruments to guide government prioritisation and implementation for the 2022/23 financial year; management, coordination and alignment of the national planning system; promoting the spatial planning agenda within the broader development agenda; leading, developing and coordinating institutional arrangements to strengthen integrated planning and alignment across different spheres of government, and mainstreaming the rights of women, youth and persons with disabilities within the planning system.

The Policy Framework for Integrated Planning was produced in the 2021/22 financial year and aims to strengthen coherence and harmonisation across the planning system towards the achievement of the country's development goals. The Department assessed strategic and annual performance plans of national and provincial departments in the 2021/22 financial year. The assessment contributes to the improvement in the quality of institutional plans developed towards more effective content alignment with the MTSF and NASP.

The Budget Prioritisation Framework was developed to facilitate alignment of the 2022 national budget process with short, medium and long term priorities of government. This is to ensure key plans and priorities are adequately resourced to support development outcomes. Furthermore, the Department developed a Political Economy Analysis and Foresighting Report to serve as an input into the country planning processes.

The Department revised draft Integrated Planning Framework Bill and renamed the National Development Planning Framework Bill which aims to provide framework for a coherent and synthesised national development planning system involving the three spheres of government. Following the development of geo-spatial referencing guidelines in 2021, a pilot study on geo-spatial referencing with three provincial and three national departments was conducted during the 2021/2022 financial year. A comprehensive pilot study report was completed with key recommendation for improving geo-spatial referencing in government.

The Guidelines for Localisation of Government Plans within the District Development Model (the Localization Guidelines) were developed. The Guidelines will assist the spheres of government to localise the development agenda, including the MTSF and provincial and institutional plans within the context of the DDM and the District One Plans. Localisation and alignment will in turn contribute to greater impact and better outcomes.

6.1.2.3 Programme 3: Sector Monitoring Services

The purpose of the Programme is to ensure government policy coherence. The Programme develops, facilitates, supports and monitors the implementation of sector plans and intervention strategies. The main objectives of the programme are to ensure the effective implementation of government's 2019-2024 Medium-Term Strategic Framework by monitoring the achievement of targets in priorities 1 to 5 and priority 7 and reporting on progress to Cabinet twice in a year. Furthermore, it monitors and reports on the achievement of targets in the performance agreements between the President and Ministers annually, and support, where and when required for the development and implementation of special intervention programmes.

Programme 3 has spent R57.2 million of the allocated budget of R66.5 million, which is an estimated at 93.3% in 2021/22 financial year. The Department had five (05) predetermined targets, and all five (5) targets were achieved. The Department produced Medium-Term Strategic Framework Integrated Reports and 100% briefing notes against all the Cabinet Memorandum. In support to the President, Ministerial performance agreements for newly appointed ministers were prepared and score cards for existing ministers were prepared to enhanced political accountability for government performance. The programme has achieved 100% of the Minister Performance Agreements of newly employed Ministers aligned to the MTSF in support to the public sector monitoring.

The Local Government Management Improvement Model tool provided an integrated and holistic view of a municipality's performance across several critical key performance areas. The results of the LGMIM are incorporated in the municipal plans (IDP and SDBIP) to facilitate the unblocking of service delivery issues. The Department facilitated accelerated implementation of priorities outlined in the MTSF to contribute to the speedy resolution of the triple developmental question of poverty, inequality and job creation.

The Programme planned to spend budget on monitoring the quality of management through the Local Government Management Improvement Model (LGMIM) and produce improvements plans. The Department has produced 22 self-assessment reports. The Department is responsible to coordinate and monitor government departments in implementing projects and fast-tracking services through Operation. The Department produced two (2) Integrated Operations Phakisa reports. Furthermore, two (2) integrated report and annual reports were produced.

6.1.2.4 Programme 4: Public Sector Monitoring and Capacity Development

The purpose of the Programme is to support the implementation of the Medium-Term Strategic Framework by monitoring and improving the capacity of state institutions to develop and implement plans, and provide services. The main objective of the Programme is to strengthen state governance, efficiency, effectiveness and equity through: monitoring the achievement of targets related to Priority 6 of Government's 2019-2024 Medium-Term Strategic Framework, and reporting on progress to Cabinet twice in a year.

Furthermore, it will develop and implement the new performance and capabilities analytical framework by March 2022 by ensuring the alignment of the performance agreements of Heads of Department with Government's 2019-2024 Medium-Term Strategic Framework and supporting assessments conducted on Heads of Department annually. Additionally, the Programme monitors service delivery through regular frontline monitoring visits, citizen-based monitoring and the Presidential Hotline, and reporting thereon.

Programme 4 has spent R75.1 million of the allocated budget of R80.5 million, which is an estimate of 97.1% of 2021/22 financial year. The programme had ten (10) predetermined targets. Of total targets, seven (7) targets were achieved and three (3) not achieved. The Department produced one status report and a framework of assessment of Minister were developed. The Department partially achieved target on the integrated report on state of State Owned Enterprises (SOE's) but not approved. With regard to the monitoring of the State Owned Enterprises, the President has established the Presidential State-Owned Enterprises Council (PSE) to support repositioning of state-owned enterprises.

The Department compiled report on the performance agreements of the Heads of Department in both national and provincial departments. Report on the evaluation of the HODs performance agreements was not developed due to extension. The Department produced two Frontline Service Delivery Monitoring report on the implementation of MTSF priorities at the district level. The programme further administer the Presidential Hotline. The Hotline resolution rate dependent on sector departments and provinces resolving cases sent to them. However, the PH Case Management team has been working continuously with the Departments to resolve cases. Some cases are complex and takes time to resolve.

During the year under review, the Department produced two public service performance and capability monitoring reports. Moreover, two public service performance and capability monitoring reports were produced. Lastly, the Department under this programme achieved Framework on the socio-economic impact of DDM and implemented by March 2022.

6.1.2.5 Programme 5: Evaluate, Evidence and Knowledge Systems

The purpose of the Programme is to coordinate and support the generation, collation, accessibility and timely use of quality evidence to support performance monitoring and evaluation across government. The main objective of the programme is to support the planning and monitoring roles of the Department by developing and implementing the national evaluation plan annually, conducting research and evaluations in key policy areas as identified annually, and producing relevant evidence reports. It also improves knowledge management in the Department through the development and implementation of a departmental knowledge and evidence hub.

Programme 4 has spent R31.2 million of the allocated budget of R41.3 million, which is an estimate of 78.2% of 2021/22 financial year. The programme had eleven (11) predetermined targets. The programme had six (6) targets for the 2021/22 financial year. Five (5) targets were fully achieved and one (1) was not achieved. The Department produced evidence plan for the National Evaluation Policy Framework and National Evaluation Plan. Furthermore, produced four evaluation reports and three research reports. The Development Indicators report and Database was also produced. The Department has highlighted that implementation of the targets in this programme solely depends on the cooperation of stakeholders. The Department was in the process to procure external IT service provider to build the CDMAS system.

7. BRAND SOUTH AFRICA

7.1 Mandate of Brand South Africa

Brand South Africa (BSA) was established as a trust in 2002 and gazetted as a schedule 3A public entity in accordance with the PFMA No.1 of 1999. Its purpose is to develop and implement a proactive and coordinated international marketing and communications strategy for South Africa; to contribute to job creation and poverty reduction; and to attract inward investment, trade and tourism.

BSA aims to make an indirect contribution to economic growth, job creation, poverty alleviation and social cohesion by encouraging local and foreign investment, tourism and trade through the promotion of the Nation Brand. BSA develops and implements a proactive and coordinated international marketing and communications strategy for South Africa to contribute to job creation and poverty reduction, and to attract inward investment, trade and tourism.

7.2 Brand SA objectives for 2021/22

1) Developing and articulating a South Africa Brand identity that will advance South Africa's long-term positive reputation and global competitiveness.
2) Building individual and institutional alignment to and supporting the brand in South Africa, and pride and patriotism amongst South Africans.
3) Seeking to build awareness and the image of the brand in other countries.
4) Seeking the involvement and cooperation of various government departments, public entities, the private sector, the non-governmental sector and civil society in achieving this objective.

7.2.1 **Summary of targets and budget expenditure**

Brand South Africa spent all total allocated budget of R214.7 million for 2021/22 financial year. The overall vacancy rate was at 25% which was way beyond the above 10% acceptable threshold. The increase in the vacancy rate was due to the combination of factors such as resignations, dismissals and the moratorium placed by the Minister due to proposed merger. The overall staff turnover rate was at 17.3%, inclusive of six (6) resignations and two (2) dismissals. Brand SA comprises of 62.7% female and 37.2% male. In terms of gender representation, there are 80% of General Management occupied by female and 20% by male. There are 2.33% of people with disabilities in the employ of Brand South Africa.

7.3 Programme Performance

The BSA has three main programmes, namely:

(a) Programme 1: Administration

The Programme seeks to provide strategic leadership, management and support services to the core business functions of Brand South Africa and is overall responsible for ensuring sound governance, high performance and optimal utilization of available capital and resources.

The budget allocated was spent on a number of activities including implementation of organisational corporate identity; reporting to Board of Trustees on status of policy governance; policy and procedures awareness workshop; payment of valid invoices to suppliers within 30 days from date of receipt of invoice; and drafting and tabling of the Annual Performance Plan to the Executing Authority in Parliament. Brand SA submitted four reports to the Board of Trustees on the applicable legislative framework.

(b) Programme 2: Brand, Marketing & Reputation Management

The Programme seeks to develop and articulate a Nation Brand identity that will advance South Africa's long-term reputation and global competitiveness. This includes a focus to research and monitoring sentiment and performance of the National Brand to analyse trends and providing insights to inform decision making and communication; and then to both proactively and reactively communicate the country's value proposition, values and highlight progress being made.

The budget was spent on various activities, which include among others, marketing campaigns that illustrate the attractiveness of the national Brand to reach all domestic and international audiences; Play Your Part ambassador engagements supported, integrated reputation and communication activities implemented for strategic platforms domestically, constitutional awareness campaigns and global South Africans activities implemented in the key markets. Furthermore, developed positive communication pieces, positive thought leadership and webinars. Brand SA reviewed and respond to relevant issues impacting on the Nation Brand in line with the reputation management strategy. The entity had Play Your Part ambassador engagements and four constitutional awareness campaigns.

(c) Programme 3: Stakeholder relationships

The Programme seeks to build and leverage collaborative partnerships, integrate and coordinate efforts and approaches to market the Nation Brand identity and promote the Nation's value proposition and to interface meaningfully with stakeholders who drive or influence the Nation Brand and its reputation.

The budget was spent on the following activities: holding one National Brand Forums, National Brand alignment training workshops implemented in provinces, reviewed and implement annual stakeholder relations strategy, implemented collaborative activities in partnership with the public sector, civil society and business stakeholders domestically.

8. AUDITOR-GENERAL OUTCOMES

8.1 Auditor General's Report

The Auditor-General (AG) have audited the financial statements of the Department of Planning, Monitoring and Evaluation comprising of appropriation statement, the statement of financial position as at 31 March 2022. The financial statements are in accordance with

Modified Cash Standards prescribed by National Treasury and the requirements of the Public Finance Management Act (PFMA).

The Department achieved Clean Audit in consecutive years.

8.2 Predetermined objectives

The Auditor-General did not identify any material findings on the usefulness and reliability of the reported performance information for programme 4: Public Sector Monitoring and Capacity Development.

8.2.1 Achievement of planned targets

The AG referred to the annual performance report on page (s) 52 to 57 for information on the achievement of planned targets for the year under review and explanations provided for the under/over achievement of number of targets.

8.2.2 Adjustment of material misstatements

The Auditor-General identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of Programme 4: Public Sector Monitoring and Capacity Development. As management subsequently corrected the misstatements, the AG did not raise any material findings on the usefulness and reliability of the reported performance information.

8.3.4 Compliance with legislation

The AG performed procedures to obtain evidence that the Department of Planning, Monitoring and Evaluation had complied with applicable legislation regarding financial matters, financial management and other related matters. The AG did not identify any instances of material non-compliance with specific matters in key legislation.

8.2.5 Internal Control

Internal control in the department were considered to be relevant to AG audit of the financial statements, reported performance information and compliance with applicable legislation, however, the AG objective was not to express any form of assurance on it. The AG did not identify any significant deficiencies in internal control.

9. OBSERVATIONS AND KEY FINDINGS

The Committee made the following observations and findings:

The Department

9.1 The Portfolio Committee notes and commends the Department of Planning, Monitoring and Evaluation (DPME) for achieving the ninth *clean audit outcomes* in consecutive years. Furthermore, for having achieved 80% of its set targets in 2021/22 financial year.

9.2 The Department has incurred irregular expenditure of R14.3 million as at March 2022. An investigation on the cause of irregular expenditure has been instituted. The Department has to account about the outcome of the investigation of the irregular expenditure to the Committee by February 2023.

9.3 The Department has to ensure its internal control are strengthened to avoid situation of recurring wasteful and fruitless and irregular expenditure.

9.4 The Department developed Policy Framework for Integrated Planning aims to strengthen coherence and harmonisation across the planning system towards the achievement of the country development goals. The Policy Framework further provides basis for Integrated Planning Framework Bill. The Committee has to be briefed about the Policy Framework in terms of strengthening coherence and harmonisation in the planning system across three spheres of government.

9.5 The Department has revised draft Integrated Planning Framework Bill and renamed the National Development Planning Bill, 2022 which aims to provide a framework for a coherent and synthesised national development planning system involving the three spheres of government. The Committee notes that the Department would not be able to finalise the Bill before end of 2022/23 financial year cause consultation process might take longer than anticipated.

9.6 Despite the modernisation of the Presidential Hotline, the Committee notes that the Hotline has received lower calls rate as compared to the previous years. The Committee was of the view that service delivery departments have hotlines where citizens call directly to the departments. Therefore, the Committee appealed to the Department to review and reposition the Presidential hotline to be integrated with other services delivery departments, as this will minimize so many call centers in government. The Committee would conduct an oversight to the Presidential Hotline in the next oversight visit.

9.7 The Committee notes that the Department has finalised an annual assessment of SOE’s in September 2022 and will be in a position to present the report to the Portfolio Committee.

9.8 As per the Auditor-General audit outcomes report, the Department has to continue working with the Department of Public Service and Administration to enhance performance management processes of the DGs and HOD’s in the public service. All issues raised by the AGSA has to be attended to by both departments include weight given to Key Responsibility Areas and Acting DG’s/HOD’s to be included in the DPSA PMDS for performance measurement purposes.

Brand South Africa

9.9 In view of the reconfiguration process between Brand South Africa and South Africa Tourism, the Minister of the DPME together with Board of Trustees have to expedite finalisation of the proposed merger in order to eliminate the instability caused in the institution particularly on staff members. Delays caused by both Ministers on the merger continue to negatively impact the business processes of the institution. The Committee urge both Ministers to meet urgently to resolve the reconfiguration process.

9.10 As much as moratorium of posts was uplifted for short-term contract of 24 months, the Committee was of the view that Brand South Africa has to be allowed to fill vacancies for longer term of five-year contract whilst government is still contemplating about the proposed merger.

9.11 Brand SA organizational structure was lastly reviewed in 2014, which remain concern to the Committee. Brand SA has to reconsider reviewing its organizational structure to respond to the current and future needs once a decision on the reconfiguration is concluded.

9.12 The Minister of the Department of Planning, Monitoring and Evaluation should urgently address the appointment or extension of the Board of Trustees for the stability of the Brand SA.

10 RECOMMENDATIONS

The Committee recommends the following:

The Department

10.1 The Department should expedite appointment of service provider to assist with further consultation and a further revision on the Integrated Development Framework Bill which has been renamed as "the National Development Planning Bill", 2022. The aim of the Bill is to provide a framework for a coherent and synthesised national development planning system involving the three spheres of government.

10.2 The Department should continue to monitor performance of the deliverables of the Medium-Term Strategic Framework of the NDP through the integrated MTSF Monitoring and Reporting System. Monitoring results contained in the Monitoring and Reporting System should be made transparent on the department website and be shared with various Parliament Committees for oversight purposes.

10.3 The Department should brief the Committee on the annual assessment of State Owned Enterprise. The Department should share the annual assessment with all relevant Parliament Committees that oversee the State Owned Enterprises.

10.4 The Department together with the Department of Public Service and Administration should review the Policy on Performance Management Development System for the DGs and HOD's in the public service as per the Auditor-General South Africa recommendation. Both departments should review matters identified in the PMDS policy such as weight given on Key Responsibility Areas and Acting DG's/HOD's to be included in the PMDS for performance measurement purposes especially when acting for more than six months.

Brand South Africa

10.5 The Minister of the DPME together with Board of Trustees should expedite finalisation of the proposed merger of Brand South Africa and Tourism SA in order to eliminate the instability caused in the institution particularly on staff members.

10.6 Both Ministers of the DPME and Tourism should urgently meet to resolve the reconfiguration process between Brand South Africa and Tourism South Africa and report to Parliament by February 2023.

10.7 The Minister of the DPME should ensure stability in the Board of Trustees by extending or appointing Board of Trustees members timeously since the current board term of office is becoming to an end.

10.8 Brand South Africa should review organisational structure once the Board of Trustees are appointed (reappointed) which was lastly reviewed in 2014.

10.9 Brand SA should be allowed to fill critical positions on a five-year long term contract rather than 24 months in order to ensure stability and accelerate performance of the organisation.

10.10 Brand South Africa should address and strengthen all areas identified in the Auditor General's audit outcomes and report progress to the Committee by February 2023.

11 CONCLUSION

The Portfolio Committee commended the Department of Planning, Monitoring and Evaluation for achieving *clean audits* over ninth consecutive years up to 2021/22 financial year. However, the achievement of clean audits needs to be translated into improving service delivery across government through planning, monitoring and evaluation. Accountability within the Department has improved with responsible leadership and management.

In the mist of reconfiguration of the Brand South Africa, the entity should continue with coordinated activities of building South Africa's reputation and to contribute to the country's global competitiveness. Brand South Africa continues to build bridges across the continent, which is a noble gesture.

Report to be considered

5. BUDGETARY REVIEW AND RECOMMENDATIONS REPORT (BRRR) OF THE PORTFOLIO COMMITTEE ON PUBLIC SERVICE AND ADMINISTRATION: VOTE 11 OF THE DEPARTMENT OF PUBLIC SERVICE AND ADMINISTRATION (DPSA), AND THE CENTRE FOR PUBLIC SERVICE INNOVATION (CPSI) 2021/2022, DATED 19 OCTOBER 2022

1. BACKGROUND

The Portfolio Committee on Public Service and Administration (hereinafter referred to as the Portfolio Committee) having considered the directive of the National Assembly, which is in line with Section 5 of the Money Bills Amendment Procedures and Related Matters Act, No. 9 of 2009 to consider and report on the Annual Reports of the Department of Public Service and Administration, and Centre for Public Service Innovation on 12 October 2022 and reports as follows:

2. INTRODUCTION

Parliament derives its mandate from the Constitution of the Republic of South Africa. The strategic objectives of the Portfolio Committee are informed by five strategic goals of Parliament. The functions of the Portfolio Committee on Public Service and Administration are as follows:

- Participating and providing strategic direction in the development of the legislation and thereafter passing the laws;
- Conducting oversight over the Executive to ensure accountability to the Parliament towards achieving an effective, efficient, developmental and professional public service;
- Conducting public participation and engaging citizens regularly, with the aim to strengthen service delivery; oversee and review all matters of public interest relating to the public sector;
- Monitoring the financial and non-financial aspects of departments and its entities and ensuring regular reporting to the Committee, within the scope of accountability and transparency;
- Supporting and ensuring implementation of the Public Service Commission (PSC) recommendations in the entire public service
- Participating in international treaties which impact on the work of the Committee.

3. PURPOSE OF THE BUDGETARY REVIEW AND RECOMMENDATIONS REPORT

In terms of Section 5 of the Money Bills Amendment Procedures and Related Matters Act, No. 9 of 2009 the National Assembly, through its Committees, must annually compile Budgetary Review and Recommendations reports (BRRR) that assesses service delivery and financial performance of departments and may make recommendations on forward use of resources. The BRRR is also a source document for the Committees on Appropriations when considering and making recommendations on the Medium Term Budget Policy Statement.

The Money Bills Amendment Procedures and Related Matters Act, section 5 (3) highlights focus areas on the budgetary review and recommendation report as:

- Providing an assessment of the department's service delivery performance given available resources;
- Providing an assessment of the effectiveness and efficiency of the departments use and forward allocation of available resources; and
- Including recommendations on the forward use of resources.

3.1 Method

The Portfolio Committee on Public Service and Administration compiled the 2021/22 BRRR using the following documents:

- The National Development Plan: Vision for 2030.
- Medium Term Strategic Framework 2019 - 2024.
- State of the Nation Address 2021.
- Strategic Plans of the Department and CPSI.
- National Treasury (2021) 4th Quarter Expenditure 2021/22 Financial Year.
- Annual Performance Plans of the Department and CPSI 2021/22.
- Annual Reports 2021/22 of the Department and CPSI.
- Auditor-General South Africa's outcomes of audit findings 2021/22.
- The Portfolio Committee also met with the leadership and management of the Department and CPSI.

4. NATIONAL DEVELOPMENT PLAN VISION 2030

The Department of Public Service and Administration is required to implement and coordinate interventions aimed at achieving an efficient, effective and development oriented public service, which is an essential element of a capable and developmental state as envisioned in the National Development Plan (NDP) 2030. In relation to the National Development Plan 2030, the Department has the following strategic priorities:

- Measures to advance women's equality.
- Graduate recruitment scheme for the public service to attract highly skilled people.
- Realising a developmental, capable and ethical state to ensure a dignified treatment of citizens.
- Addressing unevenness in state capacity to deal with uneven performance in local, provincial and national government.
- Professionalisation of the public service in order to:
    - ✓ Put in place the Administrative Head of the Public Service.
    - ✓ Introduce a hybrid system for the appointment of Heads of Department (HoDs).
    - ✓ Establish delegations of authority and principles on human resource matters.
    - ✓ Address the shortage of scarce skills.
    - ✓ Solve skills shortage at technical and managerial levels.
    - ✓ Improve intergovernmental relations.
    - ✓ Fight and eliminate corruption in the public service.
    - ✓ Foster leadership and inculcate responsibility throughout society.
    - ✓ Put responsibility for human resource matters on the shoulders of the HoDs.

5. MANDATE OF THE DEPARTMENT OF PUBLIC SERVICE AND ADMINISTRATION

The mandate of the Department of Public Service and Administration is derived from Section 195(1) of the Constitution to implement basic values and principles that the public service should adhere to, and the Public Service Act (PSA) of 1994, as amended. In terms of the PSA, the Minister for the Public Service and Administration is responsible for establishing norms and standards relating to:

- ❖ The functions of the public service.
- ❖ Organisational structures and establishment of departments and other organisational and governance arrangements in the public service.
- ❖ Labour relations, conditions of service and other employment practices for employees.
- ❖ The Health and wellness of employees.

- ❖ Information management.
- ❖ Electronic government in the public service.
- ❖ Integrity, ethics, conduct and anti-corruption; and
- ❖ Transformation, reform, innovation and any other matter to improve the effectiveness and efficiency of the public service and its service delivery to the public.

5.1 Strategic Goals

The priorities for the Department of Public Service and Administration over the medium term period are informed by the National Development Plan objectives, which are therefore translated into the Medium Term Strategic Framework (MTSF) 2019-2024. The Department highlighted the following priorities to the Portfolio Committee:

(i) A stable political-administrative interface

Promoting stability of leadership in the top levels of bureaucracy, which is central to building a capable and developmental state by introducing clear delegations, effectively managing the political-administrative interface, improving public confidence in the process and quality of appointments.

(ii) A public service that is a career of choice

Promoting the public service as a career of choice by adopting a long term approach to developing the skills and professional ethos that underpin a development oriented public service, recruiting young professional into the public service, ensuring that the work environment is conducive for learning to take place on the job and by adhering to the Constitutional principles that guide personnel practices.

(iii) Efficient and effective management and operations systems

Improving management and operations systems to challenges frontline staff face in delivering quality services to citizens by clarifying responsibilities, introducing efficient and effective work processes, including IT systems that are tailored to specific areas of service delivery and by delegating greater authority to resolve day-to-day problems.

(iv) Increased responsiveness of public servants and accountability to citizens

Improving accountability as set out in the Batho Pele Principles and the Public Service Charter by strengthening accountability to citizens, particularly at the point of delivery, increasing the responsiveness of public servants to the views and concern raised by citizens and other service user and by developing the capacity to monitor the quality-of-service provision and effecting the required improvements.

(v) Improved mechanisms to promote ethical behaviour in the public

Improving confidence in the integrity of the public service through strengthening the fight against corruption by effecting amendments to the relevant codes of legislation in order to limit the scope for conflicts of interest, preventing public servants from doing business with the state and by building the capacity of departments to investigate issues relating to ethics, integrity and implement disciplinary actions on cases where there is a possible or actual conflict of interest.

6. STATE OF THE NATION ADDRESS (SONA) 2021

The key priorities identified in the SONA 2021 for the sector were:

6.1 Fighting corruption to strengthen the State

First and foremost the Address highlighted overriding priorities of 2021, which are defeating the coronavirus pandemic; accelerating economic recovery; implementing economic reforms to create sustainable jobs and drive inclusive growth; and fighting corruption and strengthening the State. The Address highlighted that Government "had started implementation of the National Anti-Corruption Strategy, which lays the basis for a comprehensive and integrated society-wide response to corruption. Government is set to appoint "the members of the National Anti-Corruption Advisory Council, which is a multi-sectoral body that will oversee the initial implementation of the strategy and the establishment of an independent statutory anti-corruption body that reports to Parliament.

6.2 Building a capable State dependent on advancing honesty, ethics and integrity

Building a capable State is still another area prioritised by Government. In 2019, the President called on all public servants to serve South Africans with diligence and to adhere to the Batho Pele principles of putting the people first. He further indicated that the capacity of the state will be built by actions including:

- Firstly, strengthening the technical capacity in government to ensure that projects move faster, building a pool of engineers, project managers, spatial planners and quantity surveyors – an action team that can make things happen faster on the ground.

- Secondly, improving the capabilities of public servants through the introduction of a suite of compulsory courses by the National School of Government, covering areas like ethics and anticorruption, senior management and supply chain management, and deployment of managers to the coalface to strengthen service delivery.

6.3 Enhanced accountability through Ministerial Performance Agreements

The President reported that in October 2020 he had signed off Ministerial Performance Agreements with the Executive in order to enhance accountability. This is also not a new phenomenon for the Executive. Non-performance is usually addressed through reshuffling not with a view to dismissing, but to shift the Member of the Executive to another portfolio. Those who would be prone to not deliver as expected of them would probably still commute to another portfolio with the similar attitude. However, Parliament is there to demand accountability from the Executive, serving the checks and balances. The nature of the questions asked by Parliament to the Executive will give a hint to the President concerning who is complying or not complying with society's satisfaction levels through Parliament's ability to ask probing, not sweetener, questions.

6.4 Professionalism to inculcate public confidence

The above are in line with the vision of the National Development Plan: Public service – Key medium-term goals for 2019 - sub-outcome 2, which stated that the public service must have sufficient technical and specialist professional skills. It is also in line with the spirit and letter of the Medium Term Strategic Framework 2019-24, which states the following objectives for Priority 4: Strengthen Governance and Public Institutions:

- Outcome: Improved governance and intergovernmental and engagement with citizens.
- Outcome: Honest and capable state with professional and meritocratic public servants.
- Outcome: Professional and ethical Public Service.

- Outcome: Developmental state and compact with citizens, responsiveness, public trust.
- Outcome: Strengthen relations and efficiency in government.

Skills deficits and insufficient attention to the role of the State in reproducing the skills it needs remain a challenge. Monitoring and evaluation of the implementation of policies are important to ensure that “state institutions are well-run and effectively coordinated, run by professionals who are committed to the public good and capable of delivering consistently high-quality services, while prioritising economic growth and reduced poverty and inequality.

- Accordingly, the strategic focus of the Department for 2021/22 includes: Developing regulations to enable the full implementation of the Public Administration Management Act (PAMA, 2014).
- Reviewing the Public Service Act and related policies, where required, which will be done concurrently with the development of the Single Public Administration Bill.
- Improving implementation of administrative policies and enforcing compliance where required.
- Improving the implementation of the Batho Pele principles by ensuring that there are measurable standards in place.
- Stabilising the Public Service by restoring stability and credibility in state institutions.
- Fighting corruption by inculcating a culture of accountability, ethical and professional standards of all civil servants, as well as strengthening discipline management within the Public Service.

The strategic priorities of the Department align with the national strategic imperatives as outlined earlier on in the brief. The implementation of these strategic priorities will put service delivery on a better level, and Parliament’s oversight can see these priorities effectively taken through.

7. STRATEGIC PRIORITIES OF THE DEPARTMENT

As the lead Department pursuant to Priority 1 of the 2019-2024 MTSF, i.e. the creation of a capable, ethical and developmental State, the Department of Public Service and

Administration, in its Strategic Plan and 2021/22 Annual Performance Plan, identified the following five strategic outcomes:

7.1 The full implementation of the Public Management Administration Act (PAMA)

The Public Administration Management Act, No. 11 of 2014, seeks to provide a uniform legal framework across the three spheres of government as part of bringing some degree of commonality of purpose in key public administration areas. The Public Service Regulations of 2016, which were passed pursuant to the Act, were implemented in a phased manner. During the course of the financial year under review the Department embarked on amending the Public Service Act,1994 in order to subsequently amend the Public Management Administration Act (PAMA). Consultations were held with the Department of Cooperative Governance on the draft Public Administration Management Amendment Bill, and the Bill was developed and gazetted. The draft Bill seeks to amend the Public Administration Management Act, No. 11 of 2014. Regulations on selected areas of the Public Administration Management Act were developed to support the implementation of the Act. The PAMA has not been fully implemented because the Public Service Regulations 2016 were implemented in a phased manner since the promulgation of the Act.

7.2 Stabilising the Public Service

This policy directive is meant to regulate the issue of public service delegations between the Executive Authority (EA) and the Accounting Officer (who is either a Director-General (DG) or a Head of Department (HoD)), as well as Members of the Senior Management Service (SMS). However, stabilising the Public Service will prove challenging if the political-administrative interface is not stable. The findings from research undertaken across the public service indicate that within a legislative system that provides for discretionary delegations by Executive Authorities, the rate of compliance to public service policies remains unacceptably low. Sound public administration should not be subjected to decisions for political expedience. Therefore, there is a need for the Public Service Act to be amended to provide Heads of Department (HoDs) with original powers in respect of the organisational and human resource matters. This will also align the powers of HoDs in terms of Public Service Act and the Public Finance Management Act (PFMA).

7.3 Intensifying the fight against corruption

The following measures were undertaking as efforts to promote anti-corruption efforts in the public service:

- A database on Public Service employees appointed as board members to entities was developed and compiled. The database is one of the measures to track the activities of board members in their governance roles of public entities.
- In terms of Regulation 8 of the Public Service Regulations 2016 (PSR), the DPSA is mandated to monitor adherence to policy prohibiting public service employees conducting business with the State and to monitor the performance of other remunerative work by public service employees.
- Financial Disclosure Framework: In line with regulation 18(1) and (2) of the 2016 PSR, the e-Disclosure system was opened from 01 to 30 April 2020 to enable the Senior Management Service (SMS) members to disclose their financial interests.

7.4 Implementation of administrative policies

This policy directive was achieved through implementing, among others, the following administrative policies:

- Career Incidents of Heads of Heads of Department: The broad aim of this policy is to ensure that there is clear guidance in terms of administrative processes and management of career incidents in a meritocratic manner.
- Performance Management and Development System*:* The biggest challenge of the current PMDS is that it is still a paper-based manual system that requires automation. Consultation processes will be embarked on to review the PMDS towards automating it. During the financial year under review a draft project charter was developed to establish a roadmap for the review process.

7.5 Improved implementation of Batho Pele Principles

This was implemented through developing the Batho Pele Revitalization Strategy, which sought to review, modernise and renew the Batho Pele Programme to ensure improved services to the new emerging demanding citizenry.

8. DEPARTMENT AND ENTITIES' PROGRAMME PERFORMANCE

8.1 Department of Public Service and Administration

8.1.1 Budget Allocated and Expenditure 2021/22

The Department of Public Service and Administration spent R457.6 million (93 per cent) of its final 2021/22 budget allocation of R531.7 million as at the end of March 2022, whilst achieving 20 of the 25 annual targets resulting in an 80% achievement. The 5 (20 %) targets that have not been achieved were as a result of delays in the consultation processes on the amendment bills, delays in the procurement processes for service providers for the development of the Job Evaluation System and the Personnel Expenditure Review as well.

The main cost drivers of the total Vote budget were: Administration (R220.5 million); due to work and consultation done to amend legislation (PAMA and the Public Service Act); Government Service Access and Improvement (R104.2 million) due to inspections and monitoring and providing quality checks on Service Delivery Improvement Plans; Negotiations, Remuneration and Labour Relations (R68.1 million) due to the advice and support provided on Labour Relations and Dispute related matters; Human Resource Management and Development (R43.6 million) due to the Occupational Classification System and other human resource related matters and eGovernment Services and Information Management with (R21.2 million).

The number of posts on the establishment of the Department decreased in the 2021/2022 reporting year from 433 in 2020/2021 to 419 (excluding the Minister and Deputy Minister) and 355 of these posts were filled posts, compared to the 365 filled posts in the 2020/2021 report. The Department spent 92, 7 % of the total voted expenditure for compensation. The largest percentage of personnel cost relates to the compensation of employees on salary levels 13 and higher (Senior Management), during the reporting period. The vacancy rate was at 14 percent in the reporting year, which was more high at the SMS Level with 15,7 percent as compared to the previous year.

Due to restructuring of the organisational structure on MICRO structure level with effect from 1 April 2021, vacant posts on Levels below SMS level's filling was delayed, subject to the confirmation of grading levels through a Job Evaluation process. There were 32 posts out of a total of 419 posts subjected to job evaluation during the period under review; the majority of these jobs (71, 8%) were on salary levels 9 – 12. In terms of gender representative, the Department has females at Senior Management Service level (Level 13-16) decreased from 48.7% in the 2020/21 reporting period to 44% in 2021/22. Reduction of female in SMS level means the Department has to prioritise appointing competent women in level 13-16 in order to reach national target of 50%. The department met the 2% national target of employment of people living with disabilities in previous reporting periods. However, the percentage people living with disabilities have decreased from 2, 5% (2020/2021) to 2, 25% at the end of the current reporting period (2021/2022), still exceeding the national target with 0, 25%.

Total expenditure on Compensation of Employees amounted to R268, 177 million or 92.7% of the final budget of R289, 439 million. The underspending is mainly due to unfilled vacant posts throughout the department. The Department did not incur any unauthorised, fruitless and wasteful expenditure during the year under review. Irregular expenditure amounting to R10 715.13 was incurred in relation to a prior financial year 2020/21. The case is in respect of an invoice paid for services rendered after the contract between the service provider and department has expired.

Table 1: Budget and expenditure summary

2021/22				2020/21		
Programme	**Final Appropriation R'000**	**Actual Expenditure R'000**	**(Over)/Under Expenditure R'000**	**Final Appropriation R'000**	**Actual Expenditure R'000**	**Over)/Under Expenditure R'000**
Administration	242 330	220 468	21 862	220 633	210 863	9 770
Human Resource management and Development	47 187	43 611	3 576	47 011	44 280	2 731
Negotiations, Remuneration and Labour Relations	99 874	68 129	31 745	69 320	58 274	11 046
eGovernment Services and Information Management	34 292	21 233	13 059	22 933	20 746	2 187
Government Service Access and Improvement	108 001	104 164	3 837	108 998	96 423	12 575
TOTAL	**531 684**	**457 605**	**74 079**	**468 895**	**430 586**	**38 309**

Source: DPSA (2022)

8.1.2 Programme Performance

The Department has six programmes, which are as follows:

(a) Programme 1: Administration

The purpose of the programme is to manage overall strategic and operational functions of the Department which include policy direction; strategic leadership; coordination and facilitation of multilateral and bilateral programmes; integrated planning and programme support; provisioning of financial and human resource management services; security and facilities management; communication and ICT management; coordination of the provisioning of internal legal advice services, as well as , and audit and risk management oversight.

The programme has five predetermined targets in 2021/22 financial year. The Department achieved three targets and two were not achieved. This programme reported expenditure of R220.5 million or 95 per cent of its 2021/22 available budget of R242.3 million as at the end of the fourth quarter of 2021/22. The main cost drivers were Corporate Services (R83.5 million), due to the transversal nature of the Department; Office Accommodation (R57.4 million) and the Ministry (R24.8 million), due to the legislation being developed during the period under review. The reported expenditure was R21, 9 million or 5.3 per cent less than the projected expenditure of R242.3 million for the period under review.

The Departments was unable to achieve targets on the revised Public Service Amendment Bill which has not been submitted to Cabinet. Moreover, consultation on Public Administration Management Amendment Bill were not achieved.

(b) Programme 2: Human Resource Management and Development

The main purpose of the programme is to manages, oversees and facilitates human resource planning, (norms and standards). Facilitate compliance with the minimum norms and standards set by the Minister for Public Service and Administration in line with section 16 of the Public Administration Management Act, 1994 through the Office of Standards and Compliance.

The programme has four predetermined targets in 2021/22 financial year. The Department achieved three targets and one was not achieved. This programme reported expenditure of R43.6 million or 96 per cent of its 2021/22 available budget of R47.2 million as at the end of the fourth quarter of 2021/22. The main cost drivers were Human Resource Planning, Employment and Performance Management (R14.3 million); Transformation and Workplace Environment Management (R9.1 million); and Human Resource Development (R8.5 million).

A legislative Framework issued and technical advice and guidance was provided to departments support public service business continuity during the state of disaster as a result of Covid-19 pandemic. The Department refined the Occupational Dictionary that provides for occupations to be grouped into 9 major groups and to be divided into sub-categories up to the level of individual occupations. The Department has quality assured approximately fifty appointments of Director-Generals and Deputy Director-Generals prior to such appointments serving at Cabinet.

The Department developed a plan on the development of the State Capacity/skills aspect of the joint up plan for selected districts and metros. However, the Department was unable to achieve target on the legislative framework to institutionalise mandatory in-service training framework by the National School of Government was developed however has not yet been issued.

(c) Programme 3: Negotiations, Labour Relations and Remuneration Management

Programme 3: Negotiations, Labour Relations and Remuneration Management was formerly known as Public Service Employment and Conditions of Service. The function of the programme is to manage, oversee and facilitate organisational development, job grading, macro organisation, remuneration, human resource information systems, conditions of service, labour relations and dispute management in the public service. It also administers the implementation of the Government Employees Housing Scheme and the macro organisation of the State, and ensures coordinated collective bargaining.

The programme has seven predetermined targets in 2021/22 financial year. The Department achieved five targets and two were not achieved. This programme reported expenditure of R68.1 million or 84 per cent of its 2021/22 available budget of R99.9 million as at the end of the fourth quarter of 2021/22. The main cost drivers were Remuneration, Employment Conditions and HR Systems (R20.1 million), Government Employees Housing Scheme & Project Management Office (R10.1 million) and Organisational Development, Job Grading and Macro Organisation of the State (R13.2 million); and Negotiations, Labour Relations and Dispute Management (R6.9 million).

The Department led negotiations on behalf of the State as the Employer in two bargaining councils. A single Public Service Coordinating Bargaining Council 1 of 2021 was signed with three collective agreements which among was a monthly non-pensionable allowance ranging from R1220 and a 1.5% pensionable once-off salary adjustment to all employees employed in the public service. The Department also provided advice and support on Labour Relations and Dispute related matters. During the year under review, some of the key disputes were dealt with were disputes on 2021/2022 wage negotiations.

The implementation of Resolution 7 of 2015 on the Government Employees Housing Scheme continues and as 31 March 2022, 743 895 employees were receiving the new housing. Approximately 6 457 employees were still receiving the old housing allowance of R900. A total of 204 270 employees who do not own houses were receiving GEHS Housing Allowance for tenants. These employees have their housing allowance or a portion of it diverted and accumulated into Individual Linked Saving Facility (ILSF). The Department was unable to finalise the Personnel Expenditure Review and the job evaluation system for the public service was not developed.

(d) Programme 4: e-Government Service and Information Management

The function of Programme 4: e-Government Services and Information Management (formerly known as Government Chief Information Officer) is to manage, oversee and facilitate ICT governance, e-enablement, ICT infrastructure, information and knowledge management, and innovation in the public service and coordinate and facilitate ICT stakeholder management. Information and Communication Technology (ICT) is playing an ever-increasing role as a strategic enabler of public service delivery.

The programme has three predetermined targets in 2021/22 financial year. The Department achieved all targets. This programme reported expenditure of R21.2 million or 81 per cent of its 2021/22 available budget of R34.3 million as at the end of the fourth quarter of 2021/22. The main cost drivers were E-enablement and ICT Service Infrastructure Management (R6.7 million), ICT Governance and Management (R5.6 million), Management: e-Government Services and Information Management (R3.1 million) and Information and Stakeholder Management (R2.7 million).

The Department has achieved the National e-Government Strategy and issued Legislative Frameworks to institutionalise the strategy. The Digital Government Policy Framework was developed and consulted on in the GSCID Cluster. The intention of the policy framework is to improve coordination between the various role-players within the space of e-government (Digital Government) in the public service. A catalogue of manual and automated services was developed and drafted regulations for approval which are aimed at ensuring that departments maintain a catalogue of services and automate. The Public Service Information Security Standard was developed to facilitate the secured use of public service information assets to encourage the adoption of ICT as a strategic tool in the public service as to improve Confidentiality, Integrity and Availability of public service data and information particularly during this digital where the increased prevalence of cyber security incidents.

(e) Programme 5: Government Services Access and Improvement

Programme 5: Government Service Access and Improvement (formerly known as the Service Delivery Support Programme) manages and facilitates the improvement of service delivery in Government. The programme has six predetermined targets in 2021/22 financial year. The Department achieved all targets. This programme reported expenditure of R104.2 million or 98 per cent of its 2021/22 available budget of R108.0 million as at the end of the fourth quarter of 2021/22. The main cost drivers were Centre for Public Service Innovation (R41.5 million) which is transfer to the entity, Service Access (R21.1 million), Service Delivery Improvement, Citizen Relations and Public Participation (R13.7 million) International Co-operation and Stakeholder Relations (R13.1 million) and Operations Management (R12.2 million).

The Department has developed the guide on the implementation of the Organisational Functionality Assessment Tool and a Template. The Department issued a directive for the implementation of the tool by departments from 1 April 2022. Departments are required to conduct organisational functionality assessments at least once in every 3 years. Furthermore, the Department has conducted 3-year pilot of the Business Process Management Programme focuses on business process improvement and modernisation of services in selected priority departments.

The Batho Pele Revitalisation strategy was endorsed by Cabinet for implementation. The Department continue to intensify and promote effective implementation of the Batho Pele Programme. During the year under review, the Guideline on Public Participation were revised and consulted on its stakeholders. The Guidelines will support the implementation of the Framework on Public Participation is implemented effectively.

9. CENTRE FOR PUBLIC SERVICE INNOVATION

The Centre for Public Service Innovation (CPSI) is an entity of the Ministry for the Public Service and Administration established to entrench and drive service delivery innovation across all sectors. Chapter 3 of the National Development Plan (NDP) states that “Innovation across state, business and social sectors should start to become pervasive”. The NDP stipulates that innovation should also focus on improved public service delivery and on goods and services aimed at low-income sectors.

The CPSI is bridging the gap between the world of science and technology driven by the National System of Innovation led by the Department of Science and Technology. The National System of Innovation includes entities such as National Advisory Council on Innovation (NACI), the Innovation Hub and the Technology Innovation Agency (TIA). The CPSI’s Strategic Plan is aligned to the Government priority outcomes.

Table 2: CPSI 2021/22 expenditure per programme

2021/22				2020/21		
Programme	**Final Appropriation R’000**	**Actual Expenditure R’000**	**(Over)/Under Expenditure R’000**	**Final Appropriation R’000**	**Actual Expenditure R’000**	**Over)/Under Expenditure R’000**
Administration	20 149	16 149	3 186	18 944	13 821	5 123
Public Sector Innovation	21 304	16 817	4 487	15 890	15 890	2 180
TOTAL	**41 453**	**33 780**	**7 673**	**34 834**	**27 531**	**7 303**

Source: CPSI (2022)

The final expenditure as at end of 2021/22 financial year amounted to R33.8 million or 81.5 per cent of the final budget of R41.4 million. An amount of R19.1 million (86.2 per cent) was spent on compensation of employees against the final appropriation of R22.2 million. The underspending of R3.1 million was mainly due to five vacant posts in the organisation, three were filled in March 2022. The Chief Executive Officer and Human Resource Management Officer post will be filled during the 2022/23 financial year.

The CPSI comprises of 30 permanent posts (18 posts in the Administration and 12 posts in the Public Sector Innovation Programme) plus two posts additional to the establishment. Due to vacancies and inadequate capacity, some staff members are fulfilling multiple functions. The CPSI had no incidents of unauthorised, fruitless and wasteful expenditure.

a. Programme 1: Administration

This programme provides strategic leadership, overall management and support to the organisation. The programme achieved its targets set for the financial year as follows; four quarterly financial and non-financial reports submitted to the Minister, DPSA, National Treasury and Department of Planning, Monitoring and Evaluation (DPME) as per required timeframes. All (100%) of external audit recommendations were implemented.

b. Programme 2: Public Sector Innovation

This programme drives service delivery innovation in the public sector in line with Government priorities. The programme set three targets and all were achieved which were as follows: five innovation solutions (3 research initiative and 2 development initiative), 10 knowledge platforms and 2 innovative projects replicated.

10. AUDITOR-GENERAL OUTCOMES

10.1 Audit Opinion

The Auditor-General audited the financial statements of the Department of Public Service and Administration set out on pages 97 to 139 which comprise the appropriation statement, statement of financial position as at 31 March 2022. The Department's financial performance and cash flows for the 2021/22 were in accordance with the Modified Cash Standard prescribed by the National Treasury and the requirements of the Public Finance Management Act (PFMA).

The Auditor-General performed procedure to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. The AG performed further procedures to determine whether the measures and related targets were measurable and relevant, assessed the reliability of the reported performance information to determine whether its valid, accurate and complete. The AG did not identify any material findings on the usefulness and reliability of the reported performance information.

10. 2 Compliance with legislation

In accordance with the PAA and the general notice issued in terms thereof, Auditor-General have a responsibility to report material findings on the compliance of the Department with specific matters in key legislation. Auditor-General performed procedures to identity findings but not to gather evidence to express assurance.

10.3 Internal control

The Auditor General considered internal control to the audit of the financial statements, reported performance information and compliance with applicable legislation. However, the AG objective was not to express any form of assurance on it. The AG did not identify any significant deficiencies in internal control to be reported in the audit report.

11. OBSERVATIONS AND KEY FINDINGS

The Committee made the following observations:

11.1 The Committee notes and commends the Department of Public Service and Administration and Centre for Public Service Innovation for receiving clean audits for 2021/22 financial year. The Department had managed to achieve 80% of its planned targets in the 2021/22 Annual Performance Plan. However, the Committee has encouraged the Department to achieve all targets.

11.2 The Committee notes the progress made thus far with developments towards amending the Public Service Act of 1994, which among others, seeks to transfer powers of the human resource management from the Executive Authority to the Accounting Officers. After a protracted process, the consultation process at the Public Sector Coordinating Bargaining Council (PSCBC) and NEDLAC has still not been yet resolved and is still ongoing. As a result, the Amended Bill could not be processed to Cabinet as was planned. The Committee acknowledged the delays caused by the stakeholders in the consultation process to finalise amendments to the Public Service Act.

11.3 The Committee notes the progress made thus far with amendment of the Public Administration Management Act (PAMA), which intends to accelerate implementation and improve service delivery. The PAMA also seeks to eliminate fragmented approach to development and strengthen coordination across the public sector. The Committee notes that after a protracted process, the consultation process at the Public Sector Coordinating Bargaining Council (PSCBC) and NEDLAC has still not been yet resolved and is still ongoing. The Committee acknowledged the delays caused by the stakeholders in the consultation process to finalise amendments to the PAMA.

11.4 The Committee notes progress thus far pertaining to the finalisation of a Guide to implement lifestyle audits aimed at preventing and detecting fraud and corruption in the public service. The Committee notes that the determination of lifestyles is the prerogative of Accounting Officers as enshrined in the Public Service Regulations, 2016, regulation 22. The Committee was concern of slow pace of the implementation of lifestyle audits across all government departments with clear time frames including the Department of Public Service and Administration.

11.5 The Committee further notes the efforts made by the Department in improving the management of discipline within the public service, in order to hasten the resolution of disciplinary cases and consequence management through disciplinary cases. The Committee will continue to monitor implementation of the disciplinary cases in the public service.

11.6 Digital transformation to new technologies to transform Business Process Modernisation by replacing manual or non-digital processes with digital technologies is becoming the norm. The Committee observes that the Department is maximising its efforts of digitising government business model with an aim of improving efficiency and saving time to render services.

11.7 The Committee further commends the Department for not incurring unauthorised, irregular, fruitless and wasteful expenditure in 2021/22 financial year. The Committee urge the Department and the CPSI maintaining a similar trend on unauthorised, irregular, fruitless and wasteful expenditure in the upcoming financial years. The Committee notes with concerned the vacancy rate that contributed towards the underspending.

11.8 The Department has experienced reduction of gender representative of female at SMS level from 48.7%- in 2020/21 to 44% in 2021/22. The Committee encouraged the Department to swiftly address gender equity targets when filling funded vacancies for SMS posts.

11.9 The Department has to continue with its efforts to revise the Human Resource Management and Development Strategy which was lastly revised in 2002.

11.10 In light of the Auditor-General's audit findings, the Department and the Centre for Public Service Innovation were encouraged to maintain sound internal control which led both institutions to obtain clean audit outcomes.

Centre for Public Service Innovation

11.11 The Committee notes the efficacy of the innovation projects and outcomes within the Centre and the public service.

11.12 The CPSI initiated a new development project with the Northern Cape Office of the Premier to develop a virtual Thusong Service Centre and Monitoring System. The Committee urged the CPSI to replicate this initiative to all provinces once its fully piloted in the Northern Cape Province. The Committee envisaged to conduct oversight in the Northern Cape province to physically oversee the virtual Thusong Service Centre and Monitoring System and all innovative projects initiated by the CPSI across the provinces.

11.13 The CPSI hosted a #PSIHack 2022 focusing on public sector service delivery challenges. The Committee fully support the #PSIHack to unearth innovative solutions aimed at resolving service delivery challenges across all the sectors.

11.14 The Committee notes that CPSI has developed approved organisational structure and was in discussion with the National Treasury to fund the structure. The Committee supports the CPSI efforts to expand its reach on innovation projects in the public sector by strengthening its workforce to be able to cope with the demand.

12 RECOMMENDATIONS

The following recommendations are proposed:

12.1 The Department should speed up consultative process with Public Service Coordination Bargaining Council (PSCBC) and NEDLAC on the legislative reform concerning the Public Administration Management Act of 2014 in order to ensure that operational systems are updated and strengthened. The Department should provide an update on the amendment bi-annually to the Committee by March 2023.

12.2 The Department should fast-track consultative process with PSCBC and NEDLAC with the aim to finalise amendments to the Public Service Act of 1994 aimed at broadening its scope by incorporating the role of the Director-General in the Presidency to support the President, furthermore seeks to transfer powers of the human resource management from the Executive Authority to the Accounting Officers. The Department should provide progress report on the finalisation of the amendment bi-annually to the Committee by March 2023.

12.3 The Department should encourage departments to commence with the implementation of the Guideliness on the lifestyle audits, aimed at preventing and detecting fraud and corruption in the public service. The Department should provide timeframes to all accounting officers as part of the rollout strategy and ensuring uniformity in the public service.

12.4 The Department should continue to ensure sound internal controls in order to maintain good audit outcomes for the future financial years.

12.5 The Department should revisit the policy on decentralised discipline management in the public service to avoid the tedious and sometimes futile process of reminding other departments to take care of misconduct cases not finalised within the regulated period. Since the Department is dealing with amendments to relevant legislation, this is the opportune time to amend legislation in favour of discipline management being centralised within the Department.

12.6 The Department together with the Department of Planning, Monitoring and Evaluation should review the Policy on Performance Management Development System for the DGs and HOD's in the public service as per the Auditor-General South Africa recommendation. Both departments should review matters identified in the PMDS policy such as weight given on Key Responsibility Areas and Acting DG's/HOD's to be included in the PMDS for performance measurement purposes especially when acting for more than six months.

CPSI

12.7 The Department and the Ministry have to speed up the permanent appointment of the Executive Director of the Centre for Public Service Innovation.

12.8 The Centre for Public Service Innovation should ensure all successful innovation projects aimed at resolving service delivery challenges are replicated in other provinces. The Offices of the Premier should be approached and introduced on innovative solutions discovered to assist in service delivery challenges in their respective provinces.

12.9 The Committee should conduct oversight in the Northern Cape province to physically oversee the virtual Thusong Service Centre and Monitoring System and all innovative projects initiated by the CPSI across the provinces.

11 CONCLUSION

The Department of Public Service and Administration has in the 2021/22 financial year continued to implement and coordinate interventions aimed at achieving an efficient, effective and development-oriented public service, which is an essential element of a capable and developmental state. Accountability within the Department has improved with responsible leadership and management. The Department and the CPSI must continue to maintain sound internal controls for future financial years and lead by example.

Report to be considered

6. BUDGETARY REVIEW AND RECOMMENDATIONS REPORT (BRRR) OF THE PORTFOLIO COMMITTEE ON PUBLIC SERVICE AND ADMINISTRATION: VOTE 14 OF STATISTICS SOUTH AFRICA 2021/2022, DATED 19 OCTOBER 2021

1. BACKGROUND

The Portfolio Committee on Public Service and Administration (hereinafter referred to as the Portfolio Committee) having considered the directive of the National Assembly, which is in line with Section 5 of the Money Bills Amendment Procedures and Related Matters Act, No. 9 of 2009 to consider and report on the Annual Report of the Statistics South Africa on 11 October 2022. It should be noted that Statistics South Africa operates independently from the Executive. The BRR Report is tabled as follows:

2. INTRODUCTION

Parliament derives its mandate from the Constitution of the Republic of South Africa. The strategic objectives of the Portfolio Committee are informed by five strategic goals of Parliament. The functions of the Portfolio Committee on Public Service and Administration are as follows:

- Participating and providing strategic direction in the development of the legislation and thereafter passing the laws.
- Conducting oversight over the Executive to ensure accountability to the Portfolio Committee towards achieving an effective, efficient, developmental and professional public service.
- Conducting public participation and engaging citizens regularly with the aim to strengthen service delivery; oversee and review all matters of public interest relating to the public sector.
- Monitoring the financial and non-financial aspects of departments and their entities and ensuring regular reporting to the Committee, within the scope of accountability and transparency.
- Supporting and ensuring the implementation of the PSC recommendations in the entire public service.
- Participating in the international treaties which impact on the work of the Committee.

3. PURPOSE OF THE BUDGETARY REVIEW AND RECOMMENDATIONS REPORT

Section 5 of the Money Bills Amendment Procedures and Related Matters Act, No. 9 of 2009 the National Assembly, through its Committees, must annually compile Budgetary Review and Recommendations reports (BRRR) that assesses service delivery and financial performance of departments and may make recommendations on forward use of resources. The BRRR is also a source document for the Committees on Appropriations when considering and making recommendations on the Medium Term.

Moreover, the Money Bills Amendment Procedures and Related Matters Act, section 5 (3) highlights focus areas on the budgetary review and recommendation report as:

- Providing an assessment of the department's service delivery performance given available resources.
- Providing an assessment of the effectiveness and efficiency of the departments use and forward allocation of available resources; and
- Including recommendations on the forward use of resources.

3.1 Method

The Portfolio Committee on Public Service and Administration compiled the 2021/22 BRRR using the following documents:

- The National Development Plan: Vision for 2030.
- Medium Term Strategic Framework 2019-2024.
- State of the Nation Address 2021.
- Strategic Plans of the Statistics South Africa 2019-2024.
- National Treasury (2021) 4th Quarter Expenditure Report 2021/22 Financial Year
- Annual Performance Plans 2021/22 of the Statistics South Africa.
- Annual Report 2021/22 of the Statistics South Africa.
- Auditor-General South Africa's outcomes of audit findings 2021/22.
- The Portfolio Committee met with the leadership and management of the Statistics of South Africa

4. NATIONAL DEVELOPMENT PLAN VISION 2030

The National Development Plan highlights the need for South Africa to build a State that is capable of playing a developmental and transformative role. This requires the State to formulate and implement policies that support that role. The NDP and the Medium Term Strategic Framework are informed by statistical information provided by Statistics South

Africa, which publishes more than 200 statistical releases per year. The publications present statistical research that measures the development and transformation of the economy and society in a range of context.

Changing economic and societal realities have expanded the demand for statistical information: more detailed statistics are needed and more frequently if policies are to be responsive and effective. Statistics in the public domain must be of high quality. Responding to the increased demand for high quality statistics will require a national effort, and collaboration and partnerships between the producers and the users of statistics.

5. MANDATE OF THE STATISTICS SOUTH AFRICA

Statistics South Africa is a national government department accountable to the Minister in the Presidency: Planning, Monitoring and Evaluation. The department's activities are regulated by the Statistics Act (1999), which mandates the department to advance the production, dissemination, use and coordination of official and other statistics to assist organs of state, businesses, other organisations and the public planning, monitoring and decision making. The Act also requires that the department coordinate statistical production among organs of state in line with the purpose of official statistics and statistical principles.

However, there is a legislation reform on the cards for the institution. This legislative reform will inform the full planning cycle of government, from planning to evaluation, including the implementation of the Spatial Data Infrastructure Act. Stats SA has started the legislative review process.

6. STRATEGIC PRIORITIES

Statistics South Africa aims to contribute towards realisation of the ideals of the National Development Plan (NDP) by providing accurate data policy implementation to overcome social challenges such as inequality, poverty and unemployment. Stats SA works in conjunction with all stakeholders in the country to provide accurate statistical information on economic, demographic, social and environmental factors for proper NDP implementation. The institution has identified the following strategic priorities, which are:

a) To promote and ***inform the nation*** through an expansion of statistical products and services.
b) To ***increase statistical trust*** through sound quality principles that are in line with international standards. This will ensure that users of statistics products have confidence and trust official statistics.

c) To promote ***partners in statistics,*** international cooperation and participation in statistics.
d) To invest in the learning and ***capable organisation***.
e) To promote ***statistical leadership*** through investment in schools and tertiary programmes to increase statistical skills at grass roots level.

Key priorities for 2021/22 financial year are outlined below:

- Driving legislative reform.
- Sustaining the quality of national indicators.
- Conducting 2022 Census.
- Driving a transformative and change agenda.

7. DEPARTMENT PROGRAMME PERFORMANCE

7.1 Statistics South Africa

7.1.1 Budget Allocated and Expenditure 2021/22

The budget appropriated to Statistics South Africa for the 2021/22 financial year was R4 932 billion included the allocation earmarked for the Census 2022 R2 530 billion. The actual expenditure was R4 648 billion for all the programmes which is an estimated of 94.3% of the total allocated budget. The underspending relates mainly to compensation of employees due to the placement of excess staff from household surveys as a result of the digitalisation of data collection in the department.

The Department commenced the financial year with fruitless and wasteful expenditure cases to the value of R12.5 million. Three new cases amounting to R1.197 million were registered. There are 96 registered cases to the value of R13.7 million under investigation and three credit notes to the value of R3 thousand were received. The Department started the financial year with irregular expenditure cases to the value of R415.8 million. Four new cases of non-compliance with supply chain management prescripts and six new cases of non-compliance with human resources requirements were registered. There are no authorised expenditure incurred during the 2020/21 and 2021/22 financial year. Stats SA has achieved 89% of its targets as set out in the Annual Performance Plan.

Human capital remains the most valuable asset in Stats SA. In order to achieve organisational strategic objectives. Stats SA has an establishment of 3 313 permanent posts of which 2 674 are filled consisting of 2 630 permanent staff members, two staff members on fixed-term contract and 42 employees on short-term contracts. The 75.2% of SMS posts are filled and consist of 58.4% males and 41.6% females. 1.2% employees constitute staff members with disabilities. The vacancy rate as at March 2022 was at 19.3%.

Table 1: Expenditure per programme (R'000)

2021/22				2020/21		
Programme	**Final Appropriation R'000**	**Actual Expenditure R'000**	**(Over)/Under Expenditure R'000**	**Final Appropriation R'000**	**Actual Expenditure R'000**	**Over)/Under Expenditure R'000**
Administration	728 182	690 922	37 260	714 607	708 534	6 073
Economic Statistics	285 291	281 760	3 531	264 656	263 580	1 076
Population and Social Statistics	153 476	131 450	22 026	112 139	111 648	491
Methodology and Statistical Infrastructure	141 236	131 639	9 597	132 218	130 554	1 664
Statistical Support and Informatics	312 726	291 168	21 558	301 297	285 928	15 369
Statistical Operational and Provincial Coordination	3 272 787	3 094 888	177 899	1 577 914	1 163 688	414 226
SANSS	37 942	26 489	11 453	28 742	27 382	1 360
TOTAL	**4 931 640**	**4 648 315**	**283 325**	**3 131 573**	**2 691 314**	**440 259**

Source: Stats SA (2022)

7.2 Programme Performance

Statistic South Africa has seven programmes, namely:

(a) Programme 1: Administration

The purpose of the programme is to provide strategic leadership, management and services to the department. The Administration programme has four sub-programmes, which are as follows namely, Department Management, Corporate Services, Financial Management Services, Internal Audit and Office Accommodation. The strategic intention of the programme is focused on driving the outcome of transformed capability. The programme will align itself to the strategy of digitisation through automation of processes. The provision of support to projects, including the Census 2022 project, will utilise all facets of automated processes. The project faced numerous challenges related to recruitment in many local areas and logistical challenges primarily around availability of vehicles.

The programme has achieved 31.8% of its annual targets as scheduled in the Work Programme and 68.2% were not achieved. The programme has spent R690.9 million of the allocated funds. Of the total expenditure, an amount of R225.2 million was spent on compensation of employees, whilst an amount of R190.3 million was spent on goods and services. The amount spent on good and services includes an amount of R103.297 million that was spent on operating leases and R48.8 million on property payments. An amount of R274.9 million was spent on building and other fixed structures relating to the ISIbalo House unitary fee payments. The programme spent 94.9% of its allocated budget.

The Census 2022 appointment of 84% youth contract. Human resource support was provided to the Census through the recruitment 111 937 fieldworker supervisors and fieldworkers. The process is ongoing with the extension of the Census Project to the 2022/23 financial year. A skills development plan aligned to the new strategy was not compiled due to Census priority. A total of 84% youth were appointed for census data collection activities in the 2021/22 financial year.

Approximately 60% of the targets not achieved relate to the Census 2022 project which was extended to the 2022/23 financial year. Additional funding has been received in the 2022/23 budget allocation to facilitate recruitment aligned to employment equity targets. Funding has been prioritised towards business transformation and change.

(b) Programme 2: Economic Statistics

Economics Statistics programme aims to produce economic statistics to inform evidence-based economic development and transformation in line with internationally recognised practices. Programme Management for Economic Statistics provides strategic direction and leadership. There are six sub-programmes, which are as follows: Business Cycle Indicators, Structural Industry Statistics, Price Statistics, Private Sector Financial Statistics, Government Financial Statistics and National Accounts.

The objectives of the programme is to produce economic indicators to inform evidence-based planning, monitoring, evaluation and decision making for use by the public and private sectors by publishing monthly, quarterly, annual and periodic statistical releases on various industries in the private and public sectors.

The programme has achieved 99.1% of its annual targets as at March 2022 of which 94.4% were achieved as scheduled. The programme has spent R281.7 million of the allocated funds. Of the total expenditure, an amount of R264.9 million was spent on compensation of employees, whilst an amount of R15.7 million was spent on goods and services items such as communication (R3.4 million), travel and subsistence (R6.6 million) and operating payments (R3.2 million). The programme spent 98.8% of its allocated budget.

Key achievements included monthly, quarterly and annual releases on the economy. The programme informed economic planning, monitoring and decision-making by providing accurate, relevant and timely statistical information on the level of economic activity in relation to the primary, secondary and tertiary sectors of the economy, financial information on private sector businesses and government and information on sustainable resource use and management.

Additionally, the programme provides information on the level of inflation by producing the consumer price index and various producer price indices. Thus measuring changes in the prices of a basket of goods and services purchased by South African households and prices of a basket of commodities at producer level each month. Key outputs included 48 published releases consisting of monthly CPI and PPI releases and a reweighted CPI.

(c) Programme 3: Population and Social Statistics

The purpose of the Programme is to produce population, demographic, labour market and social statistics to inform socio-economic development. Population and social statistics inform evidence based socio-economic development and transformation in line with internationally recognised practices. Programme 3 contributes to strategic objective to sustain national population and social indicators to inform evidence-based planning, monitoring and decision-making for use by the public and private sector through publishing numerous series such as labour market and employment surveys.

The outputs produced under this Programme contribute immensely towards the monitoring of the MTSF 2020-2024, the National Development Plan goals and indicators, Agenda 2063 as well as the Sustainable Development Goals.

Stats SA achieved 92.9% of its annual targets as at March 2022, of which 37.5% were achieved as scheduled. The programme has spent R131.4 million of its allocated budget. Of the total expenditure, an amount of R109.6 million was spent on compensation of employees, whilst an amount of R19.2 million was spent on goods and services such as travel and subsistence and operating payments. The programme spent 85.6% of its allocated budget.

Key output for the year under review included signing-off of statistical releases and reports, monitoring the implementation of the population and social statistics strategy, and maintaining relations with key partners in the national statistics system. The programme contributed to informing social and economic development planning, monitoring and decision-making by providing relevant, timely and accurate statistics information on living conditions, population dynamics, vital events, employment, crime and poverty levels.

The programme provides information on employment levels in the formal, non-agriculture sector as well as labour market trends in the country. The programme published documents consisting of quarterly releases on employment and earnings and labour market information, an annual report on labour market statistics and a report on child labour. Furthermore, published reports on national poverty lines for 2021 and subjective poverty based on the GHS 2019. An additional report on measuring food security in South Africa was published.

(d) Programme 4: Methodology, Standards and Research

The purpose of the Programme is to set standards, statistical frames, methodologies and conduct statistical research. The main objective of the Programme is to improve the quality and methodological soundness of statistical information by researching, developing, reviewing and applying statistical methods, standards, classification and procedures in the statistical value chain annually. The Programme further monitors and evaluates the methodological compliance of statistical operations by conducting independent evaluations on statistical practices annually. In addition, it ensures complete and accurate sampling frames to enhance the quality of economic and social statistics by maintaining and updating frames for business and geographic information annually

The programme has achieved 83.3% of annual targets as at 31 March 2022 and 16.7% targets were not achieved. The programme contribute in providing technical expertise on methodological practices for producing official statistics in the economic and social statistics. The programme has spent R131.6 million of the budget allocated. Of the total expenditure, an amount of R125.9 million was spent on compensation of employees, whilst an amount of R4.8 million was spent on goods and services. The main cost drivers are computer services, households and communication. The programme spent 93.2% of its allocated budget.

Amongst key achievement in the year under review include the developments of standards, statistical frames and methodologies and monitoring the implementation of the Work Programme. The programme contributed towards achieving the organisational strategic outcomes of agile operating model and interconnected statistical systems. The key deliverables are essential and critical elements that form the support system and foundation of core statistical products.

Furthermore, the programme provides technical expertise and advice on statistical methodologies and practices for producing official statistics. This include preparations for the Post-enumeration Survey and providing methodological expertise in the production of economic and population and social statistics. Another output in the programme include provision of sampling frame for household survey and censuses and provides geospatial information and analysis and spatial tools. Furthermore, monitors the quality of field operations of household surveys and censuses and conducts independent evaluations.

(e) Programme 5: Statistical Support and Informatics

This Programme enables service delivery programmes by using technology in the production and use of official statistics. The main objective is to modernise business processes by building enterprise architecture and applying emerging technologies for data collection, processing and the dissemination of statistical information over the medium term. The Programme further aims to enable the department's production of official statistics by providing a technology infrastructure that is reliable, sustainable and cost effective over the medium term to inform policy through the use of statistical geography.

The Programme promotes and provides better access to official statistics. The Programme contributes to enhancing public confidence and trust in statistics and investing in the learning and growth of the organisation. Moreover, the Programme collaborates with partners to build and maintain a reliable sampling frame for household surveys by updating the spatial information frame annually. In addition, it increases awareness of and the use of official statistics by government and the public on an ongoing basis by reaching out to stakeholders and responding to user queries, educating users and improving accessibility to and the ease of use of statistical information.

Programme 5 achieved 50% of annual targets and 50% were not achieved. The programme has spent R291.2 million of the allocated budget. Of the total expenditure, an amount of R139.8 million was spent on compensation of employees, whilst an amount of R119.5 million was spend on goods and services. The programme spent 93.1% of the allocated budget.

The programme contributed in managing internal and external communications in the department and increase the use of statistical information through stakeholder engagement and the dissemination of official statistics on various platforms. Key output included a report on Phase I of the reengineering of Stats SA’s website and communication and marketing support to planning for the Census 2022. Due to the extension of the Census project, support will continue in 2022/23 financial year.

The programme further provides technology infrastructure to the department and supports data management across statistical series. A key output was a report on the maintenance of Census 2022 ICT infrastructure and platforms. An ICT environment upgrade was not completed as scheduled due to external stakeholder consultation and four reports on governance and security awareness were not compiled due to Census priority. The programme further provides integrative statistical advice and support to policy planners and development practitioners and participates in knowledge research and innovation on key development themes. Key output include two research reports on spatial analysis.

(f) Programme 6: Statistical Operations and Provincial Coordination

The purpose of the Programme is to collect and process data and interact with stakeholders and users at provincial and local levels to inform policy implementation and support decision-making through statistical information. It engages stakeholders through platforms and provides effective communication services.

The main objective is to provide integrated data collection services, and disseminate quality statistics to provincial and local stakeholders and the public by ensuring an average response rate of 85 per cent annually. Another objective is to expand the statistical information base for use by government, the private sector and the public by conducting a population census every 10 years, and large-scale population surveys every five years between censuses. It further ensures the efficiency and effectiveness of survey operations by coordinating household surveys to attain an average response rate of 85 per cent annually. The Programme improves the quality and timeliness of the editing and processing of statistical data by administering a common data processing platform for censuses, household surveys, administrative records and ad hoc survey data over the medium term.

Statistical Operations and Provincial Coordination achieved 58.3% of annual targets as at March 2022 and 41.7% were not achieved. The non-achievement of targets can be attributed to the postponement of the Census project into the 2022/23 financial year, mainly due to recruitment and logistical challenges. The programme spent R3.095 billion of the allocated budget. Of the total expenditure, an amount of R781.3 million was spent on compensation of employees, whilst an amount of R2.086 billion was spent on goods and services items such as agency and support services, computer services, travel and subsistence and minor assets. The programme has spent 94.6% of its allocated budget.

The programme provides integrated data collection and dissemination services, and promotes the use and coordination of official statistics to provincial and local stakeholders. A key output includes a proposal to streamline integrated fieldwork operations, nine reports on Census Pilot data collection in the provinces. Census 2022 field reports were not compiled due to the extension of the Census project to the 2022/23 financial year.

The programme manages the editing and processing of census, survey and administration data. This include a report on business processes tested and a report on the processing of Census Pilot data. The programme conducts periodic population censuses and large-scale population surveys and coordinates and integrated collection activities across households' surveys. This include a debriefing report on the Census Pilot and a national report on digital data collection for household survey.

(g) Programme 7: South African National Statistics System

The purpose of the Programme is to develop and coordinate the national system in South Africa. The objective of the Programme is to ensure that national statistics are produced based on common statistical standards and principles by providing statistical support and advice on an ongoing basis, and certifying statistics as official annually. It manages the distribution of statistical information by establishing and providing mechanisms, platforms and criteria for sharing data annually. It drives statistical reporting by coordinating the compilation of statistical reports in line with the integrated indicator framework annually.

Stats SA has achieved 100% of the targets of the Annual Performance Plan. The programme has spent R26 489 million of the allocated funds. Of the expenditure, an amount R23 448 million was spent on compensation of employees, whilst an amount of R2 499 million was spent on goods and services items such as communication, travel and subsistence and computer services. The programme spent 69.8% of its allocated budget.

The programme coordinates the production of population and social statistics in the national statistics system and provides statistical support and advice to producers of official statistics. Key outputs includes a clearance report for the Department of Science and Innovation's 2019 Research and Development Survey, a report on the reviewed Integrated Indicator Framework, an MoU with the Companies and Intellectual Property Commission (CIPC) and a sector plan on agricultural statistics.

The programme further conducts independent statistical reviews to assess the quality of statistical information in line with the South African Statistical Quality Assessment Framework, to certify statistics as official. Key output included a SASQAF quality assessment report for Financial Statistics on Higher Education release and a report on the piloting of SASQAF edition 3 version 2. The programme was responsible for the report on the legislative reform process.

8. AUDITOR-GENERAL OUTCOMES

The Auditor-General has audited the financial statements of the Statistics South Africa, set out on pages 152 to 222, which comprise appropriation statement, the statement of financial position as at 31 March 2022. The statement of financial performance, statement of changes in net assets and cash flow for the year ended as well as the notes to the financial statements including a summary of significant accounting policies. The Auditor General opinion indicates financial statements are present fairly, in all material respects, the financial position of Statistics South Africa and its financial performance and cash flows for the year are in accordance with the Modified Cash Standard and the requirement of the PFMA.

Statistics South Africa received an unqualified opinion.

8.1 Predetermined objectives

The Auditor-General performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. The AG did not identify any material findings on the usefulness and reliability of the reported performance information on programme 3- Population and social statistics and Programme 6- Statistical operations and provincial coordination.

8.2 Emphasis of matters

The AG draw attention to the matters below.

8.2.1 Underspending of the vote

As disclosed in the appropriation statement, the department materially underspent the budget by R283 million on all programmes combined.

8.2.2 Irregular expenditure

The Department incurred irregular expenditure of R235 534 million in the current year, mainly emanating from non-compliance with supply chain management prescripts.

8.4 Internal Control

The Auditor-General considered internal control relevant to the audit of the financial statement, reported performance information and compliance with applicable legislation, however, the

AG objective was not to express any form of assurance on it. The matters reported are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation.

The oversight by the accounting officer regarding the financial statements process was ineffective as material misstatements were identified. The oversight process must be enhanced to ensure credible financial statements are submitted for audit. Compliance monitoring by senior management mainly relating to supply chain management prescripts were not effective due to a lack of adequate oversight in non-compliance. The accounting officer needs to develop and implement an action plan in order to ensure that the deficiencies identified in the current year are addressed.

9. OBSERVATIONS AND KEY FINDINGS

The Portfolio Committee made the following observations:

9.1 The Portfolio Committee commends Statistics South Africa for receiving unqualified audit opinion consistently for consecutive years up to the 2021/22 financial year. Stats SA delivered 89.5% of its performance targets as at March 2022. The Department has spent R4 648 billion for all programmes which is an estimated 98.3% of the R4 932 billion allocated budget. The Committee commends Stats SA for sterling performance both on financial and non-financial information.

9.2 With an additional allocation on Compensation of Employees budget, Stats SA has to prioritise balancing its employment equity targets by ensuring capable women are promoted to senior management positions and 2% of people with disabilities. Stats SA has to commit to a certain percentage of the employment of youth in the department. Vacancy rate of 19.3% has to be drastically reduced by undertaking a recruitment drive to strengthen its workforce. Stats SA has to continue to fill critical post with the additional amount of R49.4 million budget allocated over the medium term for compensation of employees.

9.3 Stats SA committed to work with disability groups /or organisations in order to attract people with disabilities to join the department in various capacities for vacant funded positions.

9.4 Stats SA was advised to consider excess employees from merged departments to be seconded if they meet the requirements as per the job evaluation.

9.5 During the year under review, Stats SA focused on finalising processes in preparation for submitting the Statistics Amendment Bill to Cabinet. Delays encountered was due to consultation process on the legislative amendments by ensuring compliance with other legislative prescripts. Stats SA amendment Bill was certified by the office of the Chief State Law Advisor and a final legal opinion was given.

Stats SA together with the Minister in the Presidency for the Department of Planning, Monitoring and Evaluation were encouraged to expedite finalisation of the Bill and be tabled in full Cabinet meeting for approval.

9.6 The Committee notes that Census 2021 was hampered by the COVID-19 pandemic and lockdown restriction as well as November 2021 local government. Stats SA had no option but to postpone Census 2021 to February 2022 and renamed Census 2022.

9.7 The Committee notes that Stats SA's data collection Census 2022 was impacted by the COVID-19 pandemic restrictions and Kwa-Zulu Natal province floods. The Department committed to release Census results in second quarter of 2023/24 financial year. The Committee welcomes the commitment by Stats SA that Census 2022 data analysis will be concluded in May 2023 and released in the second quarter of the 2023/24 financial year.

9.8 The Committee welcomed and noted integration of statistical and geospatial information during Census 2022 by ensuring collaboration between geo-spatial experts and statisticians. Digital transformation reduces cost of data collection and improves turnaround time of the production of results.

9.9 Stats SA assured the Committee that all enumerators are fully paid as this matter was an issue during Census 2022 data collection whereby some fieldworkers were not paid timeously.

9.10 The Committee notes that fieldworkers/enumerators are appointed in different contract of employment. Stats SA has its own permanent fieldworkers for collecting data for certain surveys and appoint temporary fieldworkers on special projects depending on whether the department is overstretched with resources.

9.11 Stats SA was commended for delivering first digital Census in the country and the first to use multiple mode of data collection, where households were given the option to complete questionnaires with assistance of a fieldworker either face to face or telephonically or by themselves via the web. Multimode platforms were introduced as strategy to proactive respond to COVID-19 Pandemic and lockdown which continued to distract business operations.

9.12 Stats SA has to attend to Auditor-General audit opinion regarding compliance monitoring by senior management mainly relating to supply chain management prescripts which were not effective due to a lack of adequate oversight in non-compliance.

10. RECOMMENDATIONS

The Portfolio Committee recommends that:

10.1 Statistics South Africa together with Minister in the Presidency for the Department of Planning, Monitoring and Evaluation should expeditiously finalise and table amendment of the Statistics Act (1999) to full Cabinet and later to Parliament since it has met all necessary Executive requirements. The amendments of the Act should firmly respond to the evolving environment, with particular emphasis on statistical coordination, the data revolution, a state-wide statistical service and institutional arrangements.

10.2 Vacancy rate of 19.3% should be drastically reduced by undertaking a recruitment drive to strengthen departmental workforce in order to continue producing quality, reliable and timeous statistics for the nation and international world.

10.3 Stats SA should, through additional allocation on Compensation of Employees budget, prioritise balancing its employment equity targets by ensuring capable women are appointed in senior management positions including 2% of people with disabilities.

10.4 Stats SA should develop and implement an action plan in order to ensure that the deficiencies identified in the 2021/22 financial year are addressed.

11. CONCLUSION

Statistics South Africa continues to play a critical role in South Africa and internationally. Statistical releases give meaning to the evidence-based policy making, decision making, planning and allocation of the budget in the country. The Department was able to spent almost its total allocated budgets and achieved set targets. The Department's allocated budget on the Compensation of Employees has to be efficiently spend by appointing competent people. The historical record on gender equity representative and 2% of people with disabilities in the department has to be given main priority when filling funded vacancies. The Committee notes that funding allocated to address budget shortfall to Stats SA was not sufficient to cover for budget deficit on Compensation of Employees over the Medium-Term Expenditure Framework. Stats SA should continue requesting additional budget allocation to stabilise the workforce in the department. Accountability within the Department has improved with responsible leadership and management.

During the year under review, Stats SA has embarked in preparation of the Census phase. The Committee welcomed and notes progress made thus far in conducting Census 2022 under tough conditions such as COVID-19 pandemic and Kwa-Zulu Natal Province floods which hampered collection of data. The Committee is looking forward for the release of Census 2022 report in the second quarter of 2023/24 financial year.

Report to be considered

7. BUDGETARY REVIEW AND RECOMMENDATIONS REPORT (BRRR) OF THE PORTFOLIO COMMITTEE ON PUBLIC SERVICE AND ADMINISTRATION: VOTE 12 OF THE PUBLIC SERVICE COMMISSION (PSC) 2021/2022, DATED 19 OCTOBER 2022

1. BACKGROUND

The Portfolio Committee on Public Service and Administration (hereinafter referred to as the Portfolio Committee) having considered the directive of the National Assembly, which is in line with Section 5 of the Money Bills Amendment Procedures and Related Matters Act, No. 9 of 2009 to consider and report on the Annual Report of the Public Service Commission (an Independent body) 12 October 2022 reports as follows:

2. INTRODUCTION

Parliament represents the people of South Africa and it has a responsibility to keep the government accountable to the people. Parliament derives its mandate from the Constitution of the Republic of South Africa. According to Section 55 (2) of the Constitution "the National Assembly must provide for mechanisms (a) to ensure that all executive organs of state in the national sphere of government are accountable to it; and (b) to maintain oversight of the exercise of national executive authority, including the implementation of legislation and any organ of state.

Parliament has developed and approved its Strategic Plan for the 06th democratic Parliament. The 6th Parliament reaffirmed its commitment to law making, oversight and public participation but also to its vision of being an activist and responsive people's Parliament that improves the quality of life of South Africans and ensures enduring equality in our society.

The strategic objectives of the Portfolio Committee are informed by five strategic goals of Parliament. The functions of the Portfolio Committee on Public Service and Administration are as follows:

- Participating and providing strategic direction in the development of the legislation and thereafter passing the laws.
- Conducting oversight over the Executive to ensure accountability to the Parliament towards achieving an effective, efficient, developmental and professional public service.

- Conducting public participation and engaging citizens regularly, with the aim to relating to the public sector.
- Monitoring the financial and non-financial aspects of departments and its entities and ensuring regular reporting to the Committee, within the scope of accountability and transparency.
- Supporting and ensuring implementation of the Public Service Commission (PSC) recommendations in the entire public service.
- Participating in international treaties which impact on the work of the Committee.

3. PURPOSE OF THE BUDGETARY REVIEW AND RECOMMENDATIONS REPORT

In terms of Section 5 of the Money Bills Amendment Procedures and Related Matters Act, No. 9 of 2009, the National Assembly, through its Committees, must annually compile Budgetary Review and Recommendations reports (BRRR) that assesses service delivery and financial performance of departments and may make recommendations on forward use of resources. The BRRR is also a source document for the Committee on Appropriations when considering and making recommendations on the Medium Term Budget Policy Statement.

The Money Bills Amendment Procedures and Related Matters Act, section 5 (3) highlights focus areas on the budgetary review and recommendation report as:

- Providing an assessment of the department’s service delivery performance given available resources.
- Providing an assessment of the effectiveness and efficiency of the departments use and forward allocation of available resources; and
- Including recommendations on the forward use of resources.

3.1 Method

The Portfolio Committee on Public Service and Administration compiled the 2021/22 BRRR using the following documents:

- The National Development Plan: Vision for 2030.
- Medium Term Strategic Framework 2019 - 2024.
- State of the Nation Address 2021/22.
- Strategic Plan of the PSC.
- National Treasury (2022) 4th Quarter Expenditure 2020/21 Financial Year.

- Annual Performance Plan (2021/22) of the PSC.
- Annual Report (2021/22) of the PSC.
- Auditor-General South Africa’s outcomes of audit findings 2021/22.
- The Portfolio Committee also met with the leadership and management of the PSC.

4. OVERVIEW OF THE PUBLIC SERVICE COMMISSION

The PSC is an independent institution established in terms of Chapter 10 of the Constitution. It derives its mandate from Section 195 and 196 of the Constitution, 1996, which set out the values and principles governing public administration, which should be promoted by the PSC, as well as the powers and functions of the PSC. The PSC is required by the Constitution to exercise its powers and to perform its functions without fear, favour or prejudice. The Constitution links the PSC’s independence firmly with its impartiality and no organ of state may interfere with the functioning of the PSC.

The PSC is vested with custodial oversight responsibilities for the Public Service and monitors, evaluates and investigates public administration practices. It also has the power to issue directions regarding compliance with personnel procedures relating to recruitment, transfers, promotions and dismissals. The PSC is accountable to the National Assembly and to Provincial Legislatures and must annually report on its activities and performance to these two institutions.

5. LEGISLATIVE MANDATE

The PSC is a constitutional oversight body, established in 1996, primarily to promote “a high standard of professional ethics in the public service”. The PSC operates in terms of the PSC Act 1997. The Act provides for the regulation of the PSC with regard to:

a) The constitution of the PSC.
b) Appointment of Commissioners.
c) Designation of the Chairperson and Deputy Chairperson.
d) Conditions of appointment of Commissioners.
e) Removal from office of Commissioners.
f) Functions of the PSC (inspections, inquiries, etc.)
g) Rules according to which the PSC should operate.
h) The Office of the PSC (OPSC); and
i) Transitional arrangements with regard to service commissions (created under the Interim Constitution).

6. STATE OF THE NATION ADDRESS

The key priority identified in the SONA 2021 for the PSC was: *Tackling Corruption and Building a Capable State.* SONA 2021 undertook to tackle corruption and build the capacity of the State by:

- Government establishing a "joint government and civil society working group charged with developing a national anti-corruption strategy and implementation plan, which was close to completion of this phase of its work. Government launched the strategy by mid-year (2020). Since the introduction of the Public Service Regulations 2016, there were reports that some public servants still conduct business with the State.
- Ensuring that Government would reinforce areas like ethics and anti-corruption, senior management and supply chain management, and deployment of managers to the coalface to strengthen service delivery.

7. STRATEGIC PRIORITIES FOR 2021/22

7.1 The policy priorities, as outlined in the Annual Performance Plan for 2021/22, were as follows:

7.1.1 Improvement of organisational performance

The PSC has placed emphasis on the improvement of organisational performance, doing more with less through various efficiencies, and improving on its audit outcomes. Over the past few years, much emphasis was placed on improving the turnaround time in dealing with grievances and public administration investigations through the review of standard operating procedures. The PSC will make significant efforts to improve the functionality of the Integrated Grievance and Complaints Management System, which is an automated case management system. The main advancement in 2021/22 was that analytical reports could be generated from the Data Warehouse where data is systematically collected in standardised formats for all departments. The reports can either be for a department, a sector or a specific indicator like 30-day payment of invoices.

7.1.2 Gender and Disability Mainstreaming

The Office of the Public Service Commission (OPSC) annually reviews and submits the Gender and Disability Mainstreaming Programme of Action to the DPSA. As at January 2021, the representation of females in the Senior Management Service (SMS) of the OPSC was 51% and at the Middle Management Service (MMS) it was at 47%. Although there is no Public Service-wide target for representation at the MMS, the OPSC believes that it can only attain the required target if a strong cohort of middle managers has the requisite skills and capacity to be promoted to the SMS.

7.1.3 Addressing challenges with office accommodation

The PSC has provincial offices in all the provinces, with a small complement of around 10 employees, supporting Provincially Based Commissioners in executing the mandate of the PSC in the provinces. The ergonomics of some provincial offices are not conducive to the occupational health and safety of employees, which is compounded by the additional COVID-19 requirements, yet the Department of Public Works and Infrastructure (DPWI) has been unresponsive to the PSC's attempts to address these issues. Some of the PSC's offices are also not in all respects compliant with the mandatory Minimum Physical Security Standards, due to a lack of responsiveness of the DPWI/ Landlords and a lack of financial resources.

7.1.4 Broad-based Black Economic Empowerment

The PSC has, since 2018/19, set performance standards in its Annual Performance Plan to measure the appointment of service providers who meet the B-BBEE requirements and have exceeded its target in this regard. When the PSC tabled its Adjusted Annual Performance Plan to Parliament in July 2020, the indicator was adjusted upwards from 10% to 40% of B-BBEE suppliers appointed to ensure that the PSC promotes the appointment of the B-BBEE suppliers in its procurement.

7.1.5 Looking into the impact on the operations of the Public Service

The COVID-19 experience has demonstrated that the Public Service can adopt hybrid modes of working and service delivery, thus reducing the need for daily commuting to the office by all employees. This also contributes towards reduced traffic, as well as water and electricity consumption at the office. On the contrary, the savings from the employer are likely to result in increased expenses for employees who work from home. In addition, hybrid modes of working highlight possible challenges on issues of employee health and safety for employees and the safety of the employers' assets whilst working from home and commuting with assets, such as computers, between home and the place of work. These issues necessitate the need to review various Public Service frameworks and policies.

7.1.6 Promoting ethical leadership and anti-corruption

The NDP Vision 2030 addresses the need for a developmental state that is capable, built on strong leadership, sound policies, skilled managers and workers, accountability and observance of the rule of law. The NDP adds that the capable state cannot materialise by decree, but that it has to be built, brick by brick, institution by institution, and sustained and rejuvenated over time.

The State of the Nation Address (SONA) 2021 highlighted that Government “had started implementation of the National Anti-Corruption Strategy, which lays the basis for a comprehensive and integrated society-wide response to corruption.” However, the Strategy is not new, it was initiated in September 2015. Its objectives were to:

- Rejuvenate a national dialogue and direct energy towards practical mechanisms to reduce corruption and improve ethical practice across sectors and amongst citizens in South Africa.
- Provide a robust conceptual framework and strategic pillars to guide anti-corruption approaches across relevant sectors in the country.
- Support coordination between government, business and civil society efforts to reduce corruption and improve accountability and ethical practice.
- Provide a tool for monitoring progress towards a less corrupt society.

Corruption is a major hindrance to good governance in the public sector. As a result, Government has tasked business, civil society and the public sector with tightening anti-corruption measures as part of a mechanism to prevent and curb corruption. However, it is evident that these mechanisms have not yielded much needed results due to the failure of governance that was observed in the procurement of Personal Protective Equipment during the COVID-19 pandemic, which involved both public servants and the private sector.

Conflict of interest is a major contributor to corruption in public institutions, with the foundation being the abuse of power, which erodes the moral fibre of society. In order to address the challenge of conflict of interest and abuse of power, the PSC needs to go back to the basics, such as recruitment processes, which should be thorough. This means when recruiting and selecting candidates, the public service needs individuals who are acutely aware of their public duty, which is to serve the people of South Africa. The PSC has thus commenced with a study on ethics in recruitment and selection processes in the Public Service.

8 PUBLIC SERVICE COMMISSION PROGRAMME PERFORMANCE

8.1 Budget Allocated and Expenditure 2021/22

The final appropriation budget for the PSC for the 2021/22 financial year was R273.8 million and actual spending amounted to R261.2 million which represents 95.4 per cent. For the year under review, the final appropriated budget was R286.3 million and actual spending amounted to R265.8 million or 92.8 per cent of the budget. The spending variance between the final appropriation and the actual expenditure was mainly due to vacant posts that drove underspending on the Compensation of Employees. On Goods and Services, there was underspending due to reasons attributed to savings generated on operational costs as a result of the Commissioner's vacant post and rotational work during the COVID-19 pandemic.

As at the end of the 2021/22 financial year, six of the fourteen posts of Commissioner were vacant. The details of these positions are as follows: a) Four posts at national level, 1 vacant from 25 April 2019 and 3 becoming vacant in January 2022) Two posts at provincial level: Mpumalanga, vacant from 1 April 2019; and Gauteng, vacant from 28 February 2022. Although the positions have been vacant for extended periods, the PSC has no control over the filling of these posts as the responsibility for the recruitment and selection process lies with the National Assembly and relevant provincial legislatures. The PSC has consistently engaged with The Presidency regarding these vacancies. The vacancies impact negatively on the operations of the PSC, as Commissioners are closely involved in the implementation of the mandate of the PSC in departments/ provinces.

As at 31 March 2022, the OPSC had a total of 5 employees employed additional to the establishment, included in the total number of 251 employees. The OPSC vacancy rate of 8% for the 2020/2021 increased to 10% in the 2021/22 financial year. The vacancy rate on salary levels 1 to 12 increased from 8% in the 2020/2021 reporting period to 9% in the 2021/22 reporting period whilst the vacancy rate on SMS level increased from 12% in the 2020/2021 reporting period to 14% in the 2021/22 reporting period.

For the year under review, critical SMS posts were filled, and the target of 50% women in SMS in the Commission was achieved. The OPSC met the national target of 2% for the employment of People with Disabilities out of the total staff establishment, there was a slight increase in the percentage of employment of PWDs from 1.99% in the 2020/2021 reporting period to 2.03% in the 2021/22 reporting period.

Appropriation per programme (R'000)

2021/22				2020/21		
Programme	**Final Appropriation R'000**	**Actual Expenditure R'000**	**(Over)/Under Expenditure R'000**	**Final Appropriation R'000**	**Actual Expenditure R'000**	**Over)/Under Expenditure R'000**
Administration	134 559	121 947	12 612	128 597	121 637	6 960
Leadership and Management Practice	49 773	49 728	45	47 308	47 272	36
Monitoring and Evaluation	44 267	41 668	2 599	40 382	38 543	1 839
Integrity and Anti-Corruption	57 672	52 428	5 244	57 493	53 704	3 789
TOTAL	**286 271**	**265 771**	**20 500**	**273 780**	**261 156**	**12 624**

PSC: Annual Report 2021/22

8.2 PROGRAMME PERFORMANCE

The PSC has four programmes which performed as follows:

8.1.1 Programme 1: Administration

The purpose of this Programme is to provide overall management of the PSC and centralised support services. This programme reported expenditure of R121.9 million (95.5 per cent) of its available budget as at the end of the fourth quarter of 2021/22. The main cost drivers were: Chief Financial Officer (R38,9 million), due to ensuring compliance with various pieces of legislation, as well as the procurement of the Data Warehouse from the State Information Technology Agency (SITA); followed by Peoples Management Practices (R24,9 million) that assists line management to implement operational excellence, which focused on re-engineering, culture change and capacity building; and Property Management (R23,2 million), which deals with office accommodation, fixed and movable assets.

The PSC has five planned targets under this programme. All four planned targets were achieved by the commission and only one was not achieved. One target not achieved was 100% of payment of valid invoices paid within 7-14 working days of receipt. Actually the target was achieved within 30 days of the PFMA prescripts, however not achieved within ambitious target of 7-14 working days of the commission.

8.1.2 Programme 2: Leadership and Management Practices

The Leadership and Management Practices (Programme 2) is responsible for promoting sound Public Service leadership, human resource management, labour relations and labour practices. The programme has two sub-programmes, namely: Labour Relations Improvement, and Leadership and Human Resource Reviews.

This programme reported actual expenditure of R49.7 million or 99.7 per cent of its 2021/22 budget allocation of R49.7 million as at the end of March 2022. The main cost driver is the sub-Programme Manager: Labour Management Practices (R24.2 million), which regulates management practices regarding labour peace. The other cost driver is Labour Relations Improvement (R16.0 million), due to the caseload of grievances and resolution to be dealt with. The programme had a total of five planned targets for the financial year, all of which were achieved. This translates into a 100 per cent achievement.

The PSC continued to play a critical role in investigating referred grievances that could not be resolved between departments and their employees and making recommendations. The PSC had 558 grievance cases registered on its database, which is a 17.6% reduction when compared with the 2020/21 statistics and a 30.8% reduction from the 2019/2020 figures. The decrease in the number of grievances lodged with departments and those referred to the PSC can be attributed to reduced contact between employees and supervisors due to hybrid working conditions.

The PSC further continued to finalise report on the Effectiveness of Continuous Employee Development in the Public Service. The findings and recommendations of the study will assist departments to develop and review their training and development policies in response to the current environment, especially skills development and the provision of systems and technological infrastructure to facilitate the adoption of the Fourth Industrial Revolution (4IR) platforms in order to support operations and service delivery.

8.1.3 Programme 3: Monitoring and Evaluation

The main purpose of the programme is to improve the functionality of the Public Service through institutional and service delivery evaluation. This programme reported actual expenditure of R41.6 million or 97 per cent of its 2021/22 budget allocation of R44.3 million as at the end of March 2022. The main cost driver is the Programme Manager: Monitoring and Evaluation (R23.2 million), which monitors service delivery culture within the Public Service. The programme had a total of six planned targets for the financial year, all of which were achieved. This translates into a 100 per cent achievement.

The programme establish sound and good governance in the public service remains one of the focus area of the commission. The Commission has evaluated the constitutional principles and a particular focus was given to the principles of “public participation and “development orientation” during 2021/22 financial year. The purpose was to determine departments’ application of the principles with the overall aim of effecting changes to public administration practices.

The PSC held engagements with various Executive Authorities in order to provide the commission’s assessment of the portfolios under Ministries, highlight areas of urgent attention and build working rapport.

With regard to the National Anti-Corruption Hotline, the commission data warehouse has been maintained 100% updates on NACH data sets. Various reports have been generated. The Commission continue to conduct announced and unannounced inspections of service delivery sites to evaluate service delivery from the perspective of citizens and identified service delivery challenges that can be addressed immediately. In 2021/22, the commission conducted unannounced inspections at selected Home Affairs service sites across the nine provinces at 58 sites to assess the level of accessibility and the extent to which services have been modernised to ensure the eradication of backlogs and long queues. In addition, 30 announced and unannounced inspections were conducted in schools, health facilities and Police Stations.

The Commission continued to monitor performance of departments in terms of payment of invoices of suppliers within the 30-day timeframe as per the National Treasury PFMA regulations. Quarterly monitoring articles produced were published in the PSC’s PULSE to highlight the plight of Small Medium and Micro Enterprises on the payment of service providers. The Commission further continued to promote constitutional values and principles. It held 26 engagements for the period under review through its active participation in dialogues and webinars hosted as part of 2021 strategic plan and the Public Service Month.

8.1.4 Programme 4: Integrity and Anti-Corruption

The Integrity and Anti-Corruption programme is responsible for undertaking public administration investigations, promoting a high standard of professional ethical conduct amongst public servants and contributing to the prevention and combating of corruption.

This programme reported actual expenditure of R52.4 million or 95.5 per cent of its 2021/22 budget allocation of R57.7 million as at the end of March 2022. The main cost drivers are the Programme Manager: Integrity and Anti-Corruption (R22.5 million), which monitors corrupt practices within the Public Service and the Professional Ethics (R20.4 million) promoting professional ethics in the Public Service by managing integrity systems and conducting research on the effectiveness of ethics promotion in the Public Service. The programme had a total of six planned targets for the financial year, all of which were achieved. This translates into a 100 per cent achievement.

The Commission under the programme undertakes investigations into personnel and public administration practices. Complaints regarding alleged unethical conduct and irregularities are investigated. There were 409 complaints on the database of which 254 (62%) were finalised and the remaining 155 cases (38%) were in progress. Out of 255 complaints finalised, 184 cases were handled in terms of Early Resolution and the remaining 70 cases were investigated by the PSC. Of the 70 cases investigated, 65 complaints (93%) were finalised within 90 working days upon receipt of all relevant information and documents.

Complaints handled in the 2021/22 financial year were predominantly related to irregularities regarding human resource and procurement practices. In the 2021.22 financial year, complaints relating to personnel practices increased slightly to 201 cases compared to 185 in the 2020/21 financial year. Emanating from investigations into the regularity of appointments and in instances where allegations were found to substantiated, the commission made recommendations to Executive Authorities to facilitate the institutions of disciplinary action and approach the Court to rectify such irregular appointments.

Complaints related to Public Administration Practices has increased from 149 cases in the 2020/21 financial year to 208 in 2021/22. The increase could be ascribed to the fact that the public is more aware of the PSC and its investigative function. More complaints relating to irregularities of SCM processes and procedure are being reported. During the year under review, a comprehensive review into the handling of complaints was conducted.

The Commission continued to manage systems to promote and strengthen integrity in the public service such as the Financial Disclosure Framework for senior managers and the NACH. The PSC received in total 9690 (98%) of the 9899 financial disclosure forms that were expected as per the due date. Based on the scrutiny, the financial disclosure revealed that there are still SMS members in both the national and provincial departments who failed to disclose their interest in private and public companies. This contravene Regulation 19 of the Public Service Regulation.

The public service had a total number of 1491 SMS members with interests in companies. It was discovered that 581 of the SMS members did not disclose their financial interest in companies. The majority of the SMS were in national departments, with 376 SMS and the provincial departments had 195 cases. Among the SMS members who fail to disclose their financial interest in directorship and companies are three Directors-General in national departments and one HOD in the provincial government.

The Commission received 1563 complaints were lodged with NACH. Of the 1563 complaints lodged, 1350 complaints were lodged through the Call Centre and 179 complaints were lodged through email, fax, post and website.

9 AUDITOR GENERAL'S REPORT

9.1 Auditor-General Opinion

The Auditor-General (AG) have audited financial statements of the PSC set out on pages 138 to 223, which comprise the appropriation statement, statement of financial position as at 31 March 2022, the statement of financial performance, statement of changes in net assets, and cash flow statement for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

The AG'S opinion, the financial statements present fairly, in all material respects, the financial position of the PSC as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with the Modified Cash Standard (MCS) as prescribed by National Treasury and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

9.2 Compliance with legislation

In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the department's compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the department's compliance with legislation.

9.3 Internal control

The Auditor-General considered internal control relevant to the audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The Auditor-General did not identify any significant deficiencies in internal control.

10 FINDINGS AND OBSERVATIONS

The Committee made the following observations:

10.1 The Committee notes and commends Public Service Commission for receiving clean audit outcomes for the 2021/22 financial year in consecutive years.

10.2 The Committee notes and compliments the PSC for achieving almost all set targets of the Annual Performance Plan for 2021/22 financial year. The PSC had 23 targets, 22 of which were achieved. This represents 96 per cent achievement of targets. Target on payment of valid invoices within 30 days of receipt was partially achieved within the PSC set targets but remain achieved within the requirement of the PFMA regulations.

10.3 The Committee notes the PSC's initiative on the legislative reform project intending to introduce to Parliament a Bill that will allow the Commission to be supported by a Secretariat that is independent of government in order to strengthen its independence. The PSC has concluded with sixth version of the legislative amendments which include the socio-economic impact assessment which will determine the efficacy of legislation. Thereafter, the Cabinet will approve for tabling in Parliament before March 2023.

10.4 As per Section 196 (10) concerning the renewable of one additional term of the Commissioner, the Committee urged the Public Service Commission to develop framework to measure performance of individual commissioner in order to have smooth process during the renewability of contract of commissioners in both national and provinces.

10.5 The vacancy rate of Commissioners at National and some provinces was a concern to the Public Service Commission since this posts result in underspending of budget over the past two financial years. The Committee was urged to fast track the appointment of one National Commissioner which was vacant since 2019/20 financial year. The Committee was of the view that vacant National Commissioner post has to be filled before March 2023.

10.6 The PSC fully advocates for the review of term of the DGs/HODs contract from five years to 10 years as proposed in the National Framework for Professionalising the Public Service only if they are appointed based on merits and capabilities.

10.7 The Committee notes that the public service had a total number of 1491 SMS members with interests in companies. It was discovered that 581 of the SMS members did not disclose their financial interest in companies. Among the SMS members who fail to disclose their financial interest in directorship and companies are three Directors-General in national departments and one HOD in the provincial government.

11 RECOMMENDATIONS

The following recommendations are proposed:

11.1 The Public Service Commission in collaboration with the Minister of Public Service and Administration should fast track the finalisation of the draft Public Service Commission amendments Bill, which aims at strengthening the independence of the Commission through operating with its own administration outside of the Public Service Act. The Bill should be tabled in Parliament before March 2023, to allow the Committee ample time to process it.

11.2 The Public Service Commission should swiftly develop "Framework on the Renewability of the Commissioner Contract" as stipulated in Section 196 (10) of the Constitution and engage with the Presidency and Parliament on the document for the approval. Since each commissioner is responsible for a specific focus area, it would be easy for Parliament and Provincial legislatures to assess performance.

11.3 The Portfolio Committee should make follow up with the National Assembly tabling on one National Commissioner post and make determination as to whether the Committee should re-advertise or not. The National Commissioner vacant post should be filled before March 2023.

11.4 The Portfolio Committee should write a letter to the Speaker Office, requesting the Speaker to intervene on the Mpumalanga Commissioner post which has been vacant since April 2019. A letter should be written to the Office of the Premier and Mpumalanga Provincial Legislature to request expedition of the recruitment process as this contravene Section 4 (6) of the Public Service Commission Act of 1997.

12 CONCLUSION

The PSC was able to spent almost its entire allocated budget whilst achieving almost all its targets, which is commendable. Its performance during the year under review was thus proportionate to budget spent. Accountability within the PSC has improved with responsible leadership and management.

Report to be considered

8. BUDGETARY REVIEW AND RECOMMENDATIONS REPORT (BRRR) OF THE PORTFOLIO COMMITTEE ON PUBLIC SERVICE AND ADMINISTRATION: VOTE 07 OF THE NATIONAL SCHOOL OF GOVERNMENT ANNUAL REPORT FOR THE 2021/22 FINANCIAL YEAR, DATED 19 OCTOBER 2022

1. BACKGROUND

The Portfolio Committee on Public Service and Administration (hereinafter referred to as the Portfolio Committee) having considered the directive of the National Assembly, which is in line with Section 5 of the Money Bills Amendment Procedures and Related Matters Act, No. 9 of 2009 to consider and report on the Annual Report of the National School of Government (NSG) 12 October 2022 reports as follows:

2. INTRODUCTION

Parliament represents the people of South Africa and it has a responsibility to keep the government accountable to the people. Parliament derives its mandate from the Constitution of the Republic of South Africa. According to Section 55 (2) of the Constitution “the National Assembly must provide for mechanisms (a) to ensure that all executive organs of state in the national sphere of government are accountable to it; and (b) to maintain oversight of the exercise of national executive authority, including the implementation of legislation and any organ of state.

Parliament has developed and approved its Strategic Plan for the 06th democratic Parliament. The 6th Parliament reaffirmed its commitment to law making, oversight and public participation but also to its vision of being an activist and responsive people’s Parliament that improves the quality of life of South Africans and ensures enduring equality in our society.

The strategic objectives of the Portfolio Committee are informed by five strategic goals of Parliament. The functions of the Portfolio Committee on Public Service and Administration are as follows:

- Participating and providing strategic direction in the development of the legislation and thereafter passing the laws.

- Conducting oversight over the Executive to ensure accountability to the Parliament towards achieving an effective, efficient, developmental and professional public service.
- Conducting public participation and engaging citizens regularly, with the aim to strengthen service delivery; oversee and review all matters of public interest relating to the public sector.
- Monitoring the financial and non-financial aspects of departments and its entities and ensuring regular reporting to the Committee, within the scope of accountability and transparency.
- Supporting and ensuring implementation of the Public Service Commission (PSC) recommendations in the entire public service.
- Participating in international treaties which impact on the work of the Committee.

3. PURPOSE OF THE BUDGETARY REVIEW AND RECOMMENDATIONS REPORT

In terms of Section 5 of the Money Bills Amendment Procedures and Related Matters Act, No. 9 of 2009 the National Assembly, through its Committees, must annually compile Budgetary Review and Recommendations reports (BRRR) that assesses service delivery and financial performance of departments and may make recommendations on forward use of resources. The BRRR is also a source document for the Committees on Appropriations when considering and making recommendations on the Medium Term Budget Policy Statement.

The Money Bills Amendment Procedures and Related Matters Act, section 5 (3) highlights focus areas on the budgetary review and recommendation report as:

- Providing an assessment of the department's service delivery performance given available resources.
- Providing an assessment of the effectiveness and efficiency of the departments use and forward allocation of available resources; and
- Including recommendations on the forward use of resources.

3.1 Method

The Portfolio Committee on Public Service and Administration compiled the 2021/22 BRRR using the following documents:

- The National Development Plan: Vision for 2030.
- Medium Term Strategic Framework 2019 - 2024.
- State of the Nation Address 2021/22.
- Strategic Plan of the NSG.
- National Treasury (2022) 4th Quarter Expenditure 2021/22 Financial Year.
- Annual Performance Plan (2021/22) of the NSG.
- Annual Report (2021/22) of the NSG.
- Auditor-General South Africa's outcomes of audit findings 2021/22.
- The Portfolio Committee also met with the leadership and management of the NSG.

4. OVERVIEW OF THE NATIONAL SCHOOL OF GOVERNMENT

The National School of Government (NSG) draws its mandate from the Constitution, and with particular reference to 195(1) (h), which stipulates that: "good human resource management and career-development practices, to maximise human potential, must be cultivated". The applicability of this, and the other values and principles to the three spheres of government, organs of state and public enterprises indicates the requisite depth and the reach of the NSG in order to fulfil this constitutional mandate.

The NSG has to ensure that all of the basic values and principles are inculcated into the value system and performance of all public servants and representatives through education, training and development (ETD) initiatives. It does so through its curriculum design, development and delivery approach with the practical application of participatory, people-centred methodologies and the application of indigenous facilitation and learning techniques during the ETD initiatives, in building a caring ethos and citizen-centred service delivery focus amongst public servants. This approach consciously focuses on the application of the principles and values of the Constitution and the realisation of the public administrative justice to all whom we serve.

5. LEGISLATIVE MANDATE

Section 197 of the Constitution provides for a public service within public administration, which must function, and be structured, in terms of *national legislation*, and which must loyally execute the lawful policies of the government of the day. The NSG, as a national public service department, thus draws its mandate from national legislation – the Public Service Act, 1994 (Proclamation 103 of 1994), as amended. This is the core mandate which establishes the NSG for it to fulfil a function of providing training or causing the provision of training to occur within the public service. Accordingly, section 4 of the Act provides the following mandate:

(1) There shall be a training institution listed as a national department (in Schedule 1 of the Act).
(2) The management and administration of such institution shall be under the control of the Minister (Public Service and Administration).
(3) Such institution, shall provide such training or cause such training to be provided or conduct such examinations or tests or cause such examinations or tests to be conducted as the Head of the institute may with the approval of the Minister decide or as may be prescribed as a qualification for the appointment or transfer of persons in or to the public service. The School may issue diplomas or certificates or cause diplomas or certificates to be issued to persons who have passed such examinations.

Whilst this piece of legislation empowers the NSG to fulfil its mandate, the limitation of the Public Service Act is that it is applicable to the national and provincial spheres of government. Another piece of enabling legislation - Public Administration Management Act, 2014 (Act No. 11 of 2014) - gives effect, *inter alia*, to the progressive realisation of the values and principles governing public administration across the three spheres of government.

6. STRATEGIC GOALS OF THE NSG

The NSG set five strategic outcomes for achievement over the five-year period. The performance of these outcomes in this financial year include the following:

6.1 **Outcome 1: Functional and integrated institution**

The objective of this outcome is to ensure that the NSG has the appropriate resources, systems and processes to enable the integrated delivery of Education, Training and Development (ETD) intervention. The performance of the outcome is measured through some of the following outputs:

- Implementing an operations management systems and a total quality management system.
- Implementing ICT business solutions.
- Ensuring effective financial management systems.
- Positioning the brand of the NSG.
- Effective research and knowledge management for ETD.

6.2 Outcome 2: Competent public servants who are empowered to do their jobs

The objective of the outcome is to ensure that public servants are empowered to do their jobs through the ETD interventions. The performance of the outcome is measured through some of the following outputs:

- Providing ETD opportunities to learners through compulsory and demand-led programmes and induction programmes.
- Completing skills assessment reports on training needs for relevant ETD interventions.
- Developing courses/ programmes/ interventions responsive to identified skills gaps and government priorities.

6.3 Outcome 3: Sustainable partnership and collaboration to support ETD interventions

The objective of the outcome is to ensure that trainees satisfied that NSG's ETD interventions are responsive to government priorities and performance improvement in the public sector. The performance of the outcome is measured through some of the following outputs:

- ETD interventions offered to public servants.
- Active online interventions.
- Developing an online course/programme on how to deal with all forms of discrimination.

7. Strategic Priorities 2021/22

The key strategic priorities of the Vote set for 2021/22 were:

7.1 Delivering on the compulsory and mandatory courses, as mandated by Cabinet

Delivering on the compulsory and mandatory courses is in line with the vision of the NDP: Public Service and Outcome 12.2 of the MTSF, which states that the public service must have sufficient technical and specialist professional skills. Skills deficits and insufficient attention to the role of the

State in producing the skills remains a challenge. To this end Government, through the Public Administration Management Act, No. 11 of 2014, rebranded and transformed the Public Administration Leadership and Management Academy (PALAMA) into the National School of Government (NSG). The School offers training programmes tailor-made for the upskilling and re-skilling of public servants. Unlike before this provision was introduced, all public servants, including senior managers, have to undergo compulsory induction when they join the public service. The online programme – Nyukela - went live on 15 July 2019, as a compulsory offering in response to the Directive on minimum entry requirements for the SMS. There have been more than 7 000 enrolments for the programme, with more than 2 400 having successfully completed.

7.2 Undertaking knowledge management, research and case study development

In line with this strategy, the School undertook the following activities:

7.2.1 All NSG courses and programmes were aligned to government policy frameworks seeking to address quality service delivery.

7.2.2 The NSG undertook individual training needs analyses within departments and analyses of oversight reports (Auditor-General) to identify ways to improve in all areas of weaknesses /challenges of departments.

7.2.3 The NSG revamped its Batho Pele courses to be citizen-centred and worked with the Public Service Commission to mainstream the Constitutional Values and Principles (CVPs) in all its courses.

7.3 Reviewing the NSG curriculum in line with the Public Service Qualifications Matrix to support the career pathing and reskilling of public servants

The School performed the following activities:

- Revamped the BB2E programme to support the Formal Graduate Recruitment Scheme in the public service.
- Rolled out a suite of Supply Chain Management programmes for public service and local government to strengthen government capacity to support job creation and localisation.
- Rolled out the course on *Leading Innovation in the Public Service*. Furthermore, worked with the Centre for Public Service Innovation (CPSI) to develop a strategy for the reskilling of public servants to mitigate the opportunities and threats of the Fourth Industrial Revolution (4IR).
- Collaborated with the Government's Information Technology Officers Council (GITOC) to develop a programme for *Chief Information Officers* in the Public Service.

- In support of the National Health Insurance (NHI) implementation, the NSG prepared itself to roll out targeted training programmes for nursing personnel, including the Compulsory Induction Programme; Managing Performance in the Public Service; Citizen Centred Service Delivery; and Excellent Customer Care for Frontline Service.

7.4 Addressing the NSG funding model and financial position

Since the School's current funding consists of partial funding appropriated by Parliament and income derived from cost recovery through training course fees, which is managed in the Training Trading Account (TTA), the School is required to recover all costs associated with the training of staff sent by the departments for training. This includes costs associated with developing materials, marketing, logistics, and infrastructure for the School. The School has a challenge to improve in this area since the pandemic has affected its revenue generation strategy, due to the challenge of numbers required to gather in one place at a time for training and social distancing.

8 NATIONAL SCHOOL OF GOVERNMENT PROGRAMME PERFORMANCE

8.1 Budget Allocated and Expenditure 2021/22

The National School of Government has spent R207.5 million of the total allocated budget of R214.2 million as at March 2022. The full budget appropriation for the year 2021/22 was R214.2 million which was a 6% decrease from the R227.4 million allocation received in 2020/21. A saving of 3.2% i.e. R6.7 million was realised at the end of the financial year. The main cost driver under this Vote was the following: Public Sector Organisation and Staff Development with R103 423 million and Administration with R110 874 million.

The School operates a Trading Account for its training operations. The Department submits separate financial statements for the NSG Training Trading Account (TTA), a trading entity established in terms of the Public Finance Management Act (PFMA) of 1999. The total revenue (including the transfer of funds from the vote appropriation for the financial year (2021/22) increased by R50.7 million from R157.7 million (2021/22) to R208.6 million (2021/22). The transfer of funds from the Vote to Trade decreased by 21.14% from R125.5 million (2020/21) to R103.4 million (2021/22).

The approved NSG staff establishment was 229, with 204 of these positions filled and 25 vacant as at March 2022. This translates to 89 per cent of posts filled as at the end of financial year. The vacancy rate increased from 9.1 per cent in 2020/21 to 11 per cent by the end of 2021/22. The increase was due to the restructuring process the NSG was undertaken. Of 204 employed staff, 58% (120) were females as at end of the 2021/22 financial year. The School continue to meet employment targets of people with disabilities, representing 2.5 percent of employees. In terms of employment equity targets, 51.2 percent of SMS members are women. The School has absorbed 29 interns since 2009/10 to date in the permanent employment at the NSG.

Appropriation per programme (R'000)

2021/22				2020/21		
Programme	Final Appropriation R'000	Actual Expenditure R'000	(Over)/Under Expenditure R'000	Final Appropriation R'000	Actual Expenditure R'000	Over)/Under Expenditure R'000
Administration	110 874	104 079	6 795	101 828	96 024	5 804
Public Sector Organisation and Staff Development	103 423	103 423	0	125 579	125 579	0
TOTAL	214 297	207 502	6 795	227 407	221 603	5 804

NSG: Annual Report 2021/22

8.2 PROGRAMME PERFORMANCE

The NSG comprises two programmes, which are as follows:

8.2.1 Programme 1: Administration

The purpose of this Programme is to provide strategic leadership, management and support services to the School. The programme spent R104.0 million of the allocated budget of R110.8 million. The main cost driver under this programme were as follows; Corporate Services (R75.1 million), Management (R19.5 million) and Property Management (R16.2 million). The programme had a total of 6 planned targets for the financial year, all 6 were achieved which translates to 100% achievement.

The achievement of the planned targets was attributed towards ensuring a functional integrated institution. The development of documents such as the Total Quality Management plan was critical as it will contribute towards supporting the improvement of systems and services offered by the NSG and ensure that they meet the desired standards. The implementation of communication and marketing strategy has contributed in increasing awareness of the NSG in terms of the ETD interventions offered by the school within the public sector. The NSG focused on strengthening the protection of information and ICT software against cybercrime attacks. In this regard the NSG implemented the following ICT solutions which are Sophos Advanced Threat Protection and Sophos Firewall for NSG Data Centre.

8.2.2 Programme 2: Public Sector Organisational and Staff Development

The Public Sector Organisational and Staff Development (Programme 2) is responsible for facilitating transfer payments to the Training Trading Account, which provides education, development and training to public sector employees. The programme spent R103.4 million of the amount generated through Training Trading Account. The programme had a total of 22 planned targets for the financial year, of which 20 targets were achieved, and the annual performance translated to 91% achievement. The targets not achieved were as a result of low uptake with the paid courses which impact on the revenue generation for the period under review. The second target not achieved was as a result of the SMS training on Anti-Discrimination that was not done due to the low enrolment of senior managers post circulation by DPSA.

The achievements for the programme includes the development of the Post-Graduate qualification for the NSG that will focus on Public Administration and Leadership within the public service. Eight programmes/courses were developed/reviewed. The development of the National Implementation Framework on the Professionalisation of the Public Service. The NSG held Thought Leadership seminars and platforms in partnership with public and private institutions which enabled recognition of the NSG in the public domain.

In the year under review, the NSG and the World Economic Forum (WEF) signed a Cooperation Agreement. The objective of the landmark partnership is to support public sector initiatives through access to a wide array of research, insight, publications, rich media, and data for policy development, forecasting, decision-making. The School has generated R98.7 million in revenue and other funding sources generated by March 2022. In terms of positioning the brand, 50% of business development interventions resulting into opportunities for the uptake of the NSG offerings by March 2022. The School further developed framework for performance management system for ETD practitioners. A total of 86 687 learners trained on compulsory and demand-led ETD intervention.

9 AUDITOR-GENERAL

9.1. Audit Opinion

The Auditor-General have audited the financial statements of the National School of Government (NSG Vote) set out on pages 73 to 120 which comprise the appropriation statement, statement of financial position as at 31 March 2022.

The AG opinion, view the financial statements presented fairly, in all materials respects, the financial position of the National School of Government as at 31 March 2022 and its financial performance and cash flows for the year ended in accordance with the Modified Cash Standard (MCS) as prescribed by National Treasury and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

9.1.1 The Auditor-General raised the following concerns

The AG performed procedures to determine whether the reported performance information was properly presented ad whether performance was consistent with the approved performance planning documents. The AG performed further procedure to determine whether the indicators and related targets were measureable and relevant and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

The AG did not identify any material findings on the usefulness and reliability of the reported performance information for programme 2.

9.2.2 Internal Control

The Auditor-General South Africa considered internal control relevant to audit of the financial statements, reported performance information and compliance with applicable legislation, however, the AG objective was not to express any form of assurance on it. The AG did not identify any significant deficiencies in internal control.

10 OBSERVATIONS AND KEY FINDINGS

The Committee made the following observations:

10.1 The Committee notes and commends the National School of Government for receiving clean audit outcomes for the 2021/22 financial year. The School achieved 26 targets of the total of 28 performance targets in the annual performance plan which translate to 93% achievement of planned targets.

10.2 The NSG played pivotal role in the development of the Draft National Implementation Framework towards the Professionalisation of the public service. The Committee notes progress made whereby the School facilitated the public consultations on and peer review of the Framework in order to finalise recommendation to Cabinet for the adoption of a final framework. The Committee commends the School for developing such a magnificent framework to ensure administration in government is competent and well-oiled machinery to deliver on the aspiration of the citizens.

10.3 The Committee notes a high uptake rate on Nyukela programme since it was introduced as a mandatory training programme for all senior management. The School had enrolled a total of 9 878 public servants for the course and 6168 had successfully completed. More public servants are encouraged to enrol for the programme in order to prepare themselves for future responsibility in senior management.

10.4 With regards to the Ethics Course, the Committee notes increase of the enrolment of a total of 38 006 enrolled and 30 185 successfully completed the course in March 2022. Ethics Courses helps public servants to have moral legitimacy of their decisions, enabling them to apply moral principles and values in business decision-making.

10.5 The School vacancy rate was slightly beyond acceptable 10% level due to restructuring process. The Committee notes that the vacancy rate at Senior Management Service (SMS) was at 12.8 per cent. This is not the aggregate percentage across employee levels, just at the SMS level. The vacancy rate needs urgent attention in the subsequent financial year.

10.6 During COVID-19 pandemic, the School developed business model and adopted a training response plan with the aim of increasing online and virtual learning offerings, securing licensing for virtual tools and finding other alternative features of delivery on its mandate. The Committee notes an alarming increase on the uptake of online courses offered by the National School of Government. Meaning public servants prefer the online course which are more convenient and save costs of accommodation as well as traveling than face to face courses. However, the School does not mean is doing away with face to face training courses.

10.7 The National School of Government has to continue engaging with the National Treasury on its Funding and Sustainability Model. The Committee notes that a discussion document has been developed and will be submitted to the FOSAD Cluster and Cabinet before the end of the financial year 2022/23. The discussion document is part of the Repositioning of the National School of Government.

11 RECOMMENDATIONS

The following recommendations are proposed:

11.1 The School together with the Department of Public Service and Administration should continue to engage the National Treasury in exploring alternative funding methods to ensure that the NSG is self-sustainable in the future years. The School proposal should be allowed by the National Treasury and Cabinet which seek government departments including local government to set aside a particular percentage of their training budget to fund the National School of Government training courses.

11.2 The School together with the Department of Public Service and Administration should ensure alignment of the National Framework on the Professionalisation of the Public Service with the amendments of the Public Service Act before approval by the Cabinet and tabling to Parliament.

11.3 The School together with the Department of Public Service and Administration should continue to enforce and monitor compliance of the government departments senior management posts to ensure Nyukela programme remain the entry requirement when filling funded vacancies as part of professionalizing the public service.

11.4 All senior management should enroll for the Nyukela programme irrespective of being employed prior the implementation of the programme. This would ensure uniformity in terms of the knowledge acquired through the Nyukela programme.

11.5 The School should urgently improve on its Senior Management Service vacancy rate at 12.8 per cent, as this affects the strategic and policy component of the institution, as well as service delivery itself.

11.6 The National School of Government should continue strengthening its internal control system to avoid regressing from clean audit outcomes.

12 CONCLUSION

The National School of Government continues to rollout courses and training programmes relevant to government officials from entry level to senior management and the Executive. Education, Training and Development programmes offered by the School assist public officials to enhance performance and contribute towards a capable and professional public administration. The Funding Model should be prioritised by the School in order to keep it afloat. Accountability within the School has improved immensely with responsible leadership and management.

Report to be considered