



3 October 2018

## **SUMMARY AND ANALYSIS: CASTLE CONTROL BOARD ANNUAL REPORT 2017/18**

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## 1. BACKGROUND

The mandate of the Castle Control Board (CCB) is derived from the Castle Management Act, 1993 (No. 207 of 1993) which requires it to preserve and protect the military and cultural heritage of the Castle of Good Hope (CGH)<sup>1</sup>, South Africa's oldest architectural structure<sup>2</sup> - on behalf of the Minister of Defence and Military Veterans. Both the National Heritage Resources Act (No. 25 of 1999) and the Defence Endowment Property and Account Act (No. 33 of 1992) also cover certain aspects of the mandate.<sup>3</sup>

The CCB's predetermined objectives are as follow:

- Administration and Good Corporate Governance;
- Preservation, Interpretation and Showcasing of the History of the Castle;
- Maximising the Tourist Potential; and
- Increased Public Profile and Positive Perception Across all Sectors of the Community.<sup>4</sup>

## 2. STRATEGIC OVERVIEW

### 2.1 Strategic Outcome oriented goals

The 2017 Annual Performance Plan (APP) of the CCB referred to its Strategic Outcome oriented goals as:

- To ensure effective administrative management in terms of corporate governance and professional competent corporate image towards optimal resource support and public relations.
- To develop the museum and interpretative components of the Castle and its related themes through continuous research and development.
- To ensure promotion of the Castle as a must-see and vibrant tourist destination accessible to all the citizens of South Africa and the world.
- To ensure the accessibility of the Castle as an attractive and user-friendly centre of cultural significance by all sectors of the community.<sup>5</sup>

### 2.2 Highlights

The Chairperson of the CCB highlighted the following:

- Second consecutive clean audit from the Auditor-General.
- The roll-out of the first phase of the R4,50 million "subsidy" for maintenance and repair work;
- An increase in revenue from R3,99 million in the previous year to R5,82 million;
- An associated record increase in visitors' numbers – from 195 445 in the previous to 232 129 in the 2017/18 financial year;
- The commissioning of the first-ever Integrated Conservation Management (ICMP) for the Castle of Good Hope;
- The PMR Africa Diamond Award (highest) to the CCB team for living out their values of integrity, competence, initiative, strategy and hard work; and

1 CCB, 2017. Castle Control Board Annual Performance Plan, FY 2017. p. 10

2 Castle Control Board Annual Report 2016/17. p. 15.

3 CCB, 2017. Castle Control Board Annual Performance Plan, FY 2017. p. 10

4 CCB, 2018. Castle Control Board Annual Report FY2017/18. p.5

5 CCB, 2018. Castle Control Board Annual Report FY2017/18. p. 14



- The CCB making impactful heritage research contributions at the Grahamstown Festival (July 2017), The Southern African Museum Association in Cape Town (October 2017) and the Galle Literary Festival in Sri Lanka (January 2018).<sup>6</sup>

### 2.3 Challenges

These include the following:

- Managing negative perceptions caused by hitherto unfounded claims of corporate infringements against the CCB and the winding down of the Castle Military Museum Foundation;
- The glaring shortcomings and contradictions in the Castle Control Board's founding Act through an urgent and thorough legislative review;
- The institutional and governance arrangements of the Castle Control Board *inter alia* the composition of its Board, the signing of a shareholder's agreement with the Ministry and the activating of the partnerships with other government departments;
- Marketing and promoting the Castle of Good Hope not only as a heritage-educational site but also as a highly sought-after venue open for tourism, conference and events business whilst ensuring that these two elements are well-balanced;
- The safety and security concerns of staff and visitors to the Castle; and
- Finalising the space-allocation, utilisation and sustainability of the Castle Control Board.<sup>7</sup>

#### Comments and Questions:

- The CCB should provide more information on the negative perceptions against it, plans to address the perceptions and progress made with it.
- How can the "*signing of a shareholder's agreement with the Ministry and the activating of the partnerships with other government departments*" be viewed as challenges/risks?
- What progress has been made to ensure the safety and security concerns of staff and visitors to the Castle?
- Related to the safety and security concerns, has the issue of the discipline of SANDF staff guarding the Castle been adequately addressed?
- Has any progress been made with finalising the space-allocation, utilisation and sustainability of the Castle Control Board?
- It can be questioned whether the R4.5 million 'subsidy' can be viewed as a highlight given that the Castle's revenue has increased and that previously its financial position was sufficient to build up a historic surplus of over R13 million. The request for a ring-fenced annual operational subsidy of R4.5 million from the DOD, should be engaged thoroughly against the background of the CCB's performance over the last three years. Issues to consider are the enhanced media coverage which was exceeded by 488 million;<sup>8</sup> the increase in the staff component; increase in expenditure and the deficit; and the increase of revenue and the dwindling accumulated surplus. It should be noted that prior to the appointment of the CEO and the CFO, the Castle was self-sustainable and able to have a surplus of over R13 million.<sup>9</sup>

<sup>6</sup> CCB, 2018. Castle Control Board Annual Report FY2017/18. p. 3

<sup>7</sup> CCB, 2018. Castle Control Board Annual Report FY2017/18. p. 3

<sup>8</sup> CCB, 2018. Castle Control Board Annual Report FY2017/18. p. 18

<sup>9</sup> Summary and analysis of the Annual Report of the CCB for FY 2016/17.



### 3. OVERVIEW AND ASSESSMENT OF FINANCIAL PERFORMANCE

#### 3.1 Financial Performance for the 2017/18 Financial Year

The CCB had an *underspending* of R85 000 for the FY 2017/18 against an underspending of R1 726 000 in the previous financial year. This is mainly due to the overspending of R118 000 and R24 000 in Programmes 1 and 2 respectively.<sup>10</sup>

**Table 1: Budget for FY2017/18**

Programme	2015/16		2016/17		2017/18		(Over)/Under Expenditure
	R'000 (R thousand)		R'000 (R thousand)		R'000 (R thousand)		
	Budget	Actual Expenditure	Budget	Actual Expenditure	Budget	Actual Expenditure	
Administration	5 091	5 658	6 637	8 010	7 683	7 565	118
Conservation	1 950	282	369	260	528	570	(42)
Tourism Promotion	130	10	41	30	63	39	24
Public Access	330	1 476	1 167	1 640	264	279	(15)
<b>Total</b>	<b>7 501</b>	<b>7 426</b>	<b>8 214</b>	<b>9 940</b>	<b>8 538</b>	<b>8 453</b>	<b>85</b>

**Table 2: Revenue FY 2017/18<sup>11</sup>**

Source of revenue	2015/16		2016/17		2017/18		
	Estimate	Amount collected	Estimate	Amount collected	Estimate	Amount collected	(Over)/under collection
<i>R'000</i>							
<b>Sales</b>	3 730	2 942	4 000	2 295	4 500	4 124	376
<b>Rental income</b>	3 156	1 277	3 410	1 139	3 465	1 132	2 333
<b>Other income</b>	15	41	204	163	324	450	(126)
<b>Interest income</b>	600	646	600	397	249	117	132
<b>TOTAL</b>	<b>7 501</b>	<b>4 905</b>	<b>8 214</b>	<b>3 994</b>	<b>8 538</b>	<b>5 823</b>	<b>2 715</b>

Similar to the FY2016/17 comment,<sup>12</sup> the CCB states that “*Sales income is in line with our estimates for the year. However, the provision made to compensate for the access to our historic surplus funds skews this estimate, thus painting a picture of under-performance.*”

#### Comments and Questions:

- The under collection of revenue to the amount of R2 715 000 is a concern given the projected estimates, and especially the huge drop in *Rental Income* (R1 132 000), for the second year running (R2 271 in FY 2016/17).
- As with the FY2016/17 Annual Report, the CCB can be requested to clarify the statement of the access to the historic surplus funds, skewing “*this estimate thus painting a picture of under-performance.*” This against the background that the CBB over the past few years was using the surplus to compensate employees instead of generating additional income.<sup>13</sup>

<sup>10</sup> CCB, 2018. Castle Control Board Annual Report FY2017/18. p. 21

<sup>11</sup> CCB, 2018. Castle Control Board Annual Report FY2017/18. p. 21

<sup>12</sup> Castle Control Board Annual Report 2016/17. p. 26.

<sup>13</sup> The Financial position as at 31 March 2017 indicates that the accumulated surplus has decreased from R10 120 340 in 2016 to R4 175 966. This should be viewed against the reported accumulated surplus of R13.9m in FY 2013/14, thus a R9.7 m decrease over the last three years.



The CCB Annual Report explains that the “Other income” was lower than expected because “A new service provider to run the restaurant was appointed in October 2017 and hence revenue expected from the restaurant was lower than expected.”<sup>14</sup>

In terms of Revenue Collection, the Reports shows that R4 905 000 was collected in 2015/16 and R3 994 000 was collected in 2016/17, against R5 823 000 for the year under review.<sup>15</sup>

#### Comments and Questions:

- One of the concerns here is that for the fourth year in a row (R1 074 000 in FY 2014/15, R2 596 000 in FY 2015/16, R4 220 000 in FY 2016/17, and R2 715 000 FY 2017/18), the CCB has under-collected on their planned revenue. Either the estimates are unrealistic, or there is a lack of proper planning/estimation and/or the Responsible Revenue Generation Plan is not viable.<sup>16</sup>
- How much of the revenue generated can be directly attributed to much vaunted Responsible Revenue Generation Plan?<sup>17</sup>

Similar to the FY2016/17 Annual Report, the CCB plans to address the revenue challenge through *inter alia* the roll-out of their Revenue Generation Strategy. They have opened a Gift Shop, started to promote the state-of-art Conference Centre to generate income, recruited a new restaurateur to improve turnover and will focus on high-yield events for the site. In the areas of administration, they will settle their human resource component.<sup>18</sup>

#### Comments and Questions:

- The explanation given for the “*underperformance*” can be further investigated by the Committee, as the CCB has been publicising their Revenue Generation/Optimisation Strategy for the last three years.
- The performance of the Gift shop and Conference Center should also be queried, given that this is second year running that these two issues are posted as revenue generating avenues.
- What exactly is meant by “*settling the human resource component*”? The Committee has previously raised its concern with new appointments without the “promised” improvement in performance having been realised, especially as it relates to revenue generation versus the dwindling reserves.

### 3.2 Financial statements

#### Irregular expenditure

No Irregular expenditure has been listed for the FY 2017/18<sup>19</sup> versus the R57 195 for FY2015/16 and FY2016/17 in R1.724 869.

#### Unauthorised Expenditure and Fruitless and Wasteful Expenditure

No unauthorised expenditure nor Fruitless and Wasteful Expenditure were incurred during the year under review, nor in the previous financial year.<sup>20</sup>

14 CCB, 2018. Castle Control Board Annual Report FY2017/18. p. 54

15 CCB, 2017. Castle Control Board. Annual Report FY2016/17. p. 26.

16 CCB, 2017. Castle Control Board. Annual Report FY2016/17. p. 26.

17 CCB, 2018. Castle Control Board. Annual Report FY2017/18. p. 4 and 19.

18 CCB, 2018. Castle Control Board. Annual Report FY2017/18. p. 6 and 19. and CCB, 2017. Castle Control Board. Annual Report FY2016/17. p. 22 .

19 CCB, 2018. Castle Control Board Annual Report FY2017/18. p. 28 and 95

20 CCB, 2018. Castle Control Board. Annual Report FY2017/18. p. 96. and CCB, 2017. Castle Control Board. Annual Report FY2016/17. p. 120/121.



#### Comments and Questions:

- The CCB should be commended for not incurring any Irregular expenditure, nor Unauthorised Expenditure or Fruitless and Wasteful Expenditure for the FY 2017/18.

### 3.3 Findings of the Auditor-General of South Africa

The CCB received a **clean audit opinion** from the Auditor-General for FY2016/17 and for FY2017/18.<sup>21</sup>

#### Comments and Questions:

- The CCB is to be commended for their efforts to achieve a second consecutive clean audit. This achievement should be viewed against the background that the A-G, in previous years, raised concerns on Predetermined objectives, Compliance with legislation and Internal Controls.

#### 3.3.1 Going Concern

The A-G refers to “*Material uncertainty relating to going concern/ financial sustainability*” stating that he draws attention to this because the financial statements indicate that the entity incurred a net loss of R 2 630 141 during the year ended 31 March 2018. The entity’s current liabilities exceeded its current assets by R 236 296. These events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the entity’s ability to continue as a going concern.<sup>22</sup>

The CCB feels that it is economically viable and “*confident that the organisation will remain a going concern in the foreseeable future. Our basis for this assertion is the **time-tested formula** of reducing expenditure and increasing revenue to balance a relatively small annual budget of R7.85 million.*”<sup>23</sup>

“*The Board is aware of financial challenges that have a negative impact on the CCB’s ability to continue as a going concern. However, the Board believes that the CCB has access to adequate financial resources, through the intervention of the Ministry of Defence, to continue operations for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis.*”<sup>24</sup>

#### Comments and Questions:

- The fact that the CCB has been operating at a loss, has been dependent on the historical surplus, has requested an annual R4.5 million “subsidy” from the Department of Defence, has for the third year running not made it revenue targets, has a high personnel expenditure of 68.57%, are indications that the CCB is struggling financially.
- While it is confident that it will remain a going concern, the fact that its liabilities exceed its assets, is concerning, especially given the fact that little progress has been made to substantially improve the financial viability of the CCB. Members may want to interrogate this issue further.

#### 3.3.2 Emphasis of matter

The AGSA lists an *Emphasis of matter* namely the Material losses /impairments – trade debtors. The A-G found that material losses of R 270 000 were incurred as a result of a write-off of irrecoverable trade debtors.<sup>25</sup>

21 CCB, 2018. Castle Control Board. Annual Report FY2017/18. p. 3, 29, and 38.

22 CCB, 2018. Castle Control Board. Annual Report FY2017/18. p. 39.

23 CCB, 2018. Castle Control Board. Annual Report FY2017/18. p. 6

24 CCB, 2018. Castle Control Board. Annual Report FY2017/18. p. 46

25 CCB, 2018. Castle Control Board. Annual Report FY2017/18. p. 39 and p. 77



### Comments and Questions:

- What are the details of the write-off of irrecoverable trade debtors and why is there a balance of R50 000 if the whole amount of R270 000 has been written off (p.77 of the Annual Report)? This against the background that the Annual Report states that “An amount of R220 000 raised as a receivable from the Department of Military Veterans was written off in lieu of the contribution made to the Castle of Good Hope by the Department.”<sup>26</sup>

## 4. OVERVIEW AND ASSESSMENT OF PROGRAMME PERFORMANCE

### Non-financial performance

The Annual Report 2017/18 indicates that three (3) of the CCB’s 18 key performance indicators were missed as opposed to one in the previous financial year.<sup>27</sup> 15 of the 18 targets were met against a spending of 99%.

Total targets set	18
Targets achieved	15/18
Targets not achieved	3/18
Success rate	83.33%
Total Budget Spent (%)	99% (R8 453/R8 538)

#### 4.1 Programme 1: Administration and Good Corporate Governance

All four APP targets were met, against overspending of R118 000 versus R1 373 000 on this programme in the previous financial year. All four KPI-targets dealing with the operations of the Board, Board sub-committees and general administration, were met. The Board reviewed and approved ICT policies.<sup>28</sup>

Programme 1 targets	4
Targets achieved	4/4
Targets not achieved	0/4
Success rate	100%
Programme Budget Spent (%)	98.46% (R7 565/R7 683)

### Comments and Questions:

- The CCB should be commended for curtailing the overspending in this programme from R1 373 000 to R118 000.

#### 4.2 Programme 2: Preservation, Interpretation and Showcasing of the History of the Castle

One of the targets was missed namely “Annual increase in the number of tangible heritage projects implemented at the CGH” against overspending of R42 00 versus an underspending of R109 000 in the previous financial year.

<sup>26</sup> CCB, 2018. Castle Control Board. Annual Report FY2017/18. p. 91.

<sup>27</sup> CCB, 2018. Castle Control Board. Annual Report FY2017/18. p. 5.

<sup>28</sup> CCB, 2018. Castle Control Board. Annual Report FY2017/18. p. 15.



Programme 2 targets	4
Targets achieved	3/4
Targets not achieved	1/4
Success rate	75%
Programme Budget Spent (%)	107.95% (R570 000/R528 000)

#### Comments and Questions:

- What are the reasons for the postponement of the movement and restoration of the Khoi kraal and additions being postponed till the next FY?<sup>29</sup>
- The CCB should be commended for exceeding the planned targets of community groups using the Castle and the number of exhibitions hosted there.

#### 4.3 Programme 3: Maximising the Tourist Potential

Five of the six APP targets were met, a success rate of 83.33 %, against underspending of R24 000 versus an underspending of R11 000 in the previous financial year.<sup>30</sup>

Programme 3 targets	6
Targets achieved	5/6
Targets not achieved	1/6
Success rate	83.33%
Programme Budget Spent (%)	61.9% (R39 000/R63 000)

#### Comments and Questions:

- This is the poorest performing programme regarding the percentage of the budget spent, namely spent 62% but it has a reasonably high target achievement of 83%.
- The explanation, namely “*Despite the encouraging improvement in revenue generation, the peculiar budgeting to account for surplus, negatively skewed this KPI*” and why the “*Total gross revenue generated per annum*” was not achieved, should be explained.
- Visitor figures to the Castle increased significantly from the previous year (by 72 129) and this should be commended.
- This is also the case with the *Number of commercial events hosted at the CGH* with an achievement of 26 more than the set target of 30.
- It is especially the *Number of film and fashion shoots* that improved significantly from 22 in 2016/17 to 33 for the period under review, which should be commended.

#### 4.4 Programme 4: Increased Public Profile and Positive Perception Across all Sectors of the Community

One of the targets was missed namely “*Number of student learnerships and internships offered per annum*” against overspending of R 15 000<sup>31</sup> (R42 00 in FY 2016/17).

<sup>29</sup> CCB, 2018. Castle Control Board. Annual Report FY2017/18. p. 16.

<sup>30</sup> CCB, 2018. Castle Control Board. Annual Report FY2017/18. p. 17.

<sup>31</sup> CCB, 2018. Castle Control Board. Annual Report FY2017/18. p. 19.



Programme 4 targets	4
Targets achieved	3/4
Targets not achieved	1/4
Success rate	75%
Programme Budget Spent (%)	105.68% (R279 000/R264 000)

### Comments and Questions:

- This programme performed well at 75% although the overspending of R15 000 is a concern.
- It is especially the exceptional performance on the “*Annual number of potential visitors reached through the media,*” that is striking as it over-achieved its target by more than 488 million.
- Given that this target was also far exceeded in the previous year with an actual performance of 654 million, it can be asked whether the target of 30 million for the year under review, can be deemed to be realistic.
- The Committee can ask why the target of 30 for the performance indicator *Number of student learnerships and internships offered per annum*” are not realistic. This against the background of an increase in visitors, film and fashion shoots, commercial events, etc.
- Given the explanation that there are “excellent relationships” between the Department of Military Veterans and the CCB, why is that the “*The amount owed to the CCB by the Department of Military Veterans was written off in lieu of the contribution made by the Department to the Castle of Good Hope*”?<sup>32</sup>

## 5. GOVERNANCE

The Annual Report refers to various issues under this section, *inter alia* its engagements with the Portfolio Committee, that it operates as a Schedule 3A Public Entity, and it states that a Risk Register has been developed to determine the effectiveness of its risk management strategy and to identify new and emerging risks.<sup>33</sup>

### 5.1 Risk Management

The Annual Report states that “*The management of the organization is performed on an “enterprise risk management” basis i.e. the most important risks that would potentially compromise our ability to attain our strategic objectives are articulated in a Risk Register, ranked and regularly evaluated.*”<sup>34</sup>

The strategic risks identified include:

- Managing negative perceptions caused by hitherto unfounded claims of corporate infringements against the CCB and the winding down of the Castle Military Museum Foundation;
- The glaring shortcomings and contradictions in the Castle Control Board’s founding Act through an urgent and thorough legislative review;
- The institutional and governance arrangements of the Castle Control Board *inter alia* the composition of its Board, the signing of a shareholder’s agreement with the Ministry and the activating of the partnerships with other government departments.
- Marketing and promoting the Castle of Good Hope not only as a heritage-educational site but also as a highly sought-after venue open for tourism, conference and events business whilst ensuring that these two elements are well-balanced;
- The safety and security concerns of staff and visitors to the Castle; and
- Finalising the space-allocation, utilisation and sustainability of the Castle Control Board.<sup>35</sup>

32 CCB, 2018. Castle Control Board. Annual Report FY2017/18. p. 54

33 CCB, 2018. Castle Control Board. Annual Report FY2017/18. p. 24.

34 CCB, 2018. Castle Control Board. Annual Report FY2017/18. p. 13.

35 CCB, 2018. Castle Control Board. Annual Report FY2017/18. p. 3



### Comments and Questions:

- Similar to the FY2016/17, some strategic risks are mentioned in the Chairperson’s Foreword, but no action plans could be found.<sup>36</sup>
- As mentioned the last two years, both the Department of Defence and the Department of the Military Veterans take this further and includes a list of Department Key Strategic Risks.<sup>37</sup> The Board should be requested to include an Action plans to address these strategic risks.
- What is meant by “*Managing negative perceptions caused by hitherto unfounded claims of corporate infringements*”?
- The CCB has been complaining for some time about the “*institutional and governance arrangements of the Castle Control Board.*” What is being done to resolve this issue?

## 5.2 Fraud and corruption

As in the previous Annual Report, CCB states that it does not have an anti-criminality plan but has a fully-fledged Fraud Prevention Policy. It aims to make losses due to fraud and corruption intolerable and will institute training covering these aspects. It states that criminal activities would more likely be internally induced, and feels that the Department’s guidelines in this regard are sufficient to deal with the issue.<sup>38</sup>

### Comments and Questions:

- The Committee may enquire around the challenges with criminality outside the Castle – as reported previously to the Committee - and how these were addressed.
- What kind of criminal activities that are internally induced are referred to and are plans in place to address these?

## 6. HUMAN RESOURCES

The CCB has a team of 16 full time CCB remunerated staff members. 3 museum artists paid by the DOD, 26 short term staff (interns) and 12 casuals, bringing the staff complement to 57, while the CCB indicates that they had 54 staff members for the FY2017/18.<sup>39</sup>

The total expenditure for employees is R5 797 000 (R5 939 000 in FY2016/17) of the Castle’s total expenditure of R8 453 000 (R9 939 000 in FY 2016/17) which represents a 68.57% (54 % in FY2016/17) of personnel expenditure as a percentage of total expenditure.<sup>40</sup>

### Comments and Questions:

- If one has regard to the recommended ratio of 40/30/30 with 40% for human resources and 30% each for capital expenditure and operational expenditure, questions can be asked on their plans to address this.
- More concerning is the increase in spending on Human Resources from 45.2% of total expenditure in FY2015/16 to 54.3% in FY2016/17, and to 68.57% in FY2017/18. An increase in personnel from 24 to 36 is noted.
- This places the burden on the CCB to significantly increase their revenue in order to bring this ratio down and especially to make the CCB more economically viable and sustainable.

36 CCB, 2018. Castle Control Board. Annual Report FY2017/18. p. 3. and CCB, 2017. Castle Control Board. Annual Report FY2016/17. p. 4

37 See for instance DOD Annual Report 2015/16, p. 103 to 106. and DMV Annual Report 2015/16, p. 52 – 53.

38 CCB, 2018. Castle Control Board. Annual Report FY2017/18. p.26, Castle Control Board Annual Report 2015/16. p. 33 and CCB, 2017. Castle Control Board. Annual Report FY2016/17. p. 34

39 CCB, 2018. Castle Control Board. Annual Report FY2017/18. p.31.

40 CCB, 2018. Castle Control Board. Annual Report FY2017/18. p.31. and CCB, 2017. Castle Control Board. Annual Report FY2016/17. p. 42



## 6.1 Performance rewards

Provision is being made for performance rewards of R386 553<sup>41</sup> ( R368 935 in FY2016/17)<sup>42</sup>. These are for three employee categories composed of R169 000 (R161 000 FY 2016/17) (Top management), R209 000 (R179 000 FY 2016/17) (Senior Management) and R9 000 (R21 000 FY 2016/17)(professional qualified), although these are indicated as provisional amounts.<sup>43&44</sup>

*“Performance Bonuses accrue to senior managers and have been provided for at a maximum allowable amount according to the employment contracts and performance contracts of those individuals who may qualify or be considered for a bonus. **The actual amount payable cannot be determined until performance evaluation processes have been duly completed by the Board.** Any bonus that may be or become payable would ordinarily be paid within the next 12 months.”<sup>45</sup>*

**Table 3: Remuneration of key management**

	2016 <sup>46</sup>	2017	2018 <sup>47</sup>
<b>CEO: Remuneration</b>	825 869	903 476	985 920
<b>CEO: Performance Bonus</b>	165 174	90 347	98 592
<b>CFO: Remuneration</b>	644 636	705 246	794 127
<b>CFO: Performance Bonus</b>	128 927	70 524	79 413

### Comments and Questions:

- Given that questions were asked in the past about these bonuses, has these bonuses for the previous financial year been paid out and what were the amounts?
- Similarly, the CCB should indicate whether the bonuses for 2015 has been paid out and the amounts involved.

**Table 4: Performance rewards**

Employment category	Performance reward (R'000)	Personnel expenditure (R'000)	% performance reward to total personnel cost
<b>Top Management</b>	R169	R1 896	8.9 (3.0% FY 2016/17)
<b>Senior Management</b>	R209	R1 179	17.7% (3.3% FY 2016/17)
<b>Professionally qualified</b>	R9	R532	1.7% (0.4% FY 2016/17)
<b>TOTAL</b>	<b>R387</b>	<b>R3 607</b>	<b>10.7 (6.7% FY 2016/17)</b>

### Comments and Questions:

- The increase in the “% performance reward to total personnel cost”, has increased from 3% in FY2016/17 to 8.9%, for top management while that for Senior Management has increased from 3.3% to 17.7%. These significant increases should be explained to the Committee.
- If the revenue collected is R5 823 000 and the personnel expenditure is R5 797 000, does it mean that more than 90% of the Actual revenue has been spent on personnel, or how should this be interpreted?

CCB, 2018. Castle Control Board. Annual Report FY2017/18. p. 85

42 CCB, 2017. Castle Control Board. Annual Report FY2016/17. p. 103

43 CCB, 2018. Castle Control Board. Annual Report FY2017/18. p.32 and CCB, 2017. Castle Control Board. Annual Report FY2016/17. p. 43

44 Castle Control Board Annual Report 2015/16. p. 70. and CCB, 2017. Castle Control Board. Annual Report FY2016/17. p. 43

45 CCB, 2018. Castle Control Board. Annual Report FY2017/18. p. 85

46 CCB, 2018. Castle Control Board. Annual Report FY2017/18. p. 110

47 CCB, 2018. Castle Control Board. Annual Report FY2017/18. p. 90



- If personnel expenditure (R5 797 000) is compared with the actual expenditure of the CCB for FY2017/18 at R8 453 it means that personnel expenditure is very high at 68.57%. The Committee may want to engage the CCB further on this, especially on how they plan to increase revenue to partly offset the huge personnel expenditure outlay.

## 6.2 Employee related costs

The Report indicates that the cost related to employees for FY 2017/18 was R5 796 662<sup>48</sup> as opposed to R5 393 000 for FY 2016/17 and R3 361 566 in FY2015/16. It was R3 092 162 in FY 2014/15 and R1 775 000 in FY 2013/14.<sup>49</sup>

### Comments and Questions:

- Although cognisance is taken of the fact that the CEO, CFO, Events, Tourism and Heritage Managers and other posts have been filled, the increasing employee related expenses are concerning, especially given the lack of growth in its income revenue streams.
- The Committee should ask whether the personnel situation has now stabilised, what were the reasons for the two people who have resigned,<sup>50</sup> and whether these posts have subsequently been filled.

## 7. CONCLUSION

The CCB should be congratulated for its second consecutive clean audit clean opinion by the Auditor-General. It has performed fairly well during the period under review, with increases in spending and a decrease in overspending. It should also be congratulated for the PMR Africa Diamond Award and their contributions to the Grahamstown Festival, Southern African Museum Association and the Galle Literary Festival in Sri Lanka. The fact that there is no Irregular spending, no unauthorised expenditure and no fruitless and wasteful expenditure, is also commendable.

Of concern however, is the under collection in revenue to the amount of R2 715 000, which seems to compromise the financial viability of the entity. This can be linked to the concerns as to whether the CCB, with its financial challenges such as the net loss of R2 630 000 and its liabilities exceeding its assets with R236 296, can be safely stated as a *Going concern*. This especially against the background that little progress has been made to substantially – given the expenditure – improve the financial viability of the CCB. This coupled with the substantive percentage (68.57%) of the budget for personnel expenditure, is seriously concerning. This means that the *Responsible Revenue Generation Plan* needs to urgently start delivering on its promises to substantively increase the revenue of the CCB.

Overall, the entity achieved 83.3% or 15 of its 18 targets with around 99% of its budget having been spent. Of the four programmes, Programme 1 and (100%) Programme 3 (83.3%), fared the best with achieving its targets.

The fact that the Department of Defence has allocated a R4.5 million ring-fenced subsidy to the CCB, and that it has nearly depleted the historical surplus, should be considered, in particular against the background of the statement that “*However, if the CCB is to properly fulfil its statutory mandate on an ongoing basis, a direct funding grant from National Treasury should now be considered.*”<sup>51</sup> It needs to be asked, when will the focus be primarily on increasing its revenue in terms of the much-vaunted *Responsible Revenue Generation Plan*, instead of approaching other agencies for financial assistance.

48 CCB, 2017. Castle Control Board. Annual Report FY2016/17. p. 42

49 Castle Control Board Annual Report 2015/16. p. 55.

50 CCB, 2018. Castle Control Board. Annual Report FY2017/18. p. 33

51 CCB, 2018. Castle Control Board. Annual Report FY2017/18. p. 28