7. BUDGETARY REVIEW AND RECOMMENDATION REPORT OF THE PORTFOLIO COMMITTEE ON TRANSPORT, DATED 16 NOVEMBER 2016

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

1. INTRODUCTION

The period under review took place against the backdrop of the initial phase of the implementation of the National Development Plan (NDP) (2014-2019). As part of its contribution to the NDP, the transport sector had to identify interventions aimed at accelerating service delivery, increasing sector job opportunities, rural development and skills development. Key priorities in this regard included investments in public transport, maintenance of roads and rail investments. These had a direct bearing on the Government's drive to respond to the challenges of poverty, unemployment and inequality.

1.1 MANDATE OF THE COMMITTEE

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

1.2 PURPOSE OF THE BUDGETARY REVIEW AND RECOMMENDATION REPORT

Section 77(3) of the Constitution stipulates that an Act of Parliament must provide for a procedure to amend money bills before Parliament. This constitutional provision gave effect to the Money Bills Amendment Procedure and Related Matters Act (No. 9 of 2009). The Act gives Parliament powers to amend money Bills and other legislative proposals submitted by the Executive whenever the Executive deems it is necessary to do so. The Act therefore makes it obligatory for Parliament to assess the Department's budgetary needs and shortfalls against the Department's operational efficiency and performance.

This review seeks to establish whether the Department of Transport and its entities have achieved their aims and objectives, as set out in their Strategic Plans, as well as whether they continue to fulfil their constitutional mandates within the year under review. The focus will be on highlighting the key achievements made, as well as challenges encountered during the 2013/14, 2014/15, and 2015/16 financial years, as reported in the Department's and entities' 2013/14, 2014/15 and 2015/16 Annual Reports and Annual Performance Plans.

1.3 METHODOLOGY

The Committee engaged with the Department and its entities on 11, 12, and 18 October 2016 as well as on 8 November 2016 on their performance and audit outcomes for the period under review.

The Committee met with the following entities:

1. Passenger Rail Agency of South Africa (PRASA)
2. Railway Safety Regulator (RSR)
3. South African National Roads Agency Limited (SANRAL)
4. South African Maritime Safety Authority (SAMSA)
5. Road Accident Fund (RAF)

The report details the analysis of the 2013/14, 2014/15 and 2015/16 Annual Reports and Financial Statements, strategic objectives, budget allocation and financial performance and the recommendations made by the Portfolio Committee on Transport.

The Budgetary Review and Recommendation Report is based on information accessed through:

- The 2015 State of the Nation Address (SONA);
- The Department of Transport's Strategic and Annual Performance Plans (APPs) for 2013/14, 2014/15 and 2015/16;
- The Department of Transport's Annual Report and Financial Statement for 2013/14, 2014/15 and 2015/16;
- The Strategic Plans and the Annual Performance Plans of the entities that fall under the Department of Transport, as well as their Annual Reports and Financial Statements for 2013/14, 2014/15 and 2015/16;
- Quarterly reports of the Department;
- The report of the Auditor-General of South Africa on the audit outcomes of the Department and its entities;
- National Treasury Section 32 Reports;
- The NDP; and
- Oversight visits by the Committee during the period under review.

2. MANDATE OF THE DEPARTMENT OF TRANSPORT

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

In an endeavour to discharge its mandate effectively and efficiently, the Department has organised itself into the following programmes:

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

In terms of the Department's structure, it was suggested that it boded well for the creation of jobs, the development of the country's urban and rural communities, as well as the improvement of logistics.

2.1 STRATEGIC OVERVIEW 2015/16

2.1.1 Strategic Priorities of Government

In executing its mandate, the Department has to be guided by, *inter alia*, the National Development Plan (NDP), the Medium-Term Strategic Framework (MTSF) (2014-19), the Presidential Infrastructure Coordinating Commission (PICC), the National Infrastructure Plan (NIP) and the 2015 State of the Nation Address. The NDP vision requires an economy that is inclusive, equitable and fast growing. To achieve that end, the NDP points to the need to grow employment, support productivity and efficiency gains, and move toward greater equality. It then proposes more affordable and efficient infrastructure provision linked to higher levels of public investment.

In his 2014 State of the Nation Address, President Zuma highlighted that Government would use PRASAs projects, among other things, "to promote local content and boost growth". In line with these strategic priorities of Government, President Zuma, in his 2015 State of the Nation Address, underscored that the infrastructure programme will continue to expand transport networks and improve roads for economic growth purposes. In addition, the President stated that about R9 billion will be spent on the

Provincial Roads Maintenance Grant (PRMG) also referred to as the *S'hamba Sonke* programme, and that about R11 billion will be set aside for the upgrading and maintaining of non-tolled roads. The President further averred that over R6 billion will be spent in 13 cities on planning, building and operating integrated public transport networks (IPTNs). Finally, the President maintained that Operation Phakisa will be used with a view to unlocking job opportunities in the shipping sector.

The Department has undertaken to finalise and implement the Public Transport Plan. Its key features will include the prioritisation of investments in the right public transport areas. Investment in public transport and transport infrastructure in rural areas also remains a priority in the medium-term. Indeed, the NDP envisions an economy that is inclusive, equitable and fast growing. To attain this end, the NDP points to the need to grow employment, support productivity and efficiency gains and move towards greater equality. It then proposes more affordable and efficient infrastructure provision linked to higher levels of public investment.

Government's MTSF underscores that, while South Africa has a relatively good national economic infrastructure, the challenge is to maintain and expand it to address the needs of a growing economy. Current investment levels are insufficient and maintenance programmes are lagging. Given Government's limited finances, private funding will need to be sourced for some of these investments and policy planning and decision-making will require trade-offs between competing national goals. Government needs not only to better coordinate collaborative investments by businesses, provincial and local government into key infrastructure projects. More importantly, it is also expected to shape its institutional, policy and regulatory environment in order to enable investment, realise the desired efficiencies, improve infrastructure delivery and contribute to economic growth and employment creation.

In the MTSF 2014-19, the NDP has set a growth target of 5% by 2019. To achieve this, the transport sector will embark on various interventions to increase its contribution to economic growth. This will be realised through the private sector partnerships and collaborations in order to unlock obstacles to investment for infrastructure development, maintenance and expansion.

The upgrading of the N3 Corridor and the reduction in logistics have been identified as national priorities by the PICC. The Strategic Infrastructure Programme (SIP) 2 deals with the Durban-Free State-Gauteng Logistics and Industrial Corridor. The road network system into the port is indeed a critical part of the logistics chain and vital to ensure the seamless flow of freight. The N3 route forms the backbone of the logistics corridor between Gauteng and KwaZulu-Natal via the Free State. In support of the priorities set by the PICC, the route is integral to achieving these goals.

While striving for excellence and integration of sustained transport services, the Department and the broader transport sector are crucial role players in the achievement of the NDP. This has been entrenched in the Minister's Delivery Agreement with the President. The Strategic Plan is thus aligned with this agreement in order to ensure that all deliverables are budgeted for and fully implemented. Of significance to the Minister and the Department, are the following outcomes:

Table 1: Minister's Delivery Agreement with the President

Outcome Number	**Sub-Outcome Number**
4: Decent employment through inclusive economic growth.	1: Productive investment is effectively crowded in through the Infrastructure Build Programme. • Ensure monitoring of off-takes by end users on the Infrastructure Programme.

6: An efficient, competitive and responsive economic infrastructure.	1: Regulation, funding and investment improved. • Establish a Single Transport Economic Regulator (STER). • Develop a Private Sector Participation (PSP) Framework for ports and freight rail, removing barriers to entry for private investment and operations within the context of Cabinet-approved policy and with an analysis of the implication of tariffs. 3: Maintenance, strategic expansion, operational efficiency, capacity and competitiveness of logistics transport infrastructure ensured. • Improve national transport planning to develop long-term plans for transport that synchronise with spatial planning and align infrastructure investment activities of provincial and local government that clearly communicate the State’s transport vision to the private sector. • Ensure development and approval of the Integrated Transport Plan. • Develop and implement approved plan and improve market share of containers on rail versus road to ensure that road freight is moved to rail. • Improve and preserve national, provincial and local road infrastructure. • Strengthen road traffic management.

	• Improve public transport. • Strengthen institutional arrangements for public transport.
	6: Coordination, planning, integration and monitoring implementation of SIPs in the NIP. • SIP 1: Unlocking the Northern Mineral Belt. • SIP 3: South Eastern Node and Corridor Development. • Unlocking economic opportunities in North West. • Integrated Urban Space and Public Transport Programme.
7: Comprehensive rural development and land reform.	5: Increased access to quality infrastructure and functional services, particularly in education, healthcare and public transport in rural areas. • Improve transport infrastructure and public transport in rural areas. • Access Road Development Plan for improving rural road infrastructure implemented. • District municipalities implementing IPTN Strategy.
10: Protect and enhance environmental assets and natural resources.	2: An effective climate change mitigation and adaptation response. • Develop strategic policy and regulatory frameworks and programmes to promote a low-carbon economy. • Green Transport Strategy and implementation of Plan formulated and completed.

(Source: Department of Transport, (2016a) *Annual Performance Plan 2015/16*, Pretoria, Department of Transport), adapted.

2.1.2 Strategic Priorities of the Department

The strategic outcomes over the medium term are:

Strategic Outcome-oriented Goal 1: Efficient and integrated infrastructure network and operations that serve as a catalyst for social and economic development

Develop and implement policies and promulgate Acts that are set to drive investments for the maintenance and strategic expansion of the transport infrastructure network, and support the development of transport asset management systems in rural and provincial authorities. The definitive drive of these interventions is to improve the efficiency, capacity and competitiveness of transport operations in all modes.

Strategic Outcome-oriented Goal 2: A transport sector that is safe and secure

Develop and implement policies and strategies that seek to reduce accidents and incidents in the road, rail, aviation and maritime environment.

Amongst others, the Department will speed up the implementation of road safety interventions by reviewing some of the legislative interventions that are geared at addressing the shortcomings of road safety that result in accidents and road fatalities. This will include amongst others reviewing the National Road Traffic Act, by providing for the regulation of driving schools, dealing with driving of motor vehicles whilst under the influence of alcohol and reviewing the current speed limits.

Strategic Outcome-oriented Goal 3: Improved rural access, infrastructure and mobility

Increase mobility and access in rural space by improving transport infrastructure and implementing integrated transport services.

Strategic Outcome-oriented Goal 4: Improved public transport services

Provide integrated public transport solutions through development and implementation of legislation, policies, strategies and regulations. The definitive drive of these solutions is to ensure safe, secure, reliable, cost-effective and sustainable public transport services.

Strategic Outcome-oriented Goal 5: Increased contribution to job creation

Create an enabling environment for employment opportunities in the transport sector through the implementation of labour-intensive interventions and off-takes of ancillary support programmes.

Strategic Outcome-oriented Goal 6: Increase contribution of transport to environmental protection

Develop and implement policies that aim to mitigate climate change and adaptation responses through reduction of greenhouse gas (GHG) emission, aviation noise and pollution at sea.

Strategic Outcome-oriented Goal 7: Effective and efficient management and support

Improve departmental performance by strengthening internal support functions and ensuring good governance controls.

2.1.2.1 Challenges

The following challenges were experienced by the Department during the year under review:

2.1.2.1.1 Administration

The budget for compensation of employees was cut and the National Treasury placed a moratorium on the filling of non-critical posts that were vacant at 31 July 2015.

2.1.2.1.2 Integrated Transport Planning

Cabinet proposed that the Department should consult the PICC on the National Transport Master Plan 2050 (NATMAP 2050). The NATMAP 2050 was submitted to the PICC Secretariat, which recommended that further work should be done with their task team, which was concluded. The meeting with the PICC Management Committee could not take place to finalise the NATMAP 2050 in the financial year.

The Department could not finalise the development of the Harrismith Hub Framework, but developed a Feasibility Study and an Options Analysis for the Harrismith Hub. The Free State Department of Roads, Police and Transport also developed feasibility studies. The Options Analysis and Value Assessment Reports, developed in collaboration with Free State Department of Roads, Police and Transport will be tabled as the basis of the overarching Harrismith Hub Framework.

2.1.2.1.3 Road Transport

The Department has not finalised the Road Accident Benefit Scheme, which was intended to review the compensation model of victims of road accidents as currently dealt with in terms of the Road Accident Fund Act. The scheme was to ensure that the payments of damages arising out of motor vehicle accidents are affordable to the State. The proposal was to ensure that there is no longer payment of huge lump sums for those damages. The amount will be standardised payments for all the victims of road crashes.

There were also delays in receiving inputs from stakeholders.

2.1.2.1.4 Civil Aviation

There were lengthy consultative processes with industry and role players in terms of the National Airports Development Plan, National Civil Aviation Policy, the Airport Company and Air Traffic Navigation Services (ATNS) Amendment Bills and the Civil Aviation Amendment Bill.

While the maintenance and expansion of key transport infrastructure is undoubtedly pivotal, the Department equally needs to attend to the following challenges:

- Improving the level of integration of transport infrastructure network and operations (local, regional and continental);
- Decreasing accidents and incidents (and fatalities) across all transport modes;
- Improving infrastructure, access and mobility in rural and peri-urban areas;
- Ensuring reliability, affordability, accessibility, efficiency, effectiveness and safety of public transport;
- Regulating GHG emissions, noise and general pollution generated by the transport sector; and
- Developing a sector-wide funding model for all infrastructure projects.

2.1.2.2 Achievements

The following were recognised achievements by the Department during the year under review:

2.1.2.2.1 Administration

A total of 66 interns from the previous two cycles were exposed to different training interventions in line with their personal development plans.

The Draft International Relations Strategy was developed and stakeholder consultations were conducted.

A total of 63 vacant posts were filled during the period under review.

2.1.2.2.2 Integrated Transport Planning

Stakeholder consultations on the reviewed White Paper on National Transport Policy were conducted.

The STER Bill was submitted to Cabinet and preliminary consultations on the draft subsidiary regulations were conducted with the Ports Regulator. A business case for the STER was also finalised.

A final draft of the Private Sector Participation Framework was developed. Also, a draft Green Transport Strategy was developed.

2.1.2.2.3 Rail Transport

The Green Paper on National Rail Policy was approved by Cabinet in August 2015 and subsequently launched in September 2015. Stakeholder consultations on the Green Paper were held; and stakeholder inputs on the Green Paper were considered and, where appropriate, incorporated into the draft White Paper, which was also developed.

The Draft National Railway Safety Regulator Bill was developed and consulted with stakeholders. The draft National Railway Safety Strategy was developed and consulted with stakeholders.

2.1.2.2.4 Road Transport

The Department managed to finalise the Administrative Adjudication of Road Traffic Offences (AARTO) proposed legislative amendments. The AARTO Bill was approved by the National Economic Development and Labour Council (NEDLAC), Directors-General Justice Cluster and Justice, Crime Prevention and Security (JCPS) Cabinet Committee. The Department reported in its Annual Report that the proposed amendments are to be presented to Parliament’s Portfolio Committee on Transport (PCOT) for consultation and discussion. The Bill was tabled and referred to the PCOT on 30 November 2015 (which was not so reported in the annual report).

The Department also finalised the development of the draft National Road Safety Strategy. The Strategy is currently being discussed with all the relevant stakeholders and will be submitted to Cabinet for approval.

The Draft Green Paper: Roads Policy was developed and is on route to Cabinet for consideration and approval for Gazetting.

2.1.2.2.5 Civil Aviation

The Department finalised the National Airports Development Plan (NADP) and the National Civil Aviation Policy (NCAP). These documents will be considered by Cabinet for approval during the 2016/17 financial year. Once approved, the NADP will guide and support both overall network planning and the development of individual airports integrated within their broader spatial context. The NCAP will address policy gaps that emerged since the last policy review process and will, amongst others, address civil aviation safety and security; air transport; airport and air space infrastructure, and aviation-related environment matters.

During the 2015/16 performance cycle, the Department completed all the necessary consultations with primary stakeholders who are directly affected by the amendments to the Airports Company and the Air Traffic and Navigation Services Amendment Bills. These stakeholders are the Airports Company South Africa (ACSA), Air Traffic and Navigation Services (ATNS), Board of Airlines Representatives of South Africa (BARSA) and the Regulating Committee. The Amendment Bills are ready for consultation with relevant Cabinet Clusters, Committees and other affected and interested parties. The Department plans to submit the Bills to Cabinet by March 2017 and to Parliament during the 2017/18 financial year.

South Africa has been a signatory to the Letter of Notification of Association with the International Cospas-Sarsat Programme Agreement as ground segment provider as from September 2000. Consequently, South Africa assumed certain obligations and responsibilities in accordance with the expectations of the global Cospas-Sarsat and search and rescue community. South Africa has been fulfilling these obligations and responsibilities over the years by providing distress alert and location data to 14 countries in the allocated Cospas-Sarsat service area through the Low

Earth Orbit Local User Terminal (LEOLUT) and Mission Control Centre (MCC) in Milnerton, Cape Town. The International Cospas-Sarsat Programme Agreement intends to introduce the next generation satellite system, Medium Earth Orbit Search and Rescue (MEOSAR) into the Cospas-Sarsat system. It is anticipated that the MEOSAR will reach full operational capacity in 2018 subject to the availability of ground receiving stations.

As a ground segment provider, South Africa is expected to install a Medium Earth Orbit Local User Terminal (MEOLUT) to provide the MEOSAR system full global coverage. The planned MEOSAR system will address certain time and coverage limitations of the current system. Other advantages of the MEOSAR system include continuous global coverage, including polar and mountainous regions; accurate independent location capability; and more effective use of Search and Rescue resources, with more lives saved. The upgrading of the search and rescue satellite tracking system from the current low altitude (LEOSAR) system to a medium altitude (MEOSAR) system is one area that was reprioritized by National Treasury for allocation in the 2016/17 - 2018/19 MTEF period. The allocation of R100 million was made in the 2016/17 financial year. This project will require 2 to 3 years to complete.

The Civil Aviation Act, 2009 was promulgated on 27 May 2009 and took effect on 31 March 2010. The Act was promulgated to consolidate various Acts within the civil aviation sector. Whilst implementing the Act, a number of errors and shortcomings were identified. These had significant implications in the carrying out of the functions and discharging of responsibilities imposed by the Act. The Department in collaboration with the South African Civil Aviation Authority identified those provisions of the Act that needed to be reviewed. These provisions are contained in the Civil Aviation Act Amendment Bill. Due to the urgency of amending the Act, the Department intends to submit the Bill to Parliament by March 2017.

Bilateral Air Service Agreement consultations were held and reviewed with Egypt, Guinea, Guinea-Bissau, Mauritius, Sierra Leone, Denmark, Norway, Sweden, Curacao, Namibia, Turkey, Zimbabwe, Australia, Israel, Austria and Serbia. An air service agreement was signed with South Sudan.

2.1.2.2.6 Maritime Transport

The African Maritime Charter was approved by Parliament. The Charter provides a legal framework to address challenges in maritime transport facing African countries, it also offers concrete proposals to establish appropriate program and institutions to support and implement such programs.

The Green Paper on the National Maritime Transport Policy was presented to the International Cooperation Trading and Security Cluster in March 2016. The policy aims to develop the maritime transport sector in South Africa that will capitalise on the potential of both shipping and support industries as significant contributors to economic growth and employment opportunities.

The (mock) audit process was completed and the report finalised. Implementation of the International Maritime Organisation (IMO) Convention continues to be monitored on a continuous basis.

2.1.2.2.7 Public Transport

The Reviewed Rural Transport Strategy was finalised and presented to the Transport Ministers and Members of Executive Council (MinMEC). The Minister has approved the submission of the reviewed strategy to Cabinet.

A draft IPTN plan was developed for the OR Tambo District Municipality.

The National Learner Transport Policy was approved by Cabinet in May 2015 and subsequently published for implementation.

A total of 3 226 old taxi vehicles were scrapped during the period under review.

The National Land Transport (NLT) Amendment Bill was submitted to Cabinet in June 2015. As per Cabinet resolutions, further consultations on the NLT Amendment Bill were conducted with the Department of Cooperative Governance and Traditional Affairs in July 2015; and the Bill was re-submitted to Cabinet. The bill was referred to the PCOT after the reporting period on 15 April 2016.

2.1.2.3 Significant events and projects for the year

2.1.2.3.1 Road Transport

Provincial consultation workshops were held at all provinces during the development process of the Draft Green Paper: Roads Policy.

Maritime Transport World Maritime Day 2015 was held in Richards Bay on the 23 September 2015.

2.1.2.3.2 Women in Transport Summit

A summit on Women in Transport was held on 20 to 22 August 2015.

2.1.2.3.3 NATMAP 2050

A broad stakeholder consultation on the review of NATMAP 2050 was held on 30 October 2015.

3. OVERVIEW AND ASSESSMENT OF FINANCIAL PERFORMANCE

3.1 2013/14 AND 2014/15

Table 2: Overview and Assessment of Financial Performance (2013/14 & 2014/15)

Programme	2013/14			2014/15		
	Final Appropriation	Actual Expenditure	Expenditure Percentage	Final Appropriation	Actual Expenditure	Expenditure Percentage
Administration	333 440	315 578	95%	390 889	377 489	97%
Integrated Transport Planning	74 913	66 373	89%	74 974	74 974	100%
Rail Transport	11 232 843	11 232 840	100%	15 035 507	15 035 507	100%
Road Transport	19 897 209	20 665 564	104%	21 810 020	22 202 862	102%
Civil Aviation	245 515	148 602	61%	160 966	160 966	100%
Maritime Transport	103 557	102 271	99%	101 742	99 623	98%
Public Transport	10 514 190	10 505 616	100%	11 196 571	11 195 677	100%
Total	**42 401 667**	**43 036 844**	**101%**	**48 770 669**	**49 147 098**	**101%**

(Source: Department of Transport 2014 and 2015)

The budget allocation for the Department in 2014/15 equalled R48.7 billion. Transfers and subsidies accounted for R47.8 billion and of this amount, the Department had transferred R14 billion or 29.4% at the end of the First Quarter. Another R3.3 billion or 16.4% had been transferred to the municipalities and provinces, the majority of which was for the PRMG or *S'hamba Sonke*: Roads Maintenance (R1.6 billion or 20% of the R7.9 billion)) and the Public Transport Operations Grant (PTOG), totalling R1.3 billion or 25.9% of the R4.8 billion.

Rollovers were requested as detailed in the table below:

Table 3: Rollovers 2014/15

Programme	**R'000**
Programme 1: Administration Transfers to Higher Education Institutions	3 281
Programme 4: Road Transport Transfer to Road Traffic Infringements Agency (RTIA)	3 825
Programme 5: Civil Aviation Review of the National Airports Development Plan	665
Total	**7 771**

(Source: Department of Transport (2015))

3.2 2014/15 AND 2015/16

Table 4: Appropriation Statement for 2015/16

Programme R'000	**2015/16**			**2014/15**		
	Final Appro-priation R'000	**Actual Expenditure R'000**	**Over/Under Expenditure R'000**	**Final Appropria-tion R'000**	**Actual Expenditure R'000**	**Over/ Under Expend-iture R'000**
Programme 1: Administration	422 169	420 824	1 345	390 889	377489	13 400
Programme 2: Integrated Transport Planning	88 764	88 762	2	74 974	74 974	-
Programme 3: Rail Transport	18 310 610	18 305 274	5 336	15 035 507	15 035 507	-
Programme 4: Road Transport	23 164 889	22 889 198	275 691	21 810 020	22 202 862	(392 842)
Programme 5: Civil Aviation Transport	150 383	145 284	5 099	160 966	160 966	-
Programme 6: Maritime Transport	143 674	142 874	800	101 742	99 623	2 119
Programme 7: Public Transport	11 334 588	11 328 571	6 017	11 196 571	11 195 677	894
Total	**53 615 077**	**53 320 787**	**294 290**	**48 770 669**	**49 147 098**	**(376 429)**

(Department of Transport, (2016b) Vote 35: Annual Report 2015/16 Financial Year, Pretoria, Department of Transport.).

The budget allocation for the Department for 2015/16 stood at R53.6 billion. Of this amount, the Department had spent R53.3 billion of the appropriated budget by the end of the financial year, indicating an under-expenditure by R294.3 million or 0.5%. The biggest under-expenditure, to the tune of R275.7 million, was in the Road Transport programme.

Transfers and subsidies accounted for R52.3 billion and of this amount, the Department had transferred R13.9 billion or 26.6%, mainly to public corporations and private enterprises by the end of the First Quarter for 2015/16. The Department had an available budget of R1.2 billion for operations. By the end of the Second Quarter, the Department had transferred R26.6 billion or 50.7% of its total available budget. These transfers and subsidies were mainly to PRASA, SANRAL, and to the provinces for the PRMG and the PTOG.

By the end of the Third Quarter, the Department had transferred R38.8 billion or 73.8% of its total budget, mainly to PRASA, SANRAL, provinces for the PRMG and the PTOG respectively, and to the municipalities for the Public Transport Network Grant (PTNG). A total of 98% of expenditure by the end of the Third Quarter had been under transfers and subsidies, as well as payments for financial assets, with the remaining 2% having been spent on departmental operations.

By the end of the Fourth Quarter of 2015/16, the Department had transferred R52.2 billion or 99.4%. These transfers had been made to public entities, provinces, municipalities, international organisations and households. Transfers to provinces and municipalities to the end of the Fourth Quarter of 2015/16 stood at 98.7% of the available appropriation. This was attributed to the withholding of the final tranche payment of the PRMG to KwaZulu-Natal for not complying with the conditions set out in terms of the Division of Revenue Act. The Department had transferred 100% of the PTOG and 100% of the PTNG to municipalities. What follows below is an analysis of how the Department spent its budget allocation per Quarter during the period under review.

3.2.1 Programme 1: Administration

The Administration programme spent R420.8 million against R422.2 million that had been allocated to it, translating into an under-expenditure by R1.3 million. During the First Quarter, the Department had spent R81 million or 25.1% under the Administration programme. The main cost drivers in this programme were the compensation of employees and operating leases, for which R42.9 million and R15.9 million had been spent respectively during the First Quarter.

The largest element of operational expenditure to the end of the Second Quarter for 2015/16 was R191.2 million spent under the Administration programme. The expenditure was mainly on the compensation of employees which constituted 46%, travel and subsistence, constituting 20% and operating leases, making up 14%. The high share of compensation expenditure in the programme was due to the fact that 355 employees in the Department, as at the end of September 2015, had been paid for from the Administration budget. Spending on travel and subsistence was for transport costs for the state funerals and for the African Union Conference.

The largest element of operational expenditure to the end of the Third Quarter was R277.6 million spent under the programme, mainly on the compensation of employees (46%), travel and subsistence (17%) and operating leases (10%). The Administration programme was the largest component of operational expenditure in the Department. In addition to office accommodation and support services in the Department, the programme funded the Ministry, the Deputy Ministry and the Office of the Director-General. Goods and services expenditure in the programme constituted 54% of operational expenditure.

3.2.2 Programme 2: Integrated Transport Planning

During the period under review, the Department spent R88.8 million in the Integrated Transport Planning programme and there was no material variance in expenditure. Operational expenditure under this programme to the end of the First Quarter stood at R13 million. The main cost drivers were the compensation of employees, constituting R10.4 million and travel and subsistence accounting for R1 million. Spending on goods and services, as at 30 June 2015, was on the Multi-Modal Transport Plan and Coordination Act, the Private Sector Participation Framework and the Transport Infrastructure Funding Strategy.

Operational expenditure to the end of the Second Quarter was R35.2 million against a benchmark drawings target of R40 million. The underspending was mainly due to delayed invoices for the White Paper on National Transport Policy, NATMAP 2050, Transport Policy Framework, National Transport Planning Databank, as well as STER. Operational expenditure under the Integrated Transport Planning programme to the end of the Third Quarter was R61.7 million, of which more than half was for the compensation of employees. Projects under this programme included the National Transport Planning, NATMAP 2050 Review and the review and update of the White Paper on National Transport Policy.

Operational expenditure to the end of the Fourth Quarter of 2015/16 was R86.3 million of the available appropriation. Spending on the compensation of employees constituted 50% of the operational expenditure in the programme. Projects under this programme included the National Transport Planning Databank, NATMAP review and the review and update of the White Paper on the National Transport Policy.

3.2.3 Programme 3: Rail Transport

By the end of 2015/16, the Department had spent R18.3 billion in this programme. There was under-expenditure on the following projects:

- White Paper on Rail Transport;
- Establishment of a Rail Economic Regulator;
- National Rail Safety Amendment Bill;
- National Rail Safety Strategy;
- Branchline Strategy Review; and

- Moloto Development Corridor.

Expenditure in the Rail Transport programme to the end of the First Quarter amounting to R6.5 million was on operations.

Operational spending was driven by the compensation of employees which was to the tune of R4.9 million, as well as spending on consultants for the following projects:

- Branchline Strategy Review;
- Draft White Paper on Rail Transport; and
- Rail Safety Gap Analysis.

Operational expenditure to the end of the Second Quarter was R12.9 million, representing an underspending of R5 million against the drawings target, mainly due to outstanding invoices for the National Rail Policy Green Paper and the Draft National Railway Amendment Bill. The National Rail Policy Green Paper was published for public comment and the Draft National Railway Amendment Bill was developed.

Operational expenditure to the end of the Third Quarter was R21 million, of which 70% was for the compensation of employees. Spending on consultants was slightly below targets due to outstanding invoices for the National Rail Policy Green Paper and the Draft National Railway Amendment Bill that was still at the “consultation stage”. The service provider for the National Rail Policy Green Paper was appointed in December 2015.

Operational expenditure to the end of the Fourth Quarter of 2015/16 was R29.8 million or 89.8% of the available appropriation. Spending on the compensation of employees constituted 68% of operational expenditure in the programme. Major projects funded in the goods and services budget included the development of the National Rail Policy Green Paper and the Draft National Railway Amendment Bill.

3.2.4 Programme 4: Road Transport

During the period under review, the budget allocation for the programme was R23.2 billion and by the end of the financial year, the programme had spent R22.9 billion. The programme overspent on:

- Electronic National Traffic Information System (eNaTIS);
- Operational expenditure mainly due to travelling; and
- *S'hamba Sonke*.

Operational expenditure in the programme to the end of the First Quarter was R141.4 million, the majority of which had been spent on goods and services, mainly for business and advisory consultancy services. The main cost driver of operational expenditure was R119.8 million for consultants for the maintenance of eNaTIS. The misalignment of funding flows for eNaTIS has resulted in over-spending in the programme and vote in previous financial years.

Operational expenditure by the end of the Fourth Quarter of 2015/16 in the programme stood at R215.3 million or 97.8% of the available appropriation, the majority of which had been spent on goods and services due to the cost of maintaining and operating the eNaTIS.

3.2.5 Programme 5: Civil Aviation Transport

The budget allocation for the programme was R150.4 million and by the end of the reporting period, the programme had spent R145.3 million, indicating an under-expenditure by R5.1 million. The programme underspent on a number of projects and overspent on operational expenditure mainly due to travelling. The watch-keeping services project was underspent by R7.8 million and R4.1 million was paid for the management of the Mthatha Airport project which was covered by under-expenditure and other projects.

Operational expenditure amounting to R25 million was spent on goods and services, mainly for communication, business and advisory consultancy services, as well as on the compensation of employees during the First Quarter under the Civil Aviation programme. Operational spending was driven by R9 million under Communications for watch-keeping services, R7.6 million for compensation of employees, as well as spending on consultants for the updating of the NADP.

Operational expenditure under the Civil Aviation Transport programme at the end of the Second Quarter was R45.8 million, representing an underspending of R10 million against the benchmark drawings target. The underspending was mainly due to the outstanding invoices from Telkom for watch-keeping services, as well as the finalisation and the implementation of the NADP.

Operational expenditure to the end of the Third Quarter was R71.9 million, of which 38% was for the payment to Telkom for watch-keeping services and 34% was for the compensation of employees. The total underspending of R13 million against the benchmark drawings target was mainly due to outstanding invoices from Telkom for watch-keeping services. In addition, service providers had not yet been appointed for the amendment of the Civil Aviation Act.

Operational expenditure in the programme to the end of the Fourth Quarter of 2015/16 was 98.4% of the available appropriation. Of this percentage, 43% had been spent on the payment for the watch-keeping services and 34% had been for the compensation of employees. The total underspending of R6 million against the benchmark drawings target was mainly owing to the outstanding invoices from Telkom for watch-keeping services. In addition, the service providers had not yet been appointed for the amendment of the Civil Aviation Act, as well as the state of action plan of carbon (CO_2) emission.

3.2.6 Programme 6: Maritime Transport

Of the R143.7 million that had been allocated to the programme during the year under review, the programme spent R142.9 million, translating into an under-expenditure by R800 000. The programme overspent its budget mainly due to R36.6 million paid to the International Air Pollution Fund. It also underspent on a number of projects, mainly on the Feasibility Study on Boat Services (R6.8 million). The shortfall was covered by shifting funds across programmes.

Operational expenditure in the programme to the end of the First Quarter was R14.2 million, the majority of which was spent on goods and services, and the compensation of employees. Operational spending was driven by R9.2 million for infrastructure and planning services for Oil Pollution Prevention.

Operational expenditure to the end of the Second Quarter was R36.8 million, representing an underspending of R10 million against the benchmark drawings target. The underspending was mainly owing to delays in the appointment of the service providers on the following projects:

- White Paper on the Maritime Transport Policy;
- Cabotage Strategy;
- Review of the Merchant Shipping African Maritime Charter; and
- Feasibility study on the tug boat services.

Operational expenditure to the end of the Third Quarter of 2015/16 was R55.2 million, of which R36.6 million had been paid to consultants and infrastructure and planning services for Oil Pollution Prevention. The underspending in this programme against the benchmark drawings target was mainly thanks to delays in the appointment of service providers for the feasibility study on the tug boat services, as well as the Salvage Strategy projects.

Operational expenditure to the end of the Fourth Quarter stood at R73 million. The Department had shifted, with National Treasury approval in terms of Regulation 6.3.1, R40 million for the arrear contributions to the International Oil Pollution Compensation Fund. The programme had spent 88.9% of the available appropriation due to:

- Delay in the procurement process for the feasibility study on the tug boat service;
- Training on the United Nations dangerous goods; and
- The feasibility study for the development of a marina at Port St Johns.

3.2.7 Programme 7: Public Transport

The budget allocation for the programme was R11.3 billion, with the programme underspending R6 million. Under-expenditure was on a number of projects, including:

- The review of the Taxi Recapitalisation Model (R55 million);
- The implementation of the IPTN Plans in District Municipalities (R28.8 million); and
- Scrapping of taxis (R82.6 million).

A total of R184.3 million was shifted to other programmes to cover over-expenditure on State funerals, eNaTIS, as well as the Oil Pollution Fund.

Operational expenditure to the end of the First Quarter stood at R41.6 million, the majority of which was spent on goods and services, and on the compensation of employees. Operational spending was driven by R27 million paid to the Taxi Scrapping Administrator in May 2015.

Operational expenditure in Transport programme to the end of the Fourth Quarter of 2015/16 was R166.6 million, the majority of which had been spent on business and advisory consultancy service and compensation of employees. Expenditure on operations was 93.8% of the available appropriation mainly due to delays in the review of taxi scrapping model, as well as the implementation of the IPTNs in district municipalities.

Consequently, R98 million was shifted from the goods and services budget, mainly to the Road Transport programme to fund operations and maintenance of the eNaTIS.

3.3 VIREMENTS 2015/16

Table 3: Summary of Virements

Programme	**Compensation of Employees**	**Goods and Services**	**Machinery & Equipment**	**Foreign Governments**	**Households**	**Total**
Programme 1: Administration	-	32 000	5 511	-	401	38 712
Programme 2: Integrated Transport Planning	573	-	54	-	54	681
Programme 3: Rail Transport	(754)	-	-	-	-	(754)
Programme 4: Road Transport	-	122 192	-	-	-	122 192
Programme 5: Civil Aviation Transport	857	-	-	-	-	857
Programme 6: Maritime Transport	(1 384)	(12 667)	-	36 636	-	22 585
Programme 7: Public Transport	389	(102 640)	-	-	(82 022)	(184 273)
Total	**(319)**	**39 685**	**5 565**	**36 636**	**81 567**	**-**

(Source: Department of Transport, 2016b).

3.4 ROLLOVERS REQUESTED

Rollovers were requested as detailed in the table below:

Table 4: Rollovers

Programme	**R'000**
Programme 1: Administration: Road Accident Fund	1 300
Programme 4: Road Transport: PRMG withheld from KwaZulu-Natal	275 691
Total	**276 691**

(**Source: Department of Transport, (2016b)).**

3.5 UNAUTHORISED, FRUITLESS AND WASTEFUL EXPENDITURE

3.5.1 Unauthorised Expenditure

In 2013/14, the Department and the Road Traffic Management Corporation (RTMC) concluded that the transaction fees that were utilised to fund the cost of eNaTIS maintenance and operations belong to the RTMC. The cost of eNaTIS maintenance and operations resulted in further unauthorised expenditure of R392.8 million in 2014/15. Transfer payments to the RTMC that were held back in the previous financial year to reduce the unauthorised expenditure were paid in 2014/15, increasing the unauthorised expenditure in 2014/15.

The cost of eNaTIS maintenance and operations resulted in unauthorised expenditure of R2.4 billion which was incurred in 2013/14 and 2014/15. No further expenditure was incurred in 2015/16 because the over-expenditure on eNaTIS could be covered by the shifting of funds across programmes and because an agreement was reached that the RTMC would carry the cost of eNaTIS from May 2015 onwards.

3.5.2 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure amounting to R1.4 million, included R546 945 for services paid for, but which had not been rendered was underway at the time of reporting, and an overseas trip that had been taken that exceeded the authorisation by R639 725 was under investigation at the time of tabling the Annual Report. Other fruitless and wasteful expenditure under investigation amounted to R61 253, with R87 708 that had to be written-off, and R100 230 that had to be recovered.

3.5.3 Irregular Expenditure

A total of R123 million was declared irregular expenditure and R121.5 million thereof pertained to prior years because a contract had been extended from 1 May 2010 for a period of five years without following procurement procedures. Another R55 803 was declared as irregular expenditure relating to prior years because an advertisement had been placed without following procedures. As regards to the year under review, five cases were declared as irregular totalling R1.6 million because the scope of two contracts and the period of three contracts had been extended without approval.

3.5.4 Measures put in place

Measures reported to have been put in place by the Department to prevent and/or detect irregular expenditure are as follows:

- Where appropriate, cases of irregular expenditure are referred to the Department's legal services to determine whether any official can be held liable for the irregular expenditure;
- Cases of irregular expenditure are referred to the Department's Directorate: Investigations and Forensics for investigation when an investigation is required;
- Relevant managers are requested to take disciplinary steps against officials who make or permit irregular expenditure;

- The Bid Adjudication Committee will not consider condoning irregular expenditure until a legal opinion has been obtained where applicable and disciplinary steps were considered;
- The contract management system monitors all payments against orders that are placed, and will detect payments that exceed the contract value;
- The contract management system will detect any payments that are approved for processing for which no order was placed;
- Payments for all procurements must be processed via Supply Chain Management (SCM) so that any irregular procurement can be detected before payment; and
- To prevent the occurrence of not completing the internal order and requisition forms, the SCM component does not make any approval documents or letters of acceptance available until the internal order and requisition forms are completed. - Initiatives to train all officials who are involved in the approval of procurement matters will continue.

3.6 FINDINGS OF THE AUDITOR-GENERAL (AGSA)

During the year under review, the Department received a qualified audit opinion. In addition, the AGSA made material findings on the following:

3.6.1 Annual Financial Statements and Annual Report

The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 40(1)(a) and (b) of the Public Finance Management Act (PFMA) (No. 1 of 1999).

Material misstatements in accruals and tangible capital assets were identified in the submitted financial statements. The material misstatements in accruals were adequately corrected, however the material misstatements in tangible capital assets were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a qualified audit opinion.

3.6.2 Asset Management

Proper control systems to safeguard and maintain assets were not implemented, as required by section 38(1)(d) of the PFMA and Treasury Regulation 10.1.1(a).

3.6.3 Expenditure Management

Effective steps were not taken to prevent irregular, fruitless and wasteful expenditure, as required by section 38(1)(c)(ii) of the PFMA and Treasury Regulation 9.1.1. This is a repeat finding.

3.6.4 Internal Control

3.6.4.1 Management

Instability in management positions resulted in inadequate reviews of the financial information and effective monitoring of compliance of laws and regulations. Slow response by management in implementing systems and processes to ensure proper record-keeping of movable tangible and intangible capital assets to ensure that complete, relevant and accurate information is accessible and available to support financial reporting due to, among other things, the ensuing litigation against the Department, as explained in paragraph 5.12 of the accounting officer’s report and notes 32 and 33 to the financial statements.

3.6.4.2 Financial and Performance Management

Adequate systems and processes were not in place to ensure that the Department obtained proper records of movable tangible and intangible capital assets on a regular basis from the service provider to ensure that complete, relevant and accurate information is accessible and available to support financial reporting due to, *inter alia*, the ensuing litigation against the Department, as explained in paragraph 5.12 of the accounting officer’s report and notes 32 and 33 to the financial statements.

4. OVERVIEW AND ASSESSMENT OF PROGRAMME PERFORMANCE

4.1 SUMMARY OF PERFORMANCE

Table 5: Annual Performance Targets

Total targets set	50
Targets achieved	43/50
Targets partially achieved	2/50
Targets not achieved	5/50
Success rate	86%
Total budget spent	R53.3 billion or 99.5%

(Source: Department of Transport (2016b)).

During the period under review, the Department had set itself 50 performance targets and of these, 43 or 86% were achieved. Some of the achievements during the year under review included:

- The STER Bill was submitted to Cabinet and a business case for the STER was also finalised;
- The White Paper on National Rail Policy was approved by Cabinet in August 2015 and subsequently launched in September 2015. Stakeholder consultations on the Green Paper were held and stakeholder inputs into the Green Paper were considered and, where appropriate, incorporated into the draft White Paper which was also developed;
- The draft National Railway Safety Strategy was developed and consulted with stakeholders;
- A draft Green Transport Strategy was developed;
- The Department finalised the development of the draft National Road Safety Strategy;
- The NADP and the NCAP were finalised;
- The Reviewed Rural Transport Strategy was finalised and presented to the Transport MinMEC;
- The National Learner Transport Policy was approved by Cabinet in May 2015 and subsequently published for implementation; and

- The Green Paper on the National Maritime Transport Policy was presented to the International Cooperation Trading and Security Cluster in March 2016. The policy aims to develop the maritime transport sector in South Africa that will capitalise on the potential of both shipping and support industries as significant contributors to economic growth and employment opportunities.

Some of the challenges encountered during the reporting period were the following:

- Cabinet proposed that the Department consult with the PICC on NATMAP 2050. The NATMAP 2050 was then submitted to the PICC Secretariat which recommended that further work be done with its task team, which was concluded. However, the meeting with the PICC Management Committee could not take place to finalise the NATMAP 2050 during the period under review.
- The Department could not finalise the development of the Harrismith Hub Framework, but developed a Feasibility Study and an Options Analysis for the Harrismith Hub.
- The Department could not finalise the Road Accident Benefit Scheme which is intended to review the compensation model of victims of road accidents, as currently dealt with it in terms of the Road Accident Fund Act.

4.2 Programme Performance

4.2.1 Programme 1: Administration

Table 6: Programme 1: Administration

Total targets set	8
Targets achieved	7/8
Targets not achieved	1/8
Success rate	87.5%
Total budget spent	R420.8 million or 99.7%

(Source: Department of Transport (2016b)).

Of the 8 performance targets that the Department had set itself for 2015/16 in the Administration programme, 7 or 87.5% were achieved, while 1 or 12.5% was not achieved. The target that was not achieved was:

- Reduce vacancy rate from 23.34% (201 vacant posts) to 10% (86 vacant posts).

At the time of tabling its Annual Report, the Department contended it had managed to fill 63 vacant posts owing to "budget cut on the compensation of employees", as well as a moratorium by National Treasury on the filling of vacant posts.

4.2.2 Programme 2: Integrated Transport Planning

Table 7: Programme 2: Integrated Transport Planning

Total targets set	9
Targets achieved	6/9
Targets partially achieved	1/9
Targets not achieved	2/9
Success rate	66.7%
Total budget spent	R88.8 million or approximately 100%

(Source: Department of Transport (2016b)).

Under the Integrated Transport Planning programme, the Department achieved 66.7% of its annual performance targets and spent almost 100% of its budget allocation. During the year under review, the Department had undertaken to, *inter alia*, have the "Private Sector Participation (PSP) Framework" developed. However, at the time of reporting, it maintained that the "final draft" of the PSP Framework had been developed. It can therefore not be said that the target was achieved as the "final draft" and not the "PSP Framework" had been developed.

The targets that were not achieved were:

- Final draft of the NATMAP 2050 submitted to Cabinet

The Department averred that while the NATMAP report had been concluded, the audience with the PICC Management Committee (MANCO) could not be secured, as had been targeted in the previous submission. The Cabinet proposed that the Department consult the PICC to get the input before re-submission. The Department further reported that at the time of tabling the Annual Report, the first meeting with the PICC MANCO was still outstanding.

- Harrismith Hub Framework developed

At the time of table its Annual Report, the Department stated that a feasibility study had been conducted on the Harrismith Hub and that a report on the consolidation of Tshiame Industrial Hub, Harrismith Logistics Hub and Maluti-a-Phofung Industrial Development Zone had been completed. It was further asserted that bilateral consultations had been conducted with Free State Provincial Government and the Harrismith Options Analysis and Value Assessment Records had been completed, in collaboration with the Free State Department of Police, Roads and Transport.

4.2.3 Programme 3: Rail Transport

Table 8: Programme 3: Rail Transport

Total targets set	5
Targets achieved	4/5
Targets partially achieved	1/5
Success rate	80%
Total budget spent	R18.3 billion or approximately 100%

(Source: Department of Transport (2016b)).

While the Department had met 100% of its annual performance targets in 2014/15, its annual performance in this programme stood at 80% during the year under review. The target that was partially achieved was:

- National Railway Safety Strategy (NRSS) developed

The Department contended that the “draft” NRSS had been developed and that stakeholder consultation sessions on the “draft” NRSS had been held with PRASA, the RSR.

4.2.4 Programme 4: Road Transport

Table 9: Programme 4: Road Transport

Total targets set	4
Targets achieved	4/4
Success rate	100%
Total budget spent	R22.9 billion or 98.8%

(Source: Department of Transport (2016b)).

While the Department had achieved 90% of its annual performance targets in 2014/15 in this programme, it achieved all of them or 100% during the period under review and spent 98.8% of its budget allocation.

4.2.5 Programme 5: Civil Aviation Transport

Table 10: Programme 5: Civil Aviation Transport

Total targets set	8
Targets achieved	8/8
Success rate	100%
Total budget spent	R145.3 million or 96.6%

(Source: Department of Transport (2016b)).

The Department achieved 100% of its annual performance targets and spent 96.6% of the budget allocation in the Civil Aviation Transport programme.

4.2.6 Programme 6: Maritime Transport

Table 11: Programme 6: Maritime Transport

Total targets set	8
Targets achieved	6/8
Targets not achieved	2/8
Success rate	75%
Total budget spent	R142.9 million or 99.4%

(Source: Department of Transport (2016b)).

Of the 8 annual performance targets that the Department had set for itself, it met 6 and spent 99.4% of the budget allocated to the Maritime Transport programme. The targets that were not achieved were:

- Green Paper on National Maritime Transport Policy submitted to Cabinet

At the time of reporting, the Department maintained that the submission of the Green Paper on the National Maritime Transport Policy to Cabinet had not been approved by the Executive Authority "due to the need for more consultations on the Green Paper".

- Cabotage Policy for Coastal, Regional and Continental Waters submitted to Cabinet

The Department contended that its inability to meet this target was thanks to the fact that the "development of the Cabotage Policy has been incorporated in the National Maritime Transport Policy process".

4.2.7 Programme 7: Public Transport

Table 12: Programme 7: Maritime Transport Public Transport

Total targets set	8
Targets achieved	8/8
Success rate	100%
Total budget spent	R11.3 billion or 99.9%.

(Source: Department of Transport (2016b)).

The Department reported that it had met all of its annual performance targets for this programme. However, one of the targets set was to have the "Taxi Recapitalisation Programme Review Report submitted to Cabinet". At the time of reporting, the Department asserted that the Taxi Recapitalisation Programme (TRP) Review Report had been developed and that the "submission of the report to Cabinet has been approved by the Minister". It is therefore not evident whether the TRP Review Report was indeed submitted to Cabinet, other than that its submission to Cabinet had been approved by the Minister.

5. HUMAN RESOURCE MANAGEMENT

During the year under review, the Department had 862 posts on the approved establishment and of these, 693 were filled. The vacancy rate stood at 19.6%. The highest vacancy rate was in Programme 4: Road Transport which stood at 28.8%. The vacancy rates of Programme 5: Civil Aviation and Programme 6: Maritime Transport followed with 22.7% and 20.9% respectively.

As at 31 March 2016, the annual turnover rate within the Department was 7.5%, down from 9.3% in 2014/15. The highest turnover rate was at the Senior Management Services which stood at 28%. The main reason for staff leaving the Department was transfer, standing at 32%.

6. OBSERVATIONS

On 30 September 2016, the Annual Reports of the entities were on time and tabled in Parliament. The Annual Report of the Department of Transport was, however, late and was only tabled on 31 October 2016.

There was an improvement in the performance reporting of the Department, however, for the first time in several years, it received a qualified audit with findings. The Department and entities received the following findings:

- *Qualified Audit with findings* – the Department;

- *Unqualified Audit with no findings (also referred to as a Clean Audit)* – Cross-Border Road Transport Agency (CBRTA), RTMC, PRASA and South Africa Civil Aviation Authority (SACAA);
- *Unqualified with findings* - SANRAL, RTIA, Driving Licence Card Account (DLCA), PRASA, RSR, ACSA, RAF and SAMSA.

The portfolio's overall outcomes regressed due to the Department receiving a financially qualified audit outcome with material findings on compliance with legislation and no findings on predetermined objectives. This was due to the Department not having sufficient appropriate records for the eNaTIS assets disclosed in the financial statements.

Key areas of material non-compliance relates to failure to prevent irregular and fruitless and wasteful expenditure, asset management and material misstatements to financial statements submitted for audit.

In terms of progress in audit opinions, there was improvement in performance for RTMC and CBRTA; there was stagnation in performance for SANRAL, RSR, SACAA, SAMSA, PRASA, RTIA, ACSA and the Driving Licence Card Account; and there was a decline in performance for the RAF.

The portfolio's overall outcomes improved due to a CBRTA and RTMC improving their audit outcomes from unqualified audit opinion with findings to unqualified audit opinion with no findings. There was regression in the audit outcome of the RAF from an unqualified audit opinion with no findings to unqualified audit opinion with finding on compliance with laws and regulations. The Department showed stagnation in compliance with legislation and regression in quality of financial statements.

There was regression in the area of reliable performance reporting by the entities. Annual performance plans of PRASA, RSR, SAMSA and SANRAL contained targets that were not specific, time bound and verifiable. Achievements reported by PRASA, RSR, RTIA and SAMSA were either incorrect or not supported by appropriate sufficient evidence to confirm the accuracy and reliability thereof. The quality of the Department's annual performance reports improved.

Worth noting is that, for the Department, unauthorised and irregular expenditure decreased over 3 years and after follow-up action had been taken.

For the entities, there was a slight improvement in the area of compliance with laws and regulations. The key areas of non-compliance remained SCM resulting in repeated incurrence of irregular expenditure and material misstatements in the financial statements submitted for audit which had been identified in the audit process and corrected by management which led to the portfolio with the exception of the Department achieving financially unqualified audit opinions.

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

The Department will need to focus more attention on ensuring that action plans are implemented to address prior year audit findings and that sustainable solutions are implemented to prevent a recurrence of findings in the area of compliance with key applicable legislation and financial reporting. Vacancies and stability of management at the Department continue to pose significant challenges regarding the operations of the Department and the creation of a control environment to ensure that basic financial, performance reporting and compliance with laws and regulations are enforced.

With specific focus on the entities which appeared before the Committee, the following observations were made:

- SANRAL should be commended for receiving an unqualified audit opinion during the year under review. There is equally an imperative on the part of the entity to attend to repeat findings by the AGSA.
- PRASA should commit itself to implementing the modernisation programme for the commuter rail system with a view to transforming rail commuter services and making them reliable, safe, affordable and comfortable, in line with the vision of the NDP.
- While the RSR should be commended for receiving an unqualified audit opinion, it should ensure that it attends to the issues raised by the AGSA regarding the setting of Specific, Measurable, Achievable, Realistic and Timely (SMART) targets and the evidence required to report on the achievement of those targets, pertaining to compliance with Preferential Procurement Policy Framework Act (PPPFA) requirements and Treasury Regulations, the prevention of irregular expenditure, compliance monitoring by senior management which was lacking for target achievements, compliance with SCM policy, and the high vacancy rate at the entity.
- While the RAF should be commended for receiving an unqualified audit opinion for the consecutive time, it should attend to the issues raised by the AGSA regarding the need to take effective steps to prevent irregular, fruitless and wasteful expenditure (as required by section 51(1)(b)(ii) of the PFMA), compliance with SCM practices, policy and the RAF's own Financial Misconduct Policy, as well as the slow response by management in implementing effective controls to prevent the repeated incurrence of irregular, fruitless and wasteful expenditure.
- SAMSA should be commended for receiving an unqualified audit opinion during the year under review. By the same token, the entity should put measures in place to ensure that it responds to the deficiencies identified by the AGSA, regarding the excessive expenditure over the approved budget in contravention of section 53(4) of the PFMA, the need to take effective steps to prevent irregular, fruitless and wasteful expenditure which increased from previous years,

compliance with SCM policy and the invitation of competitive bids (as required by Treasury Regulations 16A6.1), the effective implementation of Human Resource Management to ensure that adequate and sufficiently skilled resources were in place and that performance was monitored within the finance section as well as records management, the need to develop and monitor the implementation of action plans to address internal control deficiencies, the a lack of consequence management against officials who had incurred and permitted irregular expenditure and fruitless and wasteful expenditure, and regarding the duration of investigations into allegations of misappropriation of assets which exceed 2 years.

The Committee further raised the following observations in its meetings with the Department, public entities and AGSA:

6.1 SIGNIFICANT EMPHASIS OF MATTERS

With regard to SANRAL, alternative tariff revenue to the amount of R6.1 billion for Gauteng open road tolling has not been recognised. In management's judgement, it is not probable that the economic benefits associated with the transaction would flow to the entity and the amount of the revenue to be recognised could not be measured reliably.

As regards PRASA, the public entity was the applicant in lawsuits related to the purchase of locomotives and the integrated station access management solution (ISAMS). The ultimate outcome of these matters could not be determined at the time of reporting. Furthermore, there was an impairment of rolling stock of R751 million of which R715 million relates to the impairment of locomotives.

Regarding the DLCA, the trading entity is a participant in arbitration proceedings with a former service provider. The ultimate outcome of these matters could not be determined at the time of reporting.

Concerning ACSA, there were material write-offs to the amount of R72 million as a result of the asset verification project.

6.2 MATERIAL MISSTATEMENTS TO FINANCIAL STATEMENT(S)

The accounting authority of SANRAL should exercise effective oversight over the implementation of action plans to address prior year audit findings and also perform detailed reviews of the financial statements. Consequence management should be enforced in the entity and the accounting authority should oversee the implementation of the consequence management in the entity.

A skills review at SAMSA should be performed on the finance section and based on this outcome, consideration should be given to either re-training the existing staff or appointing staff with the appropriate skills and competencies.

The accounting officer of the DLCA, ACSA and PRASA should exercise effective oversight over the implementation of action plans to address prior year audit findings and also perform detailed reviews of the financial statements.

The accounting authority of PRASA should also ensure that all key posts within the finance section are filled in a timely manner with permanent skilled and competent staff.

The Committee noted the material misstatements to financial statements at the Department, as well as at the entities indicated above. Root causes were again identified as key officials lacking appropriate competencies and slow responses by management. The Committee further noted that the root causes for material misstatement at the Department were identified by AGSA as a lack of consequence for poor performance and transgressions and vacancies in key positions.

6.3 PREDETERMINED OBJECTIVES

Management in the Department, as well as the entities should ensure that it is possible to validate the processes and systems that produce the indicator to enable them to produce the required evidence supporting their reported performance. Conversely, they should adhere to the requirements of the Framework for Managing Programme Performance Information (FMPPI) to ensure that all indicators are well defined and verifiable and that all targets are specific and measurable i.e. the nature and required level of performance is clearly specified and measurable.

The Committee noted that lack of specific set targets by entities, a lack of verifiable evidence on performance, as well as a lack of consequences for poor performance and transgressions were the root causes for the findings at the Department and certain identified entities.

6.4 COMPLIANCE WITH LEGISLATION

With regard to SANRAL, processes must be established to ensure that invitation for competitive bids are advertised in at least the government tender bulletin as this is a cheaper medium and is accessible to a majority of potential bidders. Management should also put systems and processes in place to monitor compliance with SCM regulations to ensure that interest is disclosed by all staff members. SANRAL should, furthermore, formulate compliance checklists that detail the compliance requirements for each requirement, and these checklists should be reviewed throughout the procurement process. Management should ensure that the Treasury Regulations are complied with, that requests for quotations should be done timeously to ensure a fair, equitable procurement process and that the bid adjudication committee must verify that the recommended bidder has submitted all the required bid documentation, including the declaration of past SCM practices. This all remains a recurring non-compliance which should be investigated and appropriate action must be taken against transgressors.

With regard to RTIA, there is a need to ensure that recurring non-compliance is investigated and appropriate action taken against transgressors.

With regard to DLCA, management should establish their own policies and procedures, aligned to the Framework for Managing Performance Information and the PFMA, to ensure that performance reporting requirements are properly processed by the Department. They should also focus on ensuring that proper planning takes place prior to procuring goods and services to ensure adequate time to comply with requirements and minimise deviations, and non-compliance with legislation should be investigated and appropriate action taken against transgressors.

With regard to PRASA, management should ensure that the Treasury Regulations are complied with. Requests for quotations should be done timeously to ensure a fair, equitable procurement process and there should be compliance checklists that details the compliance requirements for each requirement, and these checklists should be reviewed throughout the procurement process. Members of the relevant committee and the chairperson should satisfy themselves that all service providers that are recommended for award have all the required documentation in terms of laws and regulations. The list of recommended bidders should be accompanied by a signed checklist confirming the completeness of required documents. Similar to the other mentioned entities above, the recurring non-compliance should be investigated and appropriate action taken against transgressors.

With regard to ACSA and similar to PRASA above, management should formulate compliance checklists that detail the compliance requirements for each requirement, and these checklists should be reviewed throughout the procurement process. Members of the relevant committee and the chairperson should satisfy themselves that all service providers that are recommended for award have all the required documentation in terms of laws and regulations. The list of recommended bidders should be accompanied by a signed checklist confirming the completeness of required documents. Management should properly plan the acquisition of goods and services and exercise sufficient oversight and monitoring of controls to ensure that compliance with SCM policy is achieved. Recurring non-compliance should be investigated and appropriate action taken against transgressors. Furthermore, management should establish their own policies and procedures, aligned to the Framework for Managing Performance Information and the PFMA, to ensure that performance reporting requirements are properly processed by the Department.

With regard to RSR, management should include the declaration part in the tender documentation and perform adequate reviews of the supplier documents submitted in order to identify suppliers who did not submit the signed declarations of interest and they should also put systems and processes in place to monitor compliance with SCM regulations to ensure that interest is disclosed by SCM staff.

With regard to SAMSA, the entity should implement monitoring controls to ensure budget is available before commitment expenditure. Monitoring and oversight over s SCM processes to be enhanced to ensure compliance with SCM laws and regulations. As with the above entities, recurring non-compliance should be investigated and appropriate action taken against transgressors.

With regard to RAF, recurring non-compliance should be investigated and appropriate action taken against transgressors.

6.4.1 Human Resources

During the year under review, the RSR had 487 posts on approved establishment and of these, 175 were filled. The vacancy rate stood at 64%. The highest vacancy rate was in the Chief Operations Officer Department which stood at 70%, followed by the Corporate Affairs Department whose vacancy rate was 63%. As at 31 March 2016, the annual turnover rate within the RSR was at 5.7%. The highest turnover rate was at the Qualified and Experienced Specialists/Mid Management (D1-D5) which stood at 4.0%. The main reason for employees leaving the RSR was resignation, standing at 3%. The RSR had 1 employee with disability.

During the year under review, the Department had 862 posts on the approved establishment and of these, 693 were filled. The vacancy rate stood at 19.6%. The highest vacancy rate was in Programme 4: Road Transport which stood at 28.8%. The vacancy rates of Programme 5: Civil Aviation and Programme 6: Maritime Transport followed with 22.7% and 20.9% respectively. As at 31 March 2016, the annual turnover rate within the Department was 7.5%, down from 9.3% in 2014/15. The highest turnover rate was at the Senior Management Services which stood at 28%. The main reason for staff leaving the Department was transfer, standing at 32%.

The Committee requested the Department to ensure that all funded and critical vacancies are filled as soon as is possible and also requested that the Department and the RSR report back to the Committee regarding their plans to reduce the vacancy rate and ensure retention policies are in place.

6.4.2 Irregular, fruitless and wasteful expenditure

A total of R123 million was declared irregular expenditure and R121.5 million thereof pertained to prior years because a contract had been extended from 1 May 2010 for a period of five years without following procurement procedures. Another R55 803 was declared as irregular expenditure relating to prior years because an advertisement had been placed without following procedures. As regards the year under review, five cases were declared as irregular totalling R1.6 million because the scope of two contracts and the period of three contracts had been extended without approval.

Fruitless and wasteful expenditure amounting to R1.4 million, included R546 945 for services paid for, but which had not been rendered was underway at the time of reporting, and an overseas trip that had been taken that exceeded the authorisation by R639 725 was under investigation at the time of tabling the Annual Report. Other fruitless and wasteful expenditure under investigation amounted to R61 253, with R87 708 that had to be written-off, and R100 230 that had to be recovered.

The cost of eNaTIS maintenance and operations resulted in unauthorised expenditure of R2.4 billion which was incurred in 2013/14 and 2014/15. No further expenditure was incurred in 2015/16 because the over-expenditure on eNaTIS could be covered by the shifting of funds across programmes and because an agreement was reached that RTMC would carry the cost of eNaTIS from May 2015 onwards.

The Committee requested that the Department brief the Committee on the state of affairs of the investigations that were underway at the time of reporting. The Committee further noted that the Constitutional Court Judgment against Tasima was still reserved at the time of meeting with the Department but noted that it would have a significant impact on the findings regarding eNaTIS going forward (the judgement was handed down on 9 November 2016 indicating that the eNaTIS assets and operation should transfer to the Department).

The Committee noted that the Department, SANRAL, PRASA, RSR, RAF and SAMSA did not take effective and appropriate steps to prevent irregular, fruitless and wasteful expenditure.

In all instances, there was a finding that effective and appropriate disciplinary action must be taken against officials who incurred and/or permitted irregular, fruitless and wasteful expenditure, as highlighted in the AGSA report on the audit outcomes of the Department and its entities.

6.4.3 Supply Chain Management

The Committee noted the lack of effective controls to ensure compliance with internal policies with regard to supply SCM and the AGSA's findings in this regard for the Department, SANRAL, PRASA, RSR, RAF and SAMSA. The Committee noted that the main root causes of these findings were key officials lacking the appropriate competencies, as well as a need to implement and apply an appropriate checklist for the compliance to all SCM policies and legislation.

6.4.4 Information Technology Controls

The Committee noted that the Department still had a need to establish an information technology (IT) governance framework that supports and enables the business, delivers and improves performance.

At PRASA, the AGSA found that there was a slow response by senior management to review and update the IT strategic plan, business continuity plan, disaster recovery plan and governing policies and procedures to address the previously reported deficiencies. The inadequate controls within the IT environment over network access and security management, so the AGSA concluded, contributed to the weak internal control management.

6.4.5 Legislative Delays

During interactions with the Department in the 2014/15 and 2015/16 financial years, the Committee reiterated the impact of delays in the processing of legislation on the Department and entities, especially as it was hindering some entities from executing their mandates.

6.5 FINANCIAL HEALTH OF ENTITIES

As far as the going concern status of entities is concerned, the following observations were made:

- With regard to SAMSA, the total liabilities exceeded total assets by R74 768 000. These conditions, along with other matters, indicate the existence of a material uncertainty that may cast significant doubt on the entity's ability to operate as a going concern.

- With regard to CBRTA, the Agency's total liabilities exceeded its total assets by R220 335 194. These conditions, along with other matters, indicate the existence of a material uncertainty that may cast significant doubt on the entity's ability to operate as a going concern.
- With regard to PRASA, a significant net loss amounting to R26 million incurred by the subsidiary was attributed to the budgeted revenue from property investments, third-party projects and commercial projects not materialising.
- With regard to RAF, there was uncertainty as to whether the entity would be able to fund its future obligations as the entity had incurred an accumulated deficit amounting to R145 335 490 000 and total liabilities exceeded total assets by R145 252 092 000.

6.6 INVESTIGATIONS

With regard to PRASA, the accounting authority commissioned a forensic investigation by an independent firm into procurement matters including those previously reported on by the AGSA during the 2014/15 audit and the public protector. The investigation is in progress and the outcome may also have an impact on PRASA's subsidiaries. The Committee was particularly concerned with the investigation underway by Werksmans Attorneys on behalf of PRASA due to the fact that this particular investigation was unfunded and had already incurred approximate expenses of R100 million at the time of compilation of this Committee report.

The public protector issued her report on allegations of financial mismanagement and tender irregularities between 2010 and 2012 in August 2015. As some matters regarding these allegations were not finalised when the report was issued, the investigation is still ongoing. Based on the outcome of the issued report, National Treasury instituted a forensic investigation into approximately 100 contract awards in accordance with the remedial action recommended by the public protector. These investigations are in progress and the outcome may also have an impact on PRASA's subsidiaries. The Hawks are investigating 39 cases reported by PRASA in terms of the Prevention and Combating of Corrupt Activities Act (No. 12 of 2004). The investigation was in progress at the time of this report. The outcome of this investigation may also have an impact on PRASA's subsidiaries.

With regard to SANRAL and SAMSA, an independent consulting firm was appointed by the Accounting Authority to perform an investigation into an allegation of possible misappropriation of the entity assets. The investigation covers the period from 1 April 2014 to the time of reporting and the outcome of the investigation was expected by the end of August 2016.

With regard to RTMC, the investigation pertaining to the fraud case has not been finalised. The matter is still pending before the courts of law and the results thereof have some impact on the recoverability of the balance of the loss that the Corporation has suffered.

With regard to ACSA, the accounting authority has commissioned an independent investigation on alleged irregularities in procurement and contract management processes. At the time of reporting, the outcome of this investigation was still pending.

The Committee requested that the Department brief the Committee on the state of affairs of the investigations that were underway at the time of reporting.

6.7 PERFORMANCE OF THE DEPARTMENT

The Committee noted the impact that the reserved judgment on the eNaTIS matter had on the audit outcome of the Department. The Committee also noted with concern that, had the AGSA regulations and auditing requirements taken the effect of reserved judgments regarding assets into account, the Department would have, in all likelihood, received an unqualified audit opinion, as it had done in the previous nine years.

The AGSA was therefore requested during the briefing with the Committee to investigate and report back on the following:

1. Guidelines should be established on how audits will be conducted of departments and entities in instances where outstanding court judgments may have a substantial effect on the audit outcomes of those institutions; and
2. In instances where the status quo of an audit changes, or where certain requirements were waived in previous audit years, clarity must be timeously provided by the AGSA which will guide institutions being audited on exactly what the changed requirements may entail in order to avoid future late submissions of annual reports.

The Committee further noted that the discussions had during the Budget Review 2016/17 and the Strategic Planning 2015-2020 and Annual Performance Review of 2016/17 highlighted the following points which may impact the Department in its next audit, should these not be rectified:

1. Performance targets for NATMAP and the White Paper on National Transport Policy Review have been amended and adjusted to be completed a year later than indicated in the APP2015/16. In the Budget Vote document, the date for NATMAP submission to Cabinet is 2017 and not 2015/16 as indicated in the APP. The stakeholder consultation which was planned for 2015/16 for the White Paper was removed from the year planning and incorporated into the 2nd quarter of the 2016/17 financial year breakdown as consultations.
2. Cabinet and Parliament approval, establishment and roll-out of the STER was removed from the medium term targets from the Strategic Plan 2015 – 2020. This may also affect the achievement of Outcome 6 of the Minister's Delivery Agreement with the President.

7. RECOMMENDATIONS

7.1 OBSERVATIONS AND RECOMMENDATIONS FROM THE BUDGET VOTE REPORT 2016

7.1.1 The Committee made the following observations:

1. The Committee observed the number of vacancies in the Department and entities, and noted that the reason for this provided by the Department was that it resulted out of the directive by National Treasury, in line with the latter's (National Treasury) austerity measures. The Committee further noted the impact these had on the ability of the Department and its entities to fulfil their mandates.
2. The Committee noted the unfunded mandate of Shosholoza Meyl and the impact it has on the operational budget of PRASA.
3. The budget was quiet about the *Shova Kalula* programme.
4. There were inconsistencies in the targets raised in the 2016/17 APP of the Department and its 2016/17 Budget Vote document.

7.1.2 The Committee recommended that the Minister ensure:

1. The Department has Memorandums of Understanding (MOUs) in place for transfers/grants from the transferring agency to the implementing agency. The Department should evaluate whether value for money was received and whether the Department had mechanisms in place to monitor and evaluate transfers to provinces.
2. The Department continues engagement with National Treasury with regard to the filling of critical posts at the Department and its entities.
3. The Department engages with National Treasury with a view to ensure that funds are secured for the Rail component of the Moloto Corridor Initiative.
4. The Department reviews its funding model as it relates to PRASA in order to address, among other things, the unfunded mandate of Shosholoza Meyl.

5. The Department should ensure that there is an alignment between its amended Strategic Plan, 2016/17 APP and the 2016/17 Budget Vote.
6. The Department provides the Committee with a comprehensive briefing on *Shova Kalula.*

7.2 OBSERVATIONS AND RECOMMENDATIONS FROM THE STRATEGIC PLAN AND APP REPORT 2016

7.2.1 The Committee made the following observations:

1. The Department was commended for undertaking to invest in rural transport infrastructure, as it would discourage migration from rural to urban areas.
2. Inconsistencies were noted in the APP and the 2016 Budget Vote Document. A re-alignment of these documents may be required considering the amendments made to the Strategic Plan targets in the APP for 2016/17.
3. The Committee observed that a budget allocation was made for the roads development of the Moloto Corridor, while no allocation was made for the Rail development on the Corridor.
4. Concern was expressed about the unfunded mandate of the Shosholoza Meyl carried by PRASA.
5. The Committee noted that the Ports Regulator would be facing budgetary constraints going forward.
6. The budget allocation for RTMC was inadequate to effectively combat road fatalities.
7. During the last 5 years the RTMC did not release an annual report on road fatalities.
8. The RTMC, along with the Department and its entities, should be commended for the roles they played in reducing fatalities during the 2016 Easter holidays.
9. There’s a need for the RTMC to work with the manufacturing industry to ensure that safety features were incorporated in all vehicles to reduce the negative impact of accidents.
10. The Annual Performance Targets in the APP of RTIA did not adhere to SMART principles.

11. The Committee observed that the prioritisation of the AARTO Amendment Bill would assist RTIA to execute its mandate optimally.
12. The ATNS, ACSA and SACAA were commended for their good performance by the Committee.
13. The Committee noted that the Department currently had 5 Acting Deputy- Directors General and 2 on suspension which did not auger well for the stability of the Department and its optimal performance. The Committee further observed the number of vacancies in the Department and entities, and noted that the reason for this provided by the Department was that it resulted out of the austerity measures applied by a directive of National Treasury. The Committee further noted the impact it had on the ability of the Department and its entities to fulfil its mandates.

7.2.2 The Committee recommended that the Minister ensure:

1. The Department, with SAMSA, provide a comprehensive briefing on Operation Phakisa.
2. The Department ensures that there is an alignment between the amended Strategic Plan, 2016/17 APP and the 2016/17 Budget Vote.
3. The Department engages with National Treasury to ensure that the key vacant positions of the 5 Acting Deputy-Directors General are filled.
4. The Department further engages with National Treasury to ensure that funds are secured for the Rail component of the Moloto Corridor Initiative.
5. The Department reviews its funding model as it relates to PRASA in order to address, among other things, the unfunded mandate of Shosholoza Meyl.
6. The Department reviews the funding models of the Ports Regulator and the RTMC so that they are able to discharge their mandates optimally.
7. The Department processes legislative amendments without delay.
8. The Department should enhance departmental oversight and engagement with its entities. The Department along with its entities should engage with National Treasury regarding those entities which face financial constraints and liquidity concerns.

7.3 RECOMMENDATIONS MADE BY THE AGSA FOR THE BUDGETARY REVIEW AND RECOMMENDATION REPORT FOR THE 2015/16 FINANCIAL YEAR

1. Regular monitoring of the action plans to ensure that the identified deficiencies are addressed to avoid repeat findings and continued noncompliance. The Committee should request management to provide feedback on the implementation and progress and of the action plan during quarterly reporting.
2. Regular assessments of the status of internal controls, especially regarding financial statement and performance reporting preparation and filling of key vacant posts to ensure stability of management, must be undertaken by management to address deficiencies as and when they arise. The Committee should request management to provide quarterly feedback on status of key controls.
3. The accounting officers/authorities should intensify their focus on ensuring that transgressors are held accountable and that action is taken, as required by the PFMA. Action taken against repeat transgressors should be done so in a timely manner, in order to eliminate repeat findings. List of action taken must be provided quarterly to the Committee for follow up.
4. Processes should be established to ensure that invitation for competitive bids are advertised in at least the Government tender bulletin, as this is a cheaper medium and is accessible to a majority of potential bidders.
5. Management should put systems and processes in place to monitor compliance with SCM regulations to ensure that interest is disclosed by all staff members.
6. Management should formulate compliance checklists that detail the compliance requirements for each requirement, and these checklists should be reviewed throughout the procurement process.
7. SANRAL should explain why repeat findings have not been addressed.

8. Management should ensure that the Treasury Regulations are complied with. Requests for quotations should be done timeously to ensure a fair, equitable procurement process.
9. Management should exercise oversight responsibility over financial and performance reporting, as well as compliance and related internal controls.
10. Latest developments regarding an investigation by the Public Protector into allegations of maladministration and irregular procurement processes pertaining to the Gauteng e-tolling contracts need to be reported on by SANRAL.
11. It should be underscored that the AGSA has been identifying transgressions and/or deficiencies pertaining to PRASA's procurement and contract management, as early as in 2011/12. PRASA should therefore explain why it has not addressed its procurement and contract management. Put differently, PRASA should provide the reason(s) why repeat control deficiencies have not been or are not being addressed.
12. The following measures should be put in place to create an environment that is conducive to compliance with legislation:
    a. Key commitments made to implement the AGSA's recommendations to address the root causes should be promptly implemented;
    b. Control processes should be adhered to at all times when procuring goods and services;
    c. Proper record keeping should be implemented for information supporting compliance and procurement process; and
    d. Consequence management for staff members who fail to comply with applicable legislation should be implemented.
13. The applicable PRASA SCM prescripts should be complied with.
14. Management should address document management system. In addition, it should attend to financial and performance reporting discipline, as well as compliance management.

15. Management should exercise oversight responsibility pertaining to financial and performance reporting, as well as compliance and related internal controls.
16. Management should implement effective Human Relations management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored.
17. Management should establish and communicate policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities.
18. PRASA should implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance management.
19. Regarding the RSR:
    a. It should be highlighted that the RSR has been faring well, as far as compliance with legislation is concerned. Indeed, this has been the case as early as 2010/11. The entity should therefore give the root causes of it performing badly in this area during the year under review and whether it has put in place corrective measures to ensure that non-compliance with legislation does not recur.
    b. The RSR should review and monitor compliance with applicable legislation.
    c. The RSR should indicate whether it has consequence management for staff members who fail to comply with applicable legislation.
    d. The RSR must develop/implement an action plan to address the above-mentioned audit findings.
    e. Notwithstanding the fact that the vacancy rate at the RSR was 64%, it achieved 90% of its performance targets. This means either the targets that the entity had set itself were too low or staff may have been overburdened. RSR should present a retention strategy to the Committee.

20. While the RAF contends that "[…] the number and type of irregular expenditure had improved from 61% from 33 in 2014/15 to 13 at the end of the 2015/16 financial year" and that "[t]his reduction confirms the efficacy of Management interventions and a confirmed reduction is expected", there is still room for improvement as the irregular expenditure incurred during the year under review is still exorbitant. There is therefore a need for stringent adherence to SCM prescripts.
21. Regarding SAMSA:
    a. SAMSA should implement the action plan to address prior year audit findings.
    b. SAMSA should enhance performance and consequence management.
    c. SAMSA should report on ongoing investigations to the Committee on a quarterly basis.

7.4 THE COMMITTEE RECOMMENDATIONS FOR THE 2015/16 FINANCIAL YEAR BUDGETARY REVIEW AND RECOMMENDATION REPORT

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

7.4.1 The advertising and filling of vacant posts should be prioritised in the Department and the affected entities.

7.4.2 The Department should strengthen its oversight over the entities and report on progress made to remedy all matters raised by the AGSA in its audit reports of the Department and the entities.

7.4.3 Effective steps should be implemented to prevent irregular expenditure. Officials who incurred irregular, fruitless and wasteful expenditure should be duly disciplined. Proper record-keeping should be implemented for information supporting compliance and procurement process. Implement consequence management for staff members who fail to comply with applicable legislation.

7.4.4 The Department and entities should capacitate their Finance and SCM departments with appropriately skilled and competent personnel to prepare credible financial statements. Furthermore, management should ensure that information used to prepare financial statements is accurate and reliable. Staff should be retrained and reskilled to ensure that they comply with legislation.

7.4.5 Control processes should be adhered to in the SCM processes. The Department should establish a task team to identify and address the inefficiencies in the SCM process in the Department as well as its entities. There should be consequences for poor performance and failure to comply with applicable legislation.

7.4.6 The AGSA's recommendations to address root causes should be implemented.

7.4.7 The Department should develop funding plans to ensure the financial sustainability of the entities and should provide the Committee with quarterly updates on strategies to improve the financial health status and reduction of instances where the liabilities exceed total assets of the PRASA, CBRTA, RAF and SAMSA as there were uncertainty as to whether the entities would be able to fund their future obligations.

7.4.8 The Department should monitor, track and engage with its provincial and municipal counterparts on the implementation of the PRMG and other grants to ensure that money is used for its intended purpose, to ensure that there is value for money spent and to prevent a future need for roll-overs as an extension of the two-way Key Performance Indicator (KPI).

7.4.9 The Department should ensure that the amendments made to their Strategic Plan 2015-2020 as well as the APP for 2016/17 and the coming APP for 2017/18 are aligned in such manner as to ensure compliance with the AGSA recommendations and findings.

7.4.10 The Department should ensure that the budget allocation for projects is strengthened and realistic in order to reduce the high amounts of funds being transferred under Virements.

7.4.11 The Department should develop an alternative investment attraction plan in order to make better use of Public-Private Partnerships and promotion of Private Sector Participation in the funding options for various infrastructure projects, such as the Moloto Corridor Project and other major infrastructure projects planned by the Department as well as their provincial and municipal counterparts.

7.4.12 The Department should engage in earnest with National Treasury in order to review its funding model as it relates to PRASA in order to address, among other things, the unfunded mandate of Shosholoza Meyl. The provision of accessibility to long distance rail is an NDP directive and will not be achieved if the matter of this unfunded mandate is not resolved.

7.4.13 The Department with PRASA should engage with Transnet and the Department of State Owned Enterprises in finding a viable solution to resolve the unfunded mandates inherited by PRASA from old Transnet programmes as well as consequent impediments and expenses incurred by PRASA in implementing these unfunded mandates. The Committee in turn will undertake to engage on the same matter with the Portfolio Committee on Public Enterprises in finding a workable solution.

7.4.14 The Department should determine whether the progress made and lessons learned from the watch-keeping services project under the Civil Aviation Programme could not be used to develop or implement a similar watch-keeping service under the Maritime Transport Programme.

7.4.15 The Department should report back to the Committee on the progress and expenditure incurred on the Mthatha Airport project.

8. SUMMARY OF REPORTING REQUESTS

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

Reporting matter	Action required	Timeframe
The Department should submit an Action Plan to address the findings of the AGSA	Written plan from the Department of Transport	15 December 2016
The Department should submit a comprehensive briefing on progress made on the Taxi Recapitalisation Programme and the Review thereof	Written briefing from the Department of Transport	15 December 2016
The Department should submit quarterly reports on investigations underway in the Department and all the entities	Written plan from the Department of Transport	Quarterly reports within 60 days of the adoption of this report by the National Assembly
The Department should submit quarterly reports on the achievement of job creation targets in the Department and all the entities	Written plan from the Department of Transport	Quarterly reports within 60 days of the adoption of this report by the National Assembly
The Department should submit quarterly reports on pending litigation as well as settlements reached and judgments for and against the Department and all the entities	Written plan from the Department of Transport	Quarterly reports within 60 days of the adoption of this report by the National Assembly
The Department should submit quarterly reports on human resource management (retentions, secondments, transfers, retirements, training and skills transfers, resignations and dismissals), as well as report on progress in disciplinary matters (including suspensions) in the Department and all the entities	Written plan from the Department of Transport	Quarterly reports within 60 days of the adoption of this report by the National Assembly
The Department should submit quarterly reports on the *Shova Kalula* project	Written plan from the Department of Transport	Quarterly reports within 60 days of the adoption of this report by the National Assembly

The Department should submit quarterly reports on progress regarding the Moloto Corridor Project and how this affects both the Road and Rail Programmes	Written plan from the Department of Transport	Quarterly reports within 60 days of the adoption of this report by the National Assembly
The Department should submit quarterly reports on strategies to address the financial health status of: -CBRTA -RAF -SAMSA -PRASA	Written plans from the Department of Transport and: -CBRTA -RAF -SAMSA -PRASA	Quarterly reports within 60 days of the adoption of this report by the National Assembly.
PRASA should report quarterly on inroads made into the implementation of the Rolling Stock Modernisation Project	Written plan from PRASA	Quarterly reports within 60 days of the adoption of this report by the National Assembly

9. CONCLUSION

The Committee would ensure that the AGSA's recommendations are implemented by the Department. The Committee would further request regular feedback from the Department on key issues impacting entities as identified through the oversight process.

10. APPRECIATION

The Committee would like to acknowledge the Department and entities for presentations made on their Annual Reports and Financial Statements.

The Committee applauds the achievements by the CBRTA, RTMC, PRASA and SACAA in receiving Unqualified Audit opinions with no findings. The Committee is further pleased that the Department has incurred zero unauthorised expenditure during the year under review, compared to the finding in 2014/15 of R 392 842 000.

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

Report to be considered.

Attached – Annexure A: List of abbreviations/acronyms

ANNEXURE A: LIST OF ABBREVIATIONS/ACRONYMS

Abbreviation/Acronym	**Meaning**
AARTO	Administrative Adjudication of Road Traffic Offences
ACSA	Airports Company South Africa
AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
ATNS	Air Traffic Navigation Services
BARSA	Board of Airlines Representatives of South Africa
CBRTA	Cross-Border Road Transport Agency
DLCA	Driving Licence Card Account
eNaTIS	Electronic National Traffic Information System
FMPPI	Framework for Managing Programme Performance Information
GHG	Greenhouse Gas
IMO	International Maritime Organisation
IPTNs	Integrated Public Transport Networks
ISAMS	Integrated Station Access Management Solution
IT	Information Technology
JCPS	Justice Cluster and Justice, Crime Prevention and Security Cabinet Committee
KPI	Key Performance Indicator

LEOLUT	Low Earth Orbit Local User Terminal
LEOSAR	Low Earth Orbit Search and Rescue
MANCO	Management Committee
MCC	Mission Control Centre
MEOLUT	Medium Earth Orbit Local User Terminal
MEOSAR	Medium Earth Orbit Search and Rescue
MinMEC	Transport Ministers and Members of Executive Council
MOUs	Memorandums of Understanding
MTSF	Medium-Term Strategic Framework (2014-19)
NADP	National Airports Development Plan
NATMAP 2050	National Transport Master Plan 2050
NCAP	National Civil Aviation Policy
NEDLAC	National Economic Development and Labour Council
NDP	National Development Plan
NIP	National Infrastructure Plan
NLT	National Land Transport
NRSS	National Railway Safety Strategy
PCOT	Portfolio Committee on Transport
PFMA	Public Finance Management Act
PICC	Presidential Infrastructure Coordinating Commission
PPPFA	Preferential Procurement Policy Framework Act
PRASA	Passenger Rail Agency of South Africa
PR	Ports Regulator of South Africa
PRMG	Provincial Roads Maintenance Grant
PSP	Private Sector Participation

PTNG	Public Transport Network Grant
PTOG	Public Transport Operations Grant
RAF	Road Accident Fund
RSR	Railway Safety Regulator
RTIA	Road Traffic Infringements Agency
RTMC	Road Traffic Management Corporation
SACAA	South Africa Civil Aviation Authority
SANRAL	South African National Roads Agency Limited
SAMSA	South African Maritime Safety Authority
SCM	Supply Chain Management
SIP	Strategic Infrastructure Programme
SMART	Specific, Measurable, Achievable, Realistic and Timely
SONA	State of the Nation Address
STER	Single Transport Economic Regulator
TRP	Taxi Recapitalisation Programme