

TUESDAY, 30 NOVEMBER 2010

***PROCEEDINGS OF THE
LEGISLATURE OF THE PROVINCE OF THE
EASTERN CAPE***

The House met at 14:15.

Mr Speaker took the Chair and requested members to observe a moment of silence for prayer and meditation.

Mr SPEAKER: Please be seated. Let me welcome everybody, my everybody talks to the newly sworn members of the Provincial Legislature. You will see that there are some new faces here, we would like to welcome them. Say the should feel at home. I can see the gallery is full, I have not been able to go through the faces that I see but I welcome everybody. I can imagine they should be from Departments. They might also be important guests at that level. You are all welcomed. Are there any notices of motion? Chief Whip?

Mr C H MAXEGWANA: Thank you very much hon Speaker and hon members. Hon Speaker I move without notice in terms of Rule 130.7 that this House determines in terms of Section 63(b) of the Remuneration of Public Office Bearers Act 20 of 1998 and having due regard to the provisions of Section 6(1) of the said Act and the upper limit set out in by the President in Proclamation No.69 published in Government Gazette No.33797 on 23 November 2010. Total remuneration, package of the Premier of the Province of the Eastern Cape with effect from 1st April 2010 to be R1.704 per annum subject to Section 6 of the Remuneration of Public Office Bearers Act 1998. And subject to the conditions set out in Proclamation No.69 and published in Government Gazette No.33797 of November 23, 2010.

Motion agreed to.

Mr SPEAKER: then let us proceed to the next one.

Mr C H MAXEGWANA: A very short one hon Speaker. I move without notice in terms of Rule 130 that despite the provisions of Rule 20.3 the sitting of the House commences at 10h00 on the 2nd December 2010, and that is on Thursday. Thank you very much.

Motion agreed to.

ADJUSTMENTS APPROPRIATION BILL, 2010 (EASTERN CAPE)
(Introduction)

The MEC RESPONSIBLE FOR FINANCE, ECONOMIC DEVELOPMENT AND ENVIRONMENTAL AFFAIRS: Thank you so much hon Speaker. To the hon Premier in absentia, the members of the Executive Council, the

members of the House, colleagues, the heads of departments, ladies and gentlemen, comrades and friends. Maybe I should say this last not first, let me just get into the business of today.

The introduction of the proposed adjustments to the Provincial Budget for year 2010 and 2011. Even before one sets out to do that it is important that we reflect on the context both economically in terms of the fiscal environment in which we find ourselves. As a country perhaps together with others we are in a recovery process from the global recession of 2008/09 which in many respects comparatively speaking is slow as well as varied.

In the third quarter of this year 2010 the GDP growth rate has fallen by 0.2 percentage points compared to the second quarter of the same year. The growth within the country remains very low compared with other emerging economies in this instance China, India and Brazil. Our growth is comparative with that experienced in richer countries in terms of slowness. It therefore means we are still filling the impact of that global economic crisis with an employment still very high, reduced tax based in terms of revenues as well as that impacting in the ability of trading within the business environment. As a country we have entered into a period of fiscal consolidation with significant growth in public expenditure in real terms that continues to grow.

As an attempt to mitigate the consequences of the recession. With the reduced tax revenues however this implies an increase this had necessitated an increase in our public sector deficit and an increase in the public sector debt. Last month National Treasury announced that the real increase in Government spending will be reduced to 3% a year over the coming middle term expenditure framework. This is intended to halt the growth of public sector debt and ensure return to fiscal sustainability in the future.

So hon Speaker we have a situation where the impact of the global recession has increased the need for Government services while issues of fiscal sustainability obliged us to moderate the growth of public expenditure which could address these increased needs. Much as we would wish to radically expand Government schemes to address unemployment and poverty our fiscal position obliged us to focus on the delivery of core public services such as education and health.

We are also very much aware that our Government machinery has not improved over the last decade despite the huge increases in real public spending and in particular the very large increase in the cost of public sector management employees. The need to develop the ability and capacity of the development state however, remains that which we must continue to strive towards. We must acknowledge the good progress we are making in ensuring the public administration in the Province complies with good standards of financial management. Of our thirteen (13) provincial departments ten (10) of them received unqualified opinions in the year 2009/10 and eleven (11) of our public entities received unqualified audits. And of our forty five (45) municipalities thirty (30) of them in 2003/04 had disclaimed opinions only twelve (12) of them were in such state in year 2008/09 with unqualified audits

increasing from four to nine over the same period. We hope to see further improvements in the year 2009/10 financial statements that I am reliably informed that the Auditor General will be here tomorrow to share with us such outcomes.

The priority of the provincial government is therefore to improve the management of our education/health and local government systems whilst at the same time becoming much more vigilant in identifying fiscal savings that could be allocated to economic development and poverty alleviation programmes. In the short term this involves the management of over expenditure by the Department of Education and Health and continuing the indebted turnaround of these departments through tightening the control by Provincial Treasury over financial aspects of Human Resource Management, Supply Chain Management and Financial and Risk Management. Improving the quality of our public management cadres will be an incremented process requiring the uprooting and dismissal of corrupt officials. The drastic reduction in time required to settle HRD disputes and probably a new public sector management ethos would be necessary as we proceed.

It is no secret that the Eastern Cape is haunted by deep systemic corruption. The phenomenal of phantom schools ghost workers, irregular contracts and financial wastage cannot be allowed to become a norm. We are therefore doing everything possible to place the Province on a sound management footing. Hon Speaker it is important here to highlight the social impact of corruption and the role society must play to support Government in eradicating this scourge. Every rand fraudulently stolen from the public fiscus reduces the resources available to upgrade our roads, our schools, as well as our hospitals. Corruption is essentially deeply anti-social behavior. It is our view that the contribution of corruption to the departmental overspending as we come across is significant. Through the programme among others a variety of programmes including moral regeneration we are calling on service providers, on church leaders, civil servants to show their patriotism by exposing and fighting corruption within their respective areas of work so that indeed corruption could be eradicated.

Last week the Provincial Government hosted a public sector summit among others the intention was to try and inspire the spirit of services, selfless service amongst the civil servants generally. We are pleased that our zero tolerance approach to corruption is already yielding results with the help of the hoax and the SIU. We have so far routed out hundreds of cases of fraud and corruption. In the Department of Health, in the Department of Education investigations are at an advanced stage and indeed a breakthrough were about to make in our fight against corruption. Already we have recently stop the payment of salaries to ninety nine (99) ghost workers as part of that drive.

Regarding the increasing economic prosperity we are now starting to operationalize our provincial industrial development strategy. In particular we have developed several large priority project proposals which if resourced and implemented in partnership with National Government and its state owned enterprises will reposition the Eastern Cape in the new national growth path.

We are also seeking ways to improve the effectiveness of our local economic development efforts and our system of development finance.

Hon Speaker, now turning to the examination of provincial government spending in the first half of this financial year. In the first six months the provincial government spent nearly 48.8% of its main budget. This slight under spending was due to slow spending during April and May. Due to delays in the loading of the budget onto the financial system and slow spending in August due to the public sector industrial action. In the absence of these two factors the trends towards over spending would already be evident in the first half figures. It is also important to note hon Speaker that the slight under spending at aggregate level conceals important spending buttons on different economic categories. We highlight the following;

The Department of Education overspent on compensation of employees by R625 million partly due to irregular promotions and appointment without budget provision. This Province spent 21.7% more on education personnel in the first six months compared to the same period of 2009. This increase which is larger than any other Province except Gauteng is clearly outside acceptable norms. And cause for measures to address the abnormal increase which could also point to the issue of ghost employees and that the Department has been grappling with for some time.

There was also under spending on goods and services by Education and Health to the tune of R394 million and R250 million respectively. There was under spending on transfers and subsidies of R1 billion. There was also under spending on payment of capital assets also amounting to R1 billion mainly attributable to Education and Health both sharing R522 million and R449 million respectively. Capital spending by the Department of Education was 66.4% lower than last year. There was under spending on conditional grants of a tune of R749 million.

Despite the underspending in the first half spending rates have now increased and are likely to translate into over expenditure by the year end. Particularly for Department of Education and Health. In the first quarter estimates by Provincial Treasury the Province was projecting to overspend by R3.1 billion translating into 6.4% of the main budget. And this necessitated very bold and decisive measures that had to be taken to contain the situation. Key elements of that projected over spending is found in the following:

- (1) Overspending by the Department of Health projected at R1.6 billion of which R1.2 billion is overspending on cost of employees. And rest is on goods and services.
- (2) Education the anticipated over expenditure is born out of R832 million which is overspending on compensation of employees R134 million on goods and services R374 million on capital payments.

It should be noted that all nine Provinces are projecting to overspend this financial year, primarily driven by higher than budgeted for personnel remuneration increases which will be partly covered by the increase

allocations from National Treasury, that we will be tabling later as part of this introduction. Hon Speaker you may also however, recall that this projected over expenditure for 2010/11 comes on top of an over expenditure of R2.7 billion in 2009/10 which had already depleted our reserves in the provincial revenue fund which at the end of September 2010 stood at R1 billion. Consequently the provisional fiascos maybe obliged to borrow in the new year in order to finance expenditure in the last two months of 2010/2011. This is an undesirable situation since the ensuing debt service course would obviously reduce the resources available for future service delivery.

As a consequence of this serious financial situation the Cabinet budget sub-committee recently resolved that Provincial Treasury should strengthen its oversight and monitoring function over the two main overspending departments, Education and Health. Both these departments have submitted over expenditure reduction plans that include among others the following;

- The halting of new appointments of staff in non critical areas.
- The reversal of salary increases that were effected irregularly.
- Full implementation of no work no pay particularly at the time of the strike action.
- The postponement of the provincialization of public aided hospitals where it is not being effected.
- The audit of selected contracts prioritizing both Education and Health.
- The continued used of the price index tool and more effective audit committees.
- The commissioning of a centralized electronic suppliers database by March 2011 which will lead to more effective contract management including an inventory of contracts awarded to be placed in the public domain.
- The full implementation of the austerity measures that were introduced following 2009/10 over expenditure.
- The full implementation of the points raised in the reports by the Auditor General.

Hon Speaker the overall impact of these measures will be to reduce the over expending to at least R1 billion. If one considers the projected over expenditure in Education which is the projected savings or reduction in activities yielding R1.8 billion in Education and R460 million in the Department of Health.

A reference group composed of the heads of the two departments, Office of the Premier and Provincial Treasury will be mandated to review all decisions with financial implications and will oversee the implementation of the measures just mentioned, through the consideration of weekly progress reports. Special teams from Provincial Treasury have been dispatched to the two departments to access existing capacities in terms of people processes and internal controls. Towards stabilizing spending levels in the short term and a support to the medium and long term interventions to turnaround the two departments.

The implementation of these measures together with an interim new allocation from National Treasury will go a long way towards reducing the expected overdraft to be raised in early 2011. We have therefore confident that the financing of core public services should not be prejudiced by future debt service in course.

Hon Speaker despite the financial problems or challenges in our two key delivery departments both are making solid progress with the implementation of their turnaround plans. Together with the Department of Education we are reviewing a number of issues including the organizational structure systems, the control environment, the delivery approach as well as strategy. We hope to ensure that the budget and the resources entrusted to the Department of Education focus specifically on the priority policy areas. Among others is the continuous focus on cleaning our payroll to ensure that every single employee on the payroll is legitimate employee.

Our school post provisioning model should no longer be just about numbers but rather be about policy priorities. Therefore we must allocate educator post for instance against maths and science and other scarce priority learning areas. We also need to review and develop a more integrated infrastructure delivery model for education taking into account climatic conditions. The Alfred Ndzo district is prone to storms and other natural disasters whilst Chris Hani district is known for extreme temperature variations. It therefore stands to reason that our infrastructure planning must take into cognizance these climatic variations. Hon Speaker budget constrains must not lead to indiscriminate curtailment of Government programmes. Despite the budget constrains we are for example still committed to access and inclusivity to Education by learners with special needs. We are also still in a position to implement urgent interim relief to learners studying in said mud structures as part of the broader plan to eradicate smart schools in the next MTEF circle.

Another area is more effective use of technology to increase efficiencies in our delivery systems. We can for example increase the range and coverage of educated development programmes by using Video materials and clustering training in dedicated centres. This can also help. Provide a sustainable backup tuition support for learners where there are no teachers that are available through conventional methods. We are also exploring various options of resourcing learning areas through the use of rotating educators and library facilities, for example, as an interim measure to deal with the scarcity of education inputs.

While the focus is on the overspending departments the need to be stronger oversight across the provincial administration. It will also been important that valuable lessons are learnt from our experience in the two departments so that the financial management collapse does not escalate beyond the two departments. In other words what has worked in Education and Health should be readily applied throughout the Province by departments implementing those measures.

The Department of Education also work into improve HR management, Supply Chain Management especially learner support materials. School governance and management and strengthening district education offices to provide effective school monitoring and support. Key to achieving this turnaround will be the decisive leadership and a renewed social compact with organized labour and communities. We are confident that we are getting there.

Successes in this area include the effective rollout of early childhood development benefiting 55 696 children. Again the demonstration to the commitment to the foundation phase learning 4 538 out of 4 634 schools now offered Grade R. We have stabilized our school nutrition programme and currently 4 767 schools participate with nearly 1.5 million learners. Under our newly established human resource development council we have entered into partnership with Mecerdez Benz South Africa to train mechatronic engineers as part of assisting the growing of auto sector.

The Department of Health is also making progress with this turnaround interventions to improve financial management, HR management and systems. The management of key hospitals and health facilities to improve health outcomes will go a long way in restoring public confidence in the Department and the Government. Already as part of the turnaround plan good progress has been achieved in reducing the backlog in payments to service providers in identifying areas where service will have and will continue to be made and to improve in supply chain management. Efforts have also to be made to improve contract and project management systems as part of addressing irregular and fruitless expenditure plug in the department.

We have also developed a hospital complex in the Uitenhage area which will be used as a key model for some of our provincial hospitals. Primarily health care services have been strengthened. Community health centres implementing 24 hour services have increased as well as the coverage in terms of humanization. In the Province we have prioritized the fight against HIV/AIDS. There is a well functioning provincial AIDS Counsel and that is very active in building local AIDS Counsels. HIV counseling and testing campaign more than 400 000 people have been tested and a number of patients now on anti-retrovirus treatment is standing at a staggering number of 123 000. All of these initiatives will be integrated into a comprehensive medium to long term plan for both Education and Health.

Therefore hon Speaker we trust that the House is noting or should realize that these examples are an indication that despite the challenges of over expenditure and mismanagement not all is gloom and doom in the two spending departments. Measures are being applied to turn the situation around.

Now turning to the budget adjustments as well as the financing. The original budget for this financial year was R48.2 billion. The proposed adjustment for 2010/11 budget will make available to departments an additional amounts of R1.5 billion. This amounts to 3.1% on the original annual amount. Most of

this adjustment will be financed by additional allocations from National Treasury of nearly R691 million which is intended to cover the increase course of provincial government employees that has resulted from among other things National Collective Bargaining Agreements. In addition R583 million will be funded from the rollover of unspent funds from last year and R191 million will be funded from the draw down of reserves in the provincial revenue fund. Hon Speaker, I now turn to the adjusted appropriations per vote. You will also note that I round to the nearest million for ease of presentation. The Office of the Premier an additional R800 000 is proposed for the nationally funded improvements in the conditions of service. R100 000 to fund the appointment of an Audit Committee. R500 000 will be transferred to the Department of Health and R700 000 to the Department of Local Government and Traditional Affairs due to a function shift of the Legal Services Component.

Vote 2 – the Legislature

An additional allocation of R8.7 million is proposed for the following;

- R2.5 million will be used to address the ICS adjustments for the members of the Provincial Legislature. I really find you unappreciative. Can I read it again? [Interjections.] [Laughter.]
- R2.2 million will be allocated to augment the contractual obligations of the institution at R4.1 million for the upgrading information technology infrastructure in preparation for the full implementation of the electronic resource planning solution as part of the project. [Applause.] Better late than never. [Laughter.]

Vote 3 – Department of Health

R299.5 million in conditional grants is rolled over to cover among other things the project completion of the tertiary services grant, 10 key provision of liny accelerators and dedicated computerized thermography scans for the oncology sites at Frere Hospital in East London and Livingstone Hospital in Port Elizabeth as well as the acquisition of mobile park homes, the completion of renovations at the campus of Lilitha College, machinery and equipment including e-health telemedicine equipment to additional district hospital sites. An additional R165.4 million is proposed for higher remuneration increases that is the improve conditions of services as well as OSD for health particularly therapeutic and doctors to an amount of R29.4 million.

Vote 4 –

An additional R5.9 million is proposed for the nationally funded improvements in the ICS.

Vote 5

R101.8 million is rolled over for the unspent devolution of property rates and taxes conditional grant. A portion of the grant has been earmarked for administrative costs associated with the implementation of the grant and

increase municipal services charges. In addition R7.3 million is proposed for ICS adjustments including increase housing allowance and R34.2 million for the devolution of property rate funds grant.

Vote 6 -

The Department of Education R77.4 million is rolled over of which an amount of R74.9 million is rolled over from the infrastructure grant for Provinces in order to augment the funding for eradication of mud structure schools. In addition R426.2 million is proposed for improvement in conditions of service.

Vote 7 –

It is proposed that the Department receives an allocation of R100.6 million. R1.5 million will be transferred to King Sabatha Dalindyebo Local Municipality to assist with financial management improvements. R36 million for the correction of the shortfall in the funding of the salaries of Traditional Leaders. R36 million will be allocated towards outstanding obligations of the Department. R3.2 million is allocated for improvement in conditions of service. An amount of R45 million is being made available for infrastructure to support the 2011 Local Government Elections. R50 million is proposed for financial management support to municipalities. This amount includes the payment of audit fees to the Auditor General for those financial distress municipalities. R900 000 will be transferred to the Department of Safety for services rendered on behalf of the Department during the time of the 2010 FIFA World Cup. Furthermore, an amount of R683 000 would be transferred from the Office of the Premier for the remuneration of officials transferred from the Shared Legal Services to the Department.

Vote 8-

R56.1 million is proposed as a rollover for the infrastructure grant for Provinces. 15.1 learn care 900 000 disaster management grant, R22.1 million Letsima R900 000 and for the comprehensive agriculture support programme R17.1 million in order to boost infrastructure, improve agricultural productivity, reduction of poverty and further support to local employment opportunities. In addition the Department receives R7.3 million for the improvement of conditions of service as well as an amount of R400 000 to appoint the audit committees for the Department to improve corporate governance.

Vote 9

In response to the industrial development strategy it is proposed that the Department received R19.5 million in an effort to lubricate the provincial economy, to create employment opportunities and development. In addition to this R15 million is for the Nelson Mandela Bay Logistics Park to meet development requirements. The Department also received an amount of R1.3 million for the improvement in conditions of services, the adjustments necessary.

Vote 10 –

R25 million is proposed for Traffic Law Enforcement to close the funding gap in salary upgrades of Traffic Officers. In addition to this R13 million is proposed to fund the budget shortfall for bus passenger transport services or for the AB350 and Mayibuye Transport Corporation. The Department also received R3.6 million for the improvement in conditions of services as well as an amount to set up their own Audit Committee. Human settlements receives an additional amount of R790 000 to cover additional personnel cost as well as R100 000 to appoint the Audit Committee.

Vote 12 due to cost savings and reprioritization the Department is able to surrender an amount of R7.5 million to the Provincial Revenue Fund.

Vote 14

R14.2 million is rolled over of this amount R4.9 million will be used for the installation of detection systems in libraries across the Province. And R9.3 million has to fund the participation of the Eastern Cape teams in provincial and national games.

With respect to Vote 15 – an additional amount of R3.7 million is proposed for the Department. 2.5 of it for improvement in conditions of service and an amount of R900 000 transferred from the Department of Local Government and Traditional Affairs in respect of safety patrollers for the 2010 World Cup. R100 000 is made available for them to set up the Audit Committee.

Hon Speaker you would note that this R1.5 billion adjustments budget is considerable less than the R3.1 billion projected over expenditure, that I mentioned earlier. This necessarily implies that Departments would need to carefully manage expenditure over the remaining period of this financial year to avoid over expenditure. And to do this without hindering core service delivery.

In conclusion, hon Speaker we still would want to argue that the road ahead is not only uncertain but a difficult one were development challenges are increasing whilst the means to them are decreasing which calls for the renewed commitment to the tight fiscal management. We believe too crucial principles which are fiscal prudence and uncompromising prioritization of development needs must underpin our journey going forward. It is undoubted hon Speaker that we need to continually enhance and improve public trust and integrity in the entire Provincial Government system.

Hon Speaker I would like to thank the Premier, colleagues in the Executive Council, I must say that what I wanted to say earlier was that much of what I presented here is the work that has been done under the able stewardship of my predecessor hon MEC Jonas sitting over there together with the team that he worked with at Treasury. I think much of what I am presenting here, very large extent to their effort I wish to acknowledge that. As well as members of

the Budget Committee which I happen to be part of hon Sogoni who I saw him here was the member of that Committee.

Hon Speaker I hereby request the House to consider and approve the adjustment proposals for the financial year. I hereby table the adjustment estimates budget for 2010/11. The provincial medium term budget policy statement and the adjustment estimates Bill 2010. Kiyalebuwa. [Applause.]

Mr SPEAKER: Thanks. I am sure even those who wanted to comment in the gallery there when we started with that special motion you can sense that is only people down here who are allowed to comment. You are here to observe.

CONSIDERATION OF REPORTS OF PORTFOLIO COMMITTEE ON FONDANCE ON ANNUAL AND FINANCIAL OVERSIGHT REPORTS

Mr C H MAXEGWANA: Thank you hon Speaker. The report is on page 464, the annual report. I will not go to the formalities I will go straight to Programme 1: Administration

I will deal with findings and recommendations.

Findings

- (a) During the year under review, it took 60 to 70 days on average to receive reports back from the NIA and this has delayed the recruitment process. This refers to vetting of senior managers.
- (b) The lack of capacity in the supporting infrastructure for the financial information systems poses a challenge with regard to the effective utilization of these systems.
- (c) The Departmental Risk Management Committee did not perform as anticipated in the year under review. This was due to the resignation of some of the staff members as well as changes in management.

Recommendations

- (a) Provincial Treasury must attend to the NIA screening process and develop a new strategy that will work in favour of their employment needs.
- (b) Provincial Treasury must see to it that these systems have the necessary capacity to ensure good performance by the Department.
- (c) Provincial Treasury must ensure that the Risk Management Committee performs according to the expected standard.

Programme 2: Sustainable Resource Management

Finding

- (a) The reporting of municipalities in terms of the requirements of the Municipal Finance Management Act (MFMA) continues to be a

challenge. This refers on the mail on the expected reports which are not forthcoming.

Recommendation

- (a) The Provincial Treasury and the Department of Local Government and Traditional Affairs must assist the municipalities in reporting according to this Act. But we have establish that the municipalities are reporting to National but they are not reporting to the Provincial Department. So we have said the Provincial Department must get the information from National if they cannot get it from the municipalities.

Programme 3: Asset and Liability Management

Findings

- (a) The poor planning of infrastructure by Departments is evident in the non-preparation of the Infrastructure Programme Management Plans and the Infrastructure Programme Implementation Plans as required in this regard.
- (b) Service level agreement are poorly constructed and this leads to poor contract management. In fact may even add unnecessary costs.
- (c) A circular instructing Departments to surrender unspent conditional grants was issued. The Department of Agriculture and Rural Development has not surrendered unspent conditional grants. Provincial Treasury has engage the Department and ABSA to facilitate the surrender of these funds.
- (d) In some Departments the Bid Evaluation Committee members have not been vetted and some SCM officials have not signed the Declaration of Interest as per Circular No.8 of 2009/10 that was issued by the Provincial Treasury.

Recommendations

- (a) Provincial Treasury must assist Departments in infrastructure planning and delivery.
- (b) Shared legal services must ensure that service level agreements are reviewed and reconstructed to improve contract management between Departments and suppliers.
- (c) Provincial Treasury must develop strategies of tracking and monitoring expenditure of conditional grants by Departments in order to avoid under expenditure which may even lead to the surrender of funds or rollovers.
- (d) Provincial Treasury must enforce compliance by Departments to the said circular.

Programme 4: Financial Governance

Findings

- (a) The inability to fill vacant post of the General Manager, Financial Governance posed serious constraints in terms of coordinating the strategic direction of the programme.
- (b) The internal audit division was not effective in performing its duties and responsibilities as it was understaffed.

Recommendations

- (a) Provincial Treasury must expedite the filling of this vacant post.
- (b) Provincial Treasury must ensure that each Department has its own fully staffed internal audit division. We were informed that this is already the position we hope it will improve the functioning of internal audits specific now for Departments.

General finding

- (i) Although the Department has attained an unqualified audit opinion, there are matters of emphasis.

Recommendation

- (i) The Department must address all matters of emphasis in the current financial year with view to receive a clean audit. We are saying this so that Provincial Treasury must lead by example.

Let us quickly then go to the report which is on page 480. I will go straight to the findings.

Programme 1: Administration

Findings

- (a) Provincial Treasury has under-spent by R6 million under this programme. This under-spending is due to delays in filing of funded posts including the post of Head of Department.
- (b) It is projected that this programme will overspend due to the increase in audit and operation costs relating to IT.

Recommendations

- (a) Provincial Treasury must ensure that these posts are filled especially that of the HOD as the non-filling of vacant posts general contributes to the decline in operational performance.
- (b) The Department must avoid under-budgeting as this leads to the illegal practice of over expenditure.

Programme 2: Sustainable Resource Management

Findings

- (a) This programme has also under-spent due to the challenges in recruiting a suitable candidate for the post of General Manager: Provincial Finances.
- (b) Challenges have also been experienced in recruiting suitable qualified candidates for senior manager posts and CFO support posts at district municipalities.

Recommendations

- (a) Provincial Treasury must ensure the filling of this critical post as a matter of urgency.
- (b) Since the CFO support programme is a programme of critical importance towards attaining clean audits in municipalities, the Department must work harder in filling these vacant funded posts in order to ensure its effectiveness.

Programme 3: Asset and Liability Management

Findings

- (a) There is an under-expenditure due to the non-payment of anticipated increased costs in the maintenance of the Provincial Electronic Supplier Database.
- (b) In the sub-programme: Asset Management the under-expenditure is attributed to delays experience in the finalization of the terms of reference in respect of the audit of SCM contracts for the Departments of Health and Education. You would remember that there is an intervention plan for these two Departments.
- (c) The appointment of BAS trainers for the departmental officials has been delayed.

Recommendations

- (a) The Department must ensure that the Electronic Supplier Database is operational and is properly maintained. The Department assured us that the challenges which were related to the old service provider have been sorted out that is why we hope that indeed it will be operational.
- (b) The Department must regularly update the Committee on the progress made so far with regard to the terms of reference for the audit of SCM contracts by the end of January 2011.
- (c) The Department must expedite the appointment of BAS trainers to ensure achievement of set targets.

Programme 4: Financial Governance

Finding

- (a) The under-expenditure in this programme is due to the non-filling of vacant posts in respect of Technical Support Unit personnel for the Department of Health and Education.

Recommendation

- (a) Provincial Treasury must fill these posts as a matter of extreme urgency in order to assist in solving the current financial situation in the two Departments, that is Education and Health.

General findings

- (i) The non-filling of vacant posts, especially at senior management level is still a contributing factor to the under expenditure across all programmes in the Department. But the Department said in the event they have to come up with plan B, the listed projects that money will be diverted towards those listed projects.

General recommendation

- (i) The Provincial Treasury must fill these posts as this vacancy rate affects the ability of the Department in delivering their targets as set out in their Annual Performance Plan.
- (ii) The Department must update the Committee on the progress of these projects by the end of the third quarter.

Now we are dealing with transversal issues.

Findings

- (a) There is a potential of over expenditure amounting to R3.7 billion across all Departments in the Province, which could have huge financial implications for the next financial year.
- (b) The Department of Education has since April, been exceeding monthly projections by R150 million.
- (c) The Department of Health is exceeding their current budget for the Compensation of Employees. This will definitely if no drastic steps are taken lead to an over expenditure.
- (d) There are no established norms for the Compensation of Employees and the Eastern Cape has the highest rate of 63% compared to other Provinces when one includes conditional grants. When comparing the cost of employees against the equitable share it amounts to 79%.
- (e) In last year's budget, there was an over expenditure of R2.7 billion. This will be serviced by top slicing the budget over the MTEF period which will amount to R1.2 billion. There is a projected over expenditure of R3.7 billion as we said in the above. So it is adding, is compounding the problem.
- (f) The net own revenue is being under collected by the following Departments. Health by R4.6 million, Education by R6 million, Economic Development and Environmental Affairs by R21.4 million, Transport by R19 million, Housing by R1.9 million, Social Development by R457 000 and Safety and Liaison by R386 000.
- (g) Except for the National Tertiary Services all other grants recorded an under expenditure during the period under review.

- (h) Provincial Treasury has stated a process of verifying the delays in the payment of conditional grants.
- (i) Provincial Treasury has issued a circular to Departments which had irregular promoted employees, instructing them to reverse those payments.
- (j) The measures applied to date have not been successful in arresting the over expenditure in the Department of Health and Education.
- (k) There is no synergy between Human Resource Management and Financial Management at Departmental level, namely these two Departments we were focusing on this maybe the case even in other Departments. There is also no effective coordination between Provincial Treasury and the Office of the Premier on transversal issues. We are emphasizing this point because when we were dealing with the challenges around overpayments which were facilitated to the Premier's Office i-Provincial Treasury was saying they were not directly involved in the process. So we are saying these two Departments must work together.

Recommendations

- (a) Provincial Treasury must develop a plan that will be used to ensure that this potential over expenditure will not have negative effects on next year's budget Provincial Treasury must also report to the Committee on a monthly basis. The reason we are saying this is because the over expenditure is related on the compensation of employees. And in the same vain under expenditure in the service delivery, that is goods and services. We want to monitor this closely because during the course cutting measures it is likely that delivery of services maybe affected.
- (b) Provincial Treasury must take drastic measures to avoid monthly over expenditure projections. They must deal with this thing on a monthly basis, that is why we want a report on a monthly basis.
- (c) Provincial Treasury needs to take drastic measures to avoid over expenditure. This may seen repetitive because it is really a very difficult situation for the Departments, for the Provincial Government as a whole for that matter.
- (d) Provincial Treasury must facilitate the development of norms and standards that will be adopted by Executive Council. Unless this is done the budget for goods and services and infrastructure will continue to decline. As we have been saying in the report, if you compare the personnel and non-personnel split.
- (e) The Provincial Treasury must develop and submit top slicing plans to manage the financial position and report to the Committee on a monthly basis. So we would love to see how the Provincial Treasury has done this.
- (f) The Provincial Treasury must work hand in hand and assist these Departments to develop an improve revenue collecting strategies particularly in the light of the current financial crisis.
- (g) Provincial Treasury must ensure that conditional grants are spent according to their plans in order to avoid the Province losing under

spent portion of these grants. And it has happened in the past we do not want this to be repeated.

- (h) Provincial Treasury and all those Departments responsible for conditional grants must ensure proper expenditure of these grants as they make major contributions to service delivery. We were even suspecting sometimes in the Committee that these Departments maybe using these conditional grants because in totality that cashflow may cushion these and we were saying this is going to hit us hard when the National Departments take that money back to other Provinces.
- (i) Provincial Treasury working with the Office of the Premier must come up with a plan containing mechanism to intervene in the critical areas which contribute to the current financial crisis. This includes Financial Management, Fleet Management, Human Resource Management and Procurement in terms of Section 18 2(G) of the PFMA.
- (j) The Office of the Premier and the Provincial Treasury must make sure that they collectively coordinate and manage transversal issues effectively. They must also ensure that there are mechanisms to ensure synergy between Human Resource Management and Financial Management in these Departments.

Hon Speaker we wish to thank the Committee staff and the Departmental officials for assisting us during the financial oversight and the annual report. I tabled the report. [Applause.]

Mr SPEAKER: Thank you. I will now allow the House to ask questions for clarity from the Committee members. Hon Haddon and hon Gqiba.

Mr D BHADDON: Mr Speaker thank you. Referring to page 465, number 1 under findings, could it be explained to us what the reasons were for the delays in getting the reports from the NIA? Thank you.

Ms N GQIBA: Thank you Mr Speaker. Mine is on page 482, basically Mr Speaker is on finding, I am worried when i-Department is always experiencing challenges when it is going to appoint people to man the vacant posts. Mine therefore is to check whether the Department has given satisfactory explanation in terms of the challenges, what basically are these challenges that the Department is confronting with when it has to employ officials to man the post?

Mr J PIENAAR: Thank you hon Speaker. My question is on page 467 findings (b) – the internal audit division was not effective in performing the duties and the responsibilities as it was understaffed. My question is why on recommendation there are no timeframes because it is stated Provincial Treasury must ensure that each Department had its own full staff internal audit division. There is no timeframes and I would like to know why the Department think it is not important to put timeframes to it because it's a critical part of Department? Thank you.

Mr M MRARA: Thank you hon Speaker. Mine is in page 485 under transversal matters, finding number (i) – the paragraph indicates that a circular was issued about irregular promotion of employees. I just want to check as to how many employees are involved in this? Or what is the magnitude of this problem in Departments?

Mr SPEAKER: I will now allow hon members of the Committee to respond. Hon members of the Committee? Whilst they are preparing I also want to prepare you hon members, you by now know that we have new MECs here. So I am just drawing your attention to that, so that you note that. Hon members?

Mr M M MATOMELA: Thank you hon Speaker. The delays, I think this will be related to the other question asked by the members. The delay is with regard to vetting. After the Department has finalized the process and then they take the names of those recommended through the vetting system. That is what has been delaying, even in the last financial year we were dealing with the same problem. But this was compounded from the explanation by the World Cup because people were very busy. But they have promised us, they have got a proposal they have made to NIA which will assist in the process and there is a clause they are putting to those people.

In other words they want to employ the people, send the documents but in the process they can employ the person which a clause which said if the report is negative then you will be relieved of your duties. Those are the issues they are still dealing with NIA. On the main, that is the major handicap in terms of the non-filling of posts. There maybe in the lower ranks of course that maybe related with the delays in terms of the teams which are doing interviews. But the major contributory factor is that bracket of posts which must be sent for vetting to NIA.

If I may attempt to answer the one on irregular employees. This is affecting many Departments. The Provincial Treasury and the Executive of course are dealing with the matter probably the exact figures of the implication of this maybe given by the MEC. But there are huge financial implications around these irregular, I would say promotions.

I think the 30 day requirement we took it for granted that within 30 days they are going to respond how they are attending to that. That is why we did not put a specific requirement. By the way we want them to report end of January about all these recommendations. I thank you hon Speaker.

Ms T DUNYWA: Hon Speaker, hon Premier, members of the Executive Council, hon members staff members, our valuable guests I greet you this afternoon. I think it should be noted that last financial year, the budget allocation for the Department was around R256 million and it was adjusted to R261 million. And at the end of the financial year we had an under spending of R12 million. The question that I am having is what informed this adjustment? Or was the adjustment realistic if the Department could not spend the allocated funds? This seems to be a trend of not spending the allocated

funds. What is making the Department to not use the allocated funds? Or can we be correct to answer this question in as follows;

That the Department does not have the capacity to perform. It lacks leadership and strategic management or it cannot fill critical posts like those of the Head of Department who is on the acting capacity according to what the report has said to us as well as GM for provincial finances. When are they going to fill these posts? This is the question that should be answered at this point in time so as to deliver to our people.

How then can we expect other Departments to perform when they cannot budget realistically? For instance according to this what we have heard there in the Committee and in the report it had been said that for their operating and audit costs this was not done properly. These costs are the costs that incurred yearly and there are trends to show spending patterns by the Department towards this. But as I have said the Department was poor in planning for these costs. And this also can be illustrated in programme 1, there is no change in programme 1. They will be under-spending by R6 million year after year. What can we say about the Department then is that this is the Department that is supposed to lead in seeing to it that all funds appropriated in terms of the budget are utilized. This is the Department that is supposed to be monitoring the budget expenditure of other Departments.

When it comes to monitoring and evaluation of this section it leaves too much to be desired. This they claim to the resignation of Risk Management Committee members which will take years to fill in the manner in which things are being done. For example as it has been stated in the report there is little or no intervention when it comes to vetting of candidates by NIA. That takes about 60 to 70 days on average to give back a report on the suitability of a candidate. If the Department was not dealing *uphela sonwabe* they were suppose to monitor the vetting by NIA.

Hon Speaker, these are just the few issues that need initiative by the Department as well as commitment and dedication by staff of the Department who we have confidence in that they can perform the function to our satisfaction and the satisfaction of the taxpayers. There are two things that need to happen if they continuing in this manner that they should either perform and be exemplary to other Departments or leave the employment for those that are prepared to work and deliver to the masses.

Hon Speaker, there are two sides to a coin in anyway. Indeed the Department has attained an unqualified audit opinion that we are proud of but with matters of emphasis that they should adhered to. This financial year we are expecting them to come up with a clean audit as it has been stated in the report so that we are really indeed and say that they can learn from the past mistakes and they are prepared to work hard. Otherwise even next year we will be talking of non-performing internal audit committee, understaffing, poor performance, district municipalities and other Departments not performing, supply chain management not adhering to rules and regulations. However, I am of the view that we should as Government be serious about the functioning or the

performance of clusters so as to come up with an integrated approach to maximize the optimal use of limited resources in our disposal. Otherwise this thing of working in siloes will not take us anywhere. I therefore invite the new Executive that has just joined us to come up with their skills and strategies so as to turnaround the Eastern Cape Province from being amongst the list performing Province in terms of service delivery to be amongst the best. I am sure with your skills and commitment we can change this around. This we can achieve with a concerted effort by all of us not by just a few and even the views of the opposition could be taken into consideration. And if that be the case then it will not just be about an individual it will be about the people especially the taxpayers that are contributing a lot to this. And what I am saying welcome to the boat. Thank you. [Applause.]

Mr R S STEVENSON: Thank you hon Speaker and hon Premier, I am glad that I can still refer to you as hon Premier in this House. I would also like to welcome the new MECs in particular the ones who have joined this House. You have been thrown in the deepened when we have a House sitting and I hope you will find the experience enriching.

I would also want to thank the outgoing MECs who are no longer in this House. I enjoy the good personal relationship with them over probably 10/12 years despite how political differences and they will be missed. Let me also welcome MEC Masualle back to Finance. This is now the fifth change in 7 years and this instability needs to come to a halt because it is clearly manifesting itself in the state of our Province finances. The Department also has no permanent head for almost 2 years and this really needs to be finalized early in the new year. When one looks at the state of health care and finance in this Province I think it's a case of the MEC moving from the fire into the volcano. The MEC is now firmly in the hot seat, were our Province with our backs to the wall financially and it need strong leadership as you mentioned earlier on and the political wheel to turn the financial situation around. This Province is projected to over expend by R3.7 billion as outlined in the Committee report. That is if the measures that need to be undertaken by Health and Education do not bear fruit. Health is expected to cut back by R461 million and Education by about R1.8 billion. And these cut backs are largely on the cost of employees, goods and services and sadly infrastructure.

If these savings and others from elsewhere can be realized and then the projected overdraft is expected to be in a region of R1.2 billion. Now if one considers the costs of employment visa-vi the equitable share is 79% and if we over expend and have to engage in top slicing then one can see the magnitude of the problem. Because the only way you can get money then is to cut back on service delivery. So the turnaround plans that are being coordinated by the Treasury need to be firmly and closely monitored. And our Committee report calls for monthly information in this regard.

And then I would also be interested to hear from the MEC whether any money from conditional grants particularly the Human Settlement Grant and hospital revitalization conditional grant were unspent at the end of the financial year and return to National Treasury. Another issue were they needs to be

tightening up is on the whole matter of tenders and the Department recently has published an index for smaller items ...pens that should cost R10 and do not cost R20 but this index also needs to do with major items. And on the finance meeting last week the Superintendent General of Health informed us that a 100 room project was going to cost R59 million were there were 100 rooms literally with shower and a bed and a toilet. And if you acquit that out at 590 000 is outrages and he correctly intervened to stop it. But we really need to monitor the tender process very carefully to see that this Province is not being reaped off.

Another area where firmly action needs to be taken is with regard to the recovery of monies incorrectly paid out in terms of the HROPT process. This money needs to be recovered. Then ...[Interjections.] ...you will hear about toilets tomorrow when it comes to questions to the MEC, so hold your breath for that. [Interjections.] [Laughter.] This brings me to the issue of the Nelson Mandela Metro Pole. [Interjections.] The municipality is facing a cash crisis ...

Mr SPEAKER: Order hon member.

Mr R S STEVENSON: You must fix the toilets in this institution. [Laughter.]

The Nelson Mandela Metropole Municipality is facing a cash crisis with only 15 days of cash reserves in hand. They are borrowed to the hilt and cannot afford to borrow another cent. This means there is a huge responsibility on the Province to ensure that every cent due to the municipality is paid timeously. These bureaucratic snow laps that are bedeviling the cash flow of that municipality need to be unshackled. According to an answer to a question which I received recently, R240 million is due to the Nelson Mandela Metro Pole from the Provincial Government. However, part of this is a revolving fund for housing R101 million is tight up in that. But this is because the Metro has not sign the necessary documentation. Similarly, R43 million is outstanding for the primary health care subsidy due to a service level agreement with the municipality only being finalized last week. And that was the fault of the municipality.

As a result of this the municipality has not received its primary health care subsidy for two quarters. The Department of Roads and Public Works owes the Metro the total of R50 million for maintenance on provincial classified roads over the last 3 years. The Department of Education also owes the Metro an amount of R23.2 million as of at the end of October and they only paid an amount of R2.2 million which is on the fraction of the amount owing. The fact that these funds takes so long to flow is compounding the problems of the cash flow crisis in the Metro. And I read this morning that the new MEC for Local Government has undertaken to ensure that they receive their funds. But really it's a serious issue because there is a queue now for paying creditors and people have to wait their turn. The tighter the squeeze the more damaging the impact is on small businesses who employed people and have to pay their own bills. On the other hand it is important that the Metro gets its acts together and ensures that all arrangements and conditions for funding are put properly in place.

For the Province to overcome the current financial crisis a real belt tightening exercise needs to be undertaken. Tough leadership needs to be exercised to ensure that the Province finances are put back on track. Whether the volcano will erupt or whether it will be contained depends on you MEC. And I wish you well with your challenge.

The Democratic Alliance supports this report and would like to thank the Chairperson, Committee staff and the Treasury officials for their cooperation in producing this. I thank you. [Applause.]

Mr M M MHLATI: Hon Speaker, hon Premier, hon members, officials and invited guests. Treasury has not yet built its capacity in human resources so that it is able to execute the responsibilities assigned to it in terms of Section 18 of the Public Finance Management Act. To prove that Treasury is a control centre of financial management of the Province all Departments are compelled in terms of the PFMA to submit monthly returns to it which would enable it to analyze the financial situations in the Department and be able to take immediate corrective actions to avert the financial crisis we find ourselves in. Chief Financial Officers have forums which are meeting on a monthly basis but the question which we must ask ourselves is to what effect, what benefit are we deriving if this Province can be in this financial crisis? How can they allow control systems to collapse under their eyes and allow anarchy to creep in?

Requests have been made to Treasury to take a concerted effort to beef up the internal audit capacities in Departments including the shared internal audit which would enable the Departments to arrest issues of financial mismanagement as they arise. I want to repeat hon Speaker, that as long as internal audits in Departments are not fully capacitated we will never come out of this financial crisis. Where on earth have you heard of Government employees willy-nilly adjusting their salaries without getting prior authority to do so? The implementation of the retention strategy should be centrally controlled and monitored and should be subjected to executive approval so as to prevent Departments from following Treasury in adjusting their salaries because they have seen Treasury doing so in respect of certain categories.

The report submitted by the Committee is fully supported by the UDM. I want to plead with the Executive that we should walk together in improving the administration of this Province. We are here to support you, we are in the same boat and if you drive recklessly we are duty bound to raise our concerned. We cannot be sitting spectators when our beloved Province is going down the drain. We wish to welcome the new members of the Executive. We hope that they will add value to the work entrusted to the Executive. There is a separation of powers between us as ordinary members and the members of the Executive. We are not fighting with the Executive but we say they must perform as they are required to perform. They are full time to deal with the administrating of the Province. Thank you Mr Speaker. [Applause.]

Mr M GALO: Hon Speaker, hon Premier, protocol observed. Hon Speaker I am not going to spend your time repeating what has already been said by the Speakers before me. But I must say that the African Independent Congress is not convinced that the new faces that have been brought to the Cabinet of the hon Premier will bring about any change more especially if the Cabinet itself needs capacity building. This Cabinet reshuffle in our view has been effected just to satisfy a particular political agenda. However, the AIC congratulates the newly appointed MECs and hope that they will be loyal to the electorate of this Province. By consolidating and advancing the work that has already been done in these Departments more especially in Local Government and Traditional Affairs, Agriculture and Rural Development.

The AIC further trust that the newly appointed MEC for Agriculture and Rural Development will not buy farms from other Provinces. Instead the hon MEC will ensure that there is solid foundation in terms of the Eastern Cape rural development strategy as evocated by the former MEC Mbulelo Sogoni is consolidated and carried forward for the betterment of the lives of the people in the rural areas of this Province. [Interjections.]

On Finance and Provincial Expenditure if it is true that the Eastern Cape Province will contribute more than R5 million to the controversial youth festival as being organized by the National Youth Development Agency. May we be given a breakdown of the delegates of the 1 500 youth and assisted in terms of understanding as to how they were selected otherwise the African Independent Congress hon Speaker supports the report. Thank you very much. [Applause.]

Mr X A PAKATI: Hon Speaker, hon Premier, members of the Executive Council present here. The ANC welcome the new members of the Executive and we are looking forward to work with you to improve the conditions of our people in the Province. The ANC support the oversight report on Provincial Expenditure however we remain concerned with the spending patterns particularly the Department of Health and Education and the implications thereof to the fiascos. We also note that these Departments undertook to better manage their finances to mitigate the effects of the overdraft.

We further note that there is a potential over expenditure amounting to R3.7 billion across the Departments in the Province which could have negative effect for the next financial year. This is coupled with under collection of our own revenue in Departments of Health, Education, Economic Development, Transport, Housing, Social Development, Safety and Liaison. This means we must jack-up our systems to maximize revenue collection.

An amount of R683 million has been spent on HROPT overpayments according to the grant on report. The process of recovering this money must be substantively and procedurally fair and just. A just and fair action means effective communication with the affected workers this includes sufficient consultation. We note the progress made with regards to unqualified audits in 10 Departments and some public entities, and I think we have done well. However, there are matters of emphasis in almost all of them; with particular

emphasis on internal controls in the Departments and risk management. This is a call for strategic leadership in the Departments.

The continued use of the price index tool remain a safety valve against unscrupulous service providers who inflate prices for goods and services provided to the State. All Departments must be encouraged to make use of this tool to protect taxpayers. Departments must further monitor implementation of supply chain management systems. In many instances SCM processes are deliberately flouted in order to accommodate fraudulent transactions. The ANC supports the report. [Applause.]

Mr X A PAKATI: Thank you hon Speaker but hon Stevenson you must go to Khayelitsha with me and see the toilets have no holes there. Thank you. [Laughter.]

The MEC RESPONSIBLE FOR FINANCE, ECONOMIC DEVELOPMENT AND ENVIRONMENTAL AFFAIRS: Thank you once again hon Speaker. I think first to the hon Chair and the members of the Committee I would wish to welcome the very constructive as well as critical issues raised by the Committee that point to certain ailments and things that the Department need to do to position itself to better give leadership in this instance. We want to accept that without any equivocation. As well commit to report back to this august House through the Committee in a months time on a variety of things which surely we have got to make amends. And a continuous reporting to the Committee we welcome that because we think that given the environment in which we are heading into better if we had appreciation the support that could only come if there is a better insight and appreciation of what is taking place. We welcomed that.

I was beginning to think that I am at the wrong place until the President of that other organization came here to speak and then I was reminded oh is the Legislature again. [Laughter.] Where there is a matter on the table it could be dealt with and then there would always be one member ukuwushiya umxholo. Akakhange ke enze nto ingalindelekanga yinto adla ngokuyenza leyo uhon member. So there is nothing, I am usual about what he did.

On the issues, I think hon members yes we have got to read newspapers and listen as much those who make comment. I think lets make more time beyond what we read and what we hear to establish facts from some of the fictitious things we hear. Ndiyabona ukuba uhon member umamela kakhulu amaphepha-ndaba it might impair the correct understanding of issues. But we think that the reports, both reports are very much positive and there would be issues continuously we will give back to the Committee. For instance on the very issue that has been raised here about the challenges with respect to vetting et cetera. Given the persistence of that problem I think the Department already has reached an agreement that appointments should not be delayed because of that, say there must be provisions made and conditions attached to accepting appointment subject to such processes so that if indeed there were to be negative findings after the person has assumed duty it should be automatic that that position, that person would then be immediately the services get cut if

there is something untoward. So these are some of the things. I take note of the issues to do with the leadership, the appointment of the heads of departments et cetera, kwakube ilanga lihlabe umhlaba it is going to happen, there will be an appointment of a head of department and all the other managers. I think we commit that, we are going to do before the end of the financial year. Thank you very much, we appreciate the report. [Applause.]

Reports adopted.

CONSIDERATION OF REPORTS OF PORTFOLIO COMMITTEE ON LOCAL GOVERNMENT AND TRADITIONAL AFFAIRS

Mr M NYUSILE: Thank you hon Speaker, members of the Executive, Premier, colleagues, departmental officials, I am standing here hon Speaker to table the report on Local Government and Traditional Affairs. Bear with me hon Speaker the magnitude of the report compels me just to go straight to recommendations. The report is on page 468 and 480.

Programme 1: Corporate Governance

Recommendations

- (a) The Department must submit a plan to the Committee which will be implemented to ensure that the under-expenditure does not recur.
- (b) The Department must engage Provincial Treasury with a view to ensure that its vacancies rate is funded. The result of such an interaction must be submitted to the Committee.
- (c) The Department must put in place measures that are aimed at ensuring that service providers are paid within 30 days as required by the Treasury Regulations or Instructions.
- (d) The Department must immediately develop risk management framework before the end December 2010 and submit the same to the Portfolio Committee.
- (e) The Department must indicate what actions have been taken against the officials responsible for the irregular expenditures and disregard of procurement processes.
- (f) The Department must ensure that action is taken against officials responsible for the fruitless and wasteful expenditure of an amount of R7.7 million as reported by the Auditor General. A report must be submitted to the Committee within 30 days of the adoption of this report.
- (g) The Department must immediately develop and implement a credible assets register and a copy of such register must be submitted within 30 days to the Committee.
- (h) The Department must engage other Departments with a view to strengthen IGR between Departments and municipalities.
- (i) The Department must ensure that all the employees overpaid for HROPT, repay these overpayments within the prescripts of the PFMA.

- (j) The Department must indicate whether payments in respect of PMDS must not be regarded as wasteful expenditure as performance was not properly assessed to determine deserving employees.

Programme 2: Local Government

Recommendations

- (a) The Department must develop generic by-laws for the municipalities to customized to their requirements. A copy of each generic by-law developed must be submitted to the Committee.
- (b) The Department must submit a breakdown to the Committee detailing how an amount of R739 000 which was budgeted for VUNA Awards has been utilized as no VUNA Awards were held during the year under review.
- (c) The Department must submit a report to the Committee indicating how the amount of R1.5 million transferred to KSD Municipality was utilized and whether it was used for the purpose for which it was intended to.
- (d) The Department must submit an explanation as to why it continues to fail meeting its targets on programme 2.
- (e) The Department must assist municipalities to recover monies owed by councilors and municipal managers.
- (f) The Department must conduct capacity building programmes that are aimed at role clarification between the office of the Speaker, Chief Whip and the Mayor at various municipalities.
- (g) The Department through the Office of the Premier must engage various Departments with a view to ensure that they take part in the IDP processes. Departments that do not comply must be named and shamed.
- (h) The Department must ensure that municipalities are assisted to establish Public Participation and Petitions Unit during the current financial year.
- (i) The Department through the Office of the Premier must engage various Departments with a view to ensure that they pay all the monies that are due to municipalities. The Department that owes municipalities must be named and shamed.

Programme 3: Development and Planning

Recommendations;

- (a) The Department must put in place measures to ensure that the Supply Chain Management processes at the municipalities are strengthened as this is affecting service delivery.
- (b) The Department must explain why this programme is continually compromised whenever there are financial pressures at the Department.
- (c) The Department must prioritize the review and adoption of the Provincial Spatial Development Plan during the current financial year.

- (d) The Department must earnestly assist the municipalities in the development of spatial development framework and must ensure that this work is not postponed again.
- (e) The Department must ensure that various municipalities are assisted with the development of zoning schemes during the current financial year.
- (f) The Department must ensure that municipalities are assisted with the development of topographical maps and general plans as this affects service delivery.
- (g) The Department must engage Provincial Treasury with a view to source funding to ensure that the sub-programmes spatial planning and land development vacancy rate of 75% is reduced.
- (h) The Department must develop generic Disaster Management Policies Framework for customizing by various municipalities.
- (i) The Department must ensure that the KSD fire station is renovated during the current financial year.
- (j) The Department must ensure that all economic regions in the Province develop and implement economic plans.

Programme 4: Traditional Affairs

Recommendations;

- (a) The Department must indicate how they are going to deal with areas where the election of the traditional councils were not conducted.
- (b) The Department must engage Provincial Treasury with a view to ensure that they obtain funds for the payment of the IEC for the services rendered.
- (c) The Department must put in place measures that the participation of traditional leaders at the municipal council is improved.
- (d) The Department must commission an investigation with the assistance of the Commission on Traditional Disputes with a view to determine the legitimacy of the traditional leadership.
- (e) The Department must investigate the authenticity of the traditional leadership claims before they are recognized.
- (f) The Department must explain the circumstances under which the payment of an amount of R67 000 was made and take corrective action where necessary and report to the Committee within 30 days.

General findings

- (1) The Department is not making enough progress to ensure that it deals with matters raised by the Auditor General.

General recommendations

- (1) The Department must submit a detailed plan that addresses the issues raised by the Auditor General within 30 days of the adoption of this report.

Lastly, hon Speaker I think the Committee wishes to express its gratitude to all the officials who contributed to the compilation of this report and the Committee in actually adopting this report.

Let me then jump hon Speaker to the financial oversight. Again I am jumping to recommendation. Hon MEC Gqobana you are now a Dr Sir. [Laughter.] We honestly miss you Sir. Let me jump to recommendations.

Programme 1: Administration

Recommendations

- (a) The Department must immediately engage Treasury with a view to obtain funding for the filling of vacant posts.
- (b) The Department must ensure that the findings of the investigation are fully implemented and where there is evidence of criminality charges must be laid within the relevant investigation agencies and a report of such investigation be submitted to the Committee.
- (c) The Department must restrain the excess staff with a view to ensure that they are utilized in other areas.
- (d) The Department must ensure that its key personnel especially those in Supply Chain Management and the service providers are subjected to the NIA vetting.

Programme 2:

Recommendations;

- (a) The Department must ensure that the money spent and were necessary is transferred to other cost pressures.
- (b) The Department must immediately begin developing generic by-laws and pilot them across all the municipalities.
- (c) The Department must immediately provide CDWs with the working tools so that they can become more effective.

Programme 3: Development and Planning

Recommendations;

- (a) The Department must submit to the Committee a plan on how it is going to obviate this under-expenditure.
- (b) The Department must ensure that the Provincial Spatial Development Plan is revised and adopted before the end of the financial year.

Programme 4: Traditional Affairs

Recommendations;

- (a) The Department must immediately develop and introduce to the Legislature a legislation on the recognition and establishment of the Local Houses of Traditional Leaders.
- (b) The Department must submit to the Committee a clear plan on how it is going to make sure that the programme does not overspend at the end of the financial year.

Thank you very much hon Speaker. We hear what you have said hon Speaker when it comes to some questions that the new MEC for Local Government was the Chair of that Committee so we can pose questions to him, he knew some of these things. Thank you very much. [Applause.]

Ms N NDABENI: Hon Speaker, hon Premier, MECs, hon Chief Whip, hon members, members of the public mandizibulisele ngalemva kwemini. On behalf of the Congress of the People I wish to congratulate the new MEC hon Qoboshiyane uMntungwa. Mntungwa knowing your background in Local Government we hope that you will bring about change and speed up service delivery. Siyayazi ke into yokubangaba kune challenge enkulu yomasipala apho kukhona ooceba abangakwazi into yokubangaba bafungiswe ngenxa yemilo ekhoyo kwaba masipala. Sinethemba lokubangaba uzakukwazi into yokokuba uze nesisombululo kwezo institutions ezinjalo. Siyayazi into yokokuba kwabanye bomasipala ufumanise into yokokuba uSpeaker usaspendiwe but uSpeaker still presides over the meetings of the council. Lonto ke ibuya isibuyisele into yokokuba izigqibo ezithathwa phaya zi-valid kangakanani na. Sinethemba ke lokokuba you will bring about i-change.

It is unfortunate that municipalities in this Province continue to under perform even those that were once rate at high performing during the time of the last assessment are not showing sustainability to maintain such high performance. Ithi ke lonto masizibuze into yokokuba konakele phina sifumane isisombululo to that because omasipala ngabona bakufutshane ebantwini kwaye iinkonzo ziphaya kubo.

The question is whether the support systems are adequate. In the policy speech of the Finance MEC in 2009 he has promised technical support to the struggling municipalities in the area of financial management. Sinawo ke umdla siyi-Congress of the People into yokokuba kwenzeka ntoni na kula support. The Department has experts who are also sent to municipalities and many other initiatives. The latest being the clean audit that should reflect a commitment to lead by example in financial report. Could we say hon Speaker that there is going to be improvement? Singabamentshina omasipala abafana neNgquza Hill, uMhlontlo, iNgqushwa sizibuze umbuzo wokuthi ingaba mhlawumbi i-change izakuba khona na. Siyayibona sonke that i-situation eBuffalo City is deteriorating everyday as there is no stability at political and administrative level.

As we can pick it up on the news that the Nelson Mandela Metro is also deteriorating. Do we have a correct tool to assess these municipalities so as to come up with appropriate intervention? Does the Department have capacity to assist these municipalities?

We have been to municipalities where there were complaints about the capacity of those that were sent to intervene. Hon Speaker it is clear that i-cadre deployment does not assist especially if those deployed does not have skills ezifunekayo to turn around the situation kwezo areas badiploywe kuzo. Umzekelo awunakukwazi[Interjections.]ndiyayazi. Awunakukwazi into yokokuba uthumele umntu ukuba makaye ku-asista the CFOs of the municipalities abe engenazo i-qualifications on finances. It means that akuzokubakho mehluko lamntu azakufika awenze phaya. So ithi ke ngoku lento, lento ye-cadre deployment masikhe siyijongisise. Masiyilinke together with i-skills umntu aziphosayo.

In the delivery agreement signed by the MEC and Mayors what improvements must the citizens expect? Must they expect i-better service delivery or compliance or who stand to benefit from this? As the Congress of the People we want to sponsor a view that says these Mayors must have contracts with municipalities that they are serving. Let them sign performance agreements with the clients of the municipality. A performance agreement that will include activities to ensure that goals are consistently met in an effective and efficient manner. They should also account to the citizens as required by the IDP implementation plan. Ingabiyi-agreement nje just between uMEC no-Mayor kube kungazokubakhona deliverables.

I-Constitution yalapha eMzantsi Afrika ke iyatsho into yokubanga u-Local Government kufanele aprovayide the democratic and accountable Government for local communities, azitsho ke zonke ke. And also a-enkhareyije i-involvement of communities and community organization in the matters of local government. It is therefore directed and detected by the Constitution of this country that the Local Government must be accountable to the communities not to the MECs. To what extent are the communities aware of the content of these performance agreements ezisayinwe ngu-MEC kwakunye no-Mayor? Who is to monitor the performance of these Mayors and the implementation of those agreements? We are saying ke let us not do things just for the sake of doing them. Masenze izinto ezizakuba nomehluko ebantwini bethu.

I-National Parliament, IndependenceCommission has even noting the failing municipal managers turnaround projects as collapsing due to a bureaucracy and lack of staff to manage those municipalities. All that are forming part of the challenges that are causing poor coordination of policies and departments that influence Local Government delivery. This is a recent notion that could be quoted from Herald dated 10th November 2010. Which concludes that;

“As a result council would feel further behind on maintenance even of their facilities”.

We request as the Congress of the People the MEC and the Head of Department to prioritize traditional councils to finish the outstanding work and further define their roles. I-local economic development units

mazikhaphasiteyithwe and zibe ne-research capability to assist the municipalities that have been established development agencies. Ku-enfoshwe i-bylaws, ku-apdeyithwe i-evaluation roll by municipalities to enhance i-revenue base. I-Congress of the People supports the report. [Applause.]

Mr D B HADDON: Hon Speaker, Madam Premier good afternoon, MECs, members of the Legislature, Department officials, media and guests. At this juncture I would like to congratulate the new MEC for your appointment, certainly which she deserved and we look forward to working with you. One of the biggest problems facing Local Government in the Provinces we all know is a lack of financial capacity. Mr Speaker with Local Government being the service provider closest to the people it is in this area that fail the non-delivery obviously most notice and experienced. In order to overcome this problem we have to radically increase the tax base of all municipalities. We know that Local Government will fail if we continue funding municipalities without sufficient revenue in the form of taxes, rates and fees from residents.

The current state of funding for the assistance to the poor schemes while necessary is unsustainable. The writing off increasing municipal bad debt as we know is a problem for all municipal budgets. Service delivery backlogs and failures will continue to mount up unless serious attention is given to empowering our provincial citizenry to find sustainable and meaningful employment. Mr Speaker I refer to the annual report and it will be noted from the report that of the 7 economic regions that are supposed to develop local economic development plans during the last financial year that only in fact 4 have done so. And furthermore what is troubling is that our economic haps the Metro is according to the report still developing their plan.

Mr Speaker we were informed by the Department official that many municipalities are lacking the resources to implement their local economic development plans. The answer to this problem is in the creation we believe of job zones for the Province. And perhaps Mr Speaker this plan could dovetail very much with what the MEC for Finance alluded to earlier with some of his plans.

As I explained this plan I would like the new MEC to implement these plans as a matter of urgency. And I would challenge you Sir to do so. If the hon MEC does not implement these plans and then he must explain to this Legislature why these plans are not sustainable. Mr Speaker job zones are planned economic areas to be located in historical disadvantage areas where people are forced to leave under apartheid. This poor policy is a workable solution to severe unemployment challenges facing this Province. This policy would vastly improve the living standard of citizens particularly in rural areas. And this is how the plan would work.

Members of the community after extensive community consultation could vote and decide whether their area would in fact become a job zone. Firstly, hon Speaker all unused land not owned should be given, I repeat should be

given to communities and individuals at no cost. An example of this is a current informal settlement and squatter areas where people reside but do not have land, do not own the land that they live on. This would unleash huge wealth into these areas by freeing up debt capital that can be used to security and collateral for people to get lands and start businesses.

In addition hon Speaker all under utilized state land should be given to people at no cost in order to eradicate homelessness encompassing municipal by-laws on land tenure should be replaced by those which would facilitate quicker expedient and cheaper land transfer and property development in these areas. The second regulation measure would be to give people the right to work. Such areas would be allowed to apply for exemption from overly restrictive aspects of labour law by so doing employers can give jobs seekers a certificate of exemption for a two-year period. This would give them a chance to get a first step up to job ladder game skills and become active contributors to the provincial and national economy.

Mr Speaker wages could be agreed upon between the parties with no minimum wage criteria. Using for example the current old age pension or some other economic indicator from each to benchmark a salary. A free labour market in jobs zones would provide a jobs boost that would put everybody who wants to work back to work. Job zones would become hives of purposeful economic activity ending sins of desperate people begging for pennies at traffic lights.

Mr Speaker coupled with this would be tax exemptions, what is envisaged of 5 year holiday allowing municipalities to budget incrementally and develop workable plans to facilitate employment and economic growth and grow their revenue base. Mr Speaker other deregulation measures to facilitate employment in these areas would be to relaxed encompassing building zones, remove entry barriers to businesses such as license exemptions replace formal town planning and zoning schemes where they exist with perhaps a common neighborhood ...law scheme. Hon Speaker there is a law promulgated titled – Temporarily Removal of Restriction on Economic Activity Act No.87 of 1986. This law should be revived to enhanced to give an opportunity for residents ...that they may choose to take. Hon Speaker the MEC for Local Government has got an opportunity, a great opportunity to lead the way in this and to promulgate new provincial legislation to get this exciting and workable ...

Mr SPEAKER: You have two minutes hon member.

Mr D HADDON: Thank you Mr Speaker. Mr Speaker this plan can alleviate unemployment and grow municipal revenues. I refer to an article from the Sunday Times of the 12th of September 2010, titled jobs needed not redistribution rhetoric written by N Benstin and Antony Artpicker. And in this article they quote and please listen to this;

“Developing countries face tough set of policy choices should they care more about inequality, the relative, welfare of the poor compare to the rich? Or try to reduce absolute poverty as

rapidly as possible so that the welfare of the poor improves irrespective of their income compared to those that are rich”.

In conclusion, Mr Speaker an open society is one and which individual and community choices is maximized in a free market economy. The benefits of the free market economy include, radically reduce crime levels because people are employed, race relations improved because of the inequalities of the past disappear and living standard rise at rates only dreamt of and certainly an achievable under person government policies. I thank you. [Applause.]

Mr J BICI: Hon Speaker, hon Premier, hon MECs, hon members, officials, distinguished guests, UDM takes this opportunity to congratulate and welcome the new MEC. We believe as UDM that you will easily and quickly find your way because you shared the Committee which oversighted this Department. In the year under-review the Department underspend by R28.27 million. This is very bad and highly unacceptable, taking into account that people out there are not getting services. Oomasipala banalo igalelo elikhulu kulento. Phaya kugcwele abantu abangafundisekiyo kwaba masipala. The Department failed to explain the whereabouts of monies budgeted for projects which did not take off in the year under review, for example VUNA Awards. The Department was at pains when trying to explain how R1.5 million to KSD LM was utilized. The Department showed irregular expenditure of R24.96 million as a result of amongst other things non compliance with SCM prescripts.

The UDM commends the Department for unqualified audit report though there were matters of emphasis, to which the Department must pay particular attention. Ukuqashwa “News” kwabantu ngokwamakhadi emibutho yopolitiko kwenza ukuba eliSebe libe nezithuba ezininzi ezingaphezulu ko-50%[Interjections.]

Hon MEC these are some of the challenges you are going to face and have to content with. Coming to the six months financial oversight. Is only one programme that got up to 52.9% in expenditure. The three other programmes range between 40 and 48%. But UDM does not think that the Department will not use all the money budgeted for. But naturally especially programme 2 the SG must take care of that because they only spent 40%. But if care is taken I am sure you will cover that. I have got a right to look any other side I like. Thank you Mr Speaker [Applause.]

Mr M GALO: Hon Speaker it cannot be correct to think that you are in order or you are always in order but when it comes to performance in your deployment you fail to perform and you get promoted to another Department. That is why one is saying that the new faces will not assist us. So I am not out of order.

The AIC views the Local Government and our local municipalities as engine rooms for democracy. Which means therefore that if these municipalities are not functioning to fulfill this kind of a purpose our democracy is in danger. We hope our new MEC for Local Government and Traditional Affairs hon Mlibo Qoboshiyane, mkhenyane you will focus and ensure that the municipalities are not turned into being satellite offices of political parties.

Which is why these municipalities are collapsing. That is why I indicated that these are supposed to be engine rooms of democracy where people at that level will enjoy this kind of democracy where they will participate actively in decision making mechanisms at that level.

The AIC also hope that the MEC will come up with a clear mechanism or policy framework with regard to the responsibilities and functions of the Traditional Councils and the remuneration of the councilors thereof. Because we cannot hon Speaker establish Traditional Councils and be unable to say as to how these councils are going to function in terms of ensuring that rural development is realized in those communities. [Time expired.]

Mr M PETER: Hon Speaker, members of the House, Premier, members of the Executive Council. I must also follow hon members in congratulating the newly appointed MECs including the MEC for Local Government and Traditional Affairs. Phakathi kwabo kukho omama i-ANC ithi amaqobokazana angalala endleleni sukube konakele. [Applause.]

Hon Speaker it is a privilege that as ANC we participate in this debate with key interest of critically analyzing the state of Local Government in the Province. At the same time reflecting on progress made as far as service delivery and the challenges confronting implementation and the fight against poverty.

I think we must take the advantage of this debate hon Speaker to put things into a proper perspective. Because in most cases abantu bagqibela kukho ii-problems kwabanye omasipala and abaphindi babuye bahlale nalonto ngeli xesha sele zikorekthiwe ii-problems ebezikhona. I-ANC hon Speaker views Local Government as a critical and a strategic sphere of Government as compared to Province and Nationally. By virtue that it is closer to the people and it is a service delivery vehicle.

Over the past 16 years the ANC has taken far reaching steps in dismantling apartheid Local Government authorities and replaced them by democratically elected structures which are accountable to the people. A number of problems have emerged in the course of our experience in infrastructure development which include lack of sustainability resulting from lack of adequate planning and urbanization in resulting in urban sprawl and the growth of informal settlements around metros and mega cities in the Province.

The burden of poverty unemployment and lack of basic infrastructure mostly falls harshest on women who constitute the majority especially in rural areas. But the ANC has a plan to make Local Government work better for the people. I think we must account as far as this plan. This plan has been emphasized in the ANC Local Government election manifesto in 2006. We are now working together with the people to turn the tight in Local Government because ANC has adopted a Local Government turnaround strategy which is a country wide programme which seeks to mobilize all structures of Government and civil society to embark upon a concerted effort to deal with factors that continue to undermine the effectiveness of Local Government.

In essence hon Speaker the turnaround strategy indicates that Local Government is everybody's business hence it extends beyond Government and it must be owned across society.

The ANC in the National General Council which was held two months ago in Durban had a lengthy discussion and resolved on the need for a number of adjustments in Local Government which must focus on leadership of municipalities both politically and administratively. Policy formulation, regulatory and oversight environments of municipalities. Since the establishment of a developmental Local Government a number of measures to support and strengthen Local Government have been undertaken which include hands-on support and a specialized training by professional institutes which are directed to Local Government officials and councilors.

The developmental system of Local Government is still new and evolving. And the current challenges confronting our municipalities must be seen as part of an effort to learn and correct as we continue with implementation. Our municipalities in the Province have different capacities and are faced with different social and economic challenges. Depending on the different challenges it will be necessary for our municipalities to focus on those responsibilities that they are able to deliver on. This will mean that certain municipalities ought to focus on a smaller set or scale of functions whilst others can expand their focus especially metros and district municipalities. Because in the debate ye-powers and functions omasipala baye bathanda ukuluma imithamo emikhulu abangazokukwazi ukuyiginya.

Our target on service delivery is to ensure that by 2014, in fact hon Speaker I want to take this debate further on service delivery targets, yes and reflect on progress which has been made so far in the Province. The 2014 vision states that all households must have at least clean piped water within 200 meters from a household which is RDP standard. And i-statistics South Africa kwi-survey yabo ka-2008/9 they are indicating that at least 74% of the population in the Eastern Cape has access to clean water. On sanitation our target is that by 2014 all households will have access to at least a ventilated pit latrine on site. And i-statistic South Africa si-indikheyitha into yokuthi 49% so far of the population in the Province has access to intermediate sanitation. We still have a challenge around this area.

On electricity our target by 2014 is that all households will have been connected to the National grid but the report by STATS SA indicates that at least 65.5% of our population in the Province has access to electricity. On refuse removal our target is that by 2014 all households will have access to at least once a week refuse removal services. STATS SA indicates that at least 40% of our population has access to refuse removal services. And this refers mostly to urban areas in the Province.

The survey clearly indicates the significant trends and challenges towards rolling out of services especially in rural areas. It is for this reason hon Speaker that the people of Eastern Cape will vote for the ANC in the next

Local Government elections. Our electorate is neither interested nor excited about the nefarious collisions which are being formed by some parties. As long as they are about to oppose the significant progress we have made as ANC so far. And our electorate will never be confused when casting their votes as they believe that ANC is the best organization which continues to change their lives for better. And therefore the ANC accept the report. I thank you. [Applause.]

The MEC RESPONSIBLE FOR LOCAL GOVERNMENT AND TRADITIONAL AFFAIRS: Hon Speaker, I find myself conflicted by shifting gears from vigorous oversight of performance of the Department in responding to its honor us mandate of building an effective and efficient Local Government system and traditional leadership institutions. To being at the coal face of providing political direction and leadership to the Department on the implementation of that mandate. I therefore welcome the debate and firm recommendations from the Portfolio Committee and parties that have debated already.

The Department of Local Government and Traditional Affairs remains steadfast in its commitment to realize its mandate of developmental Local Government and achieving the transformation agenda for traditional leadership institutions. Since the advent of the new term the Department has had monumental achievements in responding to the new mandates and priorities. We will be building on these firm foundations to make this year of action to accelerate the service delivery to the people.

A resource Department is a precursor to effectively responding to the development agenda of the Department. Changing Local Government trajectory and the strengthening of traditional leadership to perform their legislated roles. The Department has always been leading on the measure of payment of service providers within 30 days. Processes are in place in the Department to adhere to this payment circle and monitoring will be upscale to the highest level.

Hon members I am pleased to report that a risk management policy has been developed and approved. Processes for 2011/12 risk assessment have been initiated and I will personally monitor that. This process unfold before the end draws to a close 2010. The recruitment of senior manager, risk management is also underway. We are on course with the development of an asset register. On the matter of irregular expenditure of R24.96 million investigations have been conducted as required by Public Finance Management Act where there is evidence of capability. We will take necessary actions.

Output 7 of outcome 9 which talks to a single window of coordination, places the Department at the centre of coordination by ensuring that sector Departments at whatever level work through and with the Department of Local Government and Traditional Affairs in relation to how they interact with the municipalities.

Hon members the provincial munimec is functional. And the IGR strategy is in place and we are resourcing this area in terms of financial and human resources. Hon Speaker the Department ascribe significance to PMDS not as a money making scheme and the reward for non performance. And has apply this policy to the latter as the Department has done so in the previous financial year. Matters of HROPT are receiving attention and we have noted the commends from the Portfolio Committee.

The Department is currently in a process of securing service providers for the compilation of the financial policies as well as by-laws. The Department has developed a transfers policy to ensure that funds gazetted to and spend by municipalities is done so inline with its intended purpose and properly accounted for by the municipalities. We take the issue hon members of councilors and municipal officials who are owing municipalities money. And we take this in a very serious lite and we will write to all municipalities affected to ensure that all respective accounts that are more than 90 days outstanding are followed up and appropriate sanctions are applied inline with the code of conduct. Ndiyitsho ke lento kuba ndandikhe ndangu-Speaker ndiyawuqonda lomcimbi Somlomo obekekileyo.

The troika in municipalities must function in a cohesive manner and to this end hon Ndabeni the Department conducted workshops with all Speakers in the Province to clarify their roles and functions. Further the role clarification workshop with the Mayors and the Chief Whips would be held in January and February respectively. But I think we still have to decide on this one very firmly in the light of the elections that are coming.

The final draft of the Provincial Spatial Development Plan has been tabled to the economic growth and infrastructure cluster for consideration. Comments and the Provincial Spatial Developmental Plan will be submitted to the Cabinet by February 2011 for adoption. The Department has since assisted municipalities in ensuring that public participation units are established as to respond to the issues relating to public participation. The Department is also utilizing IGR as a liver to ensure that monies owed to municipalities by Government Departments are paid. And I will sort your wisdom hon Premier that this is achieved as well as Provincial Planning and Finance because this is going to ground our municipalities to a halt.

In addition we are resolving systematic challenges that lead to non-payment so that the revenue base of municipalities is not negatively impacted. Hon members we do not anticipate any under spending in relation to projects. And process plans are in place indicating how funding will be spent by March 2011. The Department is once again coordinating elections infrastructure to ensure that people can exercise their democratic right. R45 million will be secured through Provincial Treasury such that the Provincial coordinating structure is able to fulfill its responsibilities and put in place necessary election infrastructure within municipalities.

Traditional councils will be poised to form partnership with municipalities in enhancing Local Governance and in developing their constituent communities.

A plan is in place and being developed in consultation with IEC for by-elections on those few traditional councils where elections were not conducted. A Provincial Commission on disputes and claims is being established amongst other things to investigate the legitimacy of some Traditional Leaders. From the level of senior Traditional Leaders to that of iNkosana. The Department note the findings and recommendations of the Portfolio Committee which are driven by the need to ensure that we deliver services to the community in a coordinated and sustainable manner and utilizing allocated resources for public good.

Hon Speaker, just before I resigned to my chair I must state to extent a word of appreciation once again to the members whom I served with, but specifically and selectively to hon Galo. Hon Galo must be reminded that we are the members of the African National Congress and our allays only include the South African Communist Party and COSATU and the mass democratic movement. As of now both tactical and strategic not the IAC. But we rather owe it to him to guarantee democratic society where opposition will leave and strive un-intimidated. Therefore I must be in a position to welcome both the critic as well as positive suggestions because this House is supposed to be built by different and divergent views for the common good of the Province of the Eastern Cape. In as much as I may have shifted to the Executive hon Speaker I will be mindful of my responsibilities to this hon House. It is my earnest desire to take this Department to even greater heights, working even harder most matter and bit faster. Thank you very much hon Speaker and thank you very much to the members. [Applause.]

Reports adopted.

CONSIDERATION OF REPORTS OF PORTFOLIO COMMITTEE ON SAFETY AND LIAISON ON ANNUAL AND OVERSIGHT REPORTS

Mr M NYUSILE: Thank you very much Deputy Speaker. Hon members the report is on page 451, 455 and 459. There will be three reports that we are going to table here. The annual report, the oversight report and the last report will be the report on South African Police Service annual report 2008/09 that would be our last report.

Findings hon Deputy Speaker on page 451;

No accurate figure is given regarding the total number of employees in the Department as 100 employees are reported in terms of the departmental organogram and 117 employees in terms of the annual report of which 40 abnormal appointment.

The Department does not have its own human resources development strategy it uses the provincial one.

The Department does not have a PMDS policy tailor made for its own specific operation instead it uses broad provincial guidelines to pay PMDS to its staff.

There is no policy for the payment of overtime in the (d) Department but the Department has paid overtime totaling to 192 000.

The Department has not implemented its bursary plan due to inadequate funding.

The Department does not have clear transparent and fair guidelines for transferring district managers from one district to another in the Province.

Recommendations, Deputy Speaker:

(a) The Department must provide the Committee with a report detailing the exact number of employees and the specific programmes in which every employees attached within 30 days of the adoption of the report.

(b) The Department must develop its own HRD policy and must be submitted to the Committee by the end of January 2011.

(c) A departmental PMDS policy must immediately be developed and progress report submitted to the Committee by the end of January.

(d)The Department must immediately develop an overtime policy and all over time remuneration be paid in terms of this policy.

(e) The Department must liaise with the Provincial Treasury and source additional funding for the implementation of the bursary policy.

(f) The Department must have clear transparent and fair processes of transferring its employees within the Province.

Programme 2:

Community Safety

Findings:

(a) The Department has conducted a virement of R2.7 million and it has underspent by R947 000 which has resulted in more than R2 million not being utilized by this programme.

(b) A frame work for the establishment of street and village committees do not exist and this causes confusion.

(c) The Department is been using academic non-performance as a guide to identify safer school rather than levels at the various schools in the Province.

(d)An assessment regarding the impact of CPFs in the Province has not been conducted by the Department.

(e) There is a shortage of personnel in the Department as a result of certain employees are in acting positions in more than one district.

(f) The Department does not hold regular meetings with the senior managet of South African Police Services for purpose of conducting oversight. As a result the overall impact of the Department's oversight role cannot be clearly ascertained.

Recommendations:

(a)The Department must accurately budget for its programme and refrain from making virements between programmes as this seems to be a norm.

- (b) The Department must stop the further establishment of these Committees pending the development of guidelines for their establishment and submit the same to the Committee by the end of January 2011.
- (c) The Department must review the criteria it uses for selecting schools participating in the Safer Schools Programme. Crime rate at school must be criterion for identifying safer schools in the Province.
- (d) The Department must devise a monitoring tool to assess the impact of CPFs in the Province and report progress made to the Committee by end of January 2011.
- (e) The Department hon Deputy Speaker must expedite the filling of vacant posts especially in the district and report to the Committee by end of January 2011.
- (f) The Department must ensure that it holds regular meetings with the senior management of SAPS in the Province to enable it to fulfill its oversight function.

Programme 3: Financial Management

Findings:

Tax was not deducted from employees in respect of overtime remuneration. The Department has not implemented its Anti-Corruption Strategy this reflect badly on the Department as it is tasked with assisting other Departments in implementing their Anti-Corruption Strategies.

The Department has failed to pay its creditors within 30 day period as required by the Treasury regulations.

The Department has incurred irregular expenditure of R792 000 and fruitless and wasteful expenditure totaling to R13 000.

Recommendations:

The Department must regularize this tax anomaly and report to the Committee by end of January 2011.

The Department must submit to the Committee a detailed implementation plan on its Anti-Corruption Strategy by the end of January 2011.

The Department must pay its creditors within 30 days in compliance with the Treasury requirements.

The Department must strengthen its internal control mechanism to avoid incurring irregular and fruitless and wasteful expenditure. A detailed plan on how this issue will be addressed must be submitted to the Committee by the end of January 2011.

The second report hon Deputy Speaker, straight to recommendations on this one hon Deputy Speaker.

Recommendations:

The Department must engaged Provincial Treasury in order to obtain finding to cover the projected over expenditure.

The Department must correct the misallocation of funds and report to the Committee within 30 days of adoption of this report.

The Department must submit to the Committee within 30 days a detailed plan on how it did not turn to regularize this anomaly situation.

The Department must immediately review its retention strategy and we say it must be submitted to the Committee by the end of January 2011.

Programme 2: Community Safety

The Department must ensure that there is effective oversight over the South African Police Service in the Province by conducting monthly meetings with management of SAPS and submit a portfolio of evidence to the Committee.

The Department must ensure that the district manager at Alfred Ndzo is appointed without delay. A progress report must be submitted to the Committee by the end of January 2011.

The Department must ensure that announced visits to police stations are regularly conducted to strengthen its oversight function over South African Police Service in the Province. Progress report detailing the names of the police stations visited by the Department, challenges encountered and recommended solution must be submitted to the Committee on a quarterly basis.

The last programme hon Deputy Speaker, programme 3.

Recommendations:

The Department must comply with the provisions of the PFMA, transfer funds from programmes that are under-spending to assist these programmes.

The Department must provide a detailed plan to the Committee on the implementation of its Risk Management Plan by the end of January 2011.

The Department must engage the Provincial Treasury for additional funds to cover increased audit fees.

General findings:

The Department has a serious problem of under-spending in almost in all its programmes.

The filling of vacant posts takes a long time.

General recommendations:

The Department must endeavor to spend its entire allocated budget so as effectively deliver on its mandate.

The Department ensure that all funded vacant posts are filled before the end of the financial year.

The last report hon Deputy Speaker, this report is the annual report of South African Police 2008/09. I am going straight to recommendations even on it hon Deputy Speaker.

Programme 1, of SAPS deals with administration;

Recommendations:

The Eastern Cape Police Service must ensure that there is an effective retention strategy so as to retain experience and skill personnel within SAPS.

The Eastern Cape SAPS must strive to meet its employment equity targets.

The Committee must be furnish with steps the SAPS is undertaking to achieve its employment equity targets within 30 days of adoption of this report.

The SAPS Eastern Cape must put in place an effective system and mechanism to curb the abuse of sick leave by its members.

The Eastern Cape SAPS must ensure that its members are sufficiently trained in advanced driving skills, and further systems must be put in place to curb the abuse of vehicles.

The Eastern Cape SAPS must interact with the office of the National Commissioner to ensure that these stations are connected to CAS as to ensure effective record keeping and effective management of cases at a station level. A progress report must be submitted to the Committee within 30 days after the adoption of this report.

The Eastern Cape SAPS must strengthen the implementation of its Corruption and Fraud Prevention Plan. The Committee must be provided with a progress report 30 days after the adoption of this report.

Programme 2: Visible policing

Recommendations:

The Committee notes that in most instances the lost and stolen firearms are recovered. However, Eastern Cape SAPS must put in place precautionary measures to ensure that firearms do not get lost or stolen.

The Eastern Cape SAPS must further strengthen its security measures to ensure that there are no escaping from police custody.

The Eastern Cape SAPS must review and strengthen its strategies in fighting sexual offences so that they are drastical reduced.

The Eastern Cape South African Police Service must review and strengthen its strategies on fighting the unacceptably high instances of burglary in both residential properties and businesses.

The SAPS must ensure that sector policing is implemented in all 30 high-crime police stations in the Province. And a progress report must be submitted with the Committee within 30 days.

Programme 3: Detective Services

Recommendations;

The SAPS in the Eastern Cape must engage the National Commissioners office with a view to employ additional detectives for the Province. A progress report must be submitted to the Committee within 30 days after the adoption of this report.

The Eastern Cape SAPS must ensure that an adequate numbers of vehicles is provided to the detectives services to enable them to discharge their duties as required.

The last programme hon Deputy Speaker which deals with crime intelligence.

Recommendations:

The Eastern Cape SAPS must engage the National Commissioner's office with a view to have the budget of the intelligence services decentralized to Provinces. A progress report must be provided to the Committee within 30 days after the adoption of this report.

The Eastern Cape SAPS must interact with the National Commissioners office for additional budget so as to ensure that the Crime Intelligence Services are adequately resourced.

General findings:

There is a weak oversight function exercised by the Department of Safety and Liaison over the activities of the South African Police Services in the Province. This was evident hon Deputy Speaker in the fact that notwithstanding its constitutional duty to conduct oversight over Eastern Cape SAPS, the Department had not analyzed the 2008/09 Eastern Cape SAPS annual report despite the fact that copies have been sent to it well in advance. The Eastern Cape SAPS overspend its allocated budget beyond acceptable levels. This has been going for the three (3) consecutive years.

General recommendations:

The Department must review and strengthen its oversight mechanisms over the Eastern Cape SAPS including the scrutinizing and interrogating its annual report.

The Eastern Cape SAPS must strengthen its systems to ensure that over expenditure is minimized.

Thank you very much hon Deputy Speaker. I think Deputy Speaker because the MEC is new MEC the Speaker is not here as he said. I hope members will not ask any comments or clarities to the MEC, they will ask from us. Thank you very much. [Applause.]

The DEPUTY SPEAKER: Thank you hon Nyusile. I will ask and allow hon members to ask questions of clarity to the hon members of the Committee in terms of Rule 162.3. Hon Martin, hon Neer.

Mr C MARTIN: Thank you mam. I just wanted to ask on page 455 the Committee made a finding to say that 117 employees in terms of, number (a) finding, 117 employees in terms of annual report of which 40 are at normal appointments. Now when it comes to this type of appointment I know according to the PFMA there should be some documentation between executing authority as well as the accounting authority, some form to

regularize this whole situation. So was that found in the session or engagement with the Department? And if not Chairperson doesn't it boil down according to the Committee to irregular expenditure? And what recourse have been made against any that was found in that Department? The other one mam is also, if you look at (d) of the same page 455, (d) said – although there is no policy for payment of overtime. Again it seems that according to the PFMA its boiling down to irregular expenditure because you cannot spend with some documentation in place, what recourse again has been made to the effect? And on page 458 if you look at 5(d) the Department has incurred irregular expenditure of R792 000 and fruitless and wasteful expenditure totaling R13 000. What disciplinary measures have been put into place for fruitless, wasteful expenditure as per the PFMA? That is for the first bite mam.

Mr D NEER: Thank you hon Deputy Speaker. Page 452 – the Committee has made some findings and made a recommendation on the finding of post filled that we have not been budgeted for. Now if you look at the recommendation it says they must go to Treasury to request funding so that they are able to deal with projected overspending. But yet somewhere I cannot remember which page, the Committee is also recommending that there should be some management of funding because in every programme the Department is under spending. Is the Portfolio Committee not contradicting itself when it says, Treasury must give funding yet there is a recommendation from the Committee that says that there must be rationalization of the usage of funds because there is gross under spending in each programme.

On page 453 Deputy Speaker, finding (a) the Department fails to meet regularly with the senior management of SAPS for the purpose of oversight. Now my question to the Committee is if the Department is not implementing its mandate which is monitoring and evaluation of the South African Police Service what are they doing?

On page 455 on the annual report, can the Committee explain to us what abnormal appointments are? What do they understand about abnormal appointments? I think hon Deputy Speaker I am covered by other questions. Thank you.

The DEPUTY SPEAKER: Hon members of the Committee can you respond?

Mr R S STEVENSON: Thank you hon Deputy Speaker, I will respond to the joint question of the hon Martin and the hon Neer relating to the abnormal appointments, the forty abnormal appointments. This is something that we had picked up in the course of our oversight work. And why we label them as abnormal as there are forty (40) employees in the Department that are not attached to any programme. And our recommendation is that the Department within 30 days must provide us with a list of all employees and which programme that they are attached to so that we can get to the bottom of this issue.

The other question I would like to deal with is the one of the hon Neer dealing with what is the Department doing if it is not overlooking the SAPS

effectively. The Department engages in a number of activities and we get very detailed reports of these activities but your issue and the issue that has concerned the Committee is what exactly is the impact of these activities on reducing crime and this is something we are interrogating with the Department and have actually asked for reports on this matter as to how the oversight work of the Department is actually impacting on the reduction of crime. So it is a very good question. Thank you.

Mr M PETER: Hon Deputy Speaker on this question of overtime payments without any reference to a policy. The Committee finds it as an irregularity for the Department to continue paying overtime without having a policy. Hence the recommendation in page 456 (d) that they must develop a policy, so every payment which is done must have reference to. Maybe sometime the Auditor General may take it as a query. So this is the background. Thank you.

Mr J KORKIE: Madam Deputy Speaker, hon Neer is saying the Department has underspend in all its programmes. That is incorrect. There is an over expenditure of R2.3 million in respect of compensation for employees that were appointed irregularly and that are referred to as abnormal appointees. So it is not a contradiction in terms. We are saying were you have overspend and you cannot recue enough funds from the under expenditure from other programmes. The only oven you open to them is to go to the Provincial Treasury and try and make good on the promises because if you employ you must pay. If they have worked overtime whether they have been appointed they must be paid. Whether you have been paying correctly or incorrectly must be recovered later on Madam Deputy Speaker. So that is my answer to hon Denis Neer the Chairperson of Housing.

Mr C MARTIN: Yes mam. No I think it is correct Madam Deputy Speaker to refer the member to Rule 91 that says a member must be referred to another member as hon nothing else. But be it as it may mam I think my question has not been answered. My question was what documents are in place as per the accounting authority and executive authority when it comes to trying because one of the hon members said that the Auditor General might come in at some time and request evidence. Now that is the evidence that I am referring to. The other one is the (d) part, I am talking about both where there is over expenditure, where there is fruitless wasteful expenditure, we are talking about what recourse has been made to the officials when it comes to espy the PFMA, when it comes to fruitless wasteful expenditure. I think that is a direct question.

Mr D NEER: My question is on the report of the SAPS. The first one is the disappearance of dockets and firearms in the police station. My brief understanding of how the police station is managed is that firearms are in SAP 13 if I still remember quite well. And nobody just goes into SAP 13. What do they say, is happening with the loss of firearms? The second one is a shortage of detectives, there are shortage of resources for detectives and crime intelligence is under funded. Where are we going? Did you ask that question from the police? Because if crime intelligence which is very critical in investigation because it lays a basis for the conversion of intelligence information into evidence. If they are under funded and there are less

detectives, detectives are overloaded with 300 each in dockets what are they saying the impact of crime is in the Province? Would they be able to achieve something with those challenges?

Ms N GQIBA: I am not sure Deputy Speaker whether is a question or a comment but I am going to phrase it. Is page 458 my understanding is one of the core functions of the Department is to promote a crime free society, a corruption-free society. But finding (b) in page 458 is saying, the Department has not implemented its anti-corruption strategy. My question therefore what measures do the Department use to curb crime? Is more that we are heading towards the festive season. What is that the Department is going to do?

Mr M NYUSILE: Thank you very much hon Deputy Speaker. The first question around crime intelligence, I think the recommendation hon Neer is clear on what we are saying. Hon members should remember very well that we are actually oversighting the Department of Safety and Liaison we are not oversighting South African Police Service. Their plans are coming from National, their budget comes from National. All what we doing we calling them here to present their annual report and actually ask them what strategies are they having in putting in place to actually look at the crime issues in the Province. But in terms of us over...because the issue of the crime intelligence as you are raising, the issue of detectives that you are raising that is what we have raised hon Neer but we were told that that is what National have given them. That is why our recommendations saying, we must engage the National Commissioner. For your information, for example this financial year KZN has got 32 new police stations that are to be built. But we have got nothing in the Province, we have got nothing in the Province. So I am saying thus the challenge, thus the weakness of the system that we do not do oversight over SAPS we do oversight over the Department. So in some of the things we might have weaknesses except to call them to come and account. But in some of the aspects, some of the things are coming from the National Directive. As the Committee we are saying we must engage the National Commissioner so that some of these things are addressed. We are not happy honestly with the issue of the detectives, the crime intelligence. The spontaneous killings that are taking place in the Province, your Mbizana, your Toleni, your Ngqamakhwe we are saying if our crime intelligence was so effective they would be able to detect that before it goes to Toleni or Mbizana but because the crime intelligence is under funded Nationally it is a matter that even them they are saying it comes from the National fiscus. So I am saying it is a challenge, is the challenge that the Committee is having.

Mr R S STEVENSON: Just to respond to the hon Martin, no the Committee does not know what documents exists in the Department in relation to these 40 inverted commas abnormal employees. That is why we are asking for a report on the matter and a list so that we can interrogate the matter further. Thank you.

Reports adopted.

The House adjourned at 18:10.