

**MR. G. SCHNEEMANN
CHAIRPERSON OF THE ROADS AND TRANSPORT PORTFOLIO COMMITTEE
GAUTENG PROVINCIAL LEGISLATURE**

DEAR HON CHAIRPERSON

**RESPONSES TO THE COMMITTEE'S QUESTIONS ON ANNUAL REPORT OF
g-Fleet MANAGEMENT FOR THE 2020/21 FINANCIAL YEAR**

With reference to the questions by the Portfolio Committee, the Department would like to respond as follows:

QUESTION 16

THE ENTITY SHOULD CLARIFY WHETHER PUBLIC AUCTIONS WERE HELD IN THE FINANCIAL YEAR UNDER REVIEW. IF SO, THE ENTITY SHOULD ALSO PROVIDE THE REVENUE THAT WAS GENERATED FROM PUBLIC AUCTIONS:

Response:

The Entity held two (02) public auctions in the financial year under review. The first public auction was held on 03 May 2021 to 20 May 2021 and the Entity generated revenue amounting to R32 544 467,35 from this auction.

The second auction was held on 27 September 2021 to 15 October 2021 and the Entity generated revenue amounting to R43 544 195.87 from this auction.

QUESTION 17

THE ENTITY SHOULD CLARIFY WHETHER THE AVERAGE DEBTORS COLLECTION DAYS WAS REDUCED IN THE FINANCIAL YEAR UNDER REVIEW:

Response:

Yes. The Entity surpassed the 15% target of reducing the average collection days excluding amounts owed by client departments that submitted written payment plans. The average collection days reduced from 71 days to 57 days as at 31 March 2021.

QUESTION 18

THE ENTITY SHOULD HIGHLIGHT THE MATTERS OF EMPHASIS THAT WERE RAISED BY THE AG AND PLANS IN PLACE TO ADDRESS THOSE MATTERS:

Response:

The only aspect raised as an emphasis of matter by the Auditor General of South Africa was that relating to the Entity having restated its corresponding figures for the 2019/2020 financial year due to the identification of an error.

Plans in place to address those matters:

The 2019/2020 audit improvement plan provided for various measures to be drafted and implemented to address the issue pertaining to the restatement of corresponding financial figures. This plan was however negatively impacted by the key skills and capacity gaps experienced by the Entity during the period under review.

This was further laid bare by the negative impact of the COVID-19 pandemic as the limited key officials were not available during critical stages of the financial year and during the audit process, due to having contracted the virus. Management's initial focus is to continue to build on the following measures whilst introducing further enhancements to the internal control environment:

- Initial measures:

- The Entity will continue to prepare its financial records and reconciliations of transactions on monthly basis and were successful in the detection and correction misallocations and errors during the financial year;
- The Entity will continue to prepare its financial statements on quarterly and annual basis with the aim of improving on the overall quality of its financial reports.
- Added measures:
 - Both the current Acting Chief Financial Officer and Acting Director: Finance are making sure that all finance policies and Standard Operating Procedures documents are being reviewed to reflect the correct procedures/processes that needs to be followed when dealing with finance matters (Supply Chain Management, Receivables, Payables, Asset Management);
 - Management has also implemented weekly meetings to ensure that matters are dealt with as quick as possible;
 - The issue of skills and capacity is also being looked at whereby the entire Finance team will be subjected to relevant and applicable finance training;
 - Finalising the automation of the asset management module and asset register on SAP whilst strengthening the overall internal control environment surrounding asset management.
 - While capacity remains a challenge, the Entity is in a process of re-adverting and filling all key vacant positions. This will assist to ease the pressure currently experienced by the finance staff.

In response to the 2020/2021 audit outcome, management has drafted a new audit improvement plan with the aim of achieving a clean audit opinion. Once again, this plan is premised on the foundation that all critical positions within the Entity will be filled to bring about support and management to key business units.

As at 30 October 2021, management can report that it has already implemented ten (10) out of the twenty-two (22) actions plans (45%). The remaining twelve (12) items have

already commenced and are in progress. Please refer to the Audit Improvement Plan attached as **Annexure A**.

However, the Committee is advised that the aspect of restating corresponding amounts is expected to remain in the 2021/2022 audit outcome as management has already affected adjustments in addressing the prior year audit qualification.

QUESTION 19

THE ENTITY SHOULD EXPLAIN THE OVER EXPENDITURE RECORDED IN THE FLEET MAINTENANCE SERVICES AND PERMANENT FLEET PROGRAMMES. THE ENTITY SHOULD ALSO EXPLAIN THE SIGNIFICANT UNDER EXPENDITURE IN THE TRANSPORT SUPPORT SERVICE PROGRAMME:

Response:

Over-spending on Fleet Maintenance

The budget for the business unit had been adjusted downwards during May 2020 in response to the estimated negative impact of the COVID-19 pandemic on the Entity's operations. Unfortunately, the estimated negative impact did not fully materialise which resulted in the overspending on the following line items:

- Tyres and tubes.
- Spares and accessories.

Over-spending on Permanent Fleet

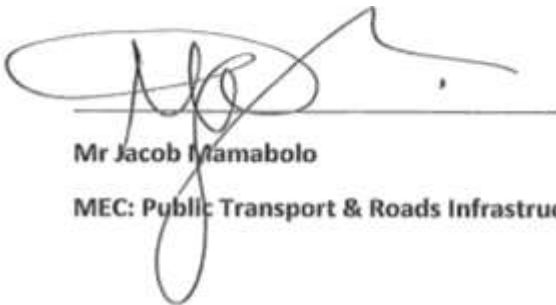
The budget for purchase of motor vehicles had been adjusted downwards to R200 million during May 2020 in response to the estimated negative impact of the COVID-19 pandemic on the Entity's operations. Unfortunately, the estimated negative impact did not fully materialise which resulted in the overspending by approximately R18 million on the item.

Under-spending on Transport Support Services

While the budget had been adjusted downward for most of the main items, the Entity still experienced a more than estimated slow-down in the following items to the negative impact of the COVID-19 pandemic which restricted the level and extent of movement resulting the underspending on the following line items:

- Toll fees.
- Fuel, oil and grease.
- Fines and penalties.
- Claims against the state.

Yours faithfully,



Mr Jacob Mamabolo
MEC: Public Transport & Roads Infrastructure

24 November 2021