No.119 - 2022: Fourth Session, Sixth Legislature

**GAUTENG PROVINCIAL LEGISLATURE**

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**ANNOUNCEMENTS,**

**TABLINGS AND**

**COMMITTEE REPORTS**

**========================**

Thursday, 24 March 2022

**ANNOUNCEMENTS**

none

**TABLINGS**

none

**COMMITTEE REPORTS**

**1. The Chairperson of the Finance Portfolio Committee, Hon. J Mpisi, tabled the Committee’s Oversight Report on the Third Quarterly Financial Performance Report of the Gauteng Provincial Government (GPG-wide) for the 2021/2022 financial year, as attached:**

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**Finance Portfolio Committee**

**Adopted Oversight Report on the 3rd Quarter Financial Performance Report of the Gauteng Provincial Government for the 2021/22 FY**

| **Committee Details** | | **Department Details** | | |
| --- | --- | --- | --- | --- |
| **Name of Committee** | **Finance Portfolio Committee** | **Name of Department** | **Gauteng Provincial Government** | |
| **Which Financial Year** | **2021/22** | **Dept. Budget Vote Nr.** | **N/A** | |
| **Which Quarter** | **3rd** | **Hon. MEC** | **Nomantu Nkomo Ralehoko** | |
| **Committee Approvals** | | | | |
|  | **Name** | **Signed** | | **Date** |
| **Hon. Chairperson** | **Joe Mpisi** |  | |  |
| **Adoption and Tabling** | | | | |
| **Date of Final Adoption by Committee** | | **Scheduled date of House Tabling** | | |
| **18 March 2022** | | **25 March 2022** | | |

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**Acronyms**

CoGTA Department of Cooperative Governance and Traditional Affairs

COVID Coronavirus Disease

DED Department of Economic Development

DID Department of Infrastructure Development

FY Financial Year

GDARD Gauteng Department of Agriculture and Rural Development

GPG Gauteng Provincial Government

GPL Gauteng Provincial Legislature

GPT Gauteng Provincial Treasury

MEC Member of Executive Council

MTSF Medium Term Strategic Framework

OoP Office of the Premier

PFMA Public Finance Management Act

SACR Sports, Arts, Culture and Recreation

SOM Sector Oversight Model

# EXECUTIVE SUMMARY

The Gauteng Provincial Government (GPG) quarterly financial performance report as tabled by the Gauteng Provincial Treasury (GPT), affords the Finance Portfolio Committee an opportunity to interrogate the financial position and monitor the financial performance of GPG Departments for the quarter under review. Furthermore, the tabling of the GPG quarter financial performance report ensures that the GPG departments are accountable to the Gauteng Provincial Legislature (GPL) through the Finance Portfolio Committee.

Of the R7 billion increase added to GPG’s budget during the budget adjustment process, thereby increasing the allocation from R142.6 billion to R149.6 billion, R4.3 billion was added to the provincial equitable share. To cater for the public sector wage settlement, R3 billion was allocated to compensation of employees. In addition, to honour obligations from the 2020/21 financial year, R665 million and R1.2 billion was rolled over in conditional grants and provincial equitable share sequentially, as well as R465 million reallocated from the previous financial year.

As at the end of the 3rd quarter, GPG departments requisitioned R107.2 billion or 71.7% of the adjusted budget. Of this amount, R1076.1 billion or 99.9% was departmental cash requisitions, while R49.8 million or 0.1% accounts for provincial direct charges. Provincial receipts arising from provincial equitable share, conditional grants, and own revenue amounts to R85.1 billion, R19.2 billion and R4.7 billion respectively. It is worth noting that revenue collection as per the adjusted appropriation for the 2021/22 FY was projected at R6.98 billion. However, as at the end of the 3rd quarter, R4.7 billion or 68.3% was collected.

During the quarter under review the overall GPG expenditure amounted to R107.8 billion or 72% of the adjusted appropriation of R149.6 billion. The performance of most departments fell below the provincial average of 72% and needless to mention the 75% linear expenditure benchmark. However, it is commendable that expenditure for the Departments of Economic Development (DED) (is at 78%), Cooperative Governance and Traditional Affairs (CoGTA) (is at 78%), both Health and Infrastructure Development (are at 73%), Education (is at 75%), both Social Development and Community Safety (are at 72%). While the financial performance of the Gauteng Provincial Legislature, Department of e-Government and Gauteng Provincial Treasury was slightly below the 70%. The under expenditure by the Departments Sports, Arts, Culture and Recreation (SACR) (at 53%), Office of the Premier (at 55%), Human Settlements (57%), Agriculture and Rural Development (GDARD) (62%), and Roads and Transport (63%) is worthy of attention. The projected overspending due to COVID-19 accruals and increased medico-legal claims paid against the state (Health) and appointment of relieve posts for COVID-19 in schools (Education) amounted to R945 million during the quarter under review.

Departments advanced a variety of reasons for their unimpressive rate of expenditure, which include among others, non-filling of funded vacant posts, challenges relating to protracted supply chain management process, as well as slow implementation of infrastructure projects. There is a relative balance in the number of departments that will break even at the end of the financial, departments that shows the likelihood to overspend, and departments that will underspend.

Of importance, in terms of economic classification personnel cost accounts for 74% of the adjusted appropriation for compensation of employees. Most Departments spent between 70% and 75%, while sluggish spending was recorded under SACR, GPT, and Department of e-Government, which recorded expenditure of 67%, 69% and 69% individually. Contrasted with total expenditure for the goods and services which amounts to R23.5 billion or 70.8% of the adjusted appropriation. There is a projected over expenditure of R261.7 million, mainly from the Departments of Health and Education. The spending pressures currently experienced by medical supplies, computer services and property payments show an inclination of the line items to overspend at the end of the financial year.

The performance review of GPG infrastructure programme, suggested that the main appropriation be adjusted downwards from R11.37 billion to R11.14 billion, and expenditure of R6.7 billion or 60% was realized at the end of the 3rd quarter. Some departments performed equal and greater than 60%, apart from SACR (24%), DID (52%), GDARD (25%), Human Settlements (56%), and Health (59%).

Regarding conditional grants, the overall performance for most departments at the end of the 3rd quarter was equal and greater than 59%. Apart from the Departments of Agriculture and Rural Development, Social Development; Human Settlements; and Roads and Transport which recorded expenditure of 29%, 55%,56%, and 57%, respectively. GPG spent R16.2 billion or 63% of the adjusted appropriation of R25.7 billion for conditional grants.

Despite GPG Departments’ improved financial performance relative to the previous quarter, with the further easing of the lockdown restrictions brought about by COVID-19 pandemic, the overall expenditure of GPG departments will be most improved.

# INTRODUCTION

The GPL, in its role to exercise oversight over departments, continuously monitors financial performance through quarterly report assessment. This is done to assess departmental financial performance against set objectives.

Furthermore, the Constitution of the Republic of South Africa enjoins the Provincial Legislatures through "Powers of Provincial Legislature", Chapter 6 section 114(2) to provide mechanisms-

1. *to ensure that all provincial executive organs of state in the province are accountable to it; and*
2. *to maintain oversight of -*
3. *the exercise of provincial executive authority in the province, including the implementation of legislation; and*
4. *any provincial organ of state.*

It is against this backdrop that the financial performance of GPG departments in the fourth quarter is being assessed through this oversight report. This report therefore provides an overview of the financial performance of all GPG departments in the second quarter of the 2020/21FY and seeks to measure progress in the implementation of projects by GPG departments and efficiency in the utilisation of departments allocated budgets.

# PROCESS FOLLOWED

The Speaker formally referred the 3rd Quarter Financial Performance Report of the Gauteng Provincial Government for the 2021/22 FY year to the Portfolio Committee for consideration and reporting. On 15 February 2022, the GPT, led by MEC N. Nkomo Ralehoko, presented the 3rd Quarter GPG State of Finances Performance Report to the Portfolio Committee.

On Friday, 18 March 2022, the Portfolio Committee deliberated and adopted oversight report on the 3rd quarter financial performance of the GPG departments. Subsequently, the report was submitted to the Proceedings Unit for tabling and consideration by the House.

# COMPLIANCE AND QUALITY

As prescribed in the GPL Standing Rules, the Gauteng Provincial Treasury timeously submitted the 3rd Quarter GPG State of Finances Performance Report for the 2021/22 FY, that is, 30 days after the quarter had ended.

# OVERSIGHT ON STRATEGIC PRIORITIES

## *Priorities*

In response to the global and domestic challenges that confront the province, the government has committed to a plan of Growing Gauteng Together 2030, henceforth referred to as GGT 2030. The plan reflects a collective vision for the Gauteng City Region (GCR) in a decade’s time, and beyond, it also highlights priority actions and measures of success. Therefore the 2020 Medium Term Expenditure Framework (MTEF) budget outlines the extent to which the GGT 2030 has been resourced, with a view to grow the ideals and the vision contained in the GGT 2030.

The GGT 2030 does not constitute a departure from the foregoing policy priorities, its plan of action, sets out the vision for the Gauteng of 2030, guided by the principles and priorities contained in the Freedom Charter, the National Development Plan, the Manifesto, and work carried out to date as part of Gauteng’s Transformation, Modernization and Reindustrialization (TMR) programme. It is also guided by the following overarching policy, strategies, commitments, and policy directives. The Sustainable Development Goals, the New Urban Agenda (NUA), the Paris climate agreement (COP 21), and the African Union’s Agenda 2063 at international level. At a provincial level, the strategy is undergirded by Gauteng Spatial Development Framework (GSDF) 2030 and Gauteng City Region Integrated Infrastructure Master Plan (GIIMP). The Medium-Term Strategic Framework (MTSF), the Integrated Urban Development Framework (IUDF) and the National Spatial Development Framework (NSDF) at a national level. While at a local level the strategy is supported by Municipal Growth and Development Strategies, Integrated Development Plans (IDPs), and Spatial Development Frameworks (SDFs)

The GGT 2030 reflects how the GCR intends to address the fundamental challenges facing the residents of Gauteng. That is, unemployment, poverty and hunger, crime and substance abuse, climate change, unsustainable growth and economic crises, migration, flight and displacement, health, inequality, social exclusion, lack of decent work and social protection, political instability, insecurity and violent conflicts. In an endeavour to solve these social maladies, GGT 2030 is predicated on the following priorities. That is, Economy, Jobs and Infrastructure; Education, Skills and Healthcare; Sustainable Human Settlements, New Cities and the Land Release; Safety, Social Cohesion and Food Security; Sustainable Future for All, Building a Capable, Ethical and Developmental State; Building a Better Africa and Better World; and Sustainable Development for Future Generations. Each of these priorities have its key projects and programmes to create a seamlessly integrated, socially cohesive, sustainable and economically inclusive Gauteng City Region (GCR).

GPT contributes directly to the Medium-Term Strategic Framework’s priority 1 and 6, Economic Transformation and Job Creation; and a Capable Ethical and Developmental State. Provincially, GPT aligns with all 6 policy priorities of GGT 2030. However, GPT’s priorities are, Increased compliance with legislated prescripts; Enhanced sound finances in the province; Sustainable local government finances; Reduced youth unemployment; and Alternative sources of funding. The Portfolio Committee would utilize oversight mechanisms and tools at its disposal to monitor the performance of GPT with regards to the policy priorities it aligns with.

1. **OVERSIGHT ON BUDGET EXPENDITURE**

**6.1 Cash Management**

As at the end of the 3rd quarter, the province received an amount of R110.3 billion or 73.7% of budgeted provincial receipts. The amount comprised of R85.1 billion in equitable share, R19.2 billion in conditional grants, R1.3 billion in provincial funds and R4.7 billion in own revenue. To fund various programmes of the Departments, an amount of R107.2 billion or 71.7% was requisitioned from the adjusted appropriation. Of this amount, departmental cash requisitions accounted for 99.99% of total cash outflow and direct charges amounting to R49.8 million. **The Portfolio Committee noted that direct charges were paid against the Provincial Revenue Fund (PRF) for political office bearers.**

**6.2 Revenue Collection**

Revenue collected in the 3rd quarter amounts to R4.7 billion against the adjusted appropriation of R6.98 billion. **The Portfolio Committee noted that the overall collection stood at 68.3%, which represents an under-collection of R619 million or 6.7%.** The province main contributors to revenue generation are DRT from vehicle license fees, DED from casino taxes and liquor licenses and GPT from interest earned cash balances, staff parking fees and recovery of debts from previous financial years. **The Portfolio Committee noted that revenue under collection is due to the ailing economy, which is still reeling from the impact of Covid-19 and its attendant lockdowns.** During the period under review, DRT collected 69.7% of the appropriated target for the period under review. The rationale for the revenue trend is due to the City of Johannesburg and Ekurhuleni Metropolitan contributing 22.7% and 20.4% individually, in motor vehicle license fees. That City of Tshwane has surrendered R50 million to the collecting agency, with the net outstanding balance of R48 million to be surrendered in January 2022. Sedibeng District has surrendered outstanding amounts in motor vehicle license fees in December, while the October motor vehicle license fees for Rand West are outstanding. Furthermore, the South African Post Office surrendered the motor vehicle license fees, thus contributing 32.4%.

The DED collected 54.9% against the appropriated revenue collection target. **The Portfolio Committee noted with appreciation that the DED in collaboration with GPT committed to implement measures to maximize gaming revenue during the finalization of adjustment budget process as a mitigation measure to upscale collection.** Although the Department of Community Safety is still under-collecting, the collection rate has however improved slightly compared to the previous quarters. The Department of Health and GPT collected 68.8% and 81% correspondingly against their revenue targets. While other departments collected 81.4%against their combined target. **The Portfolio Committee commended the Departments of Education, Social Development, Human Settlements and SACR for achieving their individual revenue collections targets.**

* 1. **Overall Expenditure for GPG Departments**

The total expenditure for the 3rd quarter amounts to R107 .8 billion which represent 72% of the adjusted appropriation. Even though most departments’ spending is well below the provincial average of 72% nor the linear benchmark of 75%, the expenditure for most departments is equal and greater than 60% of their adjusted appropriation. The significant outliers deviating from the mean is SACR (53%), the OoP (at 55%), and Human Settlements (at 57%). **The Portfolio Committee noted that some Departments were able to reach and surpass the 75% expenditure threshold required for the 3rd quarter, namely, Departments of Education (at 75%), and both DED and CoGTA (at 78%) correspondingly.**

To make provision for the 2021/22 public sector wage agreement and statutory posts in Health, as well as Presidential Youth Employment Initiative, the compensation of employees’ budget was adjusted upward by R3.7 million to R84.4 billion. **The Portfolio Committee welcomed the adjustment of the compensation of employees’ allocation, as it cleared overspending projected by most GPG departments in the previous quarter following the implementation of the wage agreement.** As at the end of the 3rd quarter, expenditure for compensation of employees stood at R62.6 billion, or 74% of the adjusted budget. Most Department recorded expenditure between 69% and 75%. Notwithstanding efforts to offset overspending on compensation of employees, the line item is set to overspend by R1.028 billion attributed to the Departments of Health (at R776 million), Education (at R291 million) and Infrastructure Development (at 10 million).

Following the reallocation of R387 million to Education for PPE, the reduction by R213 million of Roads and Transport funding due surrenders arising from inability to conclude planning and procurement for infrastructure projects and additional R589 million rolled over from the 2020/21 financial year, goods and services receives a net increase of R307 million. Of the adjusted budget of R1.127 billion, GPG Departments spent R23.5 billion or 71% of the adjusted allocation, and it was expected that the Departments of Health and Education will overspend by R261.7 combined. **The Portfolio Committee urged GPT to advise GPG Departments to spend within their expenditure envelope noting the projected over expenditure.** It is projected that items like property payments (currently at 75.3%), medical supplies (currently at 94.1%), and operating leases (currently at 88.1%) are likely to overspend at the end of the financial year.

## *EXPENDITURE PER VOTE*

**Vote 1:** Office of the Premier spend 55% of the adjusted budget of R867 million, as at the end of the 3rd quarter.

The Portfolio Committee noted that expenditure in case of the Life Esidimeni Claims stood at R18.9 million or 13% against the allocated R147.8 million, however, it is expected that expenditure will increase significantly during the 4th quarter when bulk payments are processed to the appointed curators/administrators. The recorded under expenditure was ascribed to the prolonged process of finalising transfers to the appointed curators/administrators of the Life Esidimeni claims. **The Portfolio Committee is concerned that the OoP continue to underspend due to the sluggish process about the payment of Life Esidimeni Claims which emanate from the 2018 arbitration.**

**Vote 2:** Of the adjusted allocation of R796 million for the Gauteng Provincial Legislature, 67% was spent.

**The Portfolio Committee urges GPL to provide explanation for any deviation equal and greater than 2% and mitigating measures to remedy such in future.**

**Vote 3:** The Department of Economic Development spent 78% of its upwardly adjusted budget allocation of R1.783 billion.

The expenditure for the department is slightly above the 75% benchmark, however it is not cause for concern, as it anticipates breaking even at the end of the financial year.

The department collected 54.9% against the appropriated target of R1.6 billion. **The Portfolio Committee welcomes the collaboration between the Department and Treasury to maximize gaming revenue during the finalization of Adjustment Budget process as a mitigation measure to upscale collection.**

The department reported that 100% of its suppliers were paid within 30-days, thereby complying with the legal requirements

**Vote 4:** As at the end of the 3rd quarter, Department of Health spent 73% of its adjusted allocation of R60 billion.

Although inconsequential, the department’s expenditure is slightly below the straight-line benchmark of 75%. During the engagement with the department, it emerged that it was experiencing financial constraints to the extent that it was unable to absorb contract staff members who dealt with the Covid-19 pandemic. **The Portfolio Committee is concerned about the Department of Health’s financial viability and sustainability to continue as a going concern to continue.**

The department reported that it projects to overspend due to the compensation of employees under the Comprehensive HIV/Aids grant where payments of the Community Health Workers are above the stipend rate as per the business plan thus causing a strain on equitable share funds. **However, the Portfolio Committee noted that the department is engaging with National Department of Health to get additional funding to cover the CHW’s salaries shortfall.**

As at the end of the quarter, the department indicated that it paid an appalling 22% of invoices within 30-days payment period, thereby not complying with the PFMA prescript. **The Portfolio Committee is concerned about the ever-worsening track record of the department in paying service providers within 30-days as provided for in law.** Associated with this, the Department reported that it accumulated accruals totalling R5.9 billion, R1.9 billion within 30 days, R1.3 billion more than 30 days, and R2.6 billion more than 60 days.

**Considering the current financial state of affairs of the Department of Health, the Portfolio Committee undertook to intervene to try and remedy the situation.**

**Vote 5:** The Department of Education spent 75% of the adjusted budget of R56. 678 billion.

The expenditure for the Department is at an ideal 75% as per the straight-line budgeting. The Portfolio Committee noted that under expenditure under public special school relates to reprioritization of personnel funding to address school based COVID-19 related posts at mainly Public Ordinary Schools. Furthermore, the Department indicated that Covid-19 personnel expenditure in relation to this programme also needs to be reallocated in consultation with Treasury from the administration to this programme.

The department reported that it accumulated accruals totalling R44.1 million, all older than 30 days. The Portfolio Committee noted the department’s accruals as follows: that accruals to the value of R3.2 million relates to decontamination done at school level where proper procurement policies were not adhered to; 9 invoices amounting to R4,4 million were unsettled because the supplier is non- tax compliant; and that 16 Scholar transport service providers to the value of R5,5 million will be paid as soon as contract management problems have been resolved. **The Portfolio Committee noted with appreciation that the department is working with and supporting suppliers to upload invoices for the remainder of the outstanding accruals which should be paid.**

**Vote 6:** The Department of Social Development spent 72% of the adjusted budget allocation of R6.1 billion.

The department underspent below the straight-line benchmark of 75% by 3 percentage points. Under expenditure was ascribed to programme on children and families underspending by 7% due to delays experienced in the procurement of school uniform and training of Child and Youth Care Workers budget not spent by end of the third quarter as anticipated. Notwithstanding the department’s undertaking to embark on an exercise to identify areas of potential underspending reprioritise to areas of spending pressures to minimise under expenditure at the end of the financial year. **The Portfolio Committee is concerned that the Department’s expenditure is impacted upon by slow supply chain management processes, which is symbolic of poor planning.**

As at the end of the quarter, the department recorded 87% compliance with 30-day payment to suppliers, contrary to 95% the same period last year. The regression in compliance to 30-day payment to suppliers was ascribed to delays in the confirmation of goods received by end-users resulting from online submission; blocked vendor profiles due to expired tax clearance certificate and system error on non profit institutions which required manual reversal and posting. **The Portfolio Committee noted the slight regression in compliance with 30-day payment to suppliers and urges the department to remedy the non-compliance.**

**Vote 7:** CoGTA’s budget is adjusted from R582 million to R592 million and 78% was expended.

The Department projects to overspend by R3.2 million due to the payment of probity auditors, airtime data and fleet services for employees working remotely due to COVID-19 restrictions and other contractual obligations. **The Portfolio Committee noted that the department will shift funds during the year-end adjustment period to offset overspending.**

**Vote 8:** Out of the adjusted budget totalling R5.986 billion, Department of Human Settlements managed to spend 57%.

The Department acknowledged that its expenditure was slow, due to among others, late appointment of service providers and subsequent delays in implementation of projects; and delays in the proclamation of township as well as formalization thereof had a negative impact on the Title Deeds Restoration Grant. Although the department indicated that it finalized the appointment of contractors, and a recovery plan has been formulated and expenditure is expected to improve henceforth. **The Portfolio Committee is concerned about the department’s poor financial performance despite the undertaking to improve it in the previous quarter.**

**The Portfolio Committee noted with appreciation that department achieved 100% compliance with 30-day payment to suppliers at the end of the quarter.**

**Vote 9:** The main budget of R8.680 billion for DRT is reduced to R8.567 billion and 63% was spent.

Under expenditure was associated with slow progress on infrastructure projects in execution, primarily due to challenges such as stoppages by communities; encroachments; non-operative routes continue to contribute to underspending; disputes and inadequate project management processes contribute to the underspending; and the maintenance contract which was not renewed impacted on the spending against the Provincial Road Maintenance Grant. **The Portfolio Committee is concerned about the under expenditure in the department, which is attributed to inadequate project management processes.**

**The Portfolio Committee commended the Department for continuing to pay 99% of its service providers within 30-days.** The department indicated that it aims to 100% by introducing compulsory e-invoicing with effect from 01 April 2022; and disallowing the commencement of work without purchase order.

**Vote 10:** The DCS appropriated a total budget of R962, which is adjusted upward to R981 million and 72% was expended.

**The Portfolio Committee noted that the department projects to overspend due to the increased number of traffic officers appointed which has resulted in high g-fleet expenditure.** Of importance, while the department redirected funds during the adjustments budget, this is not sufficient, and further reprioritisation will have to take place.

As at the end of the quarter, department paid 93% of its suppliers within 30-days, compared to 99% same period last year.

**Vote 11:** The Department of Agriculture and Rural Development spent 62% of the adjusted allocation of R1.044 billion.

The Department attributed under expenditure to delayed procurement processes, due to late approval of conditional grants business plan as well as the delayed appointment of a panel of probity auditors by Provincial Treasury. **The Portfolio Committee is concerned about the delayed appointment of probity auditors, which led to the department underspending.** To mitigate under performance, the department reported that it is currently busy with the re-structuring of SCM directorate and review of structure to include all SCM functions to respond to the increased demands. Furthermore, the department indicated its intentions to explore the possibility of tenders being implemented through transversal contracts.

The Portfolio Committee applauded the department for continuing to pay 100% of its suppliers within 30 days, thereby ensuring the continued survival of SMMEs.

**Vote 12:** The main appropriation of SACR is revised downwards from R1. 066 billion to R1.026 billion and 53% of the adjusted allocation was spent. Marking the lowest expenditure for the quarter under review.

The Department realized slow expenditure due to the vacant posts, supply chain challenges, and stoppage of contact sports in schools. **The Portfolio Committee is concerned about stability in the Department in view of funded vacant posts, even at SMS level, and the impact thereof on service delivery. The Portfolio Committee urged GPT to continue engagements with the department on remedial measures in the remainder of the year to remedy persistent under expenditure.**

**The Portfolio Committee noted with appreciation that the department paid 100% of its suppliers within 30 days in line with the National Treasury Regulation 8.2.3.**

**Vote 13:** 67% of the upwardly adjusted budget allocation of R1. 539 billion from R1.405 billion was expended.

Under expenditure was attributed to among others, vacant posts, delays in the Supply Chain Management (SCM) processes and reduced utilization of municipal services. **The Portfolio Committee is concerned that under expenditure was mainly due to delays in SCM processes and ponders whether this could not have been circumvented if the Department’s demand management plans were foolproof.**

**Vote 14:** Of the downwardly adjusted budget of R676 million for GPT, 68% was spent.

The overall expenditure was 20% under budget due to vacant posts on the new approved structure not yet filled, the scaling down of operational costs due to covid-19 and projects that are still to realize expenditure. **The Portfolio Committee is concerned that the department is yet to fill to fill vacant post in the organizational structure that was approved two years ago.** The department forecasts to break even at the end of the financial year.

**Vote 15:** The main appropriation of R3.261 billion for DID was revised downward to R3.249 billion and 73% was spent.

The Department attributed under expenditure to late procurement of laptop and Desktop under machinery and equipment, capital expenditure impacted by contractor performance and site access limitations, and the late implementation of the Expanded Public Works Programme training. **The Portfolio Committee urges the Department to forge resilient social compacts with communities within which projects are implemented to prevent challenges regarding project disruptions. However, the Portfolio Committee is concerned about the department’s failure to spend funds earmarked for alleviating poverty through the provision of training and short- to medium- term labour-intensive work opportunities to poor, unskilled and unemployed communities.**

The department reported that it is at 87% with regard to compliance with 30-day payment and its accruals stood at R69 million at the end of the quarter.

* 1. **Infrastructure Expenditure**

The Budget for infrastructure programme was adjusted from R11.3 billion to R11.1 billion. Of the adjusted allocation, GPG departments managed to spend R6.7 billion or 60% at the end of the 3rd quarter. GPT indicated that the Performance review conducted on the infrastructure programme suggests that the budgets for Departments of Transport, Agriculture and Rural Development, and Infrastructure Development should be adjusted downwards whilst the outcome of the assessment for Social Development, Health and SACR suggested an upwards adjustment. Expenditure was mainly driven by Departments of Human Settlements (at R2.9 bn or 56%), Health (at R1.4 bn or 59%), Education (at R1.1 bn or 69%), and Roads and Transport (at R1.007 bn or 68%). **The Portfolio Committee noted that the infrastructure portfolio has now been expanded with the introduction of 3 projects from DED.**

Of the upwardly adjusted budget of the Department of Health infrastructure programme from R2.1 billion to R2.3 billion, R1.4 billion or 59% is expended. Under expenditure is attributed to delayed SCM processes resulting from the delays in GPT appointing probity auditors. The Departments present the higher risk of not achieving the desired 98% expenditure by the end of the financial year. **The Portfolio Committee is concerned about the delay in GPT appointing probity auditors for the Department Health, resulting in the impairment of the capacity of the Department to procure and consequently impacting on the rate of expenditure.**

The main appropriation of Department of Education for infrastructure is unadjusted at R1.6 billion and expenditure to date is 69%. Although under spending, it is envisaged that the Department will be able to spend the remaining R501 million given the unplanned maintenance work at various schools and the provision of additional classrooms to various schools. The Portfolio Committee noted with appreciation that Department of Social Development managed to spend 75% of its infrastructure budget.

The infrastructure budget for the Department of Human Settlements is adjusted upwards from R5.131 billion to R5.193 billion. Of this amount, the Department expended R2.9 billion or 56%.

The Department ascribed under performance to the appointment of professional service providers panels which took longer than anticipated and delayed the commencement of construction; go slow by contractors awaiting revised subsidy quantum implementation dating back to 2018; and the Department only delivering 4 376 housing units, contrary to the set target of 8 697. **The Portfolio Committee is noted that the Department also cited challenges with GPT not willing to effect payments close to the end of the financial year, which is the busiest period for department. The Portfolio Committee is however concerned whether the departments have demand management plans in place in light of the protracted process of appointing professional service providers resulting in delays in the commencement of constructions.**

Of the adjusted R1.470 billion infrastructure budget allocated to the Department of Roads and Transport, 68% is spent. The poor performance of the Department is mainly because of delays in the appointment of contractors for key construction projects. The department indicated that it introduced the Transport Infrastructure House to strengthen efficiencies and accountability. It was reported that such will assist the department to address challenges such as time, quality, and cost-effective delivery of roads infrastructure projects. **The Portfolio Committee noted with appreciation that since the introduction of Transport Infrastructure House, tenders to the value of R6.562 billion had been awarded.**

The main allocation for the Department of Agriculture and Rural Development is revised downwards from R48 million to R36.8 million. As at the end of the 3rd quarter, the Department recorded an expenditure of 63%. **The Portfolio Committee noted that the Department has made significant progress towards spending budget allocated for infrastructure projects.**

The infrastructure programme of SACR spent R8.6 million or 24% of the adjusted budget of R36.1 million. The sluggish expenditure is due to is mainly because of the additional funding allocated during the budget adjustment for the demolition of HM Pitje stadium. **The Portfolio Committee noted that the contract for the demolition of the stadium was awarded in November with and planned for completion in February 2022. The Portfolio Committee further noted that the contract amount for the demolition is R26.8m and if the demolition is completed as planned, the infrastructure programme will be able to spend the remaining budget.**

The infrastructure allocation for DID was revised downwards from R190 million to R131 million. As at the end of the quarter, DID managed to spend 52% of the allocated infrastructure funds.

The expenditure is impacted mainly by insufficient financial resource, lack of suitable performance by contractors, non-payment of sub-contractors, challenges relate to decanting and access limitations to the floors. **The Portfolio Committee is concerned about non-performance by contractors in view of the criticality of contract management within DID to monitor the performance of contracts to ensure that operational and financial efficiencies are realizable.** DID indicted that it was implementing project specific interventions to increase productivity and it projects to spend 80% of the adjusted budget by the end of the financial year.

* 1. **Conditional Grant Expenditure**

Conditional grants were revised upward by R801 million from R24.9 billion to R25.7 billion. At the end of the quarter expenditure stood at R16.2 billion, which represents 63% of the adjusted allocation. Most departments recorded an expenditure equal and lesser than 60% apart from the Departments of CoGTA (at 100%), Education (at 72%), Health, (at 66%), and DID (at 69%). **The Portfolio Committee noted with appreciation that conditional grants expenditure was driven mainly by the Department of Education, which currently stands at 70%.** Similarly, expenditure for CoGTA also improved significantly from 25% in the 2nd quarter to 100% in the current quarter. Underperforming Departments includes Agriculture and Rural Development (at 29%), Social Development (at 55%), Human Settlements (at 56%), Roads and Transport (at 57%), and SACR (at 59%).

Of all Departments receiving conditional grants, GDARD is the worst performing department, which spent 29% of the slightly increased budget of R145 million. It was reported that Comprehensive Agriculture Support Programme spent 34%, Illima/Letsema Projects Grant 15%, and Expanded Public Works Programme 70%. The slow spending is attributed to delays in the department’s supply chain processes as well as delays in the finalization of grant business plans between GDARD and national transferring office. **The Portfolio Committee is concerned about the impact Department’s failure to conclude conditional grants business plans on time will have on service delivery and the extent to which it is not a sign of poor planning.**

As at the end of the quarter, performance of Department of Social Development conditional grants stood at 55%. The financial performance of the Early Childhood Development (ECD) Maintenance stood at 25%, ECD Subsidy Expansion at 69% ECD Presidential Stimulus Relief Fund at 32% and the EPWP Incentive Grant at 82%. Regarding the ECD Maintenance Grant, the department reported that renovations of 36 ECD centres were completed, and invoices will be paid in January 2022. **The Portfolio Committee noted the undertaking and will follow up progress considering that the department regressing on compliance to government’s 30-day payment to service providers. Nonetheless, the Portfolio Committee is concerned about the level of expenditure on the ECD Presidential Stimulus Relief Fund, which is meant for services to recover from the loss of income brought on by COVID-19.**

The Department of Human Settlements accounted for the financial performance of the three conditional grants it receives as follows: Informal Settlements Upgrading Partnership Grant (29%), Human Settlements Development Grant (64%), and the EPWP (37%). The purpose of the Informal Settlements Upgrading Partnership Grant is to provide funding to facilitate a programmatic and inclusive approach to upgrading informal settlements. **The Portfolio Committee noted with concern that the Department run the risk of surrendering this grant to the National Treasury if unspent, in view of the sprawling informal settlements in the province.** Palpable progress was registered in the financial performance of the Human Settlements Development Grant, which is accustomed to surrendering funds to the National Treasury, however, more work still needs to be done. **The Portfolio Committee also urged the Department to improve the EPWP Grant expenditure, as it is a broader government strategy to reduce poverty through the alleviation and reduction of unemployment.**

The conditional grants allocation for the Department of Transport was revised upwards during the adjustment process from R3.5 billion to R3.6 billion. The departments receive monies for two conditional grants, that is, the Provincial Road Maintenance Grant, the Public Transport Operations Grant and EPWP Incentive Grant. The aggregate expenditure for these grants at the end of the quarter was 57%. The reasons advance for under expenditure associated with the Provincial Road Maintenance Grant, is challenges such as stoppages by communities; encroachments; disputes and inadequate project management processes contribute to the underspending. **The Portfolio Committee commended the Department for being forthright about its inadequacy regarding project management and urged it to develop such skills to ensure seamless project implementation.** Furthermore, the maintenance contract which was not renewed in August 2021 was cited as one of the impediments towards requisite spending levels.

The Public Transport Operations Grant received R94,5 million rollover due to the March 2021 subsidies which were paid in April 2021. Under performance of this Grant was due to less kilometres travelled as some operators have not been running. **The Portfolio Committee noted with appreciation that the bus subsidy tender was in the evaluation phase despite the legal wrangling regarding the legality of the province department issuing the tender, as opposed to, the National Department. The Portfolio Committee also welcomed the Department’s commitment to ensure that the awarding of the tender will take into cognisance 30% subcontracting to previously disadvantaged individuals. However, the Portfolio Committee is concerned about what justified the approval of R94,5 million rollover** **of funds for the Public Transport Operations** **Grant considering its underperformance.**

Finally, SACR recorded 61.6% expenditure against the conditional grants’ allocation. **The Portfolio Committee noted with appreciation that the Department’s expenditure has improved remarkably compared to the previous quarter and that such momentum needs to be maintained.**

# OVERSIGHT ON PUBLIC INVOLVEMENT

Due to National Disaster Regulations regarding social distancing*,* the Portfolio Committee was unable to invite stakeholders to their meetings mainly to observe Committee proceedings and later make verbal or written submissions, as required by the Standing Rules of the Gauteng Provincial Legislature.

1. **OVERSIGHT ON RESOLUTION MANAGEMENT**

The Portfolio Committee, in its endeavour to enhance oversight and comply with the prescripts of SOM, periodically assesses the responses on resolutions passed by the House. This exercise is aimed at ensuring that House resolutions are implemented to impact positively on service delivery targets as a way of improving the lives of the people of Gauteng.

| **RESOLUTIONS MANAGEMENT** | | |
| --- | --- | --- |
| **RESOLUTIONS PASSED DURING THE PREVIOUS QUARTER** | **RESOLUTIONS / ACTION DUE DURING THE QUARTER UNDER REVIEW** | **RESOLUTIONS CLOSED** |
| ***Number of Resolutions passed during the Quarter under review*** | ***Number of Resolution Responses / Action due in the Quarter under review*** | ***From those due in the Quarter under review, how many Resolutions are now closed*** |
| 12 | 12 | 5 |
| ***Nature of Resolutions*** | ***How many new and how many outstanding*** | ***Reasons for Resolutions not yet closed*** |
| Cooperative Governance – 3  Service Delivery – 5  Internal Arrangements - 4 | 12 New  7 outstanding | Responses not received by Departments |
| ***With respect to the Resolutions / Action due during the Quarter under review but still Open, what measures has the Committee taken to ensure speedy Closure of these Resolutions*** | | |
| Draft a letter to the respective departments and request for urgent reply to resolutions | | |

# CONCERNS AND RECOMMENDATIONS

**Committee is concerned about the following:**

**OoP**

1. **That the OoP continue to underspend due to the sluggish process about the payment of Life Esidimeni Claims which emanate from the 2018 arbitration.**

**Department of Health**

1. **about the ever-worsening track record of the department to pay service providers within 30-days as provided for in law;**

**Department of Social Development**

1. **that the Department’s expenditure is impacted upon by slow supply chain management processes, which is symbolic of poor planning.**
2. **about the level of expenditure on the ECD Presidential Stimulus Relief Fund, which is meant for services to recover from the loss of income brought on by COVID-19.**

**Human Settlements**

1. **about the department’s poor financial performance despite the undertaking to improve it in the previous quarter;**
2. **whether the departments have demand management plans in place in light of the protracted process of appointing professional service providers resulting in delays in the commencement of constructions;**

**Department of Roads and Transport**

1. **about the under expenditure in the department, which is attributed to inadequate project management processes;**
2. **about what justified the approval of R94,5 million rollover** **of funds for the Public Transport Operations** **Grant considering its underperformance;**

**Department of Agriculture and Rural Development**

1. **about the impact the Department’s failure to conclude conditional grants business plans on time will have on service delivery and the extent to which it is not a sign of poor planning;**

**Department of Sports, Arts, Culture and Recreation**

1. **about stability in the Department in view of funded vacant posts, even at SMS level, and the impact thereof on service delivery;**

**Department of e-Government**

1. **that under expenditure was mainly due to delays in SCM processes and ponders whether this could not have been circumvented if the Department’s demand management plans were foolproof;**

**Gauteng Provincial Treasury**

1. **about the Department of Health’s financial viability and sustainability to continue as a going concern;**
2. **about the delayed appointment of probity auditors, which led to the department underspending;**
3. **that the department is yet to fill vacant post in the organizational structure that was approved two years ago.**

**Department of Infrastructure Development**

1. **about the department’s failure to spend funds earmarked for alleviating poverty through the provision of training and short- to medium- term labour-intensive work opportunities to poor, unskilled and unemployed communities;**
2. **about non-performance by contractors in view of the criticality of contract management within DID to monitor the performance of contracts to ensure that operational and financial efficiencies are realizable.**

**Committee Recommendations**

After assessing the GPG State of finances, the Portfolio Committee recommends the following and requests for responses by **30 April 2022**.

**OoP**

1. **That the OoP continue should submit a report highlighting the challenges regarding the payment of Life Esidimeni Claims which emanate from the 2018 arbitration.**

**Department of Health**

1. **That the department should develop and submit a strategy indicating how it intends complying with 30-days payment to suppliers, as provided for in law;**

**Department of Social Development**

1. **That the Department should provide an explanation of what are the bottle-necks within its supply chain management processes, and to what extent are they reflective of poor planning;**
2. **That the Department should provide cogent reasons for the under expenditure on the ECD Presidential Stimulus Relief Fund and the impact thereof on ECD Centres;**

**Human Settlements**

1. **That the Department should provide the Committee with a proof of the existence of demand management plans for the 2021/22 FY in view of poor financial performance on conditional grants;**
2. **That the Department should provide a report on how it intends circumventing the surrender of conditional grants in future;**

**Department of Roads and Transport**

1. **That the Department should submit a strategy of how it will capacitate itself on project management processes, in view of the criticality of same in the department;**
2. **That the Department should provide a justification for the request of R94,5 million rollover** **of funds for the Public Transport Operations** **Grant considering the perennial underperformance of the grant;**

**Department of Agriculture and Rural Development**

1. **That the Department should provide an explanation of what led to the late conclusion of conditional grants business plans when they are time-bound;**

**Department of Sports, Arts, Culture and Recreation**

1. **The Department should provide a report highlighting how it will capacitate itself to ensure stability and uninterrupted delivery on its constitutional mandate;**

**Department of e-Government**

1. **That the Department should provide reasons that led to the delay in procurement processes and the extent to which their demand management plans are realistic;**

**Gauteng Provincial Treasury**

1. **That the Provincial Treasury should devise a strategy to ensure that the Department of Health is returned to financial viability and sustainability for it to continue as a going concern;**
2. **That the department should provide reasons for the delay in the appointment of probity auditors for the Department of Agriculture and Rural Development, which eventually led to it underspending;**
3. **That the department should provide an explanation of what are the challenges in populating the organizational structure, which was approved two years ago.**

**Department of Infrastructure Development**

1. **That the Department should provide cogent reasons for its failure to utilize EPWP funds earmarked for alleviating poverty through the provision of training and short- to medium- term labour-intensive work opportunities to poor, unskilled and unemployed communities; and**
2. **That the Department should provide the Committee with an assurance of its efficiency in managing contracts in view of non-performance by contractors under their supervision.**

# ACKNOWLEGDEMENTS

The Portfolio Committee extends gratitude to the Honourable MEC N. Nkomo Ralehoko, the Head of Department Mr. N. Mnyani and officials of the Gauteng Provincial Treasury for their cooperation during the consideration of the report.

Appreciation for diligence, dedication and commitment shown during deliberations on the 3rd Quarter GPG State of Finances Report process goes to all Members of the Finance Portfolio Committee Mr. P. Malema; Dr. M.R. Phaladi-Digamela; Mr. W. Matsheke; Dr. B. Masuku; Mr. M. Moriarty; Ms. A. Randall; Mr. P. Atkinson; Mr K.C. Mazwi; and Mr. I. Mukwevho.

The Committee’s gratitude is extended to the following support staff: Group Committee Coordinator Mr. T. Bodibe, Senior Committee Coordinator Mr. J. Ntsane; Acting Senior Committee Coordinator Ms. C. de Beer, Researchers Mr. M. Tshehla and Ms. L. Chiloane; Senior Information Officer Mr. W. Nsibande; Media Officer Mr. A. Dikola; Committee Administrator Mr. Z. Mabuza, Service Officer Ms. R. Msimanga, Catering Assistant Ms. E. Nthene and Hansard Recorder Ms. R. Singh.

# ADOPTION

After due consideration, the Finance Portfolio Committee adopted the 3rd Quarter GPG State of Finances Report for the 2021/22 FY.

In terms of Rule 117 (2)(c) read with Rule 164, the Finance Portfolio Committee presents to this House and recommends the adoption of the Committee’s Oversight Report on 3rd Quarter GPG State of Finances Report for the 2021/22 FY.