No.168 - 2022: Fourth Session, Sixth Legislature

**GAUTENG PROVINCIAL LEGISLATURE**

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

**ANNOUNCEMENTS,**

**TABLINGS AND**

**COMMITTEE REPORTS**

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

Wednesday, 18 May 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 Detail of the Gauteng Provincial Treasury Budget Vote 14 of the Provincial Appropriation Bill *[G001-2022]* for the 2022/23 FY, as follows:**



**FINANCE PORTFOLIO COMMITTEE**

# Adopted Oversight Report on the Detail of Vote 14 (Gauteng Treasury) of the Gauteng Provincial Appropriation Bill

# [G001-2022]

# 2022/2023 Financial Year

**20 May 2022**

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**ACRONYMS**

**AG Auditor General**

**APP Annual Performance Plan**

**e-Gov e-Government**

**DPSA Department Public Service and Administration**

**EPRE Estimates of Provincial Revenues And Expenditure**

**FY Financial Year**

**GAS Gauteng Audit Services**

**GCR Gauteng City Region**

**GGT Growing Gauteng Together**

**GIFA Gauteng Infrastructure Financing Agency**

**GPG Gauteng Provincial Government**

**GPL Gauteng Provincial Legislature**

**GPT Gauteng Provincial Treasury**

**GRAP Generally Recognized Accounting Principles**

**IYM In-Year Monitoring**

**MEC Member of The Executive Council**

**MTEF Medium Term Expenditure Framework**

**MTBPS Medium Term Budget Policy Statement**

**NDP National Development Plan**

**PFMA Public Finance Management Act**

**PSCM Provincial Supply Chain Management**

**SERO Socio Economic Review Outlook**

**SFRM Sustainable Fiscal Resource Management**

**SOM Sector Oversight Model**

**TMR Transformation, Modernization and Re-Industrialization**

**EXECUTIVE SUMMARY**

The purpose of the Finance Portfolio Committee Oversight Report of the Gauteng Provincial Treasury (GPT) on the detail of the *Gauteng Provincial Appropriation Bill*, *[G001-2022]* 2022/23 financial year (FY) is to examine the implications of the projected expenditure for the current financial year, with particular emphasis on alignment with the annual performance plans.

The 2022 Medium Term Expenditure Frameworks is a significant one in that it is the half-way mark of the sixth political administration characterized by the formulation and the implementation of the Growing Gauteng Together 2030 (GGT 2030) Plan, a roadmap to the Gauteng City Region (GCR) of the future. This MTEF period is also the last mile of the sixth political administration, therefore, there is a sense of urgency in consolidating and delivering on the aspiration of the GGT2030 interventions if what is encapsulated in the GCR is to be realized.

The 2022 MTEF budget was crafted within a tight fiscal space characterized by the economic impact of the Covid-19 pandemic, the negative impact of the July 2021 unrest on the economy and associated negative investor confidence, and the ever-increasing levels of unemployment. The 2022 Medium Term Expenditure Framework budget is marked by fiscal consolidation and a concerted effort towards the reconstruction and recovery of the economy of the Gauteng City Region due to the Covid-19 pandemic. As such the 2022 budget is supported by the following key principles:

* Resourcing the provincial priorities of winning the battle against the COVID-19 pandemic; re-igniting the Gauteng economy and recalibrating social policy to improve educational and health outcomes;
* Reprioritization of the budget to resource GGT2030 priorities and the COVID-19 Response Plan;
* Shift of funding from consumption to investment in strategic economic infrastructure to support government’s reconstruction and recovery efforts; and
* Readiness of departments to implement and capacity to deliver infrastructure projects.

It is clear what the budget allocation of R792.9 million is intended for in the current financial year, which increases to R833.4 million in the outer year of the MTEF. GPT needs to continue to provide quality support to the Gauteng Provincial Government (GPG) Departments and entities on a continuous basis and ensure capacity building is conducted. The budget is allocated to the following programmes, R168.1 million for Administration; R170.1 million to Sustainable Fiscal Resource Management (SFRM); R137.4 million for Financial Governance; R108.3 million for Provincial Supply Chain Management (PSCM); R73.7 million for Municipal Financial Governance; and Gauteng Audit Services (GAS) receives R134.9 for the current financial year.

With regards to Economic Classification, the budget for compensation of employees grows in the 2022 MTEF period, from R665.3 million in the 2022/23 FY to R700.9 million in the 2024/25 FY. The rationale behind the increase is for the implementation of the new organizational structure approved by the Department of Public Service and Administration (DPSA). The Goods and Services budget reflects an increase from R63.2 million in the current financial year to R65.2 million in the outer financial year. Provision is made for key projects such as the media services for the province’s budget tabling events and the implementation of the infrastructure delivery management service. Furthermore, the budget provides for P-Card software licenses, support to municipalities on the implementation of the standard chart of accounts and external training. Finally, the budget makes provision for the automation of Annual Financial Statement (AFS) projects approved in 2021/22 FY, and expenses such as property payment and administrative fees.

The transfer to Gauteng Infrastructure Financing Agency (GIFA) increases from R63.7 million in the 2022/23 FY to R65.5 million in the 2024/25 FY. Transfer to household provides for injury on duty, leave gratuity payments and bursaries, it receives R457 000 in the 2022/23 FY increasing to R499 000 in the outer year. Whilst capital assets for funding tools of trade, ranges from R181 000 to R1.3 million in the MTEF period.

To this effect, the Portfolio Committee will play an important role in conducting oversight over GPT and its government component, in order to ensure that plans outlined by GPT in the current financial year are achieved. Focus of the Portfolio Committee during the in-year monitoring process will be on service delivery imperatives associated with amongst others, infrastructure roll-out; capacity building; strengthening corporate governance at municipalities and provincial departments through tailored support; and modernization of financial business systems in province.

**The Chairperson of the Finance Portfolio Committee Honourable Mr. J. Mpisi, presents the report of the Finance Portfolio Committee on the detail of the Gauteng Provincial Treasury (GPT) Vote 14 of the Provincial Appropriation Bill 2021 *[G001 –2022],* as follows:**

1. **INTRODUCTION**

The Finance Portfolio Committee exercises oversight through its assessment of the financial and non-financial performance of the Gauteng Provincial Treasury Vote 14 for the 2022/23 financial year.

The Portfolio Committee considered, among others, the Estimates of Provincial Revenue Expenditure 2022; the Provincial Appropriation Bill committee report; presentation by the GPT; Research Analysis; the Annual Performance Plan (APP) 2021; the Budget Speech by the Member of the Executive Council (MEC) for Finance, Speech by the Minister of Finance, State of the Province Address by the Premier, and the State of the Nation Address by the President.

In line with the provisions of *The Constitution of the Republic of South Africa* (1996), the *Public Financial Management Act*, 1999 (PFMA) is an important section of legislation which promotes the objectives of good financial management. The key objectives of this Act, among others, enables public sector managers to manage; be more accountable; provide quality information on time; and to eliminate corruption and waste of public funds and assets.

The Sector Oversight Model is utilized in conducting oversight on the Executive, and its tools are utilized in analyzing reports of the GPT.

1. **PROCESS FOLLOWED**

Vote 14 of the Schedule of the Provincial Appropriation Bill *[G001-2022]* was formally referred by the Speaker, for consideration and reporting by the Finance Portfolio Committee.

At the Portfolio Committee meeting convened on Thursday, 28 May 2022, a Research Analysis was presented and discussed; questions emanating from the analysis were submitted to the department for responses.

Presentation from the GPT on the Detail of Vote 14 of the Provincial Appropriation Bill was received on Thursday, 05 May 2022. In the same meeting, the Portfolio Committee received responses from the department to questions emanating from the research analysis.

Due to capacity constraints within the PPP Unit, the Portfolio Committee did not invite stakeholders to their meetings to observe Committee proceedings and later make verbal or written submissions in line with the GPL public participation mandate and the Constitution of the Republic of South Africa.

At the Portfolio Committee meeting convened on 13 May 2022, the Committee deliberated and adopted the oversight report, which was subsequently submitted to the Proceedings Unit for tabling in the House.

1. **LINKAGES BETWEEN THE GAUTENG PROVINCIAL TREASURY MANDATES**

**AND GOVERNMENT 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 2021 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. Furthermore, 2021 budget also sets out to contribute to the reconstruction and recovery plan for the South African economy that is aimed at stimulating equitable and inclusive growth in mitigation of the Covid-19 pandemic.

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. **ALLOCATION TRENDS**

**4.1 Summary of receipts**

**TABLE 1: SUMMARY OF RECEIPTS: GAUTENG PROVINCIAL TREASURY**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **R Thousand** |  | **Outcome** |  | **Main Appropriation** | **Adjusted appropriation** | **Revised estimate** | **Medium-term estimates** | | | |
| **2018/19** | **2019/20** | **2020/21** | **2021/22** | | | **2022/23** | **2023/24** | **2024/25** |
| Equitable Share | 624 539 | 692 956 | 616 201 | 754 845 | 675 545 | 675 545 | 792 933 | 801 620 | 833 486 | |
| **Total receipts** | **624 539** | **692 956** | **616 201** | **754 845** | **675 545** | **675 545** | **792 933** | **801 620** | **833 486** | |

Source: Estimates of Provincial Revenue and Expenditure 2022

Table 1 above represents funds received by GPT through equitable share, which is the main source of funding. It is worth noting that the main appropriation for the 2022 FY was revised downwards from R754.8 million to R675.5 million. The rationale for the reduction was due to budget cuts to cater for the GPG’s Covid-19 response plans. Notwithstanding the downward adjustment of the budget in the 2021 FY, the allocation for the 2022 MTEF increases from R792.2 in 2022 before peaking at R833.4 million in the 2024/25 FY. The increase in the allocation is informed by the departmental plans to implement the approved structure after obtaining DPSA approval and to implement projects and programmes planned for the MTEF period.

The allocation for the 2022 MTEF period, makes provision for various projects and programmes, such as media services for the province’s budget tabling day events and the implementation of the infrastructure delivery management service. The allocation will also provide for the P-Card software licenses, support municipalities regarding the implementation of the municipal standard of charts of accounts, SCM interventions, and external training in relation to Annual Financial Statements, GRAP and the Institute of Internal Auditors Training.

Funds allocated to GPT during the period under review seek to advance outcomes such as enhancing sound finances in the province, increasing oversight and compliance with legislated prescripts; ensuring sustainable local government finances; reducing youth unemployment and securing alternative sources of funding. To this effect, GPT will fund key projects such as infrastructure rollout capacity building for among others civil engineers, quantity surveyors, construction procurement specialists in provincial departments; conducting probity audits for open tenders; strengthening corporate governance at municipalities and provincial departments through tailored support like Municipal Financial Management Hands-on Support Programme and training to support clean audits and financial management; and modernising financial business systems in province through e-invoicing, SAP inventory management, business analysis tools and Annual Financial Statements (AFS) automation.

**4.2 Summary of own revenue**

GPT’s receipts are generated from interest earned from favourable cash balance, augmented by parking fees charged to staff members and by recovery of debts from previous financial years.Of importance to note, interest revenue accounts for 99.8% of the revenue collected in each financial year. **The Portfolio Committee noted that the interest revenue budget is set conservatively given that increased spending in the province will reduce the cash balances and result in lower revenue earned.** For this reason, the revenue budget increases from R624.1 million in the 2022/23 FY to R670.9 million in 2022/23 FY and R714 million in the 2024/25 FY.

1. **OVERALL GPT ALLOCATIONS**

The table below shows allocations per programme over the MTEF period.

**TABLE 2: MTEF BUDGET: 2021 – 2024**

|  |  |  |  |
| --- | --- | --- | --- |
| **PROGRAMME** | **2022/23**  **R’000** | **2023/24**  **R’000** | **2024/25**  **R’000** |
| 1. Administration | 168 190 | 169 061 | 175 470 |
| 1. Sustainable Fiscal Resource Management | 170 197 | 173 791 | 178 655 |
| 1. Financial Governance | 137 496 | 138 202 | 144 405 |
| 1. Provincial Supply Chain Management | 108 349 | 109 216 | 114 117 |
| 1. Municipal Financial Governance | 73 720 | 74 541 | 77 888 |
| 1. Gauteng Audit Services | 134 981 | 136 809 | 142 951 |
| **Total** | **792 933** | **801 620** | **833 486** |

Source: Estimates of Provincial Revenue and Expenditure 2022

Table 2 above indicates that the total appropriation allocated to GPT’s Programmes amounts to R792.9 million for the current financial year and increasing gradually over the MTEF period**. The Portfolio Committee noted that GPT’s budget is informed by its Strategic Plan, Annual Performance Plan, provincial outcomes, GPG’s 6th administration programme of action, and the GGT 2030 Vision Plan.** The budget is informed by the following key assumptions, that is, compensation of employees growth within the MTEF technical guideline of 4.2% in the 2022/23 FY, 4.5% in the 2023/24 FY and 4.49% in the 2024/25 FY.

**5.1 Summary of Economic Classification**

**TABLE 3: SUMMARY OF ECONOMIC CLASSIFICATION**

|  |  |  |  |
| --- | --- | --- | --- |
| **Economic classification** | **2022/23**  **R’000** | **2023/24**  **R’000** | **2024/25**  **R’000** |
| Compensation of Employees | 665 389 | 670 867 | 700 986 |
| Goods & Services | 62 300 | 63 605 | 65 277 |
| Transfers and Subsidies | 64 163 | 65 946 | 65 967 |
| Payments for Capital Assets | 181 | 1 202 | 1 256 |
| **Total economic classification** | **792 933** | **801 620** | **833 486** |

Source: Presentation by the GPT 2022

Table 3 above represents the summary of GPT payments and estimates by economic classification. The economic classifications for the GPT are as follows, current payments, transfers and subsidies, and payments for capital assets. Current payments for the GPT include the following economic activities: compensation of employees and goods and services. Transfers and subsidies are the transfers done to GPT’s government component and accounts, whereas payments for capital assets are payments for machinery and equipment utilized by the GPT.

As a result of the budget cuts experienced in the 2021 MTEF period, the baseline for the 2022 MTEF period are unchanged. Funds within programmes compensation of employees were reprioritized to address cost pressures in programmes like Administration, Municipal Financial Governance, and Gauteng Audit Services. Despite the reprioritization of funds that occurred within the compensation of employees to defray cost pressures in other programmes, the compensation of employees continues to grow in the 2022 MTEF period, from R665.3 in the 2022/23 FY to R701 million in the outer year. **The Portfolio Committee noted that the increase is in line with the departmental plans to implement the new organizational structure approved by the DPSA. However, the Portfolio Committee noted the prolonged process of implementing the new structure and urges the department to expedite such a process.**

The key projects under goods and services include media services for the province’s budget tabling day events and the implementation of infrastructure delivery management service. The budget also provides for the P-Card software licenses, support to municipalities regarding the implementation of the Standard Chart of Accounts (SCoA) and external training on AFS, Generally Recognized Accounting Principles (GRAP) and Institute of Internal Auditors’ training. The goods and services budget also caters for operational expenses such as property payments and administrative fees. **The Portfolio Committee noted with appreciation the support provided to municipalities, it however cautioned that there must be value for money for such support, in view of municipalities in financial distress.** Furthermore, the development of long-term financial policies will be implemented during the 2022/23. To fund the foregoing key projects, the 2022 MTEF estimates for Goods and Services reflects an amount of R63.2 million in the 2022/23 FY, increasing to R65.2 million in the 2024/25 FY. Relative to the 2021 MTEF estimates, the 2022 MTEF estimates decreased due to budget cuts and the decentralization of probity audit function to GPG departments, as funding needs to follow the transfer of functions.

The budget estimates for Transfers and Subsidies over the 2022 MTEF increases from R64.1 million in the 2022/23 FY to R65.9 million in the outer year. GPT is responsible for the transfer payments to the Gauteng Infrastructure Financing Agency (GIFA) and households to provide for injury on duty claims, leave gratuity payments and external bursaries to disadvantage students. GIFA’s allocation for the 2022 MTEF period increases from R63.7 million to R65.4 million in the outer year. On the contrary, transfers to households decreases from R457 000 in the 2022/23 FY to R499 000 in the 2024/25 FY. Whilst the Payment of Capital Assets, geared towards funding tools of trade for officials to perform their functions efficiently and effectively, is allocated R181 000 in 2022/23 FY, increasing to R1.20 million in the 2023/24 FY before climaxing at R1.25 million in the 2024/25 FY.

1. **DETAILED PROGRAMME ALLOCATIONS**
   1. **Programme 1: Administration**

This programme aims to provide effective leadership, management and administrative support to treasury programmes as well as to the Member of the Executive Council and the Accounting Officer.

**TABLE 4: PAYMENTS AND ESTIMATES PER SUB PROGRAMME**

| **Sub-Programmes** | **2022/23**  **R’000** | **2023/24**  **R’000** | **2024/25**  **R’000** |
| --- | --- | --- | --- |
| 1. Office of the MEC | 13 196 | 10 651 | 11 127 |
| 1. Office of the HOD | 14 029 | 14 660 | 15 317 |
| 1. Corporate Management | 88 517 | 92 103 | 95 061 |
| 1. Financial Management Services (CFO) | 37 911 | 36 456 | 38 093 |
| 5. Strategy Management and Transformation | 14 537 | 15 191 | 15 872 |
| **Total** | **168 190** | **169 061** | **175 573** |

Source: Estimates of Provincial Revenue and Expenditure 2022

This programme receives R168.1 million for the 2022/23 FY increasing to R175.5 million in the outer year.

**The Portfolio Committee noted that the main cost drivers under economic classification are compensation of employees and goods.** For the 2022/23 FY, budget allocation for compensation of employees and goods and services stood at R139.9 million and R27.6 million individually. The increase in compensation of employees’ allocation is informed by the increase in capacity to support the growth of the department in terms of personnel and functions. The major cost drivers under goods and services are utilities, external audit costs, lease payments, communication, and property payments.The earmarked projects under goods and services includes among others, hosting of network servers externally, IT equipment refreshing programme, and Corporate Performance and Evaluation Information System.

**6.2 Programme 2: Sustainable Fiscal Resource Management (SFRM)**

This programme aims to ensure effective and efficient administration of provincial and fiscal resources to the benefit to Gauteng’s citizens.

**TABLE 5: PAYMENTS AND ESTIMATES PER SUB-PROGRAMME**

|  |  |  |  |
| --- | --- | --- | --- |
| **Sub-programmes** | **2022/23**  **R’000** | **2023/24**  **R’000** | **2024/25**  **R’000** |
| 1. Programme Support/Office of the DDG | 63 593 | 70 592 | 70 821 |
| 1. Budget management | 30 052 | 29 365 | 30 683 |
| 1. Economic & Fiscal Policy Oversight | 15 421 | 16 112 | 16 837 |
| 1. Infrastructure Management | 22 236 | 23 290 | 24 335 |
| 1. Financial Asset & Liabilities Management | 15 239 | 15 788 | 16 497 |
| 1. Public Finance | 15 239 | 18 644 | 19 482 |
| **Total** | **170 197** | **173 791** | **178 655** |

Source: Estimates of Provincial Revenue and Expenditure 2022

This programme’s budget is set to increase from R170.1 million in the current financial year to R178.6 million in the outer year, to provide for transfer payments and personnel costs and a portion of goods and services.

The compensation of employees’ budget allocation for the 2022/23 FY, is informed by the new organizational structure that has been agreed to by the DPSA. To this end, the budget allocation for this MTEF increases from R91.6 million in the 2022/23 FY to R92.7 million in the 2023/24 FY before climaxing at R96.9 million in the 2024/25 FY. **The Portfolio Committee noted that the allocation will cater for the approved new organizational structure which is occasioned the introduction of two units, namely, data management sub-unit and infrastructure support sub-unit. The Portfolio Committee welcomed the introduction of the two units, as they will ensure the credibility and reliability of information and bring about the alignment of GPT with new generic structure of treasuries.**

For the MTEF period, allocation for goods and services stands at R14.8 million, increasing to R15.5 million in the 2023/24 FY and before peaking to R16,2 million in the 2024/25 FY. The main cost drivers under this programme are media services, implementation of Infrastructure Delivery Management System (IDMS) and printing of provincial publications like the Socio-Economic Review Outlook (SERO), the Medium Term Budget Policy Statement (MTBPS) and the Estimates of Provincial Revenue Expenditure (EPRE). **The Portfolio Committee welcomed the allocations for media services, as that deepens transparency in the allocation of public finances through the annual production and publication of budget related books.**

In addition to this programme allocation, is the provision for transfers and subsidies to the Gauteng Infrastructure Financing Agency (GIFA), which amount to R63.7 million in the 2022/23 FY, R65.5 million over the MTEF. The increase in allocation is aimed at ensuring a sustainable pipeline of strategic infrastructure projects that are catalysts for socio-economic development in the province. In the coming financial years, GIFA will continue sourcing projects from municipalities and provincial departments and financing their feasibility studies through the Public Private Partnerships. **The Portfolio Committee welcomed the allocation to GIFA and will monitor its performance to ascertain that projects facilitated towards implementation are indeed catalysts for socio-economic development in the province.**

**6.3 Programme 3: Financial Governance**

This programme seeks to promote accountability through substantive reflection of financial activities as well as compliance with financial norms and standards in PFMA compliant institutions.

**TABLE 6: PAYMENTS AND ESTIMATES PER SUB-PROGRAMME**

|  |  |  |  |
| --- | --- | --- | --- |
| **Sub-Programmes** | **2022/23**  **R’000** | **2023/24**  **R’000** | **2024/25**  **R’000** |
| 1. Programme Support/Office of the DDG | | 7 553 | 4 503 | 4 704 |
| 1. Provincial Accounting Services | | 61 703 | 65 050 | 67 969 |
| 1. Provincial Forensic Audits | | - | - | - |
| 1. Transversal Internal Audit and Risk Management | | 22 935 | 21 930 | 22 915 |
| 1. Compliance | | 5 589 | 5 785 | 6 045 |
| 6. Transversal Financial Information Management Systems and Sap Erp Process and System Support | | 39 716 | 40 934 | 42 772 |
| **Total** | | **137 496** | **138 202** | **144 405** |

Source: Estimates of Provincial Revenue and Expenditure 2022

In the quest to cater for various system developments and enhancement projects in line with the commitment to modernize the public service for effective service delivery. The Financial Governance Programme receives R137.4 million in the 2022/23 FY, increasing to R144.4 million in the outer year of the MTEF. **The Portfolio Committee welcomes the allocation, as it will play a pivotal role in ensuring that the public service becomes more responsive, transparent, and efficient.**

The budget for compensation of employees increases from R128.8 million in the current financial year to R134.9 million in the outer year of the MTEF. **The Portfolio Committee noted that the increase is to accommodate the requirements of the approved new structure.**

Over the MTEF, expenditure on goods and services increases from R8.7 million to R9.5 million. The spending focus would be on P-Card and E-Invoicing software licenses, automation of AFS production and legislative reporting for departments and entities. **The Portfolio Committee noted with appreciation that the aforesaid efforts are in line with the promotion of accountability through substantive reflection of financial activities and compliance with financial norms and standards. Considering the past allocation trends for goods and services, the Portfolio Committee commends GPT that there is allocative efficiency that should enable the programme to deliver on its mandate.**

**6.4 Programme 4 : Provincial Supply Chain Management**

This programme aims to promote transparency and effective supply chain management in the province.

**TABLE 7: PAYMENTS AND ESTIMATES PER SUB-PROGRAMME**

|  |  |  |  |
| --- | --- | --- | --- |
| **Sub-Programmes** | **2022/23**  **R’000** | **2023/24**  **R’000** | **2024/25**  **R’000** |
| 1. Programme Support/Office of the DDG | 5 834 | 6 108 | 6 381 |
| 1. SCM Policy, Norms and Standards | 19 748 | 20 613 | 21 537 |
| 1. Governance, Compliance, Monitoring & Evaluation | - | - | - |
| 1. SCM Client Support | 44 941 | 45 057 | 47 080 |
| 1. Strategic Procurement | - | - | - |
| 1. Contract Management & Strategic Procurement | 37 826 | 37 438 | 39 119 |
| **Total** | **103 349** | **109 216** | **114 117** |

Source: Estimates of Provincial Revenue and Expenditure 2022

The allocations for this programme are expected to increase over the MTEF period and the projected allocations are as follows; R103.3 million in the 2022/23 FY; R109.2 million in the 2023/24 FY; and R114.1 million in the 2024/25 FY. **The Portfolio Committee noted that the rationale for the increase in allocations is to provide for increasing the capacity in the various sub-units within the programme; and for the supplier development to support the Township Economic Revitalization Strategy.**

To cater for requirements of the new organizational structure, expenditure on compensation of employees increases from R105.3 million in the 2022/23 FY to R110.7 million in the 2024/25 FY to capacitate various business units within the programme, that is, SCM Policy and Standards, governance, SCM compliance monitoring and evaluation and SCM Client Support. Similarly, spending on goods and services increases marginally from R3 million in 2022/23 FY to R3.1 million in the 2023/24 FY, climaxing at R3.3 million in the 2024/25 FY. The minute allocation to this programme is ascribed to the reallocation of funds for the probity audits from GPT to GPG departments. **The Portfolio Committee noted that the focus will be on the implementation of Township Economic Revitalization Strategy (TER), and other SCM interventions and operational requirements.**

Moreover, at the insistence of the Portfolio Committee, GPT committed to submitting a mid-year report on the progress of SCM compliance, as opposed to reporting on the number of SCM compliance assessments and on the percentage of SCM compliance action plans for departments and entities in the fourth quarter. **The Portfolio Committee commended GPT for ensuring that training needs for this programme are adequately resourced, it however urged that consequence management should be applied to address instances of non-adherence to SCM regulations.**

**6.5 PROGRAMME 5: MUNICIPAL FINANCIAL GOVERNANCE**

This programme monitors the effective, efficient, sustainable financial management and financial reporting of all municipal fiscal resources for municipalities and municipal entities and it coordinates the provisioning of capacity building.

**TABLE 8: PAYMENTS AND ESTIMATES PER SUB-PROGRAMME**

|  |  |  |  |
| --- | --- | --- | --- |
| **Sub-Programmes** | **2022/23**  **R’000** | **2023/24**  **R’000** | **2024/25**  **R’000** |
| 1. Programme Support/Office of the DDG | 12 640 | 10 714 | 11 195 |
| 1. Local Government Financial Services | 23 259 | 24 305 | 25 396 |
| 1. Municipal Accounting Reporting & Asset Management | 20 803 | 21 739 | 22 715 |
| 4. Municipal Compliance & Financial Management Support | 17 018 | 17 783 | 18 582 |
| **Total** | **73 720** | **74 541** | **77 888** |

Source: Estimates of Provincial Revenue and Expenditure 2022

Figure 8 above illustrates the total estimated amounts allocated over the MTEF period. The allocation to this programme is R73.7 million in the 2022/23 FY, decreasing to R74.5 million in the 2023/24 FY before increasing to R77.8 million in the 2024/25 FY. The budget allocations for this programme mainly provides for additional capacity under Municipal Compliance and Financial Management Support. **The Portfolio Committee encourages GPT to utilize the allocated resources efficiently to provide support to delegated municipalities in light of the aftermaths of the Covid-19 pandemic placing the financial recovery and sustainability of many municipalities at risk.**

GPT reported that under goods and services the allocations provide for printing of gazettes, travel expenditure to municipalities, municipal IQ software licenses and external training and development of municipalities. **The Portfolio Committee noted that projects such as Municipal Standard Charter of Accounts, Hands-on Support (government debt verification) and trainings on AFS, GRAP and Institute of Internal Auditors would be supported under this programme.** To this end, the budget for goods and services over the MTEF increases from R3.8 million to R4.1 million.

**6.6 PROGRAMME 6: GAUTENG AUDIT SERVICES (GAS)**

The programme’s objective is to enhance transparency, good governance and clean government by strengthening the internal control and regulatory environment in GPG departments. **Of importance to note, this programme aims to support all departments, entities and municipalities to achieve clean audits.**

**Table 9: Payments and Estimates per Sub-Programme**

|  |  |  |  |
| --- | --- | --- | --- |
| **Sub-Programmes** | **2022/23**  **R’000** | **2023/24**  **R’000** | **2024/25**  **R’000** |
| 1. Programme Support/Office of the DDG | 18 876 | 17 635 | 18 426 |
| 1. Risk and Compliance Audit (Cluster 1, 2 & 3) | 42 819 | 44 745 | 46 754 |
| 1. Risk Compliance Audit Services (Clusters 4, 5 & 6) | 32 754 | 32 074 | 33 514 |
| 1. Performance and Computer Audit Services | 40 532 | 42 355 | 44 257 |
| 5. Audit Centre of Excellence | - | - | - |
| 1. Financial Audit and Risk Compliance | - | - | - |
| **Total** | **134 981** | **136 809** | **142 951** |

*Source: GPG Estimates of Provincial Revenue and Expenditure 2022*

Figure 9 above portrays the amount of funds allocated to this programme during the current financial year and the estimated amount to be allocated over the MTEF period. The allocation increases progressively from R134,9 million in the 2022/23 FY to R142.9 million in the outer year.

**The Portfolio Committee noted that the programme’s expenditure is driven by compensation of employees as most of the audit work is personnel driven.** To this end, the budget for compensation of employees increases over the MTEF from R129.8 million to R137.3 million over the MTEF period. It is envisaged that the programme will increase its staff complement. In addition, the programme is actively recruiting in the audit market and various strategies have been adopted to attract and retain staff.

The revised budget estimate for the programme amounted to R14 million in the 2021/22 FY. However due to implemented budget cuts, the budget for goods and services decreases to R5.1 million in the 2022/23 FY, albeit it increases to R5.6 million in the 2024/25 FY. The budget for this programme makes provision for specialised auditors who are not available internally, that is, performance audits and risk and compliance audits. **The Portfolio Committee welcomes the allocation and urges GPT to ensure skills transfer when engaging consultants for specialized audits.**

1. **SUMMARY OF STAKEHOLDERS SUBMISSIONS**

The Portfolio Committee did not receive any submissions from the stakeholders.

1. **COMMITTEE CONCERNS**

The Portfolio Committee is concerned about:

* 1. **The delayed population of the organizational structure in view of high unemployment figures.**

1. **RECOMMENDATIONS**

After assessing the detail of the schedule of the Provincial Appropriation Bill for the Gauteng Provincial Treasury: Vote 14, the Portfolio Committee recommends the following and requests for a response by **22 July 2022:**

* 1. **That GPT should provide the Portfolio Committee with a plan of how it will implement the population of the approved new structure with timeframes.**

1. **ACKNOWLEDGEMENTS**

The cooperation the MEC for Finance, MEC N. Nkomo Ralehoko, Head of Department Ms. N. Mnyani as well as senior officials from the GPT, is highly appreciated.

Appreciation for diligence, dedication and commitment shown during the processing of a schedule of the *Gauteng Provincial Appropriation Bill [G001-2022],* goes to all Members of the Finance Portfolio Committee Mr. P. Malema; Dr. M.R. Phaladi-Digamela; Mr. W. Matsheke; Dr. B. Masuku; 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 Coordinators Mr. J. Ntsane and Ms. C. De Beer (Acting), Researchers Mr. M. Tshehla and Ms. L. Chiloane; Legal Advisor Ms. L. Mudau; 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.

1. **ADOPTION OF THE REPORT**

After extensive deliberation, the Portfolio Committee unanimously adopted the report on the detail of Budget Vote 14: Gauteng Provincial Treasury of the Gauteng Provincial Appropriation Bill ***[G001–2022]****.*

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 the detail of Budget Vote 14: Gauteng Provincial Treasury of the Gauteng Provincial Appropriation Bill ***[G001–2022]****.*

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**Mr. Joe Mpisi**

**Chairperson: Finance Portfolio Committee**

**Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**