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**Finance Portfolio Committee**

**Adopted Oversight Report on the Annual Report of the**

**Gauteng Provincial Treasury for the 2022/23 financial year**

| **Committee Details** | **Department Details** |
| --- | --- |
| **Name of Committee** | **Finance Portfolio Committee** | **Name of Department** | **Gauteng Provincial Treasury** |
| **Which Financial Year** | **Annual Report for the 2022/23 FY** | **Dept. Budget Vote Nr.** | **Vote number 14** |
|  |  | **Hon. MEC** | **Jacob Mamabolo** |
| **Committee Approvals** |
|  | **Name** | **Signed** | **Date** |
| **Hon. Chairperson** | **Paul Malema** |  | **21 November 2023** |
| **Adoption and Tabling** |
| **Date of Final Adoption by Committee**  | **Scheduled date of House Tabling** |
| **21 November 2023** |  **05 December 2023** |

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# ABBREVIATIONS

|  |  |
| --- | --- |
| **Abbreviation** | **Full Wording** |
| AG | Auditor General |
| APP | Annual Performance Plan |
| COVAC | Committee Oversight and Accountability |
| FY | Financial Year |
| GAS | Gauteng Audit Services |
| GFPO | Gauteng Fund Project Office |
| GICC | Gauteng Infrastructure Coordinating Council |
| GIFA | Gauteng Infrastructure Financing Agency |
| GPG | Gauteng Provincial Government |
| GPL | Gauteng Provincial Legislature |
| GPT | Gauteng Provincial Treasury |
| IYM | In Year Monitoring |
| MEC | Member of Executive Council |
| PFMA | Public Finance Management Act |
| PSCM | Provincial Supply Chain Management |
| SCOA | Standard Charter of Accounts |
| SFRM | Sustainable Fiscal Resource Management |
| SOM | Sector Oversight Model |
| TMR | Transformation, Modernisation and Re-industrialisation |

# EXECUTIVE SUMMARY

An Annual Report is a comprehensive [report](http://en.wikipedia.org/wiki/Report) on a [department’s](http://en.wikipedia.org/wiki/Company) activities throughout the preceding financial [year](http://en.wikipedia.org/wiki/Year). Annual Report is intended to give the Legislature information about the financial and non-financial performance of the provincial government department, in this regard Gauteng Provincial Treasury (GPT). Furthermore, Annual Report is an important tool in assisting the Finance Portfolio Committee, and the public’s understanding, of the operations of GPT and its component Gauteng Infrastructure Financing Agency (GIFA), as well as ensuring accountability to the Gauteng Provincial Legislature (GPL).

The Gauteng Provincial Treasury met most of its performance targets for the 2022/23 financial year (FY), as set out in the Annual Performance Plan (APP) 2022/23 FY. Of the total number of 48 performance targets applicable for the period under review, GPT achieved 45 performance targets, translating into 94% of APP achievement compared to 88% in the previous financial year. Although slightly lower than the previous year’s achievement against the APP, the 94% APP achievement compares favourably with the 99.5% expenditure of the final appropriation.

As at the end of the financial year, the Administration programme achieved most of its planned performance targets and one performance target was exceeded, apart from the performance target pertaining to the appointment of 50% of women in Senior Management Service (SMS) positions. The achieved performance targets are associated with, the attainment of an unqualified audit opinion; payment of all suppliers within 30 days after receipt of the final correct invoice; timeous submission of the approved Annual Performance Plans (APPs) to GPL; number of approved departmental risk register; number of workshops conducted to promote awareness on Gender-Based Violence; Femicide and LGBTQI; and legal due diligence reports conducted on the establishment of a state-owned bank and a pharmaceutical company. Staying true to the GPG priority of reducing youth employment, this programme ensured that 11% of youth were placed in development programmes against the staff establishment relative to the planned target of 10%.

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Similarly, of the 12 performance targets applicable under Sustainable Fiscal Resource Management (SFRM), most performance targets were achieved albeit with pockets of over-performance. The area of under-performance relates to under collection of own revenue by 2.8% due to non-surrender of revenue from municipalities and South African Post Office (SAPO).

On the other hand, the programme recorded the following key achievements, that is, the tabling of a spatially reference Medium-Term Expenditure Framework (MTEF) budget; publishing 2 provincial gazettes on allocation of schools; securing an unqualified audit outcome for the Provincial Revenue Fund (PRF); the consolidation of 12 and 40 In-Year- Monitoring reports for departments and entities, respectively; 17 out of 17 (100%) assessments conducted on submitted planning documents completed and submitted to the departments before the prescribed legislated timeframes; cash disbursed to departments not exceeding the appropriated funds; Socio-Economic Review Outlook (SERO) tabled in line with the prescribed timeframes; and Medium-Term Budget Policy Statement (MTBPS) tabled in line with the prescribed timeframes. The programme exceeded performance expectations by keeping the Gauteng Provincial Government (GPG) wage bill below the 60% by 4%; and tabling 2 spatially referenced adjustment budgets tabled as opposed to 1.

Of the 26 performance targets applicable to GIFA for the period under review, 22 performance targets were achieved or 85% APP achievement. The areas of underperformance relate to the completion of one feasibility study instead of the planned 3; releasing one bankable project to the market rather than 3; analysing and testing 1 project for bankability compared to 3; and concluding 1 financial close as opposed to 3. At the end of the 2022/23 financial year (FY), GIFA spent 97% of its total allocated budget compared to 90% in the previous financial year.

Financial Governance achieved all its planned performance targets without deviations and one performance target overperformed. Key achievements include 100% submission of Annual Financial Statements (AFS) by departments and entities, the tabling of the 21 out 22 consolidated AFS for 2020/21 FY within the prescribed timeframes, producing 4 departmental 30-day suppliers’ payment compliance report, and ensuring the approval of clean audit strategy. Overachievement was notable in the 98% electronic submission of supplier invoices in contrast to the planned 90%.

Likewise, the Provincial Supply Chain Management (PSCM) achieved all 10 performance targets set out in the Annual Performance Plans with incidences of performance excellence. The performance targets include the producing Supply Chain Management (SCM) compliance registers for departments and entities; compiling 4 reports regarding 30% spend on township suppliers; producing 4 reports on subcontracted contracts; producing 4 reports on monitoring the implementation of Open Tender Process (OTP) by departments and entities individually; producing 2 reports on monitoring the implementation of procurement plans by departments and developing the preferential procurement guidelines. Noteworthy, this programme surpassed performance targets pertaining to the number of training workshops provided to Gauteng township-based suppliers by 7 and the percentage of historical irregular expenditure condoned for GPG departments and entities by 7%.

Of the 5 planned performance targets under Municipal Financial Governance Programme for the period under review, most performance targets were achieved while others surpassed their performance measures. Contrary to conducting 16 Inter-Governmental Relations (IGR) engagements with relevant stakeholders, 30 IGR engagements were conducted. Similarly, this programme planned to conduct 6 structured and targeted capacity building initiatives for delegated municipalities and 9 training initiatives were conducted. Furthermore, instead of publishing 3 publications on provincial grants allocated to Gauteng municipalities, 5 publications were published. The other performance target achieved is associated with the 32 assessments conducted on Municipal Finance Management Act (MFMA) compliance by delegated municipalities in Gauteng. The only under performance linked to this programme concerns conducting 16 municipal budget assessments instead of 24.

Under the Gauteng Audit Services, 5 performance targets were planned, and all performance targets were achieved. The performance targets pertain to issuing 95% of audit reports to departments and trading entities; issuing 19 Audit Committee approved audit plans issued to departments and trading entities; tracking 100% of internal audit recommendations at departments and entities as implemented; following up on 100% of Auditor General’s Management letter key findings through a follow-up audit; and compiling 19 annual internal control assessments.

It is worth noting that neither GPT nor GIFA reflected on any major strategic risks that warrants intervention with respect to their APPs or Budgets and/or Performance, in their reports.

# INTRODUCTION

The Gauteng Provincial Legislature (GPL) conducts oversight on the Gauteng Provincial Government Departments in accordance with section 114(2) of the *Constitution of the Republic of South Africa* Act No. 108 of 1996) under Chapter 6: Section 114, Section 115, Section 133, and the *Public Finance Management Act* No. 1 of 1999 (as amended by Act 29 of 1999).

Furthermore, the Gauteng Provincial Legislature utilizes the Sector Oversight Model (SOM) and its tools in conducting oversight that includes three elements of legislative oversight i.e. the evaluation of the efficacy of the public service; the appropriateness of financial resource allocation and management; and the relationship between these key elements.

The Portfolio Committee in its assessment of the Gauteng Provincial Treasury’s Annual Report (inclusive of GIFA) considered the annual reporting requirements as set out in various policy documents, such as the *Treasury Regulations* as well as the GPL Standing Rules. The GPT’s Annual Performance against targets was analyzed and the deviations were taken into consideration and recommendations made towards their remedial.

# PROCESS FOLLOWED

The Speaker formally referred the Annual Report of the GPT to the Finance Portfolio Committee in terms of *Rule 149* of the *Standing Rules of the Gauteng Provincial Legislature* for consideration and reporting.

The Committee Researcher presented the analysis of the GPT (inclusive of GIFA) Annual Report at the Portfolio Committee meeting held on Friday, 20 October 2023. The analysis evaluated the performance of the GPT against its annual performance plan during the period under review.

GPT led by Member of Executive Council (MEC) J. Mamabolo, presented the Annual Performance Report of 2022/23 FY to the Portfolio Committee on Friday 27 October 2023, focusing on the departmental financial and non-financial performance.

The Portfolio Committee invited stakeholders to their meetings to observe Committee proceedings and later make verbal or written submissions and no submissions were received.

On 21 November 2023, the Portfolio Committee deliberated and adopted the oversight report on the Annual Performance Report 2022/23FY. The report was submitted to the Proceedings Unit for tabling and consideration by the House.

# COMPLIANCE AND QUALITY

In line with the GPL Standing Rules, GPT (inclusive of GIFA) timeously submitted all their Annual Performance Reports for the 2022/23 FY. GPT and GIFA reported on their financial and non-financial performance in line with the requirements of the Public Finance Management Act (PFMA) 1999.

# 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.

# OVERSIGHT ON TECHNICAL PERFORMANCE

## Achievement of APP predetermined objectives

Of the total number of 48 performance targets applicable for the period under review, GPT achieved 45 performance targets. This equates to 94% APP achievement compared to 88% in the previous financial year. It is reported that key performance challenges were experienced on the following targets: appointing 50% of women in Senior Management Service (SMS positions; under collecting in provincial own revenue by 2.8% on the set target of 6.7%; and 16 municipal budget assessments conducted in contrast to the planned 24. On the other hand, GIFA had 26 performance targets and 22 performance targets were achieved or 85% of the APP targets were realized. The challenges regarding the realization of performance targets are associated with GIFA completing 1 feasibility study instead of the planned 3; releasing one bankable projects to the market contrary to the planned 3, and facilitating one project to reach financial close study instead of the planned 3.

## *Programme Information*

***Programme 1: Administration***

The aim of this is to provide effective leadership, management and administrative support to enable the department to deliver on its mandate.

To this extent GPT achieved most of its performance targets with pockets of over performance under this programme, apart from one. The area of under achievement pertains to failure by GPT to meet the set target relating to appointment of 50% of women at SMS level. **The Portfolio Committee noted that the achievement of 50% representation of women at SMS level continues to be illusive, with GPT achieving 46%.** GPT attributed underperformance to the number of female SMS appointed not being adequate to address the deficiency, further exacerbated by female SMS resignations. The mitigate underperformance, heads of business units with less than 50% female representation submitted plans on how they will comply with the target and advertised SMS positions specifying that they are targeting female candidates.

The key performance targets achieved under this programme include the attainment of unqualified audit opinion; 100% payment of invoices within 30 days after receipt of the correct invoice; timeous submission of the approved APPs to the GPL; approval of departmental risk registers; and conducting 4 training workshops to promote awareness on Gender-Based Violence , Femicide and LGBTQI. In support of elevated priorities, GPT conducted legal due diligence reports on the establishment of a state-owned bank and a pharmaceutical company. Pursuant to the provincial priority of reducing youth unemployment, GPT reported placement of 11% of youth in development programmes against the staff establishment against the target of 10%. GPT indicated that the projection allowed for slight overachievement to support youth development.

Pertaining to the approved departmental risk registers, its was noted that internal audit provides assurance on the effectiveness of the internal controls that is risk based which is developed from the key Departmental Risk Register. It was further noted that the internal controls were reported to be adequate and partially effective and GPT continues to implement the audit recommendations which assist in addressing the concerns raised. **The Portfolio Committee noted the risks identified and urged GPT to continue mitigating such risks lest they threaten business continuity.**

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

The purpose of this programme is to enforce effective and efficient administration of fiscal at provincial institutions.

Of the 12 performance targets applicable under this programme, most performance targets were achieved albeit with pockets of over-performance. The area of underperformance relates to under collection of own revenue by 2.8% due to non-surrender of revenue from municipalities and SAPO. To alleviate underperformance, GPT reported that monthly meetings were held with municipalities and SAPO where payment agreements are entered into and monthly follow-ups to ensure compliance and improve provincial own revenue collection are conducted. **The Portfolio Committee advised GPT to consider the alternative of “taking back a banking” function as such will ensure that it collects revenue directly and reimburse SAPO and municipalities’ commission after performing reconciliations.**

The performance targets concern tabling 1 spatially referenced MTEF budget; obtaining an unqualified audit opinion with no matter for the Provincial Revenue Fund (PRF); publishing 2 provincial gazettes on allocation of schools; consolidating 12 and 40 In-Year- Monitoring reports for departments and entities, respectively; assessments reports of the 17 (100%) submitted planning documents conducted completed and submitted to the departments before the prescribed legislated timeframes; ensuring cash disbursed to departments does not exceed the appropriated funds; tabling the SERO in line with the prescribed timeframes; and Tabling the MTBPS in line with the prescribed timeframes. Most importantly, the programme surpassed performance targets associated with maintaining the GPG wage bill below the 56% and not 60% as planned; and tabling 2 spatially referenced adjustment budgets tabled as opposed to 1.

**GAUTENG INFRASTRUCTURE FINANCING AGENCY (GIFA)**

This agency falls within the SFRM programme, however it is presented as a separate annual performance report.

The Gauteng Infrastructure Financing Agency (GIFA) endeavours to be a centre of excellence in the public sector in strategic infrastructure financing solutions. It also places emphasis on sound corporate governance in the Gauteng Fund Project Office (GFPO) in respect of effective and efficient resource management services. It also secure alternative finance sources, such as the creation of new revenue streams, thereby ensuring cost efficiencies and consolidating resources for economies of scale. This complies with section 40 of the Public Finance Management Act, Act of 1999 (as amended by Act 29 of 1999).

**Project Status**

The Portfolio Committee noted the overall status of the 19 GIFA pipeline flagship projects as at 31 March 2023, as follows:

* 2 projects at Initiation Stage;
* 4 at Feasibility Stage;
* 5 projects at Market Release Stage;
* 1 project at Procurement Stage;
* 5 projects at Financial Close Stage; and
* 2 projects at Implementation Stage.

**Expenditure**

**Table 1: Appropriation and actual expenditure**

|  |  |  |  |
| --- | --- | --- | --- |
| **Programme** | **Final Appropriation R’000** | **Actual Spending R’000** | **% Spent R’000** |
| Programme 1: Administration  | 41 514 | 40 276 | 97 |
| Programme 2: Project Development and Compliance | 15 547 | 15 430 | 99 |
| Programme 3: Structured Finance | 6 645 | 6 299 | 95 |
| **Total Expenditure** | **63 706** | **62 005** | **97** |

 Source: GIFA Annual Report

Table 1 above reflects the total amount allocated to GIFA and the total expenditure as at the end of the 2022/23 FY. GIFA was allocated a total amount of R63 706 000 for the 2022/23 FY and managed to spend R62 005 000 or 97% compared to 90% in the previous financial year. This expenditure is slightly lower than the ideal 100% expenditure as at the end of the financial year, however it compares positively with the 85% APP achievement.

***Programme 1: Administration***

The purpose of this programme is to provide administration support the GIFA to become a centre of excellence. Key to supporting GIFA is providing strategic leadership, managing risks, monitoring and evaluating performance, resources planning and allocation, human resources management, communications, stakeholder relations management and auxiliary services.

Of the 17 performance targets planned under this programme all performance targets were achieved, translating into 100% achievement. **The Portfolio Committee applauded GIFA for achieving all its performance targets under this programme.** The key areas of achievement relate to among others to the review and implementation of the risk management policy; the approval and implementation of the Annual Performance Plan for the 2023/24 financial year; attainment of unqualified audit outcomes for the 2021/22 financial year; implementation of the internal audit plan; all concluded contracts managed in terms of deliverables versus payments; 100% of suppliers paid with 30 days; the review and implementation of the human resource management and development strategy; the approval and implantation of the organization-wide communication and stakeholder relations strategy ; and the review and implementation of ICT strategy.

As at the end of the financial year the vacancy rate for GIFA stood at 9.4%, which is reflection of percentage of post that are not filled. **The Portfolio Committee cautioned GIFA to maintain the vacancy rate under the acceptable level of 10%.**

**Audit findings by the Auditor General**

According to the Auditor-General’s (AG) opinion, the financial statements represent fairly, in all material respects, the financial position of the Gauteng Infrastructure Financing Agency as at 31 March 2023, and its financial performance and cash flows for the year then ended in accordance with Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa 1 of 1999 (PFMA).

**Although GIFA sustained a cleaned audit, the Portfolio Committee is concerned about material misstatements identified in the performance report which were subsequently adjusted.**

***Programme 2: Project Development and Compliance***

The purpose of this programme is to source infrastructure projects from sector departments, municipalities, and agencies. The Programme is responsible for developing the projects into comprehensive bankable business plans that are ready for funding and implementation. The key activities of the Programme involve identifying strategic and catalytic projects, conducting pre-feasibility and feasibility studies and releasing projects to the market.

Of the 6 performance targets planned under this programme, 4 performance targets were achieved with pockets of overperformance. The key performance areas include the review and the implementation of the sourcing strategy and plan; and the development of legal due diligence reports for the establishment of state-owned bank and pharmaceutical company. Furthermore, GIFA planned to source 3 projects approved for inclusion into the infrastructure pipeline and 5 projects were sourced, thereby surpassing the performance target. The sourced projects approved for inclusion into the project pipeline include, state-owned bank, pharmaceutical company, Hospital Revitalization, land optimization, and energy solutions.

The areas of underperformance relate to the number of feasibility studies completed and approved and the release of bankable projects to the market. GIFA planned to complete 3 approved feasibility studies, however only one feasibility study (GPL) was completed and approved. **The Portfolio Committee noted that underperformance was attributed to the National Treasury’s moratorium on procurement of goods and services, which delayed the appointment of Transactional Advisors to conduct feasibility studies for PWV 15 and AIDC Inland Port.** Furthermore, GIFA released 1 bankable project (Sedibeng Agro-processing Hub) to the market as opposed to 3 projects. Underperformance for Krugersdorp Game Reserve was ascribed to the protracted Municipal Council approvals delaying the applications to National Treasury for TVR (treasury Views and Recommendations)I and TVRII(a); while the release of Gauteng Schools to the market was delayed by the prolonged Budget Facility for Infrastructure approval process; and confirmation of project affordability was awaited for the City of Johannesburg AWTT for GIFA to apply for TVRII(a) from National Treasury.

***Programme 3: Structured Finance***

The Portfolio Committee notes that the purpose of this Programme is to structure finance for strategic infrastructure projects, engage potential private and public funders with the aim of raising finance for the projects and to constantly research best practices and models for financing infrastructure projects. The key activities in this business unit involve ensuring that the projects accomplish financial close.

This programme had 3 performance targets and 1 performance target was achieved. The key only performance target realized pertains to the review and implementation of the Funder Engagement Strategy and Plan. **The Portfolio Committee noted that GIFA utilizes the Funder Engagement Strategy and Plan to interact with funders to gauge their appetite to fund the projects as soon as the project preparation phase has been completed and to build a pipeline of credible and bankable projects for implementation.** Through the Funder Engagement Strategy and Plan GIFA secured R10 million for project preparation work from the African Development Bank for the Bokamoso Ba-Rona Initiative, R12 million for the Rooftop Solar PV project from the DBSA and R15 million for the COJ AWTT project. Moreover, interest has been expressed from the International Finance Corporation for funding of the Ekurhuleni AWTT project. **The Portfolio Committee noted with appreciation that the** **Innovation Hub: Enterprise Building 3 and Rooftop Solar PV projects secured funding through the initiatives of the Funder Engagement Strategy and Plan.**

Underperformance was recorded on the performance targets associated with the number of feasibility studies analysed and tested for bankability, and the number of projects to conclude financial close. With regard to analysing and testing projects for bankability, GIFA manged to analyse and test 1 project (GPL) contrary to the planned 3 projects. GIFA indicated that feasibility studies for PWV 15 and AIDC Inland Port were not completed, hence it could not meet the target. In addition, only 1 project (Gauteng Schools Programme) was assisted to conclude financial close, instead of the planned 3. The projects that could not conclude financial close relate to TIH: EB 3 and the Rooftop Solar Phase 2. For the former, the delayed conclusion of the Commercial Close and Financial Close was due to the protracted process of concluding funding arrangements between by the Party and the Financial Institution. While for the former, the prolonged private party’s legal due diligence on GIFA’s procurement process was cited as the reason for the deviation.

**Programme 3: Financial Governance**

This programme seeks to promote accountability through substantive reflection of financial activities as well as compliance with financial standards, norms and standards as contained in the Public Finance Management Act (PFMA).

Of the 6 planned performance targets for this programme, all performance targets were achieved with pockets of over-performance. **The Portfolio Committee commended GPT for achieving all the performance targets under this programme.** The key performance targets are about ensuring 100% of GPG departments their entities submit Annual Financial Statements in accordance with the legislated prescripts; tabling the consolidated annual financial statements for the 2021/22 FY to the legislature in line with the prescribed timeframes; monitoring the payment of suppliers by departments to promote compliance with the 30 days supplier payment policy; and approving the clean audit strategy. Furthermore, GPT ensured that 98% of supplier invoices were submitted electronically against the target of 90% **The Portfolio Committee noted with appreciation that GPT surpassed the performance target concerning electronic submission of invoices, as that will expedite the payment of suppliers within 30 days.**

 **Programme 4: Provincial Supply Chain Management**

This programme aims to promote and enforce transparency and effective supply chain management.

Of the 10 performance targets applicable to Provincial Supply Chain Management (SCM) programme, all performance targets were achieved even though with pockets of excellence. The key performance achievements are linked to GPT producing 4 consolidated SCM registers for departments and entities, producing 4 reports on 30% spend on township suppliers; producing 4 reports on subcontracted contracts; producing 4 reports on monitoring of open tender for departments and entities; producing 2 reports on monitoring implementation of procurement plans by departments; and developing preferential procurement guidelines.

Moreover, GPT planned to provide 4 training workshops to Gauteng township-based suppliers and 11 training workshops were provided. **The Portfolio Committee applauded GPT for exceeding performance expectations in terms the performance target regarding the number of training workshops provided to Gauteng Township-based suppliers and encouraged that should be reflective by the increased utilization of township suppliers in response to the Township Economic Revitalization Strategy. It was further noted that GPT condoned 22% of historical irregular expenditure within the provincial sphere, contrary to the planned 15%.**

On the request that GPT provide more information regarding what the SCM compliance registers reports reveal from the compliance regime perspective. GPT indicated that not all Departments were compliant with the SCM prescripts such as not reporting deviations, not obtaining three quotations and expired contracts. **The Portfolio Committee is concerned about non-compliance with SCM prescripts by some departments, as such may lead to interruptions to the procurement of goods, services and works; and failure to source goods and services at the right price and at the right time.**

 **Programme 5: Municipal Financial Governance**

The purpose of this programme is to ensure efficient and effective management in municipalities and municipal entities and coordinate the provisioning of capacity building.

Of the five performance targets under this programme, GPT realized most performance targets and overperformed on three performance targets. Chief among the performance achievements is conducting 30 assessments on MFMA compliance by delegated municipalities compared to the planned 16; due to the need to workshop SCM officials on Preferential Procurement Regulations 2022 guidelines, the department conducted 9 training initiatives with municipalities, thus exceeding the target 3; and owing to municipalities requesting additional funds from transferring provincial departments, the planned target of publishing 3 provincial grants to municipalities was exceeded by 2. Finally, quarterly MFMA compliance assessments were conducted on all 8 delegated municipalities to assess their MFMA compliance. On the other hand, GPT conducted 16 planned municipal budgets assessments instead of 24. Underperformance was ascribed to delays in communicating adjusted budget assessments to 7 municipalities with 1 assessment for Mogale City not completed as the municipality did not submit documents.

**Programme 6: Gauteng Audit Services**

The programme’s objective render audit services in the GPG departments.

**The Portfolio Committee noted with appreciation that Gauteng Audit Services achieved all its planned performance targets in the 2022/23 FY.** Key achievements pertain to issuing 95% of audit issued to departments and trading entities; approving 19 Audit Committee audit plans issued to departments and trading entities; tracking 100% implementation of AG’s recommendations at departments and entities; following up on 100% of AG’s Management Letter key findings through a follow-up audit; and compiling 19 annual internal control assessments.

The assessments for GPG departments and entities reveal that some departments and entities have internal controls that are adequate/effective, partially adequate/effective, and inadequate/ineffective. **Portfolio Committee advised GPT to ensure continued support to departments and entities as such will ensure compliance with laws and regulations and accurate and timely financial reporting and data collection.** Thereby helping to maintaining operational efficiency of departments and entities by identifying problems and correcting lapses before they are discovered in an external audit.

Despite the programme having a vacancy rate of 42.70% for the period under review, efforts are underway to resource the programme adequately to execute its mandate. **The Portfolio Committee noted with appreciation that the vacancy rate did not a direct impact on the operations of the programme as capacity was augmented by the appointment of the municipal advisors.**

# OVERSIGHT ON BUDGET EXPENDITURE

**Table 3: Financial Performance per Programme**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **PROGRAMME** | **Final Appropriation R’000** | **Actual Expenditure R’000** | **Variance****R’000** | **% Spent** |
| 1. Administration
 | 172 384 |  171 098  | 1 286 | 99.3 |
| 1. Sustainable Fiscal Resource Management
 |  149 085  |  148 680  | 405 | 99.7 |
| 1. Financial Governance
 |  115 276  |  115 375  | 901 | 99.2 |
| 1. Provincial Supply Chain Management
 |  88 046  | 88 029  |  17 | 100 |
| 1. Municipal Financial Governance
 |  45 903  |  45 414  | 489 | 98.9 |
| 1. Gauteng Audit Services
 |  113 371  | 113 354 | 17 | 100 |
| **TOTAL EXPENDITURE** |  684 065  | 680 950 | **3 115**  | **99.5** |

Source: GPT AR 2022/23

Table 3 above shows the allocation of funds per programme, with Administration getting the biggest allocation followed by SFRM and Financial Governance. During the period under review, all programmes spent equal and greater than 95%, with PSCM spending 100% of its budget.

The Portfolio Committee noted that GPT recorded expenditure of R680 950 000 or 99.5% of the final appropriation of R684 065 000 for the period under review. Overall underspending though insignificant was due to vacant posts on the new approved and suppliers not meeting the required specifications for procurement of laptops under Administration Programme, vacant posts on the new approved structure not yet filled under Financial Governance Programme, and late implementation of municipal hands-on support programme under Municipal Financial Governance Programme.

The Municipal Hands-on Support programme endeavour to provide capacitation to delegated municipalities on a variety on issues pertaining to financial management and financial reporting. The support provided includes the implementation of Municipal Standard Chart of Accounts (MSCOA), Budgeting, Revenue and Expenditure Management, Supply Chain Management, Asset Management, Accounting and Audit [Services](https://www.polity.org.za/topic/services). **The Portfolio Committee therefore urges GPT to ensure timely implementation of the Municipal Hands-on Support programme in view of the dire state of municipalities.**

# OVERSIGHT ON PUBLIC INVOLVEMENT

As required by the Standing Rules of the Gauteng Provincial Legislature*,* the Portfolio Committee invited stakeholders to their meetings to observe Committee proceedings and later make verbal or written submissions and no submissions were received.

# OVERSIGHT ON RESOLUTION MANAGEMENT

| **RESOLUTIONS MANAGEMENT** |
| --- |
| **RESOLUTIONS PASSED DURING ALL 4 QUARTERS LEADING UP TO THIS ANNUAL REPORT** |
| **Total number of Resolutions passed during the Financial Year** |
| *14* |
| **Nature of Resolutions** |
| *01 – Internal Arrangements**7 – Service Delivery**6 – Good Governance* |
| **RESOLUTIONS / ACTIONS NOW DUE (OR PAST DUE)** |
| ***Number of Resolution Responses / Action now due*** |
| *0* |
| **RESOLUTIONS CLOSED** |
| ***From those now due, how many Resolutions are now satisfactorily closed*** |
| 14 |
| **REASONS** |
| ***Reasons for Resolutions not yet closed*** |
|  |
| ***Measures taken by the Committee to ensure speedy Closure of Resolutions due but still open*** |
|  |
|  |

# OVERSIGHT ON ANY OTHER COMMITTEE FOCUS AREA

**Audit findings by the Auditor General**

According to the Auditor-General’s (AG) opinion, the financial statements present fairly, in all material respects, the financial position of the Gauteng Provincial Treasury as at 31 March 2023, and its financial performance and cash flows for the year then ended, in accordance with Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa 1 of 1999 (PFMA). **The Portfolio Committee expressed its appreciation for the GPT sustaining its clean audit status.**

The presentation by the Office of the AG indicated that there were key areas requiring culture shift, that is, performance indicators, support provided to delegated municipalities, budget assessments for municipalities, and the open tender process. It was noted that the performance indicators of GPT tends to be more statistical than qualitative. **Hence, the Portfolio Committee is concern that the performance targets of GPT are not SMART compliant.**

With regard to the support provided to municipalities in the way of targeted capacity building to assist in a variety of areas, like the appointment of MSCOA and general advisors. It was confirmed that through engagements with some delegated municipalities that GPT does indeed provide support to delegated municipalities. **In view of the declining level of service delivery standards, the Portfolio Committee is concerned that capacity building initiatives to municipalities may not be targeted enough to address the issues faced by municipalities.**

Furthermore, it was established through engagements with municipalities that most municipalities still need budgeting of 8% for maintenance of aging infrastructure and only one municipality managed to submit 2022-23 funded budget to GPT. **The Portfolio Committee is concerned about the quality of GPT’s assessments on the budgets of delegated municipalities and the extent to which their recommendations are implemented.**

The Open Tender Process (OTP) promotes transparency of the procurement process to award bids through fair competition in GPG while ensuring compliance with Supply Chain Management rules and regulations. It also affords businesses and citizens can track tenders valued at above R2 million. According to the AG’s report, only 37% (203/556) of bids subjected to open tender process for departments and 15% for entities. **The Portfolio Committee is concerned about the degree to which GPT ensures that there is compliance with Open Tender Processes within the province.**

# FINDINGS, RECOMMENDATIONS AND IMPLICATIONS ON LAW MAKING

**Committee Concerns**

The Committee is concerned about the following:

**GIFA**

1. **The Portfolio Committee is concerned about material misstatements identified in the performance report which were subsequently adjusted.**

**GPT**

1. **The Portfolio Committee is concerned that the performance targets of GPT are not SMART compliant;**
2. **The Portfolio Committee is concerned that capacity building initiatives to municipalities may not be targeted enough to address the issues faced by municipalities.**
3. **The Portfolio Committee is concerned about the quality of GPT’s assessments on the budgets of delegated municipalities and the extent to which their recommendations are implemented; and**
4. **The Portfolio Committee is concerned about the degree to which GPT ensures that there is compliance with Open Tender Processes within the province.**

**Committee Recommendations**

After assessing the Annual Performance of GPT and GIFA, the Portfolio Committee recommends the following and requires that response should reach the Portfolio Committee by **31 January 2024.**

**GIFA**

1. **That GIFA should provide areas where and why there were material misstatements in its annual performance report and how such will be prevented from recurring.**

**GPT**

1. **That GPT should submit a process plan on how it will overhaul its Annual Performance Plans such that performance indicators are not only quantitative, but they should have a qualitative aspect to gauge their impact on lived realities;**
2. **That GPT should provide a report outlining what impedes the effectiveness of its capacity building initiatives to delegated municipalities as evidenced by the poor state of municipalities;**
3. **That GPT should provide a report highlighting the quality of their recommendations to delegated municipalities with regard to their assessments on the budgets and the extent to which there is an uptake of its recommendations;**
4. **That GPT should provide a report enunciating the departments and/or entities that did not subject bids equal and over R2 million to the Open Tender Processes and if there has been consequence management for officials concerned.**

# ACKNOWLEDGEMENTS

The Portfolio Committee extends gratitude to the Honourable MEC J. Mamabolo, the Head of Department Ms. 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 Annual Performance Report process goes to all Members of the Finance Portfolio Committee Dr. M.R. Phaladi-Digamela; Dr. B. Masuku; Ms. R. Mogale; Mr. S. Khanyile; Ms. A. Randall; Ms. D. Mdlankomo; and Ms. A. de Lange.

The Committee’s gratitude is extended to the following support staff: Group Committee Coordinator Mr. T. Bodibe, Senior Committee Coordinator Mr. J. Ntsane; Researcher Ms. L. Chiloane; Legal Advisor Ms. W. Ngubane; Senior Information Officer Mr. W. Nsibande; Media Officer Mr. A. Dikola; Committee Support Unit Intern Ms. T. Mangole, PPP Intern Mr. Canwel Nkosi; Service Officer Ms. R. Msimanga, and Hansard Recorder Ms. R. Singh.

# ADOPTION

After due consideration the Finance Portfolio Committee unanimously adopted the Gauteng Provincial Treasury Annual Performance Report for the 2022/23 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 the Gauteng Provincial Treasury (inclusive of GIFA) Annual Performance Report for the 2022/23 FY.