No.0449 - 2023: Fifth Session, Sixth Legislature

**GAUTENG PROVINCIAL LEGISLATURE**

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**ANNOUNCEMENTS,**

**TABLINGS AND**

**COMMITTEE REPORTS**

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

Monday, 04 December 2023

**ANNOUNCEMENTS**

none

**TABLINGS**

none

**COMMITTEE REPORTS**

**1. The Chairperson of the Standing Committee on Public Accounts, Hon. S Khanyile, tabled the Committee’s Oversight Report on the Report of the Auditor-General of South Africa to the Gauteng Provincial Legislature on Financial Statements of the Gauteng Enterprise Propeller (GEP) for year ended 31 March 2023, as attached:**

**STANDING COMMITTEE ON PUBLIC ACCOUNTS OVERSIGHT REPORT ON THE REPORT OF THE AUDITOR-GENERAL OF SOUTH AFRICA TO THE GAUTENG PROVINCIAL LEGISLATURE ON THE FINANCIAL STATEMENTS OF GAUTENG ENTERPRISE PROPELLER FOR THE YEAR ENDED 31 MARCH 2023**

**23 NOVEMBER 2023**

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**Acronyms**

AGSA Auditor-General of South Africa

AIF Africa Investment forum

APP Annual Performance Plan

CFO Chief Financial Officer

DG Director-General

GPL Gauteng Provincial Legislature

GTA Gauteng Tourism Authority

MPL Member of the Provincial Legislature

PAA Public Audit Act

PFMA Public Finance Management Act

PME Performance Monitoring and Evaluation

RSA Republic of South Africa

SLA Service Level Agreement

TR Treasury Regulations

1. **INTRODUCTION**

The Standing Committee on Public Accounts (SCOPA) has examined the Report of the Auditor-General of South Africa (AGSA) to the Gauteng Provincial Legislature (GPL) on the financial statements of the Gauteng Enterprise Propeller (GEP) for the year ended 31 March 2023. This was done as per GPL Rule 178 (3).

The function of SCOPA is to examine the financial statements of the Gauteng Provincial Legislature (GPL), all executive organs of the Province, and other Provincial organs of state, including any reports issued by the AGSA on the affairs of GPL, Office of Premier (OoP), Departments and Entities of Gauteng Provincial Government (GPG). SCOPA is required to do this on behalf of the Legislature, to ensure accountable utilization of resources and prudent financial management and to make recommendations to the Legislature.

In the process of examining the financial statements and reports of an organ of state, SCOPA must ensure that they comply with of the Constitution of RSA, the Public Financial Management Act, and the requirements of the Public Audit Act No 5 of 2018. SCOPA must also consider the previous statements and reports of such an organ and report on the degree to which shortcomings have been rectified as required by GPL Rule 178 (3).

1. **PROCESS FOLLOWED**

The Report of the AGSA on the financial statements of Gauteng Enterprise Propeller (GEP) for the year ended 31 March 2023, was tabled together with its 2022/23 Annual Report on 30 August 2023. This was done in terms of Sections 188(1) and (2) of the Constitution of the Republic of South Africa, (Act No. 108 of 1996), read with Sections 4, 20, and 21 of the Public Audit Act No 5 of 2018.

The report was referred by the Speaker to SCOPA on 30 August 2023 for consideration, as per Rule 149 read with Rule 233 of the Standing Rules of the GPL.

On Thursday, 19 October 2023, the Committee was briefed by the Auditor-General of South Africa on the audit outcome of Gauteng Enterprise Propeller (GEP).

In the process of SCOPA considering the reports of the AGSA, the following reports were received from the Stakeholders of the Committee on 19 October 2023:

* The report by the Office of the Premier on Gauteng Forensic Unit report on progress made on special focus cases and investigations referred by Departments;
* The report by the MEC for Finance on the Assessment of consolidated AFS and consolidated Audit Outcomes;
* The report by the Office of the Public Service Commission in Gauteng on GPG Departments Public Administration Practices; and
* The report by Gauteng Office of the Public Protector on Investigations related to Gauteng for the period 2022/23 and outstanding for prior years.

The Committee analysed the report and produced preliminary questions which were sent to the Gauteng Enterprise Propeller (GEP) for responses by 01 November 2023. The Gauteng Enterprise Propeller (GEP) submitted its responses to the preliminary questions on the 10th November 2023. In examining the responses by Gauteng Enterprise Propeller (GEP), the Committee resolved not to conduct a public hearing with the GEP.

On Friday, 23 November 2023, the Standing Committee on Public Accounts (SCOPA) considered and adopted its Oversight Report on the report of the Auditor-General of South Africa for Gauteng Enterprise Propeller (GEP) for the year ended 31 March 2023.

1. **FINDINGS BY THE AGSA ON THE REPORT**
	1. **Audit Opinion**

The Auditor-General of South Africa (AGSA) issued an unqualified audit on the financial statements of the Gauteng Enterprise Propeller (GEP).

This is an unchanged audit opinion, from that which it received in the previous two financial years (2021/22 and 2021/20).

* 1. **Emphasis of Matters**

Emphasis of matters were raised on the following:

* Irregular expenditure

The AGSA did not identify any findings or significant deficiencies in the following areas of audit.

* Audit of annual performance report

However, there were findings or significant deficiencies raised on the following, which will be discussed in detail in this report:

* Audit of compliance with legislation
* Audit of internal controls
1. **COMMITTEE FINDINGS AND CONCLUSIONS BY AGSA**

As reported earlier, the Committee engaged the Gauteng Enterprise Propeller (GEP) through preliminary questions which were generated during the analysis of the report of the Auditor-General of South Africa. The Committee has analyzed the responses of Gauteng Enterprise Propeller (GEP) and has determined as indicated in this section on areas of findings.

**4.1 IRREGULAR EXPENDITURE**

**4.1.1 Findings by the AGSA**

The AGSA reported that the entity did not take effective and appropriate steps to prevent irregular expenditure amounting to R1 521 082 as disclosed in note 40 to the annual financial statements, as required by section 51(1) (b) (ii) of the PFMA. The majority of the irregular expenditure was caused by non-compliance with procurement processes.

* + 1. **Committee findings**

The Committee noted that the entity extended the lease contracts which led to irregular expenditure amounting to R1 521 082.

The entity reported that due to PFMA regulation stating that all valid invoices be paid within 30 days, it made payment as required while identifying the cause of non-compliance and reconciliation of available evidence. Expenditure continued due to occupation of premises as well as protection of its assets and delayed procurement due to financial constraints.

The entity reported that measures have been taken to review the contract function and to implement a weekly system and to update the contract register in line with active contracts. Contracts that are due for review are highlighted and the process to extend or terminate have been centralized to SCM in consultation with the project managers to ensure proper oversight and internal control.

Furthermore, measures have been put in place for services that require continuation, to ensure procurement is initiated and finalised before the existing contract lapses to ensure proper handover and minimise service interruption without incurring irregular expenditure and to ensure compliance with regulatory requirements.

Finally, Committee noted that the entity has received approval for deviation for the leased offices for a 12-month period from 1 April 2023 to 31 March 2024. The Audit and Risk Committee has approved the appointment of a Contract Officer in the SCM unit to manage all the entity’s procurement contracts. The tender process for development of the Terms of Reference for the procurement of lease offices will commence on 15th November 2023 for publication by 01st December 2023 and anticipated finalisation by January 2024.

**4.2 INTERNAL CONTROLS**

**4.2.1 Findings by the AGSA**

The AGSA reported that management of the entity did not adequately review and monitor compliance with applicable laws and regulations relating to prevention of irregular expenditure.

**4.2.2 Committee findings**

The reported that it complies with laws and regulations, except for non - compliance to irregular expenditure and BBBEE that was identified in the 2022/23 Financial Year. Contract management is monitored closely to curb unwanted expenditures emanating from expired contracts. To date, no irregular expenditures have been realized.

**5. COMMITTEE RECOMMENDATIONS**

5.1 That the entity must develop and implement measures to ensure that lease contracts are renewed timeously to avoid consumption of services on expired contracts and provide the Committee with a report by 30 April 2024.

5.2 That the entity must provide the Committee with a report detailing the status of the appointment of a Contract Officer in the SCM Unit by 30 April 2024 and a quarterly progress report continuing up until finalisation thereof

5.3 That the entity must provide the Committee with a report detailing the outcome of the tender process for development of the Terms of Reference for the procurement of lease offices by 30 April 2024 and a quarterly progress report continuing up until finalisation thereof.

5.4 That the entity must provide the Committee with a progress report detailing the effectiveness of the following regarding internal controls deficiencies and provide the Committee with a progress report by 30 April 2024:

* Implement and adequately monitor action plans to prevent repeat findings.
* Conduct adequate reviews of the annual financial statements and performance information to be implemented on a quarterly basis.
* Strengthen the financial support loan deal initiation and vetting process to reduce credit defaults and the reliability of the debtors’ book by improving follow up with legal over debt collection.

**6. CONCLUSION**

In conclusion, the Committee noted that the Gauteng Enterprise Propeller (GEP) has obtained an unqualified audit opinion on the financial statements and finding on non-compliance matters.

**7. ACKNOWLEDGEMENTS**

I would like to thank the following Members: MJ Kanyane; RJ Kekana; BP Mncube; MJ Modise; DP Malema; A De Lange; P Atkinson; AW Cilliers; and P Mdlankomo for their diligent deliberations during this process.

I would also like to express my appreciation to the MEC of Finance, J Mamabolo and officials of the Gauteng Provincial Treasury; the Gauteng Business Unit Leader of the Office of Auditor-General South Africa (AGSA), Mr. Dumisani Cebekhulu and his team; Group Committee Co-ordinator, Monica Vaas for tabling the report; Senior Committee Co-ordinators, Simon Magolego, and Mompati Gaonnwe; Committee Co-ordinator, Catherine Thobejane; Committee Researchers, Bongi Dlamini and Lerato Mofokeng; Administrative Assistants, Sizakele Mthembu Media Officer, Pfano Bulasigobo; Senior Information Officer, Jacky Letsoalo; Legal & Procedural Advisor, Winnie Ngubane; Service Officer, Lithemba Simon, PPP Lerato Bodman and the Hansard Operator, Sylvester Baloyi without whom this process would not have been successfully completed.

**8. ADOPTION OF THE REPORT**

After due deliberations, the Standing Committee on Public Accounts (SCOPA) unanimously adopted its Oversight Report on the Report of the Auditor-General of South Africa (AGSA) to the Gauteng Provincial Legislature on the financial statements of Gauteng Enterprise Propeller (GEP) for the year ended 31 March 2023.

In terms of Standing Rule 117 (2)(c) read together with 164, the Committee presents to this House the above-mentioned report for consideration and adoption.

**Mr. Sochayile Khanyile, MPL**

**Chairperson: Standing Committee on Public Accounts**