**2. Report of the Standing Committee on Appropriations on its activities undertaken during the 5th Parliament (May 2014 – March 2019), dated 20 March 2019**

**Key highlights**

1. **Reflection on committee programme per year and on whether the objectives of such programmes were achieved**

**Key objectives which informed the Committee programme during 5th Parliament:**

* To influence budget policy decisions through effective implementation of the Money Bills Act;
* To strengthen oversight over budget performance of departments through proactive and visible oversight;
* To strengthen oversight over budget performance of departments through enhanced quarterly expenditure performance assessment;
* To enhance and promote best practice in key spending controls;
* To ensure value for money and improved coordination in the provision of social and economic for infrastructure;
* Improve collaboration between Committees of both Houses and ensure proactive oversight on strategic issues;
* To facilitate public participation in the government’s budget processes;
* To invite international delegations to share best practices in budget oversight;
* To capacitate members and staff of the Standing Committee on Appropriations (SCOA).

**Key achievements as per the stated objectives:**

* **To facilitate meaningful public participation and foster intergovernmental relations the Committee held the following public hearings on the budget and expenditure related matters:**
* The Committee received comments on the 2016/17 budget via an online tool developed by the International Budget Partnership (IBP) and Code4SA. The tool, which was available at http://vote4thebudget.org/, gave the public the opportunity to weigh in on the five biggest increases and five biggest cuts to programmes in the budget.
* Public hearings on the 2017 Appropriation Bill in Khayelitsha;
* A National Budget Dialogue on the 2018/19 National Budget;
* Engagement with aviation industry experts, economic experts, and other stakeholders on South African Airways (SAA) debt relief and recapitalisation;
* Joint hearings with the Portfolio Committee on Health on the effective co-ordination and alignment of national and provincial spheres of government in the delivery of health services so as to ensure value for money, efficient planning and resource allocation;
* Regular inputs from Equal Education in respect of the Scholar Transport programme;
* The Committee received regular submissions in terms of the budget and adjustments budget from the Rural Health Advocacy Project, Budget Justice Coalition; and Equal Education.
* **To capacitate members and staff the following trainings were facilitated/attended:**
* Training by National Treasury in public Supply Chain Management processes and regulations in order to enable better oversight over budgeting and spending issues;
* APAC training focusing on: Audit of Predetermined Objectives; Best Practices Case Studies on Unauthorized, Irregular, Fruitless & Wasteful expenditure and SCM challenges; Consequence Management; Insights on Performance Audits (Urban Renewal/Management of Pharmaceuticals/Water Infrastructure); and Conflict of Interest and Employees doing business with the State; and
* Training by Financial and Fiscal Commission on Budget Analysis for effective fiscal oversight focusing on economic outlook and Division of Revenue; and Individual departmental appropriations.
* **To Improve collaboration between Committees of both Houses and ensure proactive oversight on strategic issues, the Committee did the following:**
* The Committee held joint briefings and public hearings on some of the budget instruments with the Select Committee on Appropriations and the Standing and Select Committees on Finance;
* In 2015, the Committee undertook a joint oversight to the Passenger Rail Agency of South Africa (PRASA) with the Portfolio Committee on Transport,
* In 2018, the Committee undertook a joint oversight on Bucket Eradication Programme to the Free State Provinces with the Portfolio Committee on Water and Sanitation and the Free State Portfolio Committee on Finance and Public Accounts;
* The Committee invited Portfolio Committees to Section 32 (PFMA) expenditure hearings with identified national departments and entities.
* In 2017, the Committee held a joint hearing with the Portfolio Committee on Health, where all provincial health departments were invited together with the national Department of Health to discuss challenges around the South African health system. This emanated from the Committee’s oversight work where similar trend of challenges were identified in the health sector, i.e the value for money, efficient planning, resource allocation, poor maintenance of facilities, poor budgeting for health, non-compliance with supply chain processes, increase in the Medico Legal claims, under expenditure on National Health Insurance conditional grants etc.
* **To strengthen oversight over budget performance of departments through enhanced quarterly expenditure performance assessment, the Committee did the following:**
* Ongoing quarterly engagements with National Treasury on Section 32 reports followed by hearings with affected departments. The Committee tabled reports in the National Assembly with recommendations on expenditure matters;
* Invited departments were required to report on linkages between spending and actual performance and the progress on the attainment of Medium Term Strategic Framework (MTSF);
* Quarterly briefing from National Treasury on expenditure included briefing by the Office Chief Procurement Officer (OCPO) to facilitate in-year monitoring over supply chain management deviations and expansions as an early detection mechanism for potential unauthorised or irregular expenditure;
* The Committee requested National Treasury to include public entities as part of quarterly reports on expenditure patterns in order to identify potential risks to the fiscus;
* **To strengthen oversight over budget performance of departments through proactive and visible oversight and enhance and promote best practice in key spending controls:**
* The Committee made recommendations which were responded to positively by Government. Some of the recommendations and responses are as follows:

*- On Scholar Transport Government responded that all relevant stakeholders have met and are implementing a programme of*

 *action to address scholar transport challenges related to clear assignment of function, effective coordination, reliable, accurate*

 *and consistent data on number of learners as well as the responsiveness and alignment of budget allocations to scholar*

 *transport needs and requirements in provinces.*

*- Government agreed to develop systems and mechanisms to ensure that cost reflective tariffs are sufficiently communicated to*

 *communities and phased in with due consideration to the ability of household to absorb these costs.*

*- On the issues pertaining to the use of consultants, government and government agreed that it will*

 *develop systems and mechanisms that will compel skills transfer in the appointment and use of consultants in the areas of*

 *financial reporting services, preparation of performance information and Information and Technology services; inclusive of*

 *guidelines on appropriate outsourcing.*

*- On the health sector a key issue of concern was Medico-legal claims. These claims pose a serious risk to the going concern*

 *status of provincial departments of health. This seriously undermines budget planning and budget execution with significant*

 *risks posed on the sustainability of the delivery of health care services. The Health Minister responded speedily to this concern*

 *by the Committees and promised to investigate the actions of lawyers who are suing billions of rand in provincial departments*

 *of health.*

 *-The 2017 MTBPS and DPME Mandate Paper also indicates that work is underway in addressing this issue. The*

 *Committee also recommended that the national and provincial departments should embark on community education outreach*

 *programmes to alert the general populace of the negative ramifications of pursuing such claims.*

* **To influence budget policy decisions through effective implementation of the Money Bills Act:**
* The Committee adopted the proposed amendments to the 2017 Adjustments Appropriation Bill [B25-2017] and its related report. These are the first ever budget amendments effected by Parliament since the dawn of democracy. Amending Money Bills is seen as an important expression of Parliament’s independence and a powerful tool to exercise oversight over the executive. The Committee also adopted its first ever risk statement. Overall, the Committee’s risk statement serves to identify and focus its attention to programmes that display planning and implementation weaknesses. These programmes provide critical services to the public. Programmes identified will be considered for making their allocations conditional or their allocations amended in the following year’s Appropriation Bill.
* The Money Bills Act has been amendment in 2018 with a view to easing the time pressures on Committees to process, especially the Adjustments Budget.
* **To share best practices on budget oversight with international delegations:**
* The Committee embarked on a study tour to Germany and Sweden in January 2017
* The Committee interacted with the following international delegations who were visiting the South African Parliament: Nigerian National Assembly Appropriations Committee, Budget Committee from Bundestag in Germany, South Korean Parliamentary delegation, and an Indian delegation from the National Institute for Public Finance and Policy (NIPFP).
1. **Committee’s focus areas during the 5th Parliament**
* Public spending underpinned by effectiveness, efficiency and economy;
* Credible scrutiny of all legislation before the Committee;
* Catalyse and enable better linkages between expenditure and outcomes;
* Public infrastructure expenditure underpinned by value for money and positive outcomes; and
* Enhanced committee effectiveness through value adding and positive inter-relationships within all committee structures.
1. **Key areas for future work**
* National Treasury projects to keep abreast of:

- Infrastructure Budget Facility for the assessment of efficiency and cost effectiveness of infrastructure projects.

- Supply Chain Management reforms and amendment to legislation.

- Integrated Financial Management System project (IFMS).

- Employment Creation Facilitation Fund (Jobs Fund).

- Infrastructure Fund (As introduced as part of the Economic Stimulus and Recovery Plan).

- Government Guarantees and ensuring of implementation of conditions related to additional funding (bailouts) especially relating

 to SAA, SAPO, ESKOM and SA Express

* Work of the Presidential Infrastructure Coordinating Council (PICC) and progress on Strategic Infrastructure Projects (SIPs);
* Key programmes that present significant implementation risk includes the following: Water infrastructure development, Expanded Public Works Programme, School infrastructure development (ASIDI), Learner Transport Programme, maintenance of existing infrastructure,
* Closer scrutiny of national departments reflecting high spending and yet low performance against planned targets;
* The following public entities showing poor audit outcomes: Department of Basic Education, Independent Development Trust (IDT), South African Broadcasting Corporation (SABC), Passenger Rail Agency of South Africa (PRASA),
* Follow-up on progress or turnaround of the following public entities which received special appropriations: South African Airways, South African Post Office, SA Express, and ESKOM.
* Financial Recovery in the Department of Water and Sanitation; and
* Public Sector and Provincial Wage Bill.
* Payment of monies owed to municipalities by both national and provincial departments;
* Payment of monies owed by municipalities to ESKOM and Water Boards;
* Payment of invoices within 30 days as prescribed by the Public Finance Management Act;
* DPW and SANDF finalise the function shift of infrastructure development and maintenance;
* Finalise the location of the Scholar Transport function; and
* Improve the mismatch between expenditure and performance targets achieved.
1. **Key challenges emerging**
* Macro-challenges related to slow or declining economic growth necessitating government to do more with less
* Changes in parliamentary programme and their impact on planned committee activities as per the committee programme
* Late or non-submission of data/information by departments which undermines meaningful engagement during committee meetings and oversight visits
* Lack of responses from some departments or inadequate information
1. **Recommendations**
* Parliament to ensure that responses to Committee findings and recommendations are prompt.
* Political Parties to consider, if feasible, not allocating Permanent Members of the SCOA as alternatives to other Committees.
* Training of Members to be a central pillar for the Committee.
* Money Bills to allow for sufficient time to consider the very complex finance issues.
* The Committee should consider employing a focused approach to its mandate whereby members are allocated into different areas of key priorities of government to strengthen oversight. Members should be deployed according to their competency as well as experience on these priority areas.
* The Committee should strengthen and enhance beneficial partnerships with internal and external stakeholders such as Parliamentary Budget Office, Financial and Fiscal Commission, South African Local government Association, National Treasury, Public Service Commission, Auditor General, Office of the Chief Procurement Officer and others.
* The Committee should strengthen links with international bodies such as World Bank, International Monetary Fund (IMF), Organisation for Economic Co-Operation Development (OECD), Association of Public Account Committees (APAC), etc in terms of regular capacity building initiatives.
* The Committee to foster and maintain effective working relations with other Committees of Parliament concerning matters of common interest. There is a need to strengthen the participatory role of portfolio committees during the budget process. Portfolio Committees should be encouraged to make submissions on their relevant departments’ budget allocations to the Standing Committee on Appropriations.
1. **Introduction**
	1. **Department/s and Entities falling within the Committee’s ambit**

All national departments and national public entities as pertaining to spending issues and appropriations**.** Furthermore, the Committee considers the recommendations on the Division of Revenue as prescribed by the Money Bills Amendment Procedure and Related Matters Act, No 17 of 2018.

* 1. **Functions of committee**

The Standing Committee on Appropriations (the Committee) was established in terms of the Money Bills Act. In terms of section 4(3) of the Money Bills Act, each House must establish a Committee on Appropriations whose powers and functions include considering and reporting on the following matters:

* Spending issues;
* Amendments to the Division of Revenue Bill, the Appropriation Bill, Supplementary Appropriation Bill and the Adjusted Appropriation Bill;
* Public Participation;
* Recommendations of the Financial and Fiscal Commission (FFC), including those referred to in the Intergovernmental Fiscal Relations Act, 1997 (Act No. 97 of 1997);
* Quarterly reports on expenditure published by the National Treasury (section 32 reports); and
* Any other related matters.

Section 214(1) of the Constitution requires that every year a Division of Revenue Act determine the equitable division of nationally raised revenue between national government, the nine provinces and 278 municipalities. This process takes into account the powers and functions assigned to each sphere of government. Section 9 of the Money Bills Act prescribes that the Division of Revenue must be referred to the Standing Committee on Appropriations for consideration and report.

Section 213(2) of the Constitution of the Republic of South Africa, provides that money may be withdrawn from the National Revenue Fund only by appropriating of an Act of Parliament. The Appropriation Act sets out how to appropriate money from the National Revenue Fund for the requirements of the State and prescribes conditions for the spending of funds withdrawn. In line with section 10(1)(a) of the Act and after the adoption of the Fiscal Framework, the Standing Committee on Appropriations has a responsibility to consider the Appropriation Bill, herein after referred to as the Bill, and report thereon to the National Assembly.

The Committee also considers the Medium Term Budget Policy Statement (MTBPS), which must be tabled at least three months prior to the introduction of the budget. In processing the MTBPS the Committee is required to consider and report on the following issues:

* the proposed spending priorities of national government for the next three years;
* the proposed division of revenue between the spheres of government and between arms of government within a sphere for the next three years; and
* the proposed substantial adjustments to conditional grants to provinces and local government, if any.

The Minister of Finance must table a national adjustment budget as envisaged in Section 30 of the Public Finance Management Act. An adjustment appropriation budget must be tabled together with a national adjustments budget. In the case that the adjustment budget affects the fiscal framework, the Minister must table a revised fiscal framework. Furthermore, the Minister must table a Division of Revenue Amendment Bill with the revised fiscal framework if the adjustments budget effects changes to the Division of Revenue. The Division of Revenue Amendment Bill must be referred to the Standing Committee of Appropriations for consideration and report. Section 12 (15) of the Money Bills Act, provides that in the event of a revised fiscal framework, an Adjustments Appropriation Bill must be referred to the Committee on Appropriations in the National Assembly only after the Division of Revenue Bill has been passed by Parliament.

* 1. **Method of work of the committee**

The Committee’s method of work was influenced by its mandate as per the Money Bills Act. The Committee, when not processing budget related legislative instruments, predominantly focused on the expenditure and performance of national departments as well as some identified SOEs. To this end, National Treasury would brief the Committee on the Section 32 report in its entirety where after the Committee Researchers would analyse the said report and identify a list of departments that needed to explain the deviations in terms of expenditure. The Committee also, in order to strengthen its oversight role, received briefings from the AGSA, DPME and the OCPO on the performance against the NDP and MTSF objectives and targets as well as the requests for contract deviations respectively. The Committee would then agree on the national departments to be invited after receiving the analysis or presentation from the Researchers. The Portfolio Committee’s exercising oversight over the identified national departments would then also be invited to the expenditure hearings with national departments. Quarterly expenditure reports based on the hearings with identified departments would then be tabled by the Committee in the National Assembly for consideration.

In instances where the Committee finds issues that needed urgent intervention, it would arrange joint briefings with the affected Portfolio Committees and invite all affected stakeholders to present their cases. An example of this was when joint hearings were held with the Portfolio Committee on Health regarding issues affecting the health sector themed ‘*Effective co-ordination and alignment of national and provincial spheres of government in the delivery of health services so as to ensure value for money, efficient planning and resource allocation’.* The Committee held meetings with national and provincial departments of health as well as National Treasury, AGSA and FFC over three day period. A report was tabled in the National Treasury which highlighted the findings and recommendations.

In terms of the processing of the budget and the adjustment budget, the PBO would be requested to provide preparatory or pre-briefings to the Committee. The said briefing would identify areas for Committee Members to look out for during the budget speech and the MTBPS to be tabled by the Minister of Finance. The PBO would thereafter provide analysis of the actual or post-budget and MTBPS as tabled by the Minister of Finance. These meetings were held jointly with the Select Committee on Appropriations and the Standing and Select Committees on Finance. The Committee Researchers would then be requested to provide analyses based on the particular budget instrument to be considered. The said analyses would be used as a basis for identifying departments to appear before the Committee. Other key stakeholders invited for comment by the Committee during the budget and adjustment budget process include, the National Treasury, FFC, PSC, SALGA, and HSRC.

* 1. **Purpose of the report**

The purpose of this report is to provide an account of the Standing Committee on Appropriations’ work during the 5th Parliament and to inform the members of the new Parliament of key outstanding issues pertaining to spending patterns of all national departments and public entities.

This report provides an overview of the activities the committee undertook during the 5th Parliament, the outcome of key activities, as well as any challenges that emerged during the period under review and issues that should be considered for follow up during the 6th Parliament. It summarises the key issues for follow-up and concludes with recommendations to strengthen operational and procedural processes to enhance the committee’s oversight and legislative roles in future.

1. **Key statistics**

Table 2.1 below provides an overview of the number of meetings held, legislation and international agreements processed and the number of oversight trips and study tours undertaken by the committee, as well as any statutory appointments the committee made, during the 5th Parliament:

**Table 2.1** Key statistics of the work undertaken by the SCOA

| **Activity** | **2014/15** | **2015/16** | **2016/17** | **2017/18** | **2018/19** | **Total** |
| --- | --- | --- | --- | --- | --- | --- |
| Meetings held | **49** | **50** | **74** | **72** | **49** | **294** |
| Legislation processed | **4** | **8** | **5** | **4** | **6** | **27** |
| Oversight trips undertaken | **1** | **1** | **0** | **1** | **1** | **4** |
| Study tours undertaken | **0** | **0** | **1** | **0** | **0** | **1** |
| International agreements processed | **0** | **0** | **0** | **0** | **0** | **0** |
| Statutory appointments made | **0** | **0** | **0** | **0** | **1** | **1** |
| Interventions considered | **0** | **0** | **0** | **0** | **0** | **0** |
| Petitions considered  | **0** | **0** | **0** | **0** | **0** | **0** |

1. **Key Stakeholders**

The key stakeholders of the Committee are as follows:

* National Treasury;
* Auditor-General of South Africa;
* Financial and Fiscal Commission;
* Parliamentary Budget Office;
* Public Service Commission;
* South African Local Government Association; and
* Human Science Research Council.
1. **Briefings and/or public hearings**

The key areas that require follow up by the Sixth Parliament include the following:

* National Treasury projects to keep abreast of:

- Infrastructure Budget Facility for the assessment of efficiency and cost effectiveness of infrastructure projects;

- Supply Chain Management reforms and amendment to legislation;

- Integrated Financial Management System project;

- Infrastructure Fund (As introduced as part of the Economic Stimulus and Recovery Plan); and

- Government Guarantees and ensuring of implementation of conditions related additional funding (bailouts) especially relating

 to SAA, SAPO, and SA Express.

* Work of the Presidential Infrastructure Coordinating Council and progress on Strategic Infrastructure Projects;
* Key programmes that present significant implementation risk includes the following: Water infrastructure development, Expanded Public Works Programme, School infrastructure development (ASIDI), Learner Transport Programme, maintenance of existing infrastructure;
* Departments reflecting high spending and yet low performance against planned targets;
* The following public entities showing poor audit outcomes: Department of Basic Education, Independent Development Trust (IDT), South African Broadcasting Corporation (SABC), Passenger Rail Agency of South Africa (PRASA);
* Follow-up on progress or turnaround of the following public entities which received special appropriations: South African Airways, South African Post Office, SA Express, and ESKOM;
* Financial Recovery in the Department of Water and Sanitation; and
* Public Sector and Provincial Wage Bill.
* Payment of monies owed to municipalities by both national and provincial departments;
* Payment of monies owed by municipalities to ESKOM and Water Boards;
* Payment of invoices within 30 days as prescribed by the Public Finance Management Act;
* DPW and SANDF finalise the function shift of infrastructure development and maintenance;
* Finalise the location of the Scholar Transport function;
* Improve the mismatch between expenditure and performance targets achieved.
1. **Legislation**

The following pieces of legislation were referred to the committee and processed during the 5th Parliament:

| **Year** | **Name of Legislation** | **Tagging** | **Objectives** | **Completed/Not Completed** |
| --- | --- | --- | --- | --- |
| **2014/15** | Appropriation Bill [B4-2014]  | Section 77 | To appropriate money from the National Revenue Fund for the requirements of the State for the 2014/15 financial year; to prescribe conditions for the spending of funds withdrawn for the 2015/16 financial year before the commencement of the Appropriation Act for the 2015/16 financial year; and to provide for matters incidental thereto. | Completed |
| Division of Revenue Amendment Bill [B11-2014 | Section 76 | To amend the Division of Revenue Act, 2014, in accordance with the Money Bills Amendment Procedure and Related Matters Act, 2009 (Act No.9 of 2009); and to provide for matters connected therewith. | Completed |
| Adjustments Appropriation Bill [B10-2014] | Section 77 | To effect adjustments to the appropriation of money from the National Revenue Fund for the requirements of the State in respect of the 2014/15 financial year; and to provide for matters incidental thereto. | Completed |
| Division of Revenue Bill [B -2015] | Section 76 | To provide for the equitable division of revenue raised nationally among the national, provincial and local spheres of government for the 2015/16 financial year, the determination of each province’s equitable share and allocations to provinces, local government and municipalities from national government’s equitable share and the responsibilities of all three spheres pursuant to such division and allocations; and to provide for matters connected therewith.  | Completed |
|  |  |  |  |  |
| **2015/16** | Appropriation Bill [B6-2015] | Section 77 | To appropriate money from the National Revenue Fund for the requirements of the State for the 2015/16 financial year; to prescribe conditions for the spending of funds withdrawn for the 2016/17 financial year before the commencement of the Appropriation Act for the 2016/17 financial year; and to provide for matters incidental thereto. | Completed |
| ESKOM Special Appropriation Bill [B16-2015] | Section 77 | To provide for the appropriation of an additional amount of money for the requirements of the Department of Public Enterprises to increase the State’s equity investment in Eskom Holdings SOC Limited. | Completed |
| ESKOM Subordinated Loan Special Appropriation Amendment Bill (2008/09-2010/11 financial years) [B17-2015]. | Section 77 | To provide for the amendment of the Eskom Subordinated Loan Special Appropriation Act (2008/09-2010/11 Financial Years), 2008, so as to convert the subordinated loan to Eskom Holdings SOC Limited to shares for the State. | Completed |
| Division of Revenue Amendment Bill [B27-2015] | Section 76 | To amend the Division of Revenue Act, 2015, in accordance with the Money Bills Amendment Procedure and Related Matters Act, No 17 of 2018; and to provide for matters connected therewith. | Completed |
| Adjustments Appropriation Bill [B28-2015] | Section 77 | To effect adjustments to the appropriation of money from the National Revenue Fund for the requirements of the State in respect of the 2015/16 financial year; and to provide for matters incidental thereto. | Completed |
| Finance Bill [B31– 2015] | Section 77 | To approve unauthorised expenditure incurred by national departments over and above what was originally allocated.  | Completed |
| New Development Bank Special Appropriation Bill [B32 – 2015] | Section 77 | To appropriate money to pay the first capital instalment towards the capitalisation of the BRICS-led New Development Bank | Completed |
| Division of Revenue Bill [B2-2016] | Section 76 | To provide for the equitable division of revenue raised nationally among the national, provincial and local spheres of government for the 2016/17 financial year, the determination of each province’s equitable share and allocations to provinces, local government and municipalities from national government’s equitable share and the responsibilities of all three spheres pursuant to such division and allocations; and to provide for matters connected therewith.  | Completed |
|  |  |  |  |  |
| **2016/17** | Appropriation Bill [B3-2016] | Section 77 | To appropriate money from the National Revenue Fund for the requirements of the State for the 2016/17 financial year; to proscribe conditions for the spending of funds withdrawn for the 2017/18 financial year before the commencement of the Appropriation Act for the 2017/18 financial years; and to provide for matters incidental thereto. | Completed |
| Division of Revenue Amendment Bill [B15-2016] | Section 76 | To amend the Division of Revenue Act, 2016, in accordance with the Money Bills Amendment Procedure and Related Matters Act, No 17 of 2018; and to provide for matters connected therewith. | Completed |
| Adjustments Appropriation Bill [B16-2016] | Section 77 | To effect adjustments to the appropriation of money from the National Revenue Fund for the requirements of the State in respect of the 2016/17 financial year; and to provide for matters incidental thereto. | Completed |
| Finance Bill [B21– 2016] | Section 77 | To approve unauthorised expenditure incurred by national departments over and above what was originally allocated.  | Completed |
| Division of Revenue Bill [B-2017] | Section 76 | To provide for the equitable division of revenue raised nationally among the national, provincial and local spheres of government for the 2017/18 financial year, the determination of each province’s equitable share and allocations to provinces, local government and municipalities from national government’s equitable share and the responsibilities of all three spheres pursuant to such division and allocations; and to provide for matters connected therewith.  | Completed |
|  |  |  |  |  |
| **2017/18** | Appropriation Bill [B5 – 2017] | Section 77 | To appropriate money from the National Revenue Fund for the requirements of the State for the 2017/18 financial year; to prescribe conditions for the spending of funds withdrawn for the 2018/19 financial year before the commencement of the Appropriation Act for the 2018/19 financial years; and to provide for matters incidental thereto. | Completed |
|  | Division of Revenue Amendment Bill [B24 – 2017] | Section 76 | To amend the Division of Revenue Act, 2017, in accordance with Money Bills Amendment Procedure and Related Matters Act, No 17 of 2018, and to provide for matters connected therewith. | Completed |
|  | Adjustments Appropriation Bill [B25 – 2017] | Section 77 | To effect adjustments to the appropriation of money from the National Revenue Fund for the requirements of the State in respect of the 2017/18 financial year; and to provide for matters incidental thereto. | Completed |
|  | Division of Revenue Bill[B2-2018] | Section 76 | To provide for the equitable division of revenue raised nationally among the national, provincial and local spheres of government for the 2018/19 financial year. | Completed |
|  |  |  |  |  |
| **2018/19** | Appropriation Bill[B3-2018] | Section 77 | To appropriate money from the National Revenue Fund for the requirements of the State for the 2018/19 financial year; to prescribe conditions for the spending of funds withdrawn for the 2019/20 financial year before commencement of the Appropriations Act for the 2018/19 financial year. | Completed |
| Division of Revenue Amendment Bill [B34-2018] | Section 76 | To amend the Division of Revenue Act, 2018, in accordance with Money Bills Amendment Procedure and Related Matters Act, No 17 of 2018, and to provide for matters connected therewith. | Completed |
| Adjustments Appropriation Bill[B45-2018] | Section 77 | To effect adjustments to the appropriation of money from the National Revenue Fund for the requirements of the State in respect of the 2017/18 financial year; and to provide for matters incidental thereto. | Completed |
| Special Appropriation Bill [B36-2018] | Section 77 | To appropriate an additional amount of money for the requirements of the Department of Public Enterprises to settle the debt obligations of the South AfricanAirways SOC Limited (SAA); and to provide for matters connected therewith. | Completed |
|  | Division of Revenue Bill [B5-2019] | Section 76 | To provide for the equitable division of revenue raised nationally among the national, provincial and local spheres of government for the 2019/20 financial year. | Completed |
|  | Public Audit Excess Fee Bill [B7-2019] | Section 77 | To provide that the specified excess of the audit fee of certain categories of organs of state, payable to the Auditor-General, as envisaged in the Public Audit Act, 2004, is, if the stated conditions are complied with, a direct charge against the NRF; and to provide for matters connected therewith. | Completed |

1. **Challenges emerging**

**The following challenges emerged during the processing of legislation:** The tight timeframes for processing the Division of Revenue Amendment Bill and Adjustments Appropriation Bill still pose a problem. Furthermore, changes to the Parliamentary programme without consulting the Committees that are dealing with these pieces of legislation compounds the problem to a point where the Committee is required to meet on Mondays. Mondays are set aside for Constituency work. Furthermore, Political Parties should consider not allocating any of the Committee’s permanent Members as alternatives elsewhere as we have had challenges with quorums for the adoption of reports relating to the budget and adjustments budget.

1. **Issues for follow-up**

The 6th Parliament should consider following up on the following concerns that arose:

* Monitoring by National Treasury of the implementation of the conditions as set out in the additional allocations (bailouts) to SAA, SAPO, SA Express and Eskom.
* Monthly and Quarterly reports on the utilisation of the additional allocations (bailouts) to the SOEs.
1. **Oversight trips undertaken**

The following oversight trips were undertaken:

| **Date** | **Area Visited** | **Objective** | **Recommendations** | **Responses to Recommendations** | **Follow-up Issues** | **Status of Report** |
| --- | --- | --- | --- | --- | --- | --- |
| 02-06 February 2015 | Eastern Cape | To visit schools in the OR Tambo District and Alfred Nzo District to determine the progress of the Accelerated Schools Infrastructure Delivery Initiative (ASIDI);To visit Municipal Water Infrastructure Grant projects, in the Ngquza Hill Local Municipality (OR Tambo District) and the Ntabankulu Local Municipality (Alfred Nzo District) to determine the extent to which the Department of Water & Sanitation’s expenditure has resulted in the delivery of water to the affected communities;To discuss the progress re the Hospital Revitalisation Grant and Health Infrastructure Grant in the King Edward VIII Hospital, Rietvlei Hospital and Nelson Mandela Academic Hospital. | \*Recommendations attached as **Annexure A** | Received and distributed to the Committee.  | None | Adopted by the National Assembly |
| 20-24 July 2015 | Gauteng (National Treasury, City of Tshwane, City of Johannesburg, Passenger Rail Agency of South Africa)  | To determine the progress made by National Treasury with regard to supporting large cities to accelerate economic growth and integrated development through its Cities Support Programme);To track expenditure on the rail modernisation programme being implemented by Passenger Rail Agency of South Africa (PRASA); assess the readiness of the PRASA for arrival of the first 20 trains at the end of November 2015 that forms part of the Rolling Stock Fleet Renewal Program; and determine the progress made by PRASA on the delivery of infrastructure projects under the Station Modernization Project where 135 stations have been prioritised for upgrades. | \*Recommendations attached as **Annexure B** | Received and distributed to the Committee. | None.  | Report adopted by the National Assembly |
| 12 – 15 September 2017 | KwaZulu-Natal Province | To visit Bulk Water Infrastructure projects in the Umkhanyakude District, Thungulu District, Ilembe District and Mgungundlovu District to ascertain progress on the rollout of bulk water infrastructure and the provision of sanitation services and the bucket eradication programme;To visit new health infrastructure being built and maintained in the KZN province i.e. Jozini Community Health Center, and Ngwelezane Hospital as well as a National Health Insurance pilot site at the Greys Hospital in order gauge the progress, implementation, successes and challenges.  | \*Recommendations attached as **Annexure C** | Received and distributed to the Committee. | None  | Adopted by the National Assembly |
| 12 to 17 August 2018 | Free State Province | To embark on a fact finding oversight visit to the Nketoana and Setsoto Municipalities to ascertain the status of provision of sanitation services and the bucket eradication programme;Visit healthcare facilities and health infrastructure being built and maintained, to ascertain its condition and service to patients/lack thereof at Dr JS Moroka in Thaba Nchu, Nelson Mandela Clinic in Edenburg and Phekolong Clinic in Reddersburg; Visit Tempe Military Base to ascertain the condition of Army Support Base (ASB), South African Infantry and Paratroopers (Infantry / Paratroopers), School of Armour (training), Armour Cars and Tank Regiment (tanks), as well as the condition and services at the 3 Military Hospital, and Bloemspruit Air Force Base, in Bloemfontein. | \*Recommendations attached as **Annexure D** | Received and distributed to the Committee. | None  | Report adopted by the Committee and ATCed |

**Issues for follow-up**

The 6th Parliament should consider following up on the following concerns that arose:

* The transfer of the defence maintenance budget from the Department of Public Works to the Department of Defence;
* The requested meeting to be held between the Ministers of Finance, Defence and Public Service Administration to discuss the possible transfer of non-deployable soldiers into the Peace and Security Cluster so as to avoid the retrenchment of about 6200 soldiers.
1. **Study tours undertaken**

The following study tours were undertaken:

| **Date** | **Places Visited** | **Objective** | **Lessons Learned** | **Status of Report** |
| --- | --- | --- | --- | --- |
| 28 January 2017 – 5 February 2017 | Germany and Sweden | 1. To get an overview of how the Budget/Finance Committees give effect to the role of Parliament in the budget process;
2. To assess the overall approach of the Budget/Finance Committees when considering and effecting amendments to the budget proposed by the executive with respect to the following:
* Practical measures used to deal with procedures and time-frames in case of proposed budget amendments;
* Approach in balancing competing budgetary priorities;
* Mechanisms used to ensure a sound interface between the Budget/Finance Committee and sectoral committees; and
1. To understand the mechanisms that the Budget/Finance Committees use to perform in-year monitoring of expenditure performance of the government.
 | \*Lessons hereto attached as **Annexure E** | Report adopted and ATCed on 17 February 2017 |

1. **International Agreements:**

None

1. **Statutory appointments**

The following appointment processes were referred to the committee and the resultant statutory appointments were made:

| **Date referred** | **Type of appointment** | **Period of appointment** | **Status of Report** |
| --- | --- | --- | --- |
| 16 May 2018 | Parliamentary Budget Office Director | Till 3 months after 2019 national elections. (Director has subsequently resigned.)` | Report tabled and considered by the National Assembly |

1. **Issues for follow-up**

The contract of the current Parliamentary Budget Office Director is in place till 3 months after the 2019 national elections. The said PBO Director has since resigned from the employ of Parliament. The 6th Parliament will have to deal with this statutory appointment.

1. **Interventions**

None

1. **Petitions**

None

1. **Obligations conferred on committee by legislation:**

The Standing Committee on Appropriations (the Committee) was established in terms of the Money Bills Amendment Procedure and Related Matters Act, No 17 of 2018 (the Money Bills Act). In terms of section 4(3) of the Money Bills Act, each House must establish a Committee on Appropriations whose powers and functions include considering and reporting on the following matters:

* Spending issues;
* Amendments to the Division of Revenue Bill, the Appropriation Bill, Supplementary Appropriation Bill and the Adjustments Appropriation Bill;
* Recommendations of the Financial and Fiscal Commission (FFC), including those referred to in the Intergovernmental Fiscal Relations Act, 1997 (Act No. 97 of 1997);
* Reports on actual expenditure published by the National Treasury (section 32 reports); and
* Any other related matters.
1. **Summary of outstanding issues relating to the department/entities that the committee has been grappling with**

The following key issues are outstanding from the committee’s activities during the 5th Parliament:

| **Responsibility** | **Issue(s)** |
| --- | --- |
| **South African Airways** | Assistance to the entity in order to keep it a going concern and for it to become profitable. This is important as this entity should not rely on bailouts from government and must generate its own revenue. The Committee will continue to monitor the implementation of the turn-around plan as well as the adherence of the entity to the conditions attached to the recent bailout which was allocated in terms of section 16 of the PFMA.  |
| **South African Post Office**  | The Committee should continue to monitor the implementation of the turn-around plan as well as the adherence of the entity to the conditions attached to the recent bailout which was allocated in terms of section 16 of the PFMA. Furthermore, the Committee will closely monitor the issue of the grants payments between SASSA and SAPO and the cost implications it will have to the fiscus. The Committee is of the view that grants must be more accessible to beneficiaries and affordable to government.  |
| **Eskom** | The Committee should conduct continuous oversight over Eskom so as to ensure that it utilises the additional funding allocated during the 2019/20 budget prudently.  |
| **State-Owned Entities** | The Committee will continue to monitor the expenditure performance of all major entities in South Africa with particular focus on rooting out corruption and fraud as well as the adherence to regulations and legislation. Furthermore, the Committee will emphasise effective monitoring by National Treasury of the implementation of the conditions as set out in the additional allocations (bailouts) to SAA, SAPO, SA Express and Eskom. Quarterly progress reports should be submitted to the Committee in this regard.  |
| **National Treasury**  | The Committee will continue to monitor the disciplinary processes unfolding in National Treasury regarding the irregularities conducted in terms of the Integrated Financial Management System.  |

1. **Other matters referred by the Speaker/Chairperson**

The following other matters were referred to the Committee and the resultant reports were produced:

| **Date of referral**  | **Report date** | **Content of referral**  | **Status of Report** |
| --- | --- | --- | --- |
| 22 October 2014 | 19 November 2014 | 2014 Medium Term Budget Policy Statement  | Adopted by the Committee and by the House |
| 21 October 2015 | 18 November 2015 | 2015 Medium Term Budget Policy Statement  | Adopted by the Committee and by the House |
| 26 October 2016 | 5 December 2016 | 2016 Medium Term Budget Policy Statement  | Adopted by the Committee and by the House |
| 25 October 2017 | 13 November 2017 | 2017 Medium Term Budget Policy Statement  | Adopted by the Committee and by the House |
| 24 October 2018 | 27 November 2018 | 2018 Medium Term Budget Policy Statement  | Adopted by the Committee and by the House |

1. **Recommendations**
* Members should ideally be deployed according to their competency as well as experience in regard to priority areas.
* The Committee should strengthen and enhance partnerships with internal and external stakeholders such as the Parliamentary Budget Office, Financial and Fiscal Commission, National Treasury, Human Sciences Research Council, Public Service Commission and others.
* The Committee should strengthen links with academic institutions (South African Universities) and international bodies such as the World Bank, Organisation for Economic Co-operation and Development (OECD), Association for Public Accounts Committees (APAC) etc. in terms of regular capacity building initiatives.
* The Committee should foster and maintain effective working relations with other Committees of Parliament concerning matters of common interest. There is a need to strengthen the participatory role of portfolio committees during the budget process. More Portfolio Committees should be encouraged to make submissions on their relevant departments’ budget allocations to the Standing Committee on Appropriations.
* Political Parties should consider, where possible, allocating priority Members to SCOA. Allocating priority Members as alternatives to other Committees hinders the adoption of reports often resulting in MPs from other Committees being co-opted by the Chairperson.
* The House Chairperson to facilitate and preside over a budget dialogue of the Finance Cluster Committees (Appropriations & Finance Committees of both houses).
* Parliament in consultation with tertiary institutions should develop a curriculum for training of Members of SCoA.
* The Committee to have a follow-up oversight visit in Bloemfontein in the Free State on the eradication of the bucket system.

Report to be considered.