

**NATIONAL COUNCIL OF PROVINCES
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 366 [CW506E]
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366. Mr F Essack (Mpumalanga: DA) to ask the Minister of Finance:

(a) What mechanisms are in place for the National Treasury to monitor funds (i) that are transferred and (ii) spent by state-owned enterprises in accordance with the Appropriation Bill to ensure that they become profitable, (b) to what extent have they been successful in the past financial year and (c) what success has been achieved with regard to the monitoring of conditional grants that were allocated to local governments?

CW506E

REPLY:

- (a) Additional funding for SOC's is normally accompanied with conditions set by the National Treasury which are monitored via quarterly reports. Quarterly reports provide evidence and insight into the financial performance and position of SOC's as well as compliance with specific financial or non-financial requirements as set out in the conditions. In some cases, regular monitoring meetings are also held.
- (b) Most SOC's, (including Eskom, SAA) are in the process of strengthening their business models to be more robust to ensure that they return to financial stability.
- (c) Through the monitoring of the Local Government conditional grants, the following have been the successes:
- Improved spending of conditional grants by municipalities e.g. through the reduction in the number of municipalities requesting roll-overs;
 - Improved compliance with the Division of Revenue Act and related prescripts by municipalities and Transferring Officers, through the submission of monthly, quarterly and annual performance reports and adherence to conditions prescribed in grant frameworks;
 - Recouping of unspent conditional grants by municipalities, wherein the unspent funds are either not committed, approved for roll-over or spent on other purposes other than their intended purposes in a given financial year; and
 - Reduction in unspent conditional grants returned to National Revenue Fund from R2.3 billion in 2014/15 to R1.4 billion in 2016/17.