

GAUTENG PROVINCIAL LEGISLATURE

**GAUTENG UNAUTHORISED
EXPENDITURE (1997/2001)
BILL, 2003**

(As introduced)

BY

(MEMBER OF THE EXECUTIVE COUNCIL FOR FINANCE AND ECONOMIC AFFAIRS)

[G007—2003]

BILL

To provide for the authorisation of certain unauthorised expenditure from the Provincial Revenue Account; and to provide for matters incidental thereto.

BE IT ENACTED by the Gauteng Provincial Legislature, as follows:

Authorisation of certain unauthorised expenditure from the Provincial Revenue Account

1. (1) Expenditure to the amount of R913 934 911,50 incurred by the Gauteng Provincial Administration during the period April 1997 to March 2001, in respect of services rendered by the Gauteng Provincial Administration and which the relevant Public Accounts Committees recommended for authorisation by the Legislature, is hereby authorised. 5

(2) The Provincial Revenue Account is charged with the expenditure contemplated in subsection (1). 10

(3) The expenditure referred to in subsection (1) is set out in the Schedule hereto.

Short Title

2. This Act is called the Gauteng Unauthorised Expenditure Act, 2003.

SCHEDULE

| Vote | Vote Title | Financial Year | Amount authorised | |
|------|---|----------------|-----------------------|----|
| 2 | Gauteng Provincial Legislature | 1997/1998 | 348,252.40 | |
| 4 | Health | 1997/1998 | 250,641,205.62 | 5 |
| 5 | Education | 1997/1998 | 39,909,329.56 | |
| 6 | Welfare and Population Development | 1997/1998 | 41,556,932.22 | |
| 8 | Development Planning and Local Government | 1997/1998 | 27,470,534.09 | 10 |
| 9 | Public Transport, Roads and Works | 1997/1998 | 6,054,956.87 | |
| 10 | Public Safety and Security | 1997/1998 | 119,989.00 | |
| 11 | Agriculture, Conservation and Environment | 1997/1998 | 6,134.23 | 15 |
| | SUB-TOTAL | | 366,107,333.99 | |
| 1 | Corporate Services (Office of the Premier) | 1998/1999 | 10,543,737.40 | |
| 2 | Gauteng Provincial Legislature | 1998/1999 | 92,270.00 | |
| 3 | Finance and Economic Affairs | 1998/1999 | 22,638.00 | |
| 4 | Health | 1998/1999 | 391,631,243.90 | 20 |
| 7 | Housing | 1998/1999 | 4,501,705.45 | |
| 8 | Development Planning and Local Government | 1998/1999 | 29,356,529.46 | |
| 10 | Public Safety and Security | 1998/1999 | 1,907,185.24 | |
| 11 | Sport, Recreation, Arts and Culture | 1998/1999 | 4,001,639.36 | 25 |
| | SUB-TOTAL | | 442,056,948.81 | |
| 1 | Office of the Premier | 1999/2000 | 5,078,756.22 | |
| 2 | Gauteng Provincial Legislature | 1999/2000 | 1,106,714.00 | |
| 7 | Housing | 1999/2000 | 1,106,164.00 | 30 |
| 8 | Development Planning and Local Government | 1999/2000 | 8,742,159.35 | |
| 10 | Safety and Liaison | 1999/2000 | 24,679.00 | |
| 12 | Sport, Recreation, Arts and Culture | 1999/2000 | 1,013,848.88 | |
| | SUB-TOTAL | | 17,072,321.45 | |
| 1 | Office of the Premier | 2000/2001 | 10,358,480.98 | 35 |
| 2 | Gauteng Provincial Legislature | 2000/2001 | 245,673.90 | |
| 3 | Finance and Economic Affairs | 2000/2001 | 2,009,666.39 | |
| 4 | Health | 2000/2001 | 65,592,473.99 | |
| 5 | Education | 2000/2001 | 305,390.00 | |
| 7 | Housing | 2000/2001 | 1,550,758.31 | 40 |
| 8 | Development Planning and Local Government | 2000/2001 | 1,401,519.79 | |
| 10 | Safety and Liaison | 2000/2001 | 83,253.87 | |
| 11 | Agriculture, Conservation, Environment and Land Affairs | 2000/2001 | 5,275,000.00 | 45 |
| 12 | Sport, Recreation, Arts and Culture | 2000/2001 | 1,876,090.02 | |
| | SUB-TOTAL | | 88,698,307.25 | |
| | TOTAL | | 913,934,911.50 | |

EXPLANATORY MEMORANDUM

UNAUTHORISED EXPENDITURE BILL FOR THE FINANCIAL YEARS STARTING 01 APRIL 1997 AND ENDING 31 MARCH 2001

(1) PURPOSE OF THE BILL

Unauthorised expenditure to the amount of R913 934 911,50 was incurred, without legal authorisation, by the Gauteng Provincial Government in respect of overspending of a vote or a main division within a vote, or expenditure not in accordance with the purpose of a vote or the main division within the vote or expenditure incurred without complying with relevant legislation, rules or regulations. The Standing Committee on Public Accounts (SCOPA) has heard evidence on the reports of the Auditor-General on the financial statements of the Gauteng Province for the period April 1997 to March 2001. 5
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After careful deliberation the Committee agreed to authorise this expenditure but it is expected that departments meet the requirements of the Public Finance Management Act, 1999 (Act No. 1 of 1999) in the forthcoming financial years. 15

The key reasons for the unauthorised expenditure was due to:

- (a) the inadequate budget allocations;
- (b) management control weaknesses and inadequate systems;
- (c) inability to verify/lack of supporting documentation;
- (d) non-compliance with other legislation/regulations and 20
- (e) misstatements of amounts.

The rapid urbanisation of the Gauteng Province, presented the case for additional service delivery to residents from outside the Province. Social services such as housing, health, and education were particularly affected and the lack of reliable statistical data to support the budget allocations was problematic. These factors contributed to the occurrence of unavoidable and unforeseen spending in the Province. 25

(2) SOCIAL IMPACT

None

(3) ENVIRONMENTAL IMPACT 30

None

(4) FINANCIAL IMPLICATIONS OF THE BILL

The condoned Unauthorised Expenditure amount of R 913 934 911.50 incurred in the financial years April 1997 to March 2001 will reduce the Provincial surpluses accumulated from previous financial years and the equivalent amount will have to be taken as a charge against the Provincial Revenue Fund to clear the overdraft balances in the departmental bank accounts. 35

(5) OTHER DEPARTMENTS OR BODIES CONSULTED

All Provincial departments related to this Bill.

Office of the Auditor General 40

(6) CLAUSE BY CLAUSE DESCRIPTION

Clause 1:

The unauthorised expenditure of R 913 934 911,50 incurred for services rendered by the Gauteng Provincial Administration is hereby authorised.

The Provincial Revenue Account is charged with unauthorised expenditure to the amount of R 913 934 911,50. 45

Details of the unauthorised expenditure of R 913 934 911,50 incurred during the period April 1997 to March 2001, which is reported in terms of section 5(d) of the Auditor-General Act, 1995 (Act No.12 of 1995), for each department, are set out in the Schedule to the Bill.

Clause 2: 5

This clause contains the short title of the Bill.

Schedule:

The Provincial Revenue Account is charged with expenditure for the financial year ending 31 March 1998 as follows:

(i) Gauteng Provincial Legislature: R 348 252.40 10

Unauthorised expenditure had been incurred due to inadequate budgetary controls, non-submission of documents and weak internal controls.

(ii) Health: R 250 641 205.62

Unauthorised expenditure related primarily to the lack of systems and planning. 15

(iii) Education: R 39 909 329.56

Unauthorised expenditure had been incurred mainly due to bad management of personnel expenditure and the failure to reconcile PERSAL to FMS each month.

(iv) Social Services and Population Development (“Welfare and Population Development”): R 41 556 932.22 20

Committee noted concerns about weak asset management and debt recovery procedures.

(v) Development Planning and Local Government: R 27 470 534.09

Concerns were raised about the lack of supporting documentation for transactions involving the use of public monies, by the department. 25

(vi) Public Transport, Roads and Works: R 6 054 956.87

The Auditor-General had highlighted deficiencies in revenue collection, particularly the lack of timely and proper allocation of revenue, and the failure to ensure that the full amount of motor vehicle licence fees were paid over. 30

(vii) Safety and Liaison (“Public Safety and Security”): R 119 989.00

Unauthorised expenditure incurred because the department failed to follow tender procedures and regulations in the procurement of goods and services.

(viii) Agriculture, Conservation, Environment and Land Affairs (“Agriculture, Conservation and Environment”): R 6 134.23 35

Unauthorised expenditure incurred due to purchasing of goods in contravention of the Transport circular 4 of 1995 and the Treasury Instructions.

The Provincial Revenue Account is charged with expenditure for the financial year ending 31 March 1999 as follows:

(i) Office of the Premier (“Corporate Services”): R 10 543 737.40 40

Unauthorised expenditure had been incurred due to inadequate budgetary controls, non-submission of documents and weak internal controls.

- (ii) **Gauteng Provincial Legislature:** R 92 270.00
- Unauthorised expenditure incurred due to non-compliance with financial guidelines and regulations.
- (iii) **Finance and Economic Affairs:** R 22 638.00
- Unauthorised expenditure incurred due to non-compliance with financial guidelines and regulations. 5
- (iv) **Health:** R 391 631 243.90
- Unauthorised expenditure related primarily to the lack of systems and planning.
- (v) **Housing (“Housing and Land Affairs”):** R 4 501 705.45 10
- Unauthorised expenditure had been incurred mainly due to weak internal controls with regard to fixed assets and bad management of personnel expenditure.
- (vi) **Development Planning and Local Government:** R 29 356 529.46 15
- Unauthorised expenditure had mainly been incurred due to the lack of supporting documentation.
- (vii) **Safety and Liaison (“Public Safety and Security”):** R 1 907 185,24
- Expenditure charged against the vote exceeded the total amount.
- (viii) **Sport, Recreation, Arts and Culture:** R 4 001 639.36 20
- Expenditure charged against the vote exceeded the total amount.
- The Provincial Revenue Account is charged with expenditure for the financial year ending 31 March 2000 as follows:**
- (i) **Office of the Premier:** R 5 078 756.22
- Unauthorised expenditure had been incurred due to the lack of supporting documentation, inadequate control over revenue, period errors and duplicate payments. 25
- (ii) **Gauteng Provincial Legislature:** R 1 106 714.00
- Unauthorised expenditure incurred due to non-compliance with financial guidelines and regulations. 30
- (iii) **Housing:** R 1 106 164.00
- Unauthorised expenditure related primarily to the overstatement of expenditure for land and buildings, lack of control over employee bursaries, overpayment on the pension stabilisation fund.
- (iv) **Development Planning and Local Government:** R 8 742 159.35 35
- Concerns were raised about the lack of supporting documentation, no internal audit being done, not utilising the Gauteng tender process, failure to increase the vehicle maintenance allowances, not adhering to the Income Tax Act, 1962 (Act No. 58 of 1962) and the transfer of personnel without transferring the associated personnel costs. Also includes an amount of R 3 692 159.35 40 regarding the exceeding of the budget.

(v) Safety and Liaison: R 24 679.00

Unauthorised expenditure incurred due to failure to reconcile personnel expenditure between PERSAL and FMS.

(vi) Sport, Recreation, Arts and Culture: R 1 013 848.88

Unauthorised expenditure incurred due to the failure to reconcile PERSAL and FMS each month and the incorrect allocations charged to suspense accounts. 5

The Provincial Revenue Account is charged with expenditure for the financial year ending 31 March 2001 as follows:**(i) Office of the Premier: R 10 358 480.98 10**

Unauthorised expenditure had been incurred because the budget allocations for Informatics and Human Resources had been exceeded.

(ii) Gauteng Provincial Legislature: R 245 673.90

Unauthorised expenditure had been incurred because the budget allocations for Political Representation as well as Information and Liaison had been exceeded. 15

(iii) Finance and Economic Affairs: R 2 009 666.39

Unauthorised expenditure had been incurred because the budget allocations for Management, Administration and Internal Audit had been exceeded.

(iv) Health: R 65 592 473.99 20

Unauthorised expenditure had been incurred because the budget allocations for District Health and Academic Health Services had been exceeded.

(v) Education: R 305 390.00

Unauthorised expenditure incurred due to non-compliance with financial guidelines and regulations. 25

(vi) Housing: R 1 550 758.31

Unauthorised expenditure had been because the budget allocations for Management and Administration as well as Policy and Planning had been exceeded.

(vii) Development Planning and Local Government: R 1 401 519.79 30

Unauthorised expenditure had been incurred because the budget allocations for Transformed Local Government, Quality Service Delivery and Building Local Democracy and Accountability had been exceeded.

(viii) Safety and Liaison: R 83 253.87

Unauthorised expenditure had been incurred because the budget allocations for Management and Administration had been exceeded. 35

**(ix) Agriculture, Conservation, Environment and Land Affairs:
R 5 275 000.00**

Unauthorised expenditure had been incurred because the budget allocations for Management, Administration and Special Projects had been exceeded. 40

(x) **Sport, Recreation, Arts and Culture:** R 1 876 090.02

Unauthorised expenditure had been incurred because the budget allocations for Administration and Auxiliary and Associated Services had been exceeded.