

GAUTENG PROVINCIAL LEGISLATURE

**UNAUTHORISED EXPENDITURE
(2003/2004) BILL, 2005**

(As introduced)

BY

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

[G008—2005]

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 unauthorised expenditure from the Provincial Revenue Account

1. (1) Expenditure to the amount of R921 798 875.80 incurred by the Gauteng Provincial Government during the period April 2003 to March 2004, in respect of services rendered by the Gauteng Provincial Government 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 (2003/2004) Act 2005.

SCHEDULE

Vote	Vote Title	Financial Year	Amount authorised	
3	Finance & Economic Affairs	2003/04	14 683 528.18	5
4	Health	2003/04	159 999 017.23	
5	Education	2003/04	472 203 423.39	
6	Social Services	2003/04	242 776 504.16	
9	Transport	2003/04	26 968 150.98	10
11	Agriculture	2003/04	2 591 901.72	
12	Sport	2003/04	2 576 350.23	
	TOTAL		921 798 875.80	

EXPLANATORY MEMORANDUM

UNAUTHORISED EXPENDITURE BILL FOR THE FINANCIAL YEAR STARTING 01 APRIL 2003 AND ENDING 31 MARCH 2004

(1) PURPOSE OF THE BILL

Unauthorised expenditure to the amount of R921 798 875.80 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. 5
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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 2003 to March 2004.

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) ("PFMA") in the forthcoming financial years. 15

The key reasons for the unauthorised expenditure were due to:

- (a) inadequate budget allocations (under budgeting);
- (b) management control weaknesses and inadequate systems; 20
- (c) non-utilization of virements between programs;
- (d) increased social grant beneficiaries;
- (e) payments of back dated notch increments; and
- (f) migration to Gauteng.

(2) SOCIAL IMPACT 25

None

(3) ENVIRONMENTAL IMPACT

None

(4) FINANCIAL IMPLICATIONS OF THE BILL

The condoned Unauthorised Expenditure amount of R921 798 875.80 incurred in the financial year April 2003 to March 2004 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. 30

(5) OTHER DEPARTMENTS OR BODIES CONSULTED 35

All Provincial departments related to this Bill and the Office of the Auditor General.

(6) CLAUSE BY CLAUSE DESCRIPTION

Clause 1:

The unauthorised expenditure of R921 798 875.80 incurred for services rendered by the Gauteng Provincial Government is hereby authorised. 40

The Provincial Revenue Account is charged with unauthorised expenditure to the amount of R921 798 875.80.

Details of the unauthorised expenditure of R921 798 875.80 incurred during the period April 2003 to March 2004, 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 2004 as follows:

(i) Finance and Economic Affairs: R 14 683 528.18 10

Unauthorised amount as reflected above has incurred on current expenditure on Program 5 (Blue IQ) as a result of a system problem as BAS does not allow for classification of consultant's fees as capital expenditure—resulting in a saving reflected on capital expenditure. Section 43(4)(c) of the PFMA prohibits the amount appropriated for capital expenditure to defray current expenditure. 15

(ii) Health: R 159 999 017.23

Unauthorised expenditure had been incurred on Program 1: R509.95, Program 2: R159.52, Program 4: R760 849.02, Program 5: R142 266 025.80 and Program 8: R16 971 472.94. 20

The main overspending program was as a result of people by-passing the primary health care and district hospitals to access the central hospitals and the cost of treating these individuals is high.

Increased expenditure for the new Pretoria Academic Hospital also contributed to the overspending. 25

It can however be mentioned that savings of R130 323 272.01 on mainly capital expenditure resulted in a net overspending of only R29 675 745.22

(iii) Education: R 472 203 423.39

Unauthorised expenditure has incurred mainly as a result of overspending on Program 2, Public Ordinary School Education. Consistent learner growth in the Provincial education system due to migration into Gauteng Province was the main reason why the department could not meet its projections in this regard. 30

The implementation of the ABET Act as well as the increases in examination and computer service costs also contributed to the overspending. 35

(iv) Social Services and Population Development: R 242 776 504.16

The unauthorised expenditure incurred on Program 2: Social Assistance Grants. The payment of social grants and pensions is effected in terms of the Social Assistance Act, 1992 (Act No. 59 of 1992) and regulated in terms of regulations made by the Minister of Welfare. Legislation has increased the number of people qualifying as beneficiaries for child and disability grants. 40

Concerns were also raised regarding the poor interfacing of information systems and should be addressed to eliminate unauthorised grant/pension payments.

(v) Transport, Roads and Public Works: R 26 968 150.98 45

Unauthorised expenditure was incurred as a result of the payment of notch increments backdated to 1998 due to an arbitration award issued on 28 March 2003 in respect of a labour dispute between PSA and the department. The over expenditure in Programs 3 & 5 was due to the application for approval of capital expenditure to defray current expenditure and this process was in direct violation of Section 43(4)(c) of the PFMA. 50

(vi) Agriculture Conservation and Environment: R 2 591 901.72

Unauthorised expenditure was incurred as a result of the additional expenditure with regards to the vacating, refurbishing and reoccupying of the building after the destroying fire.

(vii) Sport, Recreation, Arts and Culture: R 2 576 350.23

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Unauthorised expenditure was incurred as a result of the ten year event celebration as well as court settlement of labour cases.

