

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 817

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DR S M VAN DYK (DA) TO ASK THE MINISTER OF FINANCE:

- (1) In light of the collective unauthorised expenditure by national departments of R391million and R216 million in the 2002-03 and 2003-04 financial years respectively, according to financial statements in the annual reports of departments concerned, (a) why did the National Treasury not, in terms of section 216(1) and 216(2) of the Constitution and sections 4.4, 6(1)(g), 6(2)(b) and 6(2)(g) of the Local Government: Public Finance Management Act, Act 56 of 2003, assist departments in avoiding unauthorised expenditure, (b) for how long will the National Treasury permit unauthorised expenditure before it intervenes in terms of the Act, (c) what forms of intervention will be taken, (d) what steps did the National Treasury take regarding the unauthorised expenditure and (e) what was the basis of intervention,
- (2) whether any disciplinary action has been taken against any official who permitted or made unauthorised expenditure; if not, why not; if so, what action;
- (3) whether any accounting officer was found guilty of financial misconduct and subsequently dismissed or suspended; if so, what are the relevant details;
- (4) what amount of the unauthorised expenditure for the two respective years was recovered from the officials concerned? **N1201E**

REPLY:

- (1) Sections 216(1) and 216(2) of the Constitution refer to the broad mandate of the National Treasury in ensuring both transparency and expenditure control particularly in instances of "serious or persistent material breaches". The Municipal Finance Management Act (MFMA) relates to the management of public finances at a local government level and not to National departments.
 - (a) The PFMA defines unauthorised expenditure as (a) overspending of a vote or a main division within a vote; and (b) expenditure not in accordance with the purpose of the main

division. Section 38(c)(ii) states that the Accounting Officer of a department or constitutional institution must take appropriate and effective steps to prevent unauthorised, irregular and fruitless and wasteful expenditure and losses resulting from criminal conduct. Section 38(h)(iii) makes it mandatory for an Accounting Officer to take effective and appropriate disciplinary steps against any official in the service of the department who makes or permits an unauthorised expenditure.

It is therefore the responsibility of the respective Accounting Officers to take the necessary steps to ensure that no unauthorised expenditure takes place.

- (b) To support Accounting Officers to reduce occurrences of both overspending and underspending, the National Treasury has undertaken several training programmes, and has introduced procedures that require each department to compile and report on monthly expenditure against their cash flow projections. Any deviation of more than 5% must be explained by the department.
 - (c-e) An analysis of unauthorised expenditure undertaken by the National Treasury for the 2002/03 and 2003/04 financial years concluded that in every case of unauthorised expenditure the State did not suffer a loss, and that no individual had gained unduly. The Treasury will therefore recommend to SCOPA that all cases of unauthorised expenditure for the 2002/03 and 2003/04 financial years be authorised as a direct expenditure against the National Revenue Fund.
- (2 - 3) No accounting officer was found guilty of financial misconduct and thus no disciplinary action was taken.
- (4) As no accounting officer was found guilty of financial misconduct, in respect of the two financial years, no amounts were recoverable.