NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 1396

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

(1) Whether, in light that the state has lost about R1.4 billion during the past six years to unauthorised and fruitless expenditures and that millions of rands in public funds disappeared due to corruption and certain departments neglecting to recover debts, his department has instituted measures in this regard; if so, (a) what measures and (b) what, notwithstanding the provisions of the Public Finance Management Act, Act 1 of 1999, are the costs of taking it into account at the annual allocation of departmental budgets;

(2) how many (a) unauthorized expenditure for the 2000-01 to 2003-04 financial year was incurred by state departments, constitutional institutions and public entities collectively, as indicated in their departmental financial statements submitted to the National Treasury, (b) fruitless expenditure was incurred by the relevant institutions over the same period, (c) public funds disappeared during this time at the relevant institutions because of corruption and theft and (d) what amount in uncollected debt of the relevant institutions is still outstanding? ***N1702E***

REPLY:

(1) The R1.4 billion stated in the question refers to unauthorised expenditure incurred from 1993/94 to 2004/05. Departmental explanations, for each case of unauthorised expenditure, have subsequently being presented to SCOPA on the 10 August 2005. Although, classified as unauthorised, the state did not suffer any loss and no individual benefited unduly from such expenditure. It is therefore incorrect to link the amount of R1.4 billion to matters related to corruption.

(a) To deal with this issue of unauthorised expenditure, the National Treasury has taken several steps which include, amongst others, better alignment between planning and budgeting, rigorous examination of expenditure and outputs, evaluation of the effectiveness and quality of spending and a greater focus on performance when monitoring in-year expenditure.

(b) The recovery and writing off of debt is sufficiently regulated by Treasury Regulations issued in terms of section 76 of the PFMA. Departments, adhering to a due process, may write off what they consider to be irrecoverable debt and, for this purpose, no additional funds are provided from the fiscus. As a general principle, debts are allowed to be written off against available funds, with accounting officers are accountable to SCOPA on the reasons on the use of appropriated funds for service delivery to be used for writing off debt.

(2) (a) Unauthorised expenditure for the period 2000/01 to 2003/04 amounted to R 746 million, which also formed part of the R1.4 billion that was presented to SCOPA on 10 August 2005.

(b) This information is accessible from annual reports and financial statements of the institutions concerned. This item forms part of the audited financial statements of the respective institutions, which are accompanied by detailed notes and tabled together with the institutions' annual reports in the National Assembly.

(c) The PFMA requires departments, constitutional institutions and public entities to include in their annual reports and financial statements particulars of, amongst others, any material losses through criminal conduct, any criminal or disciplinary steps taken as a result of such losses and any material losses recovered or written off. The member can access this information from annual reports and financial statements of the institutions concerned, which are tabled in the National Assembly.

(d) The annual financial statements of departments, constitutional institutions and public entities also provide extensive details of, amongst others, the amount of debt outstanding at the various institutions. Departmental financial statements submitted to the National Treasury on 31 May 2005 contain unaudited figures and are utilised mainly for consolidation purposes in accordance with the requirements of section 8 of the PFMA.