

**NATIONAL COUNCIL OF PROVINCES**  
**QUESTION FOR WRITTEN REPLY**  
**QUESTION NUMBER: 321 [CW423E]**  
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**321. Mr S J Mohai (Free State: ANC) to ask the Minister of Finance:**

- (1) Whether the Government has calculated the cost of fruitless and wasteful public expenditure in the past financial year; if not, why not; if so, what are the relevant details;
- (2) whether the Government has instituted any (a) consequence management and (b) corrective measures to (i) prevent and (ii) detect fruitless and wasteful expenditure in accordance with section 38 of the Public Finance Management Act, 1999 (Act No. 1 of 1999), and the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003); if not, why not; if so, what measures is her department taking to ensure that fruitless and wasteful expenditure in the public service, including all government departments and entities is addressed?

CW423E

**REPLY:**

- (1) Yes, the information relates to the audited financial statement for the year 2016/17 for Government Departments, Public Entities and Local government:

1.1.	Departments:	R282,432 million
1.2.	Public Entities:	<u>R49,410 billion</u>
	Total Departments & public entities	<b><u>R49,7 Billion</u></b>
1.3.	Local Government	<u>R1,526 Billion</u>

The overall total estimated Fruitless and Wasteful expenditure: **R52 billion (2016/17)**

- (2) (a)

➤ **PFMA**

In terms of Section 38 (1) (a) (ii) the accounting officer of a department and trading entity is responsible for making effective and appropriate steps to prevent the fruitless and wasteful expenditure. Also Section 38 (1) (h) (iii) of this act provides that the accounting officer must take effective and appropriate disciplinary steps against any official in the department who makes or permits fruitless and wasteful expenditure.

Section 51 of PFMA also makes the same provisions for public entities as the responsibility of the accounting authorities.

➤ **MFMA**

Similar provisions as above are provided under section 62 of MFMA as the responsibility of the Accounting Officer of the municipality.

- (b) The National Treasury has assisted several institutions in all spheres of government with investigations on various matters that include fruitless and wasteful expenditure to provide investigative capacity, where it is required, due to shortages of investigative skills.

In most instances, perpetrators were identified and criminally charged, but most of cases are still being heard in courts of law, hence details of such cannot be provided, due to the matters being sub judice.

At local government, it was reported by Auditor-General during the audit outcome of 2016/17 that, this expenditure mainly relates to **penalties and interests** on overdue accounts (late payments of service providers, including Eskom electricity).

The National Treasury has prioritized support of municipalities with highest fruitless and wasteful expenditure, the support includes, but not limited to the following:

- Provided training of councilors serving on the Municipal Finance Committees, Municipal Public Accounts Committees and Municipal Disciplinary Board members to enable consequence management processes to be expedited.
- Issued MFMA Circular 76 in 2015 in support of the Financial Misconduct Regulations to clarify roles and responsibilities of officials and councilors and provided training on the implementation of consequence management framework.
- Established a **Rapid Response Technical team** that assist in developing financial recovery plans for selected municipalities in financial distress.