

Underspending a cause for concern

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THE NORTHERN Cape has started the 2017/18 financial year with a bank overdraft of R167 million which could affect the implementation of the Province's budget.

Accumulated irregular expenditure, currently sitting at R10 billion, is also posing a risk to the provincial envelope.

This was highlighted during an NCOP finance meeting where the Provincial Treasury Report on the Province's 2016/17 expenditure was discussed.

According to a summary of the meeting, one of the main problems in the Province is underspending.

"The Department of Health underspent by R116 million, mainly due to delays in infrastructure projects, while health patient fees were under-collected by R18.8 million (36.2 percent), due to challenges in its billing systems.

By contrast, the Department of Education overspent by R65.2 million, as it had had to appoint additional temporary teachers to cope with an unexpected influx of new pupils, the minutes of the meeting stated.

During the meeting, NCOP members expressed concern that money was not being spent while there was still so much that needed to be done in the Province.

They asked whether the delays in completing infrastructure projects were due to poor planning, while it was also pointed out that a lot of money was being spent on compensating employees instead of school suppliers.

Among the key risks identified in the Province was the fact that the departments of Health and Education were likely to overspend their compensation of employees budget in 2017/18, given the current overspending and the low growth.

The operationalisation of new health facilities is also expected to remain a challenge in the Province over the medium-term expenditure framework (MTEF), while accruals continue to pose a high risk to goods and services within the department.

Meanwhile, the Province's own revenue items, namely casino taxes, liquor licences and health patients' fees, have been under-collected against the projected revenue targets for 2016/17.

Province started financial year with a bank overdraft of R167 million ... and accumulated irregular expenditure of R10 billion

Ogalaletsang Gaarekwe, Chief Director: Budget Analysis, National Treasury, expressed National Treasury's concern regarding the Health Department, especially the challenges with infrastructure and delivery.

She pointed out that the department had a grant and was not doing well with it.

There was further concern on how the Department of Agriculture had underspent despite there being a drought, raising concern about how the drought was being dealt with.

Gail Parker, Northern Cape MEC for Economic Development, Finance and Treasury, said the Province had experienced R1 billion in budget cuts over the years, which had a major impact on how services were delivered.

Thami Mabija, from the Northern Cape Provincial Treasury, pointed out that some departments were not performing well in terms of spending their conditional grants.

In Agriculture, underspending was a result of having to verify the work that was being done. In Health, the department relied on the Department of Public Works to implement the work. It was pointed out that the mental health hospital, currently being built, was expected to be ready by December.

The Department of Human Settlements was underspending because of delays in the registration of title deeds, as the deeds office was very slow and was closed on most days. In addition to this, in the Social Development Department, there was litigation on a project.

In the area of Sports, Arts and Culture, there had been underspending on libraries. This was attributed to delays in the construction of these facilities. The money remained unspent, waiting for projects to commence. Another factor

with the library issue was that there were a lot of changes in their design, which had contributed to the delay.

Moving on to infrastructure, he said the Province had spent 91 percent of the budget, with underspending of R236 million. The Northern Cape was handling numerous projects and they were all in various stages.

There had been additional unauthorised expenditure involving the departments of Education and Health.

The Province was also not doing well with irregular expenditure, which was currently sitting at R10 billion.

The biggest transgression was in non-compliance by not finishing a project that had been started. Every time the departments were checked up on, they said they could not conclude the investigations.

He pointed out that there was engagement with National Treasury on this matter.

Parker pointed out further that due to cash flow problems, invoices had not been paid on time.

The issue of the library was also a concern to the Province, and the sports department had assured the Province that they would fix the problem.

When it came to the issue of consultants, it appeared that when the department had been requested to conduct investigations into financial irregularities, an independent person had been required so that the necessary culprits could be identified.

There had been a report on public entities, but it had not been received yet. Investigations had been concluded in the last financial year.

Mabija stated further that the Province was looking at combining two entities, gambling and liquor. It was not a question of having capacity, but an issue of finalising matters.