

Irregular expenditure rises to R10.5 bn in NC

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AT THE end of the last financial year, the Northern Cape provincial government owed R1.4 billion in unpaid invoices.

This is according to the report by the Select Committee on Finance on the Provincial Treasuries' Preliminary Budget Outcomes for the 2017/18 financial year.

The report, dated August 7, notes that while the Province had R1.4 billion in unpaid invoices at the end of 2017/18, irregular expenditure has accumulated to R10.5 billion and unauthorised expenditure has risen to R903.6 million, an indication that the management of cash by the Province has regressed.

The biggest culprits for unauthorised expenditure are the departments of Health and Education.

The Northern Cape was allocated a total adjusted budget of R16.7 billion in 2017/18, comprising of equitable share and the conditional grants.

According to the preliminary budget outcome, the Province spent R16.5 billion (98.7%), with under-spending amounting to R211.8 million.

"The Province overspent on compensation of employees with an amount of R173.3 million of which the Department of Education and the Department of Health are the main contributors with R98.9 million and R73 million, respectively," the report states.

"On the positive side, due to moratorium the Province has managed to save an amount of R209.8 million between 2016/17 and 2017/18 on compensation of employees, however departments

redirected these funds to other priorities."

The accruals and payables for the last financial year amounted to R1.4 billion (as at March 31, 2018).

The Department of Roads and Public Works' accruals and payables included rates and taxes (R608 million) and fleet services (R176.6 million).

The report pointed out that accruals at the Department of Health were a continuous problem and this has had a snowball effect that will impact on this financial year's appropriated funds.

The Provincial Treasury has meanwhile declined an application for condonement of irregular expenditure amounting to R1.13 million submitted by the provincial Department of Education.

"Concerning the irregular expenditure, the Province has the following challenges: high lev-

els of non-compliance with the supply chain management prescriptions resulting in high amounts of irregular expenditure being reported; the bulk of the Department of Education and Department of Health irregular expenditure is caused by implementing agents, namely Public Works and Independent Development Trust (IDT); and there is lack of appropriate preventative controls to prevent re-occurrence and lack of timeous and decisive action for transgression resulting in accumulation of irregular expenditure," the report stated.

The National Treasury identified various areas of concern including instability in senior management positions, making it difficult to implement corrective actions.

Contingent liabilities in the Province amounted to R1.5 billion

and there are constantly increasing medico-legal claims.

According to National Treasury, the Province also has a high percentage of unpaid invoices, while there was increasing overspending on compensation of employees in 2017/18, which is likely to continue in 2018/19.

The Province depends heavily on the IDT to implement its infrastructure projects for the departments of Health and Education, but monitoring these projects is a main challenge due to capacity within these departments which results in the use of consultants.

"Other challenges include the fact that projects take too long to be completed; the termination of contractors due to poor workmanship, poor performance and cash flow problems. All these challenges delay service delivery and impact negatively on the budget."



MASTER BUILDERS: The Northern Cape Master Builders Association recently held its annual general meeting during which the office bearers for 2018/19 were elected and safety awards were handed out. Seen here (above) are Martin Jooste and Dudley Dally (members), Keith van Rensburg (president), Graham Andrews (senior vice president) and Eddle du Toit (junior vice president). **ABOVE, RIGHT:** Franco Truter, from Kobus Duvenhage Builders, was presented with an award for safety by Van Rensburg.



Pictures: **Dave Alexander**