

## Report on unauthorised, irregular, and fruitless and wasteful spending in national government departments

This report was prepared to establish the extent of unauthorised, irregular, and fruitless and wasteful expenditure on the part of national government departments and selected agencies in South Africa. This information is important for gauging the standard of probity and stewardship being exercised in respect of public funds – which are, after all, the property of the citizens and taxpayers of South Africa.

The research was undertaken in early September 2017 and focused on the accounts for the 2015/16 financial year. This was the most recent data available at that point. Since the research was undertaken, data for the 2016/2017 financial year has started to become available.

The information was gathered by consulting departmental annual reports. Each has the departmental accounts appended to it, including the report of the Auditor General.

Table 1 below lists the 43 departments and agencies covered by this report.

**Table 1: departments and agencies covered by this report**

<b>Department of Agriculture, Forestry and Fisheries</b>	<b>Government Communication and Information System (GCIS)</b>	<b>Department of Planning, Monitoring and Evaluation</b>	<b>Department of Small Business Development</b>
<b>Department of Arts and Culture</b>	<b>Department of Health</b>	<b>National Treasury</b>	<b>Department of Social Development</b>
<b>Department of Basic Education</b>	<b>Department of Higher Education and Training</b>	<b>South African Police Service</b>	<b>Department of Sport and Recreation</b>

Civilian Secretariat for Police Service	Department of Home Affairs	Department of Telecommunications and Postal Services	Statistics South Africa
Department of Communications	Department of Human Settlements	Department of Public Enterprises	The Presidency
Department of Cooperative Governance and Traditional Affairs	Independent Police Investigative Directorate	Department of Public Service and Administration	Department of Tourism
Department of Correctional Services	Department of International Relations and Cooperation	Public Service Commission	Department of Trade and Industry
Department of Defence	Department of Justice and Constitutional Development	Department of Public Works	Department of Transport
Department of Economic Development	Department of Labour	Department of Rural Development and Land Reform	Department of Water and Sanitation
Department of Energy	Department of Military Veterans	Department of Science and Technology	Department of Women
Department of Environmental Affairs	Department of Mineral Resources	National School of Government	

These departments were identified through the web page <https://www.govpage.co.za/national.html>, which links to national government departments. A few agencies (such as SARS and the Government Printer) have been excluded, either because of different funding/accounting conventions or because the information for the relevant period was not available. **This report therefore does not claim to provide a comprehensive rendering of national accounts,** but can confidently claim to provide an

instructive one. Those accounts that have been included cover an amount of more than R700 billion and thus represent a substantial portion of national government expenditure.

This report covers three types of expenditure: unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Two types of information were sought for each of the three types of expenditure: the amount of expenditure identified in respect of 2015/16 (in other words, what amounts were identified as falling into these categories during 2015/16) and the state of the expenditure at the end of 2015/2016. This is important because **expenditure is dynamic**: The total amount of such expenditure on an entity's accounts at any given time may reflect amounts that have been there for a lengthy period, and it may change as old amounts are condoned or new amounts are added.

### Unauthorised expenditure

Unauthorised expenditure is defined as follows by the Public Finance Management Act (No. 1 of 1999):

- (a) overspending of a vote or a main division within a vote;
- (b) expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Table 2 below records the findings from the research on unauthorised expenditure.

**Table 2: Unauthorised expenditure**

Name of Department	Unauthorised expenditure (identified in respect of 2015/16) <sup>a</sup>	Unauthorised expenditure (closing balance, end of 2015/16) <sup>b</sup>	Actual expenditure (2015/2016) <sup>c</sup>
Department of Agriculture, Forestry and Fisheries	R0	R0	R6 400 972 000
Department of Arts and Culture	R0	R0	R3 762 353 000
Department of Basic Education	R131 814 000	R160 365 000	R20 985 564 000
Civilian Secretariat for Police Service	R0	R0	R111 892 000

<b>Department of Communications</b>	R0	R0	R1 288 042 000
<b>Department of Cooperative Governance and Traditional Affairs</b>	R0	R1 123 000	R68 097 537 000
<b>Department of Correctional Services</b>	R121 000	R121 000	R20 588 805 000
<b>Department of Defence</b>	R0	R0	R45 071 534 000
<b>Department of Economic Development</b>	R0	R0	R889 415 000
<b>Department of Energy</b>	R0	R14 860 000	R7 327 654 000
<b>Department of Environmental Affairs</b>	R0	R0	R5 950 120 000
<b>Government Communication and Information System (GCIS)</b>	R0	R4 406 000	R365 241 000
<b>Department of Health</b>	R0	R0	R37 203 840 000
<b>Department of Higher Education and Training</b>	R0	R0	R56 993 026 000
<b>Department of Home Affairs</b>	R0	R1 088 221 000	R7 343 378 000
<b>Department of Human Settlements</b>	R0	R0	R30 035 027 000
<b>Independent Police Investigative Directorate</b>	R0	R891 000	R234 157 000
<b>Department of International Relations and Cooperation</b>	R166 524 000	R382 092 000	R6 644 764 000
<b>Department of Justice and Constitutional Development</b>	R0	R0	R16 706 738 000
<b>Department of Labour</b>	R0	R0	R2 611 995 000
<b>Department of Military Veterans</b>	R0	R0	R348 609 000
<b>Department of Mineral Resources</b>	R0	R0	R1 653 324 000
<b>Department of Planning, Monitoring and Evaluation</b>	R0	R0	R775 469 000
<b>National Treasury</b>	R0	R0	R28 760 825 000
<b>South African Police Service</b>	R0	R0	R76 721 272 000
<b>Department of Telecommunications and Postal Services</b>	R0	R4 741 000	R1 300 097 000

Department of Public Enterprises	R0	R0	R23 259 706 000
Department of Public Service and Administration	R0	R0	R954 001 000
Public Service Commission	R0	R0	R229 320 000
Department of Public Works	R0	R261 169 000	R6 281 147 000
Department of Rural Development and Land Reform	R0	R0	R9 140 177 000
Department of Science and Technology	R0	R0	R7 591 830 000
National School of Government	R0	R0	R137 638 000
Department of Small Business Development	R0	R0	R1 098 891 000
Department of Social Development	R0	R0	R136 405 673 000
Department of Sport and Recreation	R0	R705 000	R979 902 000
Statistics South Africa	R6 803 000	R8 143 000	R2 277 521 000
The Presidency	R0	R0	R475 905 000
Department of Tourism	R0	R0	R1 777 394 000
Department of Trade and Industry	R0	R0	R9 617 278 000
Department of Transport	R0	R2 368 571 000	R53 320 787 000
Department of Water and Sanitation	R0	R3 782 000	R15 556 974 000
Department of Women	R2 237 000	R29 565 000	R192 349 000
<b>Total</b>	<b>R307 499 000</b>	<b>R4 328 755 000</b>	<b>R717 468 143 000</b>

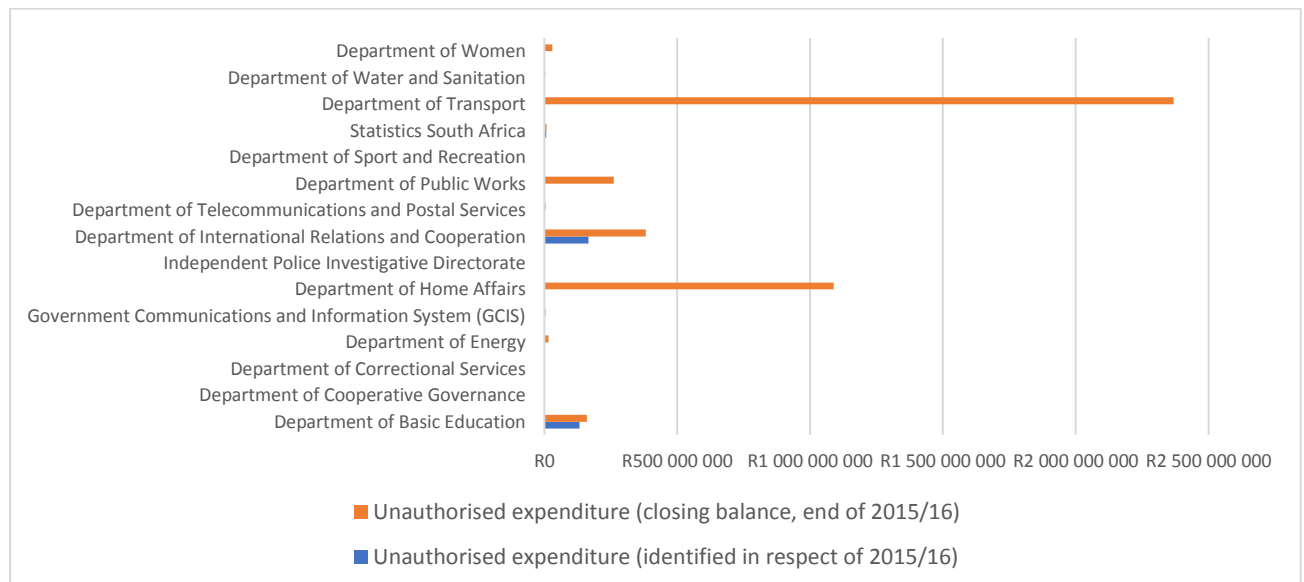
Source: Annual Reports

- This refers to amounts identified as unauthorised in respect of 2015/16.
- This column reflects the total amount of unauthorised expenditure existing at the end of 2015/2016.
- Total expenditure, including – where applicable – spending of aid assistance.



Together, some R307,5 million were identified in unauthorised expenditure in the 2015/2016 year. As a proportion of total spending, this was negligible. The year ended with an amount well in excess of R4 billion in unauthorised expenditure on the books of these departments, equivalent to 0,6% of the total.

In 38 of the departments and agencies reviewed, no unauthorised expenditure was identified in 2015/2016 and 28 departments ended the year with no unauthorised expenditure on their books. The graph below shows the state of play in those departments and agencies that incurred unauthorised spending or had it on their books at the end of the period.



The visual representation underlines a few important factors. Unauthorised expenditure was quite modest for the most of 2015/2016. Accumulated unauthorised spending was a somewhat greater issue and was concentrated in six departments: Transport (by a considerable margin), Home Affairs, International Relations and Cooperation, Public Works, Basic Education, and Women.

Noteworthy is that when seen as a proportion of actual departmental spending in 2015/2016, the outstanding unauthorised spending on the books of the Department of Transport amounted to some 4,4%.

The Department of Transport's Annual Report describes the unauthorised expenditure thus (page 23):

The cost of eNaTIS maintenance and operations resulted in the unauthorized expenditure of R2,368,571,000, which was incurred in 2013/14 and 2014/15. No further unauthorised expenditure was incurred in 2015/16 because the over expenditure on eNaTIS could be covered by the shifting of funds across programmes and because an agreement was reached that the Road Traffic Management Corporation (RTMC) would carry the cost of eNaTIS from May 2015 onwards.

A further R1,2 billion of unauthorized expenditure was incurred during 2008/09 and 2009/10 as a result of over expenditure on bus subsidies. The Standing Committee on Public Accounts recommended the approval of the amount of R1,207,374,000 by Parliament as a direct charge against the National Revenue Fund.

### **Irregular expenditure**

Irregular expenditure is defined as follows by the Public Finance Management Act (No. 1 of 1999):

expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including

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- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of that Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

Table 3 below records the findings from the research on irregular expenditure.

**Table 3: Irregular expenditure**

<b>Name of Department</b>	<b>Irregular expenditure (identified in respect of 2015/16)<sup>a</sup></b>	<b>Irregular expenditure (closing balance, end of 2015/2016)<sup>b</sup></b>	<b>Actual Expenditure (2015/2016)</b>
<b>Department of Agriculture, Forestry and Fisheries</b>	R829 000	R899 000	R6 400 972 000
<b>Department of Arts and Culture</b>	R111 493 000	R403 552 000	R3 762 353 000
<b>Department of Basic Education</b>	R404 975 000	R2 207 063 000	R20 985 564 000
<b>Civilian Secretariat for Police Service</b>	R14 759 000	R22 121 000	R111 892 000
<b>Department of Communications</b>	R0	R0	R1 288 042 000
<b>Department of Cooperative Governance and Traditional Affairs</b>	R442 458 000	R1 032 338 000	R68 097 537 000
<b>Department of Correctional Services</b>	R219 333 000	R494 911 000	R20 588 805 000
<b>Department of Defence</b>	R671 889 000	R633 272 000	R45 071 534 000
<b>Department of Economic Development</b>	R401 000	R401 000	R889 415 000
<b>Department of Energy</b>	R678 000	R0	R7 327 654 000
<b>Department of Environmental Affairs</b>	R0	R0	R5 950 120 000
<b>Government Communication and Information System (GCIS)</b>	R0	R0	R365 241 000
<b>Department of Health</b>	R2 939 000	R4 906 000	R37 203 840 000
<b>Department of Higher Education and Training</b>	R31 308 000	R31 308 000	R56 993 026 000
<b>Department of Home Affairs</b>	R9 254 000	R366 591 000	R7 343 378 000
<b>Department of Human Settlements</b>	R0	R6 735 000	R30 035 027 000
<b>Independent Police Investigative Directorate</b>	R2 069 000	R2 565 000	R234 157 000



<b>Department of International Relations and Cooperation</b>	R338 859 000	R416 683 000	R6 644 764 000
<b>Department of Justice and Constitutional Development</b>	R13 794 000	R174 150 000	R16 706 738 000
<b>Department of Labour</b>	R25 257 000	R39 543 000	R2 611 995 000
<b>Department of Military Veterans</b>	R123 693 000	R173 875 000	R348 609 000
<b>Department of Mineral Resources</b>	R428 000	R0	R1 653 324 000
<b>Department of Planning, Monitoring and Evaluation</b>	R146 000	R26 000	R775 469 000
<b>National Treasury</b>	R0	R0	R28 760 825 000
<b>South African Police Service</b>	R336 000	R202 000	R76 721 272 000
<b>Department of Telecommunications and Postal Services</b>	R27 352 000	R223 377 000	R1 300 097 000
<b>Department of Public Enterprises</b>	R3 075 000	R14 849 000	R23 259 706 000
<b>Department of Public Service and Administration</b>	R107 000	R13 552 000	R954 001 000
<b>Public Service Commission</b>	R0	R0	R229 320 000
<b>Department of Public Works</b>	R1 673 000	R368 039 000	R6 281 147 000
<b>Department of Rural Development and Land Reform</b>	R4 456 000	R21 101 000	R9 140 177 000
<b>Department of Science and Technology</b>	R1 088 000	R34 942 000	R7 591 830 000
<b>National School of Government</b>	R38 000	R4 875 000	R137 638 000
<b>Department of Small Business Development</b>	R1 834 000	R1 834 000	R1 098 891 000
<b>Department of Social Development</b>	R8 312 000	R42 746 000	R136 405 673 000
<b>Department of Sport and Recreation</b>	R0	R0	R979 902 000
<b>Statistics South Africa</b>	R222 000	R7 790 000	R2 277 521 000
<b>The Presidency</b>	R4 061 000	R13 873 000	R475 905 000
<b>Department of Tourism</b>	R39 000	R0	R1 777 394 000

<b>Department of Trade and Industry</b>	R59 000	R1 258 000	R9 617 278 000
<b>Department of Transport</b>	R1 559 000	R1 869 143 000	R53 320 787 000
<b>Department of Water and Sanitation</b>	R1 710 461 000	R2 493 172 000	R15 556 974 000
<b>Department of Women</b>	R8 556 000	R57 651 000	R192 349 000
<b>Total</b>	<b>R4 187 790 000</b>	<b>R11 179 343 000</b>	<b>R717 468 143 000</b>

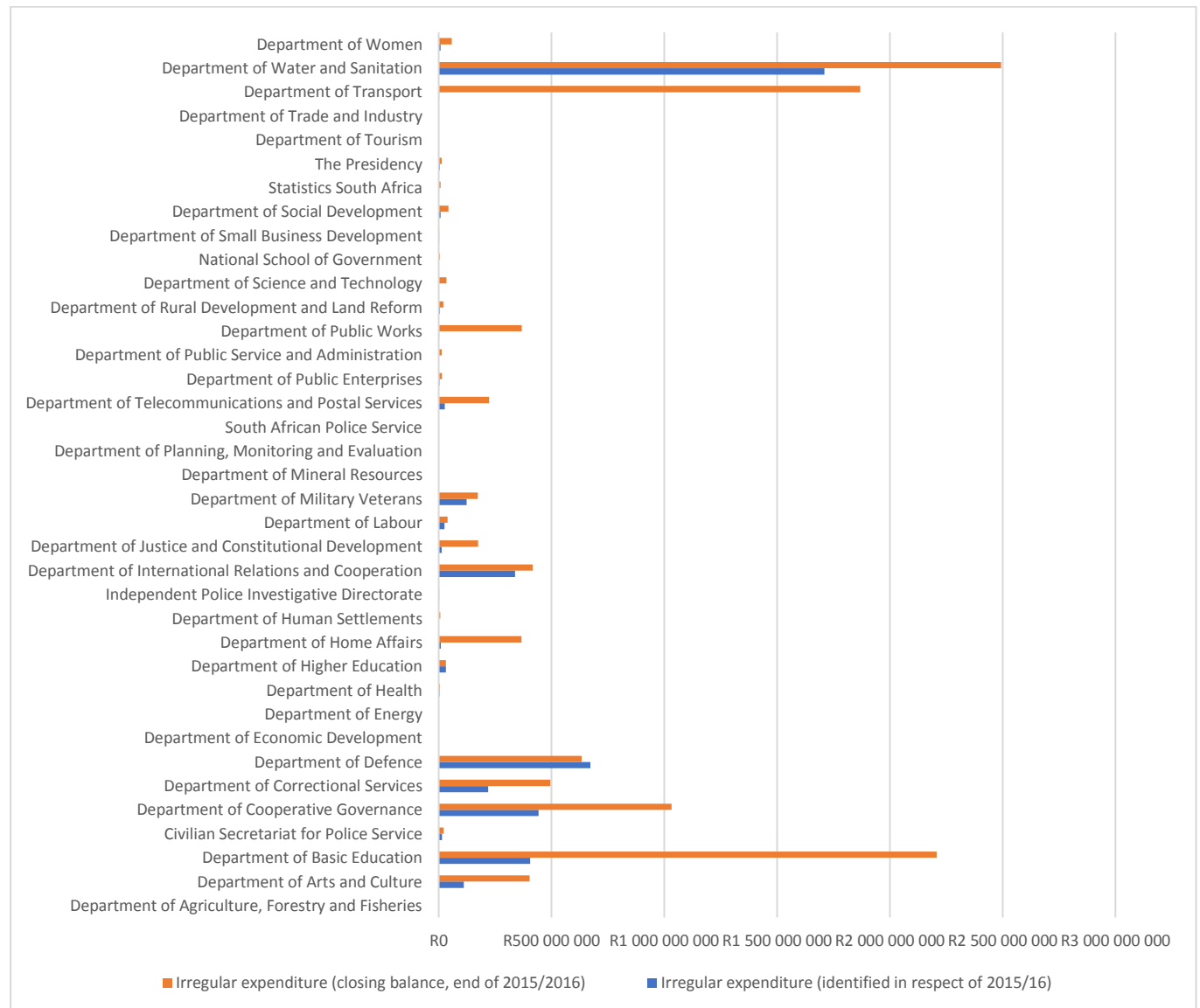
Source: Annual Reports

- This refers to amounts identified as irregular in respect of 2015/16.
- This column reflects the total amount of irregular expenditure existing at the end of 2015/2016.
- Total expenditure, including – where applicable – spending of aid assistance.

Some R4,2 billion in irregular expenditure was identified in the 2015/2016 year. This was equivalent to some 0,6% of the spending recorded here. At the end of 2015/2016, the various departments and agencies had around R11,2 billion in irregular expenditure on their books. This was equivalent to 1,6% of expenditure.

In contrast to unauthorised expenditure, irregular spending is a feature common to almost all the departments and agencies reviewed. Only in 7 departments no irregular expenditure was identified in 2015/2016. Only 9 ended the year without irregular expenditure on their books.

The graph below shows the state of play in those departments and agencies that incurred irregular spending or had it on their books at the end of the period.



The graph draws attention to the largest contributors to irregular expenditure: Arts and Culture, Basic Education, Cooperative Governance and Traditional Affairs, Correctional Services, Defence, Home Affairs, International Relations and Cooperation, Justice and Constitutional

Development, Military Veterans, Telecommunications and Postal Services, Public Works, Transport, and Water and Sanitation.

The total irregular expenditure on the books of the Department of Water and Sanitation was equivalent to some 16% of 2015/2016 spending. The Auditor General made the following comments about the department's accounts (page 198):

Effective steps were not taken to prevent irregular expenditure as required by section 38(1)(c)(ii) of the Public Finance Management Act and Treasury Regulation 9.1.1. The value of R1,7 billion as disclosed in note 25 is not complete as management is still busy with the exercise to quantify the full extent of the irregular expenditure. This will be specific to procurement processes that were done by the implementing agents on behalf of the department.

Readers are advised to consult the relevant Annual Report (p. 292) for a rundown of the irregular expenditure incurred by the Department of Water and Sanitation. It makes for sobering reading.

### **Fruitless and wasteful expenditure**

Fruitless and wasteful expenditure is defined as follows by the Public Finance Management Act (No. 1 of 1999):

expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is arguably the most worrying sort of expenditure discussed here. While unauthorised and irregular expenditure can in principle have beneficial consequences, fruitless and wasteful spending represents the squandering of resources.

Table 4 below records the findings from the research on fruitless and wasteful expenditure.

**Table 4: Fruitless and wasteful expenditure**

<b>Name of Department</b>	<b>Fruitless/wasteful expenditure (identified in respect of 2015/16)<sup>a</sup></b>	<b>Fruitless/wasteful expenditure (closing balance, end of 2015/2016)<sup>b</sup></b>	<b>Actual Expenditure 2015/2016)<sup>c</sup></b>
<b>Department of Agriculture, Forestry and Fisheries</b>	R1 000	R1 000	R6 400 972 000
<b>Department of Arts and Culture</b>	R220 000	R11 523 000	R3 762 353 000
<b>Department of Basic Education</b>	R44 305 000	R44 333 000	R20 985 564 000
<b>Civilian Secretariat for Police Service</b>	R0	R0	R111 892 000
<b>Department of Communications</b>	R0	R0	R1 288 042 000
<b>Department of Cooperative Governance and Traditional Affairs</b>	R0	R8 000	R68 097 537 000
<b>Department of Correctional Services</b>	R1 714 000	R37 190 000	R20 588 805 000
<b>Department of Defence</b>	R7 180 000	R308 189 000	R45 071 534 000
<b>Department of Economic Development</b>	R0	R0	R889 415 000
<b>Department of Energy</b>	R12 000	R0	R7 327 654 000
<b>Department of Environmental Affairs</b>	R0	R0	R5 950 120 000
<b>Government Communication and Information System (GCIS)</b>	R0	R0	R365 241 000
<b>Department of Health</b>	R0	R6 052 000	R37 203 840 000
<b>Department of Higher Education and Training</b>	R0	R0	R56 993 026 000
<b>Department of Home Affairs</b>	R99 000	R1 086 000	R7 343 378 000
<b>Department of Human Settlements</b>	R175 000	R213 000	R30 035 027 000
<b>Independent Police Investigative Directorate</b>	R2 000	R314 000	R234 157 000



<b>Department of International Relations and Cooperation</b>	R5 523 000	R7 373 000	R6 644 764 000
<b>Department of Justice and Constitutional Development</b>	R1 260 000	R7 554 000	R16 706 738 000
<b>Department of Labour</b>	R34 000	R482 000	R2 611 995 000
<b>Department of Military Veterans</b>	R811 000	R2 022 000	R348 609 000
<b>Department of Mineral Resources</b>	R0	R0	R1 653 324 000
<b>Department of Planning, Monitoring and Evaluation</b>	R330 000	R340 000	R775 469 000
<b>National Treasury</b>	R0	R0	R28 760 825 000
<b>South African Police Service</b>	R71 000	R447 000	R76 721 272 000
<b>Department of Telecommunications and Postal Services</b>	R46 000	R11 983 000	R1 300 097 000
<b>Department of Public Enterprises</b>	R2 000	R20 000	R23 259 706 000
<b>Department of Public Service and Administration</b>	R0	R355 000	R954 001 000
<b>Public Service Commission</b>	R0	R0	R229 320 000
<b>Department of Public Works</b>	R1 573 000	R2 705 000	R6 281 147 000
<b>Department of Rural Development and Land Reform</b>	R11 856 000	R27 533 000	R9 140 177 000
<b>Department of Science and Technology</b>	R62 000	R62 000	R7 591 830 000
<b>National School of Government</b>	R0	R0	R137 638 000
<b>Department of Small Business Development</b>	R0	R0	R1 098 891 000
<b>Department of Social Development</b>	R666 000	R1 216 000	R136 405 673 000
<b>Department of Sport and Recreation</b>	R0	R7 158 000	R979 902 000
<b>Statistics South Africa</b>	R472 000	R11 823 000	R2 277 521 000
<b>The Presidency</b>	R0	R1 119 000	R475 905 000
<b>Department of Tourism</b>	R915 000	R4 000	R1 777 394 000

<b>Department of Trade and Industry</b>	R0	R0	R9 617 278 000
<b>Department of Transport</b>	R115 000	R1 436 000	R53 320 787 000
<b>Department of Water and Sanitation</b>	R12 550 000	R87 156 000	R15 556 974 000
<b>Department of Women</b>	R2 020 000	R2 323 000	R192 349 000
<b>Total</b>	<b>R92 014 000</b>	<b>R582 020 000</b>	<b>R717 468 143 000</b>

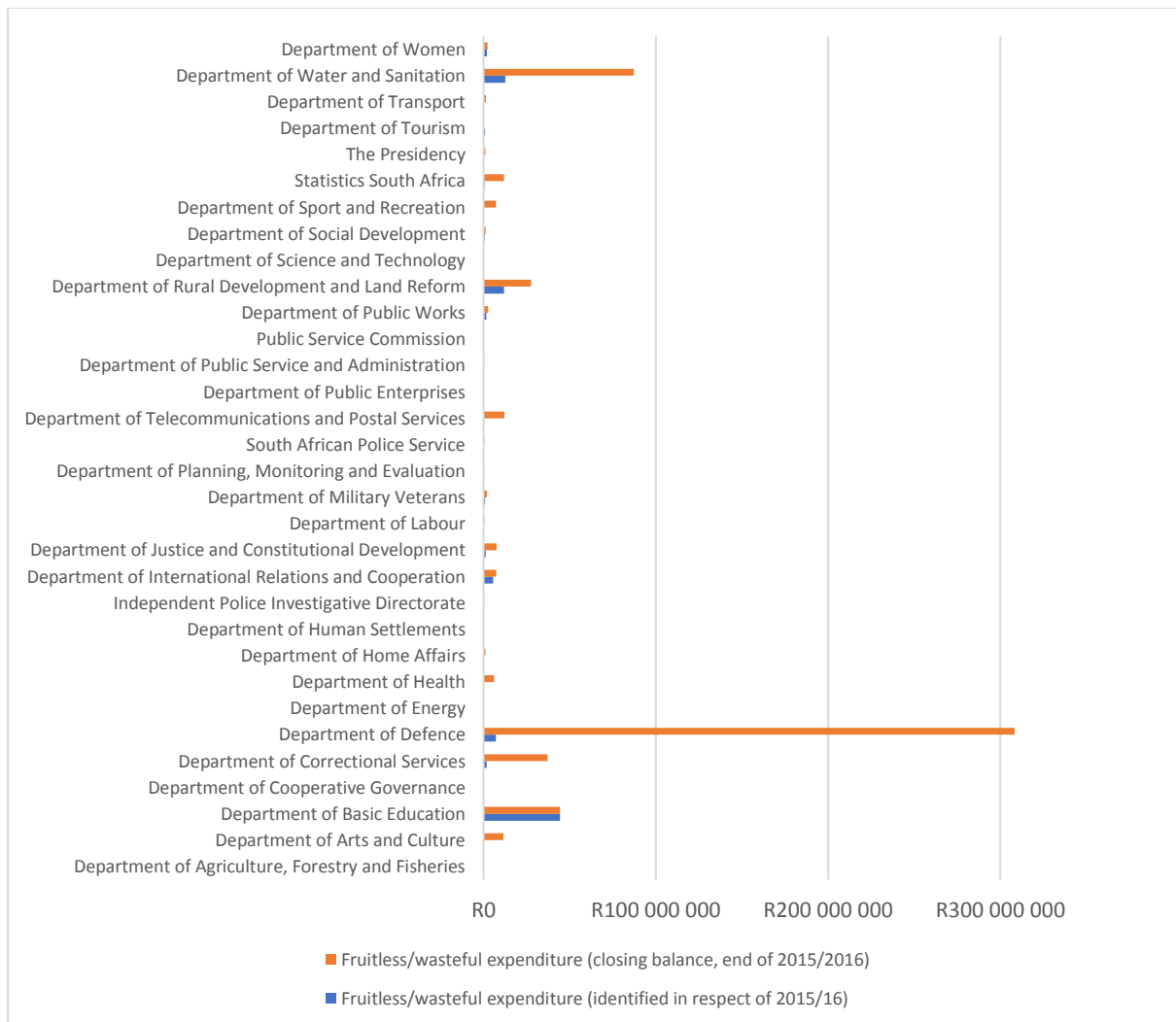
Source: Annual Reports

- This refers to amounts identified as fruitless and wasteful in respect of 2015/16.
- This column reflects the total amount of fruitless and wasteful expenditure existing at the end of 2015/2016.
- Total expenditure, including – where applicable – spending of aid assistance.

Some R92 million in fruitless and wasteful expenditure was identified in the 2015/2016 year. This was proportionately negligible, equivalent to around a tenth of 1% of the spending recorded here. At the end of 2015/2016, the various departments and agencies had around R582 million in irregular expenditure on their books. This was equivalent to 0,8% of expenditure.

Fruitless and wasteful expenditure was recorded in most of the departments and agencies reviewed. In respect of 17 departments, no fruitless and wasteful expenditure was identified in 2015/2016. Some 13 ended the year without fruitless and wasteful expenditure on their books.

The graph below shows the state of play in those departments and agencies that incurred fruitless and wasteful expenditure in 2015/2016 or had it on their books at the end of the period.

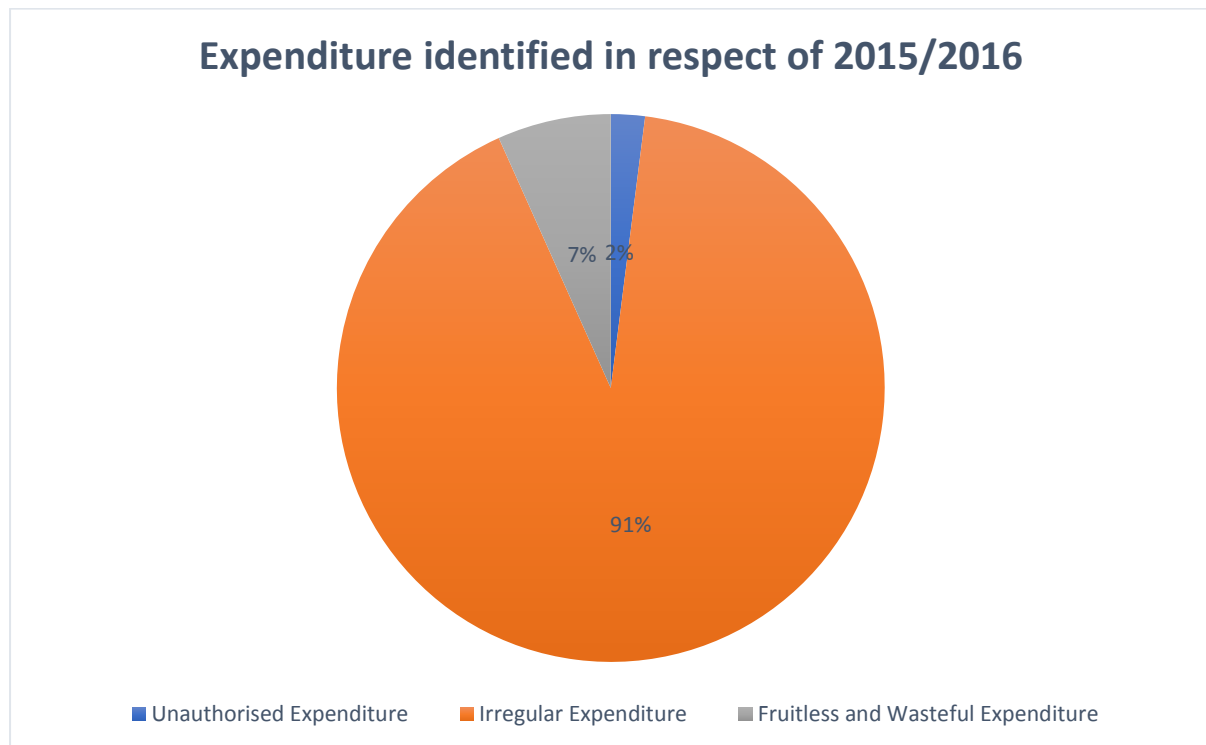


The graph draws attention to the largest contributors to fruitless and wasteful expenditure: Basic Education, Correctional Services, Defence, Rural Development and Land Reform, International Relations and Cooperation, Justice and Constitutional Development, and Water and Sanitation.

The Department of Defence recorded a relatively modest flow of fruitless and wasteful expenditure in 2015/2016 – some R7,2 million. However, the year ended with some R308,2 million on that department's books. The latter was equivalent to 0,7% of the department's spending.

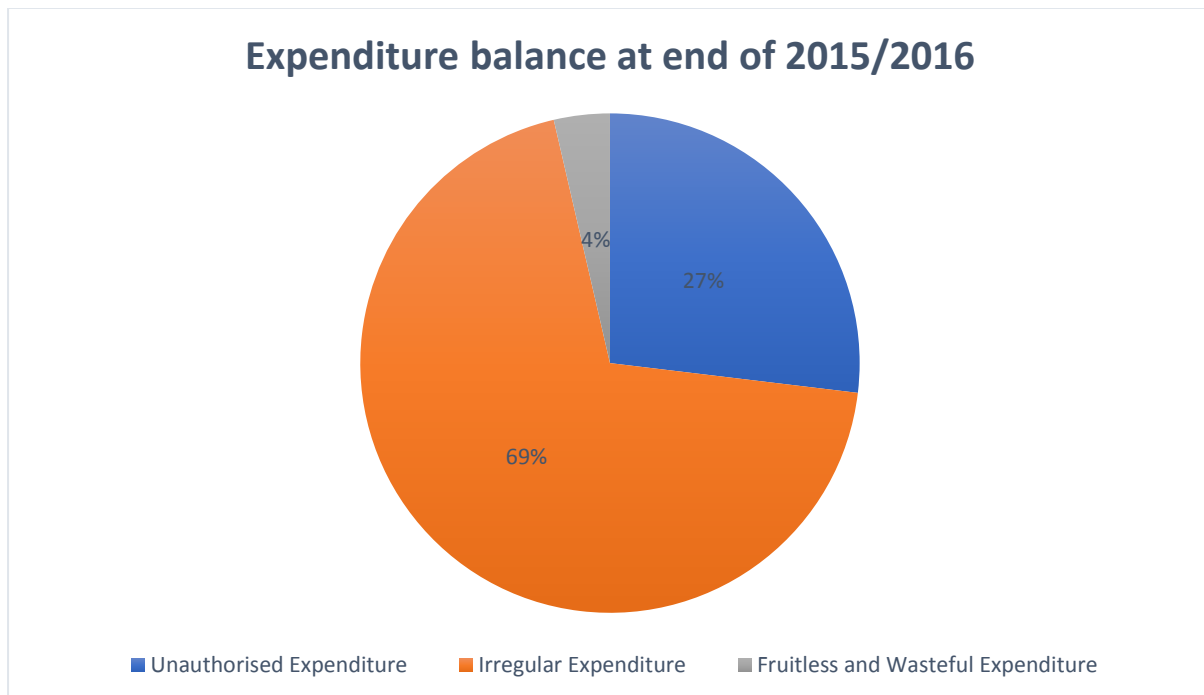
## Comparisons

The graph below shows the breakdown of unauthorised, irregular, and fruitless and wasteful expenditure identified in respect of 2015/2016. Together it amounts to R4 587 303 000, representing a fairly modest 0,64% of the R717 468 143 000 reviewed in this report.



As can be seen, irregular expenditure is the dominant entry here. Given the role that the Department of Water and Sanitation played in this, it may deserve some scrutiny.

The graph below shows the breakdown of unauthorised, irregular, and fruitless and wasteful expenditure remaining on the books in 2015/2016. Together they amount to R16 090 118 000, representing the equivalent of 2,2% of the R717 468 143 000 reviewed in this report.



Here, again, irregular expenditure dominates at well above two-thirds of the total, but unauthorised expenditure – much of it incurred in prior years – makes a strong showing.