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**INTERNAL MEMORANDUM**

**(Parliamentary Question for Written Reply)**

TO : FINANCE

SUBJECT : NATIONAL ASSEMBLY QUESTION NO. **2459** FOR REPLY

**2459.  Ms N P Sonti (EFF) to ask the Minister of Public Works:**

What (a) concrete steps has he taken to recover the R35 billion lost by his department (details furnished) due to wrongful and wasteful construction or leasing of state buildings since 2009 up to 2014 and (b) remedial action has he taken to ensure that such maladministration does not happen in the future? NO2549E

The above question bears reference:

**Response**

*It is appropriate to start the response by providing some clarity on irregular expenditure. Irregular expenditure is incurred when any* ***technical directive contained in legislation or Department’s own procedural requirement is contravened at the time when the transaction was concluded***. *By inference, this does* ***NOT*** *represent money lost or wasted. Value for money would in each case have been derived through such transactions although some discrepancies would have occurred during the procurement or payment process rendering it irregular.*

*It would also further assist to provide some more context to the quantum of the R34 billion as disclosed in the report referred to. The amount of R34 billion of irregular expenditure as disclosed in the financial statements of the 2013-14 financial year is the result of a comprehensive review of all transactions processed by the Department from 2009-10 to the end of 2013-14 (a total of well in excess of 1.3 million transactions). The total R34 b therefore does not represent transactions processed in a single year but is the cumulative result of transactions processed over the entire period of 5 years. Furthermore it is important to note that this disclosure is an outcome of a targeted intervention by the turnaround programme to clean out all historic discrepancies as soon as possible by addressing the root causes of these problems in order to establish sustainable solutions.*

1. **What concrete steps has he taken to recover the R35 billion lost by his department (details furnished) due to wrongful and wasteful construction or leasing of state buildings since 2009 up to 2014?**

According to the Updated Guidelines on Irregular Expenditure (1 April 2015) issued by the National Treasury, *“(a) The accounting officer or accounting authority or his/her delegate must decide on the level of enquiry/investigation to be undertaken to determine whether:*

*(i) the expenditure in question meets the definition of irregular expenditure;*

*(ii) there is any official liable in law for the irregular expenditure;*

*(iii) the amount of the irregular expenditure resulted in any losses or damages suffered by the state; or*

*(iv) the state did not attain value for money from the transaction, condition or event.”*

The Updated Guidelines on Irregular Expenditure (1 April 2015) further provides thus “*Irregular expenditure must be removed from the balance of the irregular expenditure notes when it is either:*

*(a) condoned by the relevant authority if no official was found to be liable in law;*

*(b) recovered from an official liable in law;*

*(c) written-off if it’s irrecoverable from an official liable in law; or*

*(d) written-off if it’s not condoned and not recoverable.*

The Department has, in line with the Guidelines on Irregular Expenditure instituted, enquiry / investigation into the irregular expenditure incurred to determine whether there is any official liable in law for the expenditure, whether the amount resulted in any losses or damages suffered by the state or whether the state did not attain value for money from the transactions

Those who are found to be liable in law for the irregular expenditure, the necessary steps will be taken to recover the amounts from the official(s) as the guidelines prescribe. Similarly, where no official is liable in law for the irregular expenditure, the amount may be condoned by the delegated authority in line with Guidelines from the National Treasury.

1. **What remedial action has he taken to ensure that such maladministration does not happen in the future?**

***Set the tone from top***

*Irregular expenditure is considered by an Accountability Management Committee of which the membership is at the level of Deputy Director-Generals. Officials who are found to have negligently flouted prescripts are dealt with in line with investigation reports regardless of rank. The Department is maintaining a zero tolerance on this regard.*

***Review of SCM prescripts for infrastructure***

*The current Treasury SCM prescripts which were mainly developed for goods and services and posed insurmountable challenges to the core business’ line functions of the Department is in the process of being reviewed. A new leasing framework has been developed with the support of National Treasury’s Office of the Chief Procurement Officer and will be implemented from 1 April 2015. Similarly an infrastructure (construction) SCM framework is being reviewed and it is anticipated to be completed during the third quarter of the next financial year.*

***Review of all SCM processes prior to awards being made***

*Since September 2014, preventative measures have been implemented by means of which all quotations and bids are reviewed to confirm compliance before any awards are made. This review is done by an independent unit located directly under the control of the Chief Financial Officer.*

***Training***

*Training of officials in SCM and those involved with procurement process has been intensified to ensure that officials are kept abreast with the current developments within SCM.*