

BACK TO BASICS

TOWARDS A SAFER TOMORROW



SCOPA Review of the 2016/2017, Irregular, Fruitless and Wasteful Expenditure and Accruals for the South African Police Service

29 November 2017

#CrimeMustFall



BACKGROUND

- * Procurement of goods and services, either by way of quotations or through a bidding (tender) process, take place according to threshold values as determined by the National Treasury.
- * The threshold values in essence are:
 - The SAPS have a number of centres of financial responsibility (“cost centres”) such as Divisions, Provinces, Stations i.e. organizational units entrusted with an estimate (budget allocation) and accounting for their expenditures against each such estimate. (In a general sense, a responsibility centre can be described as an organizational unit in SAPS which is headed by a manager responsible for the activities of that unit).
 - Up to R500 000 – Quotations which each organizational unit obtain and use to purchase goods and services. (However to enhance governance, quotations between R300 000 up to R500 000 must first be submitted to the Division: Supply Chain Management (SCM) at national level for approval).



BACKGROUND continue

- Above R500 000 – Bids (tenders) put in place by the Division: SCM Bid Adjudication Committee (BAC) at national level or third parties such as SITA. Organisational units then use these contracts to procure goods and services.
- For 2016/17 the SAPS paid 1 548 292 invoices to the value of R16,435 billion.
- 99,75% of these invoices were paid within 30 days.
- In addition to numerous supply chain (including procurement) prescripts and processes, an integrated detailed policy “National Instruction 3 of 2014”, titled “Administration of Supplier Payments” exists.
- The said SAPS National Instruction prescribes in detail a sequential process of Financial Authority → Procurement Authority → Order → Delivery → Invoice → Payment → Archive.



IRREGULAR EXPENDITURE

- Procurement by means of quotations (\leq R500 000 and associated invoices) resulted in 222 947 orders placed to the value of R2,758 billion for the 2016/17 financial year in total.
- The irregular expenditure information per payment date, payment number, company involved, officials involved, amount, description, place, type of disciplinary action, method of finalisation, classification and financial year exists.
- The information relate to note 24.1 of the Annual Financial Statements (AFS) (2016/17).
- Process to deal with such matters in essence includes reporting of potential irregular expenditure (by end-user) with supporting documentation, enter into register, enquiry or investigation into the alleged irregular expenditure, confirmation or not by relevant authority (BAC/Accounting Officer), liability/discipline where applicable and condonation (conclusion).



IRREGULAR EXPENDITURE continue

- Note 24.1 of the AFS relates to 45 cases to the amount of R22,79 million. In essence these irregular expenditure figures of 2016/17 has an opening balance carried forward from the 2015/16 financial year where one incident constitutes R19,911 million. If this is isolated, R2,878 million remains which predominantly relate to quotations where the procurement authority was not obtained before the order was issued, according to the SAPS process (technical requirement).
- Of the 45 cases, disciplinary steps were taken in 33 instances, 3 are not concluded yet, 1 is deceased, 1 was transferred, 1 was not liable, 1 was an emergency and 6 were not disciplined due to extended periods after incident.
- In all instances good / services (value) were indeed required and received.



FRUITLESS EXPENDITURE

- The information relate to note 25.1 of the Annual Financial Statements (2016/17).
- Process to deal with such matters in essence includes reporting possible fruitless expenditure, recording possible fruitless expenditure, liability investigations, debt recovery where appropriate, reporting, etc.
- 283 Cases to the value of R8,488 million are applicable of which R0,420 million were incurred in 2016/17.
- Within the R8,488 million, one case reflects an amount of R7,3 million. If this is isolated R1,1 million remains for 282 cases of which 121 cases valued at R0,080 million relates to vehicle license penalties and 39 to duplicate vehicle registration certificates costing R0,021 million. (The SAPS have a 48 000 vehicle fleet).
- Of the 282 cases amounting to R1,1 million, recovery in 33 cases amounting to R0,224 million took place. 95 Cases are currently in process of an investigation being conducted.



ACCRUALS

- Accruals represent goods/services that have been received, but where no invoices have been received from suppliers before 1 April 2017, or where invoices have been received but payments have not been effected.
- Invoices are captured by the various centres of financial responsibility (“cost centres”) in SAPS country wide and in essence, incorporates a process consisting of four statuses i.e. capturing, schedule for payment, marking ready for payment and payment. (Invoices to be paid should be correct in every respect and the Polfin system *inter alia* tests against supplier number, invoice number, date of invoice, linked suppliers and amount of invoice).
- The information relate to note 20 of the Annual Financial Statements (2016/17).



ACCRUALS continue

Listed by economic classification	30 Days R'000	30+ Days R'000	2016/17 R'000	2015/16 R'000
Goods and services	798 758	57 925	856 683	613 680
Transfers and subsidies	32 970	29 015	61 985	46 381
Capital assets	143 769	150	143 919	65 051
Total	975 497	87 090	1 062 587	725 112

- When the above figures are considered it should be noted that the increase from 2015/16 (R725,112 million) to 2016/17 (R1,062 billion) was essentially due to vehicles (capital) not invoiced at year-end (R73,421 million) and a March 2016 fuel tape (good and services) that was paid end of March 2016 (R187,186 million) to create room to manoeuvre in the subsequent (2016/17) financial year for security of the Local Government Elections as no funding was received for this purpose during the MTEF process.



ACCRUALS continue

- The 30+ days amount of R87,090 million at 31 March 2017 consisted mainly of amounts awarded regarding civil claims (R28,7 million), fuel card transactions for end of February 2017 only charged on April 2017 fuel tape (R16,1 million) as a result of the invoicing method by the financial institution, inter-departmental claims received late in the 4th quarter and being verified at the time (R29,6 million).
- For the 2016/17 financial year, the SAPS paid 1 548 292 invoices to the value of R16,435 billion, an average of 99,75% of these invoices were paid within 30 days. (For the month of March 2017 the figure was 99,78% which is similar to each previous month of the financial year illustrating the SAPS liquidity to service its short term obligations as they come due).



EXISTING CONTROLS

- * The following controls of a preventative or corrective nature are in existence in SAPS and are enhanced or expanded as adequacy might require:
 - Statutory compliance requirements (various legislation).
 - Extensive SAPS rules and procedures (SO / NI).
 - IT System (Programme rules) automation.
 - Budgets.
 - Multi-tiered control processes.
 - Segregation of duties.
 - Analysis (Exception reports etc.).
 - Physical supervision and checking.
 - Training.
 - Discipline management.
 - Subject to audits.

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THANK YOU