



women, youth & persons with disabilities

Department:
Women, Youth and Persons with Disabilities
REPUBLIC OF SOUTH AFRICA

Directorate: Internal Audit

Internal Audit Report

Determination of Facts on Unauthorised Expenditure

Period: 2019/20 Financial Year

Ref no. 2021/22-03



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1. Purpose

The purpose of this report is to communicate progress made on the determination of facts on the unauthorised expenditure incurred by the Department of Women, Youth and Persons with Disabilities (Department).

2. Background

Unauthorised expenditure incurred by the Department during 2019/20 financial year can be illustrated as follows:

- 2.1 The Department was allocated a budget of R 244 398 000 and spent R 241 388 000 which translate to an underspending of R 3 010 000.
- 2.2 Programme 1 (Administration) was allocated a budget of R 96 022 000 and spent R 99 221 000 which translate to an overspending of R 3 199 000.
- 2.3 An amount of R 3 199 000 which was overspent in Programme 1 was subsequently classified as unauthorised expenditure in line with the Public Finance Management Act (PFMA).
- 2.4 The Annual Report of the Department indicate the details of the unauthorised expenditure incurred in Programme 1 as follows:

a) Compensation of Employees

- The expenditure emanates from the new function in the Ministry that was introduced as part of the reconfiguration through the National Macro Organisation of Government (NMOG).
- Payment for loss of office gratuity for the former Minister as Member of Parliament with effective date of the 11th June 2019 after having served for a period of more than five years. The Minister was entitled to a once-off payment equal to four months pensionable salary for every five years of service.
- The Department applied for additional funding from National Treasury to fund the new function in the Ministry as well as the loss of office gratuity but the application was not approved.



b) Goods and Services

- The new function in the Ministry contributed to the overspending on goods and services.
- Clearing of advances paid to the Department of International Relations and Cooperation (DIRCO) on expenditure for CSW62 and CSW63 that took place in March 2017 and March 2018 respectively. The advances paid to DIRCO was less than the actual claims received by the Department.
- The Department also prioritised the payment of Microsoft Back-end licenses.

3. Objective

The review focused on:

- (a) The determination of facts and circumstances during the occurrence of unauthorised expenditure, and
- (b) Determination of action that was taken by the Department subsequent to the occurrence of unauthorised expenditure.

4. Scope

The review focused on unauthorised expenditure transactions incurred by the Department for 2019/20 financial year.

5. Observation

A. New function

- 5.1 Subsequent to the pronouncement made by the President of the Republic of South Africa on the 29th of May 2019 of the newly established Department of Women, Youth and Person with Disabilities (DWYPD) as part of the NMOG, a new function in the Ministry was introduced. The introduced function in the Ministry did not exist in the previous Department of Women prior the pronouncement of the DWYPD.

- 5.2** The introduction of the new function in the Ministry contributed to the increase of the expenditure in Programme 1 from R 88 063 000 in 2018/19 financial year to R 99 221 000 in 2019/20 financial year.
- 5.3** The Ministry overspent by R 1 550 000 on the budget of compensation of employees and by R 2 499 000 on the budget of goods and services. Overspending was reduced by savings realised in other sub-programmes within Programme 1 amounting to R 492 000 for compensation of employees and R 501 000 for goods and services.

B. Payment for the loss of office gratuity

- 5.4** An amount of R 961 000 was paid to the former Minister for the loss of office gratuity.
- 5.5** Even though the payment of the loss of office gratuity to the former Minister was unforeseen the payment did not result to overspending because it was paid under the economic classification of transfers and subsidies which was not overspent. A virement of R 600 000 was made on transfers and subsidies to increase the budget of the transfers and subsidies.
- 5.6** The Department made a request for additional funding to the National Treasury for unforeseen and unavoidable expenditure for the new function in the Ministry and the loss of office gratuity. National Treasury indicated that the Department's request was submitted to the Minister's Committee on the Budget (MINCOMBUD) for consideration, however the Department's request was not approved by MINCOMBUD. The correspondence from the National Treasury to the Department does not indicate the reason(s) for the rejection of the Department's request for additional funding.

C. Clearing of advances and payment of actual claims for international travel

The Department process of planning and paying expenditure for abroad official trips is as follows:

Once the authorisation for the officials to undertake an official trip abroad is obtained from the relevant authority. An estimated amount to cover the abroad trip is estimated and transferred to the suspense account of the Department as an advance allocation to DIRCO for that specific abroad trip.

South Africa Mission in the country in which the official trip was undertaken coordinates the expenses incurred by the official whilst on the official trip and send the expenses to DIRCO to pay the expenses on behalf of the Department. Once DIRCO has paid the expenses on behalf of the Department, DIRCO submits a claim for the expenses paid on behalf of the Department. The Department pays DIRCO by releasing the advance amount allocated for that specific trip to DIRCO. In an instance where the claim for trip submitted by DIRCO is more than the advance amount allocated by the Department, the Department makes a direct payment to DIRCO to settle the claim.

- 5.7** Expenditure on international travel relate to CSW63 which were held in March 2019 in New York in the United States of America which was paid in the 2019/20 financial year.
- 5.8** The Directorate: Financial Management explained that due to the lengthy process involved in the processing of claims by DICRO the claims on overseas trips often received three to four months after the trip was undertaken. CSW events are hosted in March each year which means if the actual claim from DIRCO more than the advance allocated for the trip the difference is paid on the budget of the new financial year. The variance is often not foreseen and that condition has an adverse impact on budget of the new financial year which result to overspending of a budget.
- 5.9** The actual claims submitted by DIRCO for the CSW63 were received and processed in the 2019/20 financial year. The review revealed the following status in relation to the receipt and processing of the CSW claims:
- 5.10** The Directorate: Financial Management explained that DIRCO delayed to submit the actual claims to the Department because DIRCO had a challenge with its suspense account and could not submit the actual claims on time to the Department for payment.

D. Procurement of Microsoft Back-end licenses

- 5.11** Procurement of Microsoft Back-end licenses was initiated in April 2019 and finalised in May 2019. The approved submission to procure Microsoft Back-end licenses indicate that funds were available to procure the Microsoft Back-end licenses. The review could not link or establish the contribution of the procurement to the overspending on goods and services.



6. Conclusion

New function

The expenditure pertaining to the new function in the Department was unforeseen and unavoidable.

Payment for the loss of office gratuity

The payment for the loss of office was unforeseen and unavoidable expenditure.

Clearing of advances and payment of actual claims for international travel

The payment of actual claims for international travel was beyond the control of the Department and therefore cannot be attributed to any official in the Department.

Procurement of Microsoft Back-end licenses

The procurement of the licences did not contribute to the overspending incurred.

For any enquiries about this report please do not hesitate to contact the undersigned at (012) 359 0244 or vusumuzi.shongwe@women.gov.za


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