**MEDIA STATEMENT**

**STANDING COMMITTEE ON APPROPRIATIONS DEMANDS NAMES OF TOP FIVE DEVIATORS FROM PROCUREMENT RULES**

**Parliament, Wednesday, 17 February 2021 –** The Standing Committee on Appropriations received a briefing today from the Chief Procurement Officer on the deviations, modification and expansion of contracts by various departments in the last quarter of the current financial year.

The Acting Chief Procurement Officer, Ms Estelle Setan, told the committee that there are emergency basis that compel a given department to deviate from normal competitive procurement rules. She said a deviation can be allowed to happen if there is a serious threat to property, life or due to natural disaster. This deviation must be recorded within 10 working days if it exceeds R1 million.

According to Ms Setan, coupled with that is a deviation granted to departments to modify and expand a contract due to contractual obligations. She said according to procurement rules, the modification and expansion of a contract can be allowed if a given project had to be extended due unforeseen circumstances related to the need to extend the time frame of a given project or the nature of a contact initially entered into.

Ms Setan told the committee that the spike in deviations in the second quarter of the current financial year is attributed to the eight applications of Eskom. This constitutes R68.7 billion which forms part of renegotiating its coal supply.

She said apart from Eskom, of the 231 deviation applications that worth well over R10 billion, the top 20 departments and entities that applied for deviation is the Department of Health and Prasa (the Passenger Rail Agency of South Africa). She said much of the Department of Health deviations relate to its procurement of vaccines and Covid-19-related commitments.

Regarding Prasa, she said well over R1.1 billion has been granted to it for technical assistance, rehabilitation, maintenance of networks and security. She told the committee that there are worrying and inherent trends emerging that point to the increasing departure from competitive bidding processes by many government departments. She added: “More alarming is the tendency by accounting officers of departments to implement deviations even though the National Treasury has disapproved them.”

The committee heard that the advent of Covid-19 has exacerbated this sorry state of procurement trends in government. Ms Setan said there is a low submission of Covid-19-related procurement reports by departments to his office. Of 805 expected reports, only 171 have been received thus far.

The Chairperson of the committee, Mr S’fiso Buthelezi, asked Ms Setan if there is a structure in place that approves these deviations. Ms Setan told the committee that there is a Governance, Compliance and Monitoring Unit at the National Treasury that approves deviations.

Mr Buthelezi asked the Procurement Office to provide the committee with top five departments and state-owned entities that consistently deviate from procurement procedures in successive financial years. And those that are yet to provide it with Covid-19 procurement reports. “It is obvious that your office is overstretched and needs to be capacitated urgently if we were to address one of the components that are critical in the management of public funds,” said Mr Buthelezi.

Meanwhile, the committee received a briefing yesterday from the National Treasury on the 3rd Quarter Expenditure Patterns for the 2020/21 financial year of various departments and government entities, in accordance with their deliverable objectives and expenditure patterns as specified by the Minister of Finance during his tabling and subsequent readjustment of the national budget later last year

The National Treasury’s Senior Economist, Dr Mampho Modise, said on the whole, the preliminary data for the third quarter of 2020/21 shows spending of R730.9 billion, which is lower by R767.1 million or 0.1% against the projected expenditure of R731.6 billion.

She said goods and services contributed to the largest proportion of the lower than projected underspending by R4.3 billion, and the compensation of employees by R2.0 billion, and payment for capital assets by R1.9 billion.

On the other hand, she said the transfer and subsidies, payment for financial assets, and interest and rent on land are higher than projected by R3.9 billion, R3.4 billion and R5.7 million, respectively. She said, despite the low expenditure situation, there are departments whose expenditure were more than expected or projected.

She further added that the National Treasury’s higher than projected spending was mainly attributed to the payment for financial assets for South Africa’s sixth capital contribution instalment to the New Development Bank due to the exchange rate fluctuations.

The committee expressed its concern over the fact that Prasa spent R700 million out of the R4 billion allocation. The Chief Director of State-Owned Enterprises at the National Treasury, Mr Ravesh Rajlal, said: “Given the current magnitude of vandalism, it is now no longer a maintenance issue, it is now part of its capital expenditure.”

The National Treasury’s report also flagged Denel as a concern, especially its ability to meet its R1.2 billion debt. The committee heard that Denel is currently a business that is in dire straits. Also, the committee heard that SABC received a R3.2 billion recap in 2019/20 and that the entity has a balance of R1.18 billion remaining from the funds provided under the R3.2 billion recap in 2019/20, and currently there are no government guarantees in place.

The committee heard that the South African Post Office (SAPO) is another entity that is at a critical juncture. It received R2.947 billion in the 2018 Adjustments Budget. Of it, R1.5 billion was allocated for Universal Service Obligations which is part of its developmental mandate.

Of all public entities, the committee heard that Eskom received the lion’s share of the recapitalisation funds. It received R49 billion in 2020, R56 billion in 2021, and R31.7 billion in the 2022 budget allocations.

**ISSUED BY THE PARLIAMENTARY COMMUNICATION SERVICES ON BEHALF OF THE CHAIRPERSON OF THE STANDING COMMITTEE ON APPROPRIATIONS, MR S’FISO BUTHELEZI.**