

Parliamentary

# Comments on the 2021 Appropriation and Supplementary Appropriation Bills, 5 May 2021

Budget  
Office



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# Introduction

- Parliament is, in terms of the Money Bills and Related Matters Act, required to pass, with or without amendments, or reject the Appropriation Bill within four months after the start of the financial year to which it relates
- The Parliamentary Budget Office was established to support the Finance and Appropriations Committees in both Houses of Parliament with the implementation of the Money Bills and Related Matters Act of 2009
- This presentation focuses on analysis and comments on:
  - Policy priorities to be implemented by the 2021 Appropriation Bills
  - The Economic Reconstruction and Recovery Plan
  - The reprioritisation, social protection, and composition of spending over the MTEF
  - Key risks in realising fiscal policy objectives over the medium term
  - Key governance failures that could affect the implementation of the 2021 Appropriation Bill

# Fiscal strategy guiding the 2021 Appropriations and Special Appropriations

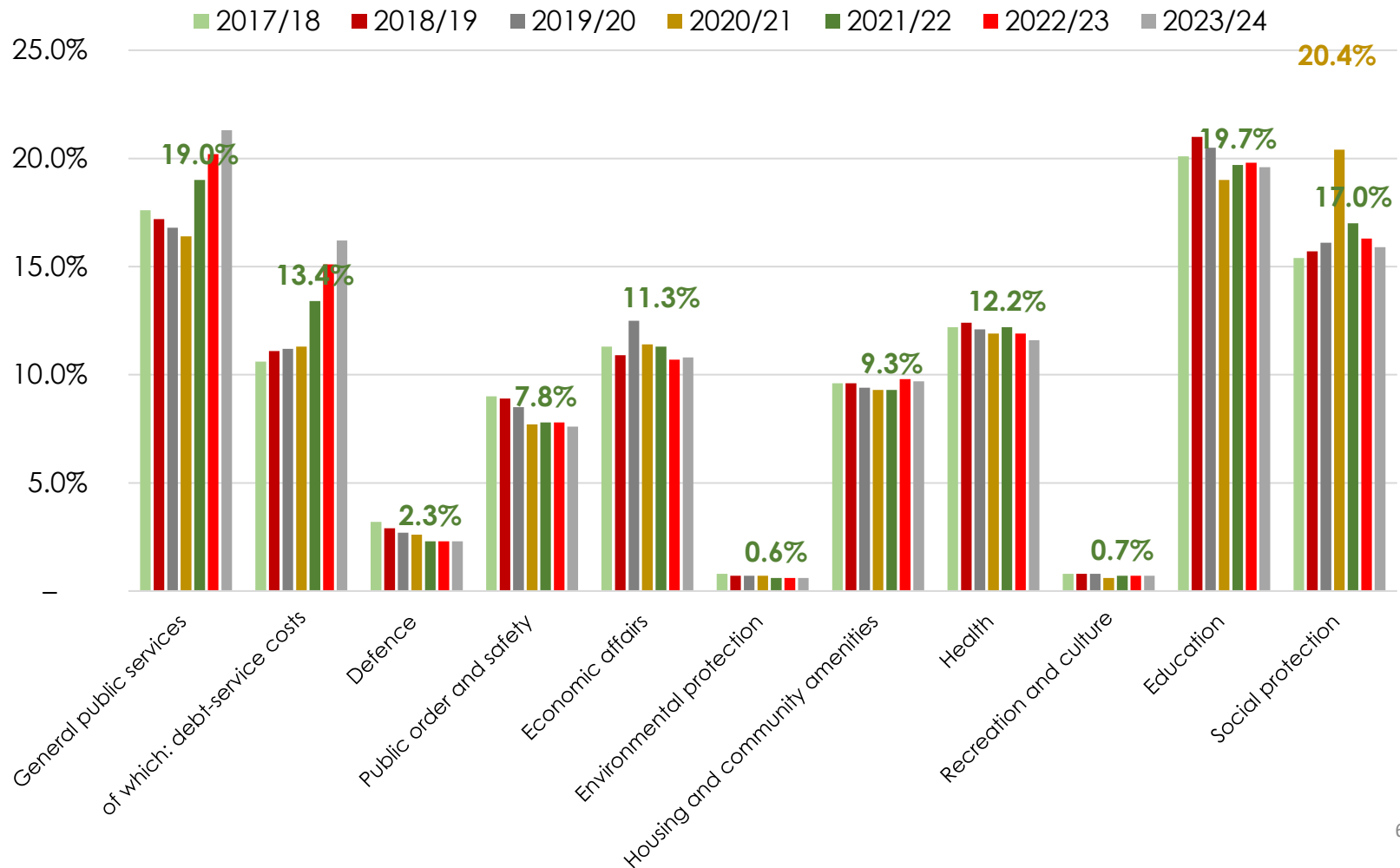
- The 2020 Budget proposed a significant reduction in growth of expenditure to reduce the budget deficit and level of debt by:
  - Reducing the public wage bill
  - Reforming state-owned companies and the Road Accident Fund
  - Across-the-board cuts to core government programmes
- Notwithstanding the negative socio-economic impact of Covid-19, the 2021 Budget continues to constrain government expenditure by:
  - Curtailing non-interest expenditure growth
  - Only temporarily support for social relief and public health services by:
    - Supporting low-income households for only part of 2021 and only increasing funding for health to respond to the Covid-19 pandemic
  - Adjusting the composition of spending by:
    - Freezing growth and reducing compensation while
    - Maintaining capital investment mainly through the implementation of the South African Economic Reconstruction and Recovery Plan

# Monitoring the implementation of the South African Economic Reconstruction and Recovery Plan

Priority Intervention	Public Funding
<b>Infrastructure investment and delivery</b>	Conditional Grants: Transport Education Health Human Settlements Water and Sanitation Municipalities
<b>Industrialisation through localisation</b>	All Departments
<b>Energy security</b>	Eskom
<b>Gender equality and economic inclusion of women and youth</b>	All departments
<b>Support for the recovery and growth of the tourism, cultural and creative industries</b>	Tourism; Sports, Arts and Culture
<b>Green economy interventions</b>	Environment, Forestry and Fisheries
<b>Mass public employment interventions Public Works EPWP</b>	Public Works: EPWP Employment and Labour
<b>Strengthening agriculture and food security</b>	Agriculture, Land Reform and Rural Development: Agricultural Conditional Grants
<b>Macro-economic policy interventions</b>	National Treasury, Trade Industry and Competition

# Revisions to the consolidated government expenditure per functional classification shows

- Declining support for the ERRP
- Reprioritisation of interventions, actions and outputs are required



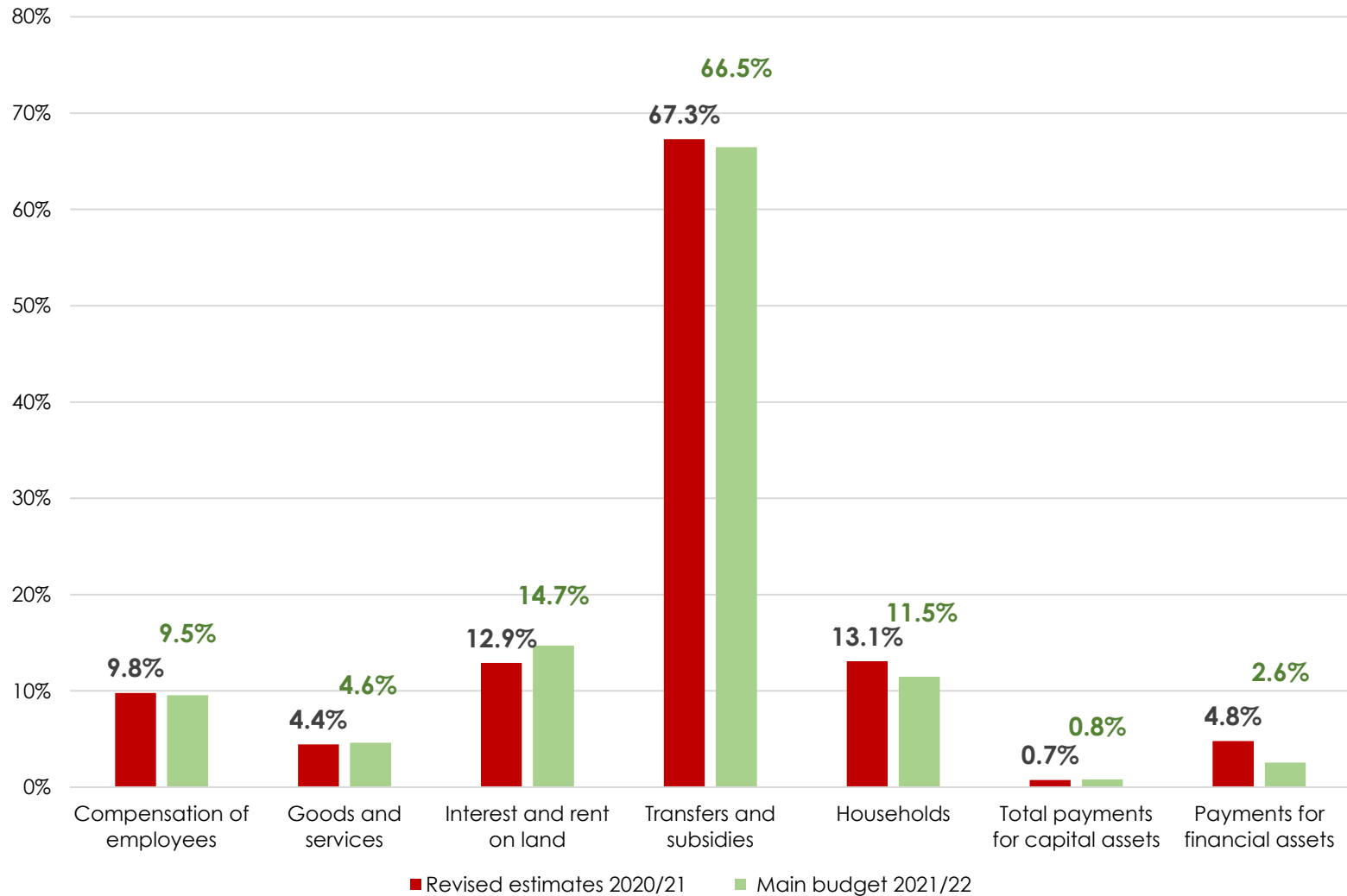
# Adjustments to main budget non-interest expenditure since 2020 Budget

R million	2021/22	2022/23	2023/24
<b>Allocated expenditure (2020 Budget)</b>	<b>1 587 186</b>	<b>1 645 080</b>	<b>1 717 433</b>
Skills development levy adjustments	-2 772	-2 740	-936
<b>Baseline reductions</b>	<b>-65 349</b>	<b>-90 122</b>	<b>-152 326</b>
Programme baseline reductions and use of reserves	-39 043	-43 983	-80 311
Wage bill reductions	-26 306	-46 139	-72 015
<b>Baseline allocations</b>	<b>22 446</b>	<b>4 602</b>	<b>2 283</b>
COVID-19: Vaccine rollout	5 200	3 000	—
COVID-19: Vaccine rollout and research (Special appropriation)	1 250		
COVID-19: Managing second and third wave	8 000	—	—
Extension of the special COVID-19 social relief of distress grant	2 145	—	—
Extension of the special COVID-19 social relief of distress grant	2 826		
Other allocations <sup>1</sup>	7 101	1 602	2 283
<b>Provisional allocations</b> (Public employment initiative)	<b>11 000</b>	<b>1 000</b>	<b>1 000</b>
<b>Allocated in 2021 Budget</b>	<b>1 552 511</b>	<b>1 557 821</b>	<b>1 567 455</b>
<i>Plus: Contingency reserve</i>	<i>12 000</i>	<i>5 000</i>	<i>5 000</i>
<b>2021 Budget non-interest expenditure</b>	<b>1 564 511</b>	<b>1 562 821</b>	<b>1 572 455</b>
<i>Change in non-interest expenditure since 2020 Budget</i>	<i>-27 675</i>	<i>-87 259</i>	<i>-149 978</i>

1. Includes the New Development Bank, financial support to state-owned companies and public entities, and the rescheduling of some infrastructure reductions introduced in the 2020 MTBPS

Source: National Treasury

# Revisions to the estimated proportions allocated per economic classification





# Social Grants: Social protection expenditure

- Social grants provide continuous protection to the vulnerable
- The Covid-19 pandemic required additional support, specifically in 2020/21
- Between May 2020 and February 2021: R17.356 billion was paid to between 4.4 and 6.1 million beneficiaries

	2019/20 Revised estimate	2019/20 Actual outcome	2020/21 Estimate	2020/21 Revised estimate	2021/22 Estimate	2021/22 Growth from 2020/21 estimate
<b>R million</b>						
<b>Social protection expenditure</b>	<b>207 528</b>		<b>221 483</b>	<b>256 813</b>	<b>229 354</b>	<b>3.6%</b>
<i>of which:</i>						
<i>Social grants</i>	<i>175 156</i>	<i>190 046</i>	<i>187 836</i>	<i>220 607</i>	<i>195 516</i>	<i>4.1%</i>
<i>of which:</i>						
<i>Child support</i>	<i>64 967</i>	<i>70 651</i>	<i>69 765</i>	<i>84 886</i>	<i>73 318</i>	<i>5.1%</i>
<i>Old age 1</i>	<i>76 951</i>	<i>83 488</i>	<i>83 106</i>	<i>83 107</i>	<i>86 488</i>	<i>4.1%</i>
<i>Disability</i>	<i>23 078</i>	<i>25 111</i>	<i>24 390</i>	<i>24 390</i>	<i>23 579</i>	<i>-3.3%</i>
<i>Foster care</i>	<i>5 081</i>	<i>5 390</i>	<i>4 965</i>	<i>5 046</i>	<i>4 338</i>	<i>-12.6%</i>
<i>Care dependency</i>	<i>3 430</i>	<i>3 597</i>	<i>3 569</i>	<i>3 569</i>	<i>3 658</i>	<i>2.5%</i>
<i>Grant-in-aid</i>	<i>1 238</i>	<i>1 400</i>	<i>1 632</i>	<i>1 632</i>	<i>1 600</i>	<i>-2.0%</i>
<i>Social relief of distress</i>	<i>410</i>	<i>402</i>	<i>407</i>	<i>17 977</i>	<i>2 536</i>	
<i>Social relief of distress</i>					<b>2 826</b>	
<i>Provincial social development</i>	<i>22 292</i>		<i>23 264</i>	<i>22 998</i>	<i>23 644</i>	<i>1.6%</i>
<b>Total</b>	<b>207 528</b>		<b>221 483</b>	<b>256 813</b>	<b>229 354</b>	<b>3.6%</b>
<i>Social grants as percentage of GDP</i>	<i>3.4%</i>		<i>3.5%</i>	<i>4.5%</i>	<i>3.7%</i>	

# Composition of spending in the 2021 Appropriations per vote (1)

Department	Compensation of employees % of total	Goods and services as % of Grand	Transfers and subsidies %	Payments for capital assets % of total	Grand total
1 The Presidency	62.0%	35.6%	0.0%	2.3%	599 863
2 Parliament	53.4%	27.4%	18.7%	0.5%	2 615 858
3 Cooperative Governance	0.3%	4.6%	95.1%	0.0%	100 875 870
4 Government Communication and Information System	36.7%	29.8%	32.9%	0.7%	749 684
5 Home Affairs	39.9%	32.5%	27.4%	0.2%	8 690 450
6 International Relations and Cooperation	43.7%	37.0%	12.3%	5.0%	6 452 372
7 National School of Government	27.6%	22.6%	48.1%	1.7%	210 189
8 National Treasury	0.1%	0.2%	66.6%	0.0%	849 230 119
9 Planning, Monitoring and Evaluation	66.7%	31.1%	0.0%	2.3%	453 950
10 Public Enterprises	0.5%	0.3%	0.0%	0.0%	36 291 819
11 Public Service and Administration	54.0%	36.3%	8.5%	1.2%	526 192
12 Public Service Commission	75.3%	24.0%	0.2%	0.5%	282 405
13 Public Works and Infrastructure	6.9%	5.8%	87.1%	0.3%	8 343 204
14 Statistics South Africa	33.1%	59.8%	0.1%	7.0%	4 474 590
15 Traditional Affairs	48.4%	23.0%	26.9%	1.8%	171 392
16 Basic Education	2.0%	7.7%	82.6%	7.6%	27 018 078
17 Higher Education and Training	8.9%	0.6%	90.5%	0.0%	115 596 868
18 Health	1.4%	10.3%	86.5%	1.9%	62 543 271
19 Social Development	0.2%	0.2%	99.5%	0.0%	205 226 920
20 Women, Youth and Persons with Disabilities	14.6%	11.2%	73.7%	0.5%	763 539

# Composition of spending in the 2021 Appropriations per vote (2)

Department	Compensation of employees % of total	Goods and services as % of Grand	Transfers and subsidies %	Payments for capital assets % of total	Grand total
21 Civilian Secretariat for the Police Service	69.6%	28.9%	0.1%	1.3%	148 961
22 Correctional Services	68.7%	26.3%	2.7%	2.3%	25 218 129
23 Defence	63.4%	29.4%	5.8%	1.3%	46 268 680
24 Independent Police Investigative Directorate	67.1%	31.2%	0.2%	1.5%	348 349
25 Justice and Constitutional Development	56.8%	24.3%	14.7%	4.2%	21 546 285
26 Military Veterans	19.4%	40.4%	38.6%	1.6%	654 367
27 Office of the Chief Justice	74.6%	15.1%	5.6%	4.7%	2 330 257
28 Police	78.1%	16.9%	1.4%	3.6%	96 355 531
29 Agriculture, Land Reform and Rural Development	23.7%	22.2%	51.9%	2.3%	16 920 399
30 Communications and Digital Technologies	8.2%	11.4%	79.8%	0.6%	3 692 881
31 Employment and Labour	39.2%	20.0%	38.9%	1.9%	3 505 713
32 Environment, Forestry and Fisheries	21.7%	54.1%	20.2%	3.6%	8 716 848
33 Human Settlements	1.3%	1.6%	97.1%	0.0%	31 657 958
34 Mineral Resources and Energy	11.3%	6.9%	81.6%	0.2%	9 180 764
35 Science and Innovation	4.0%	2.3%	93.6%	0.0%	8 933 315
36 Small Business Development	6.0%	3.2%	90.6%	0.2%	2 538 288
37 Sports, Arts and Culture	6.5%	10.4%	79.3%	3.7%	5 693 941
38 Tourism	13.7%	19.4%	66.7%	0.2%	2 429 627
39 Trade, Industry and Competition	10.7%	8.5%	80.4%	0.4%	9 736 573
40 Transport	0.8%	1.3%	97.9%	0.0%	66 703 368
41 Water and Sanitation	10.7%	10.0%	54.5%	24.8%	16 910 080
Grand Total	9.7%	4.7%	67.3%	0.8%	1 810 606 947

# Composition of spending in the 2021 Appropriations per vote that transfers to other spheres of government

- Transfers to provinces and local government are mainly in the form of conditional grants (CG) that could be monitored
- These CG are mainly for infrastructure spending, job creation and skills development
- Transfers by other votes are made to public entities, government components or other institutions that deliver services on behalf of government

R million	2020/21				2021/22				
	Revised estimate	of which transfers to provinces	transfers to local government	Percentage transfers to PG and LG government	Budget estimate	Special appropriations	of which transfers to provinces	transfers to local government	Percentage transfers to PG and LG government
3 Cooperative Governance of which: local government equitable share	105 543 -	138 -	100 115 84 483	95.0%	100 876 -		140 -	94 959 77 999	94.3%
8 National Treasury	34 526	-	1 482	4.3%	41 056		-	1 615	3.9%
13 Public Works and Infrastructure	7 649	834	748	20.7%	8 343		837	759	19.1%
16 Basic Education	23 094	17 216	-	74.5%	27 018		20 701	-	76.6%
18 Health	57 653	52 107		90.4%	62 543	1 250	52 062		83.2%
19 Social Development	230 807	1 411	-	0.6%	205 227	2 826	1 057	-	0.5%
29 Agriculture, Land Reform and Rural Development	15 248	1 695	-	11.1%	16 920		2 238	-	13.2%
33 Human Settlements	29 051	15 454	10 731	90.1%	31 658		17 604	11 518	92.0%
34 Mineral Resources and Energy	7 567	-	1 555	20.5%	9 181		-	2 224	24.2%
40 Transport	56 770	17 217	4 498	38.3%	66 692		19 057	6 624	38.5%
41 Water and Sanitation	16 194	-	5 373	33.2%	16 910		-	5 776	34.2%
Total appropriation by vote	1 017 418	107 594	124 501	22.8%	980 584	4 076	115 783	123 476	24.4%
Percentage of total									
Total	1 804 174	628 311	138 528	42.5%	1 822 252		639 469	138 093	42.7%
Contingency reserve	-	-	-		12 000		-	-	
Main budget expenditure	1 804 174	628 311	138 528	42.5%	1 834 252		639 469	138 093	<sup>12</sup> 42.4%

# Improving composition of spending

## Other departments within votes

- Vote 11: Public Service and Administration
  - Centre for Public Service Innovation
  - Personnel: 30
  - Budget: R42.6 million of which Administration R21.5 million

## Proportion of spending on programme 1: Administration in the 2021 Appropriations per vote

- Varies between 0.7 per cent and 51.9 per cent of the total allocation per vote
- When excluding the transfers: The proportions change to, between 29.8 per cent and 100 per cent

## Duplication of functions within departments and between departments

- Conditional grant outputs
- i.e.: Government Communication and information services vs Public Service Administration (e-government services and information management) vs. Public Service Commission

# Proportion of spending on programme 1: Administration in the 2021 Appropriations per vote

Department	Grand total	Programme 1: Administration	Programme 1 as % of Grand total	Programme 1 as % of Grand total without transfers
4 Government Communication and Information Syste	749 684	176 038	23.5%	35.0%
5 Home Affairs	8 690 450	2 266 639	26.1%	35.9%
6 International Relations and Cooperation	6 452 372	1 687 558	26.2%	29.8%
7 National School of Government	210 189	109 170	51.9%	100.0%
9 Planning, Monitoring and Evaluation	453 950	185 795	40.9%	40.9%
11 Public Service and Administration	526 192	237 252	45.1%	49.3%
12 Public Service Commission	282 405	136 082	48.2%	48.3%
13 Public Works and Infrastructure	8 343 204	511 194	6.1%	47.5%
15 Traditional Affairs	171 392	52 293	30.5%	41.7%
20 Women, Youth and Persons with Disabilities	763 539	98 017	12.8%	48.8%
21 Civilian Secretariat for the Police Service	148 961	66 492	44.6%	44.7%
26 Military Veterans	654 367	130 831	20.0%	32.5%
29 Agriculture, Land Reform and Rural Development	16 920 399	2 768 284	16.4%	34.0%
30 Communications and Digital Technologies	3 692 881	281 817	7.6%	37.7%
31 Employment and Labour	3 505 713	1 003 867	28.6%	46.8%
33 Human Settlements	31 657 958	488 445	1.5%	52.7%
34 Mineral Resources and Energy	9 180 764	623 768	6.8%	37.0%
35 Science and Innovation	8 933 315	328 196	3.7%	57.6%
36 Small Business Development	2 538 288	116 300	4.6%	48.8%
37 Sports, Arts and Culture	5 693 941	440 091	7.7%	37.4%
38 Tourism	2 429 627	305 279	12.6%	37.7%
39 Trade, Industry and Competition	9 736 573	857 651	8.8%	44.9%
40 Transport	66 703 368	496 980	0.7%	34.9%

# Special Appropriation Bill

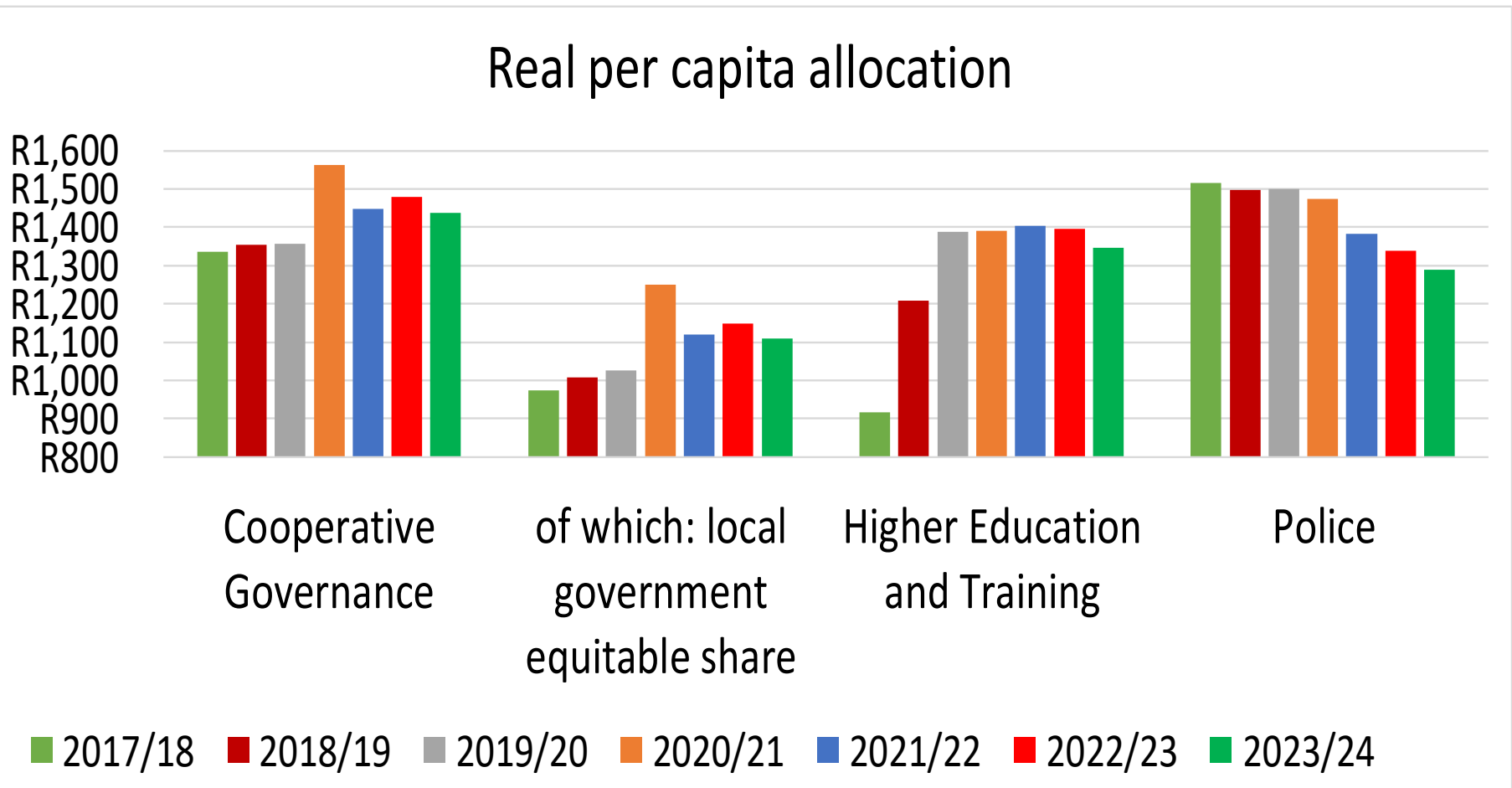
- Appropriation of additional amount to Health
  - In addition to the Covid-19 component to the HIV, TB, Malaria and Community outreach grant of R1.5 billion, an amount of R1.25 billion is appropriated to procure COVID-19 vaccines
  - To implement a related COVID-19 vaccine research project
- Appropriation of additional amount to Social Development
  - An amount of R2.826 billion is appropriated to fund the extension of the Special COVID-19 Social Relief of Distress Grant
- Adjustment to appropriation of money to vote of Public Enterprises
  - An amount of R2.7 billion is reprioritised from the appropriation to SAA to implement the business rescue plan - comprising:
    - SAA Technical SOC Ltd (R1.663 billion)
    - Mango Airlines SOC Ltd (R819 million)
    - Air Chefs SOC Ltd (218 million)

# Programmes available in the 2021/22 Budget to respond to Covid-19

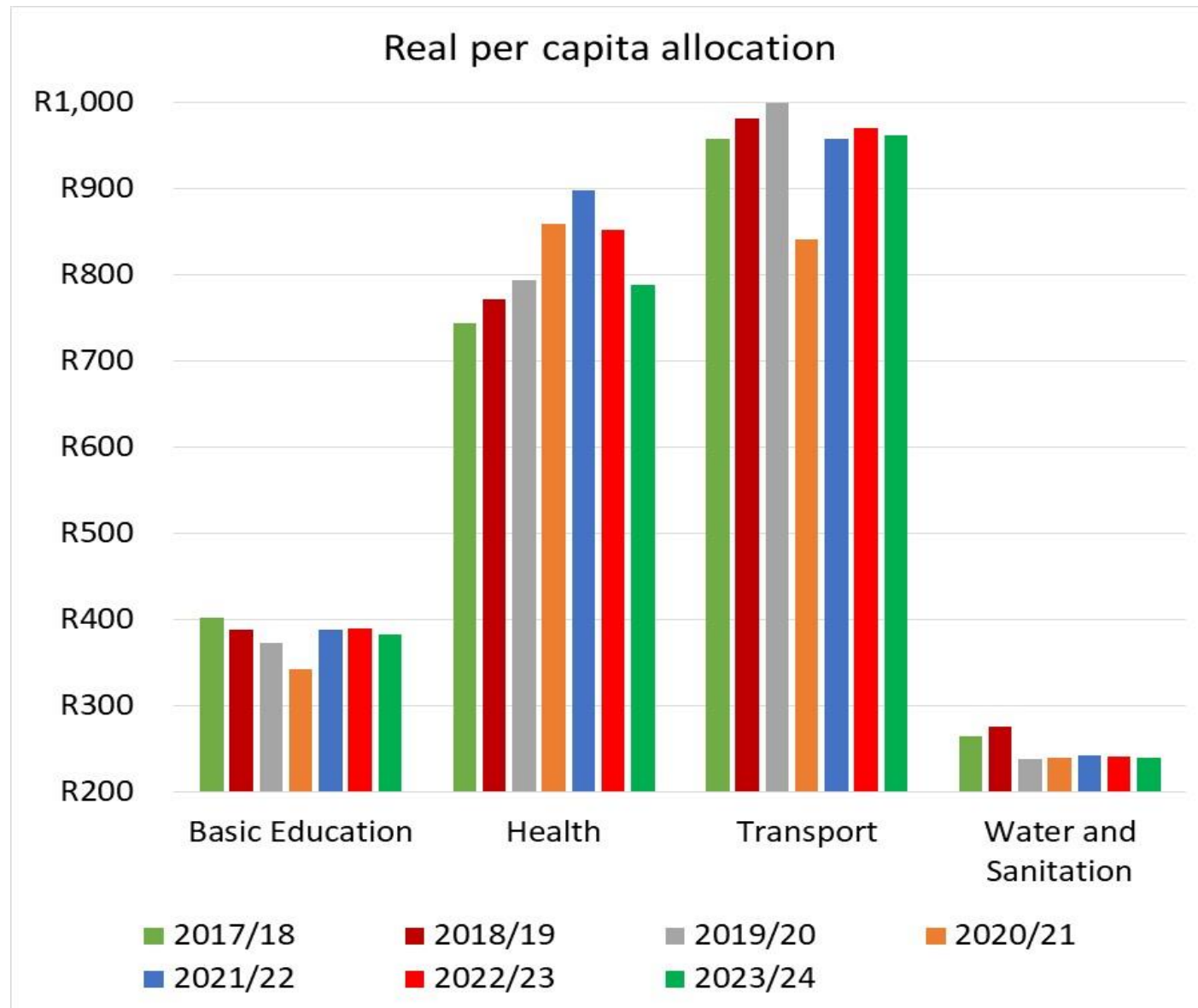
- Transport: Public Transport Network
- Water and Sanitation:
  - Regional Bulk Infrastructure
  - Water Services Infrastructure
- Health: HIV, TB, malaria and community outreach services
- Cooperative Governance:
  - Provincial Disaster Relief
  - Integrated Urban Development
  - Municipal Infrastructure
- Social Development: Early Childhood Development
- Sport, Arts and Culture: Community Library Service
- Human Settlements: Urban Settlements Development
- Public Works and Infrastructure: Expanded Public Works Programme
- Basic Education:
  - Education Infrastructure Programme
  - HIV and AIDS (Life Skills Education)
  - Learners with Profound Intellectual Disabilities
  - Maths, Science and Technology
  - National School Nutrition Programme



# Real per capita spending declines (1)



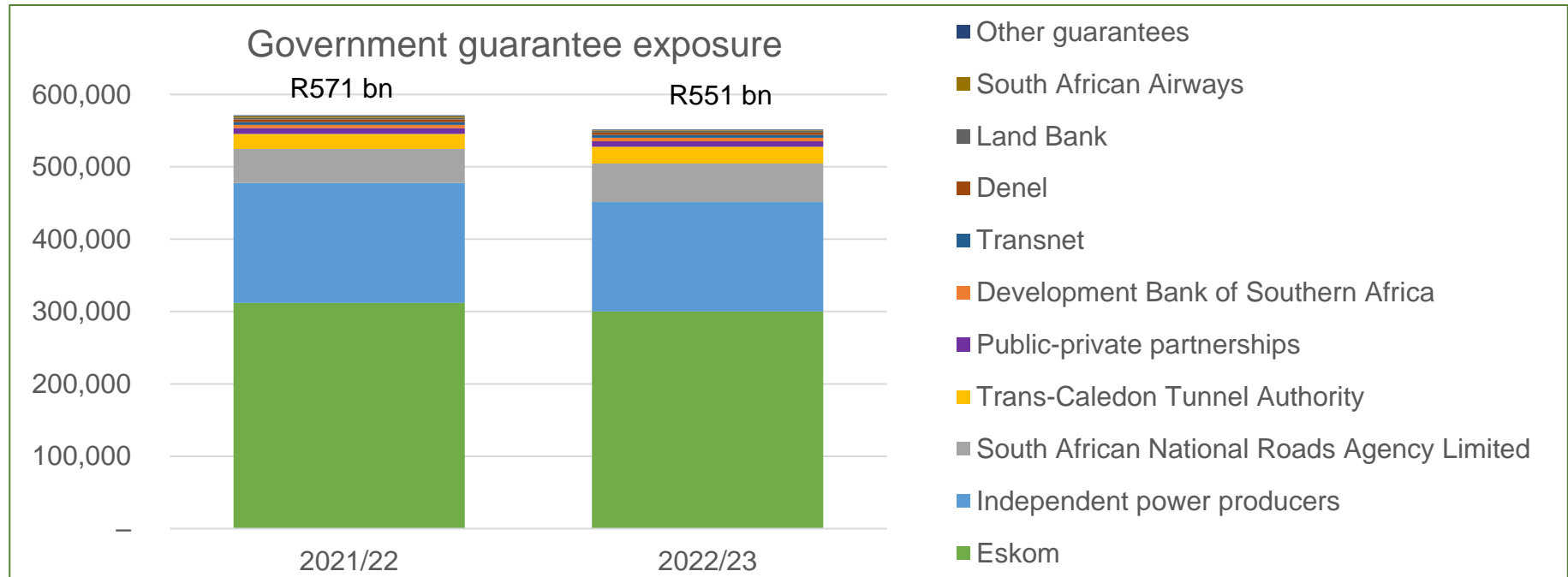
# Real per capita spending declines (2)



# Fiscal risks, reputational risks & credibility

- Continued fiscal consolidation will likely continue the multi-year trend of repeatedly missing debt reduction targets
  - Growth is required to reduce debt to GDP levels
  - Fiscal consolidation has constrained economic activity and growth
  - Prematurely discontinuing Covid-19 relief to households and small businesses could negatively impact on long-term growth and government revenue
- The reductions to real expenditure in key budget areas will probably not achieve fiscal consolidation, but may negatively impact future revenue collection by negatively affecting aggregate demand and GDP growth
- A new wave of Covid-19 could show that there is large, inadequate budgeting for Covid-19 relief in the 2021 Budget
- The credibility of government's MTEF and budgetary goals are in question because government may be forced to compromise on reducing COE
  - Reneging on wage agreements negatively affect labour relations
  - Determination to reduce COE could negatively affect morale and productivity in the public sector and hamper initiatives to reduce wasteful expenditure and corruption

# Fiscal risks



Government could be liable for contingent liabilities and guaranteed debt

- The poor financial management of local governments and government entities may require more expenditure to maintain local government and for contingent liabilities
- SOEs and government entities with guaranteed debt may continue to have governance problems, poor management that negatively affects performance
- Fiscal consolidation and poor economic performance linked to the pandemic could continue to negatively impact revenues of SOEs and their financial positions
- Further declines in credit ratings could negatively affect national government finances directly and also the guaranteed debt of government entities and SOEs

# Fiscal risks: 2019/20 Financial Management in SOEs

- SOEs in in serious financial difficulty
  - State-owned entities are in serious financial difficulty and did not submit financial statements for auditing. This includes:
    - South African Airways and LMT Products (a subsidiary of Denel) which are under business rescue
    - SA Express is under provisional liquidation
- SOEs disclosed financial statement showing future uncertainty includes:
  - Petroleum Oil and Gas Corporation
  - South African Broadcasting Corporation
  - Denel and three subsidiaries Independent Development Trust
  - Land and Agricultural Bank of South Africa
  - Pelchem
  - South African Nuclear Energy Corporation
  - Eskom

# Further support for distressed SOEs

The 2021 Appropriation Bill seeks to appropriate

- R31.7 billion to settle Eskom's government guaranteed debt
- R4.3 billion to settle SAA's government guaranteed debt

This fiscal support to SOEs must be considered in the context of previous and ongoing support (over R300 billion since 2008):

Summary of recapitalisations and bailouts of state-owned companies						
R billion	Eskom	South African Airways	Denel	South African Express	South African Broadcasting Corporation	Land Bank
2008/09	10.0	–	–	0.4	–	
2009/10	30.0	1.5	–	–	–	
2010/11	20.0	–	–	–	–	
2011/12	–	–	–	–	–	
2012/13	0.7	–	0.4	–	–	
2013/14	–	–	–	–	–	
2014/15	–	–	–	–	–	
2015/16	23.0	–	–	–	–	
2016/17	–	–	–	–	–	
2017/18	–	10.0	–	–	–	
2018/19	–	5.0	–	1.2	–	
2019/20	49.0	5.5	1.8	0.3	3.2	
2020/21	56.0	10.3	0.6	0.2	–	
2021/22	33.0	10.5	–	–	–	10.5
2022/23	23.0	1.8	–	–	–	
<b>Total</b>	<b>244.7</b>	<b>44.6</b>	<b>2.8</b>	<b>2.1</b>	<b>3.2</b>	<b>10.5</b>
Source: National Treasury						

# Global risks

- Global risks that affect South Africa's economy and budget:
  - Increasing climate change events, e.g., droughts, flooding and fires
  - Possibility of more pandemics and other health crises
  - Private and public debt accumulation and risks of financial crises and contagion
  - Poor performance of key economies and global economy
  - High & rising levels of unemployment, inequality & instability
  - Increasing political instability, conflict and war
- Any of the above risks could impact on global and domestic economic performance and negatively affect fiscal position (government may have to increase expenditure and lower revenues)
  - Increased incidences of climate change events and health crises could require large expenditure and severely curtail revenue of government
  - Climate change and health risks require increased public sector expenditure and investment to mitigate the potential impacts
  - Higher global debt levels and risks of financial crises can constrain debt markets and push up interest rates while lowering investment levels, growth and revenue
  - The rebound of global economy after pandemic may be short-lived
  - Growing unemployment and inequality combined with climate and health risks lead to heightened risks of political instability, conflict and migration

# AGSA calls for action on accountability on use of public finances

- The sustainable solutions required to prevent accountability failures are not yet in place
- Oversight, executive authorities and coordinating departments should pay specific attention to state-owned entities, struggling public entities and key service delivery departments such as health and education
- Financial management discipline needed to protect public money and show transparency
- Preventing leakages and money that has been lost must be a priority of all accounting officers and authorities
- If consequences for accountability failures are required, these must be effected swiftly, bravely and consistently



# 2019/20 Departments Audit Outcomes

- The AGSA has noted that there were signs of improvement in use of public finance in some government department
- However, financial health of departments continued to be alarming
  - Unauthorised expenditure drastically increased to R18.12 billion in 2019/20 from R1.65 billion in 2018/19. This was a result of early payment of social grants in response to Covid-19 in April 2020
  - Over 60 per cent of the departments had insufficient funds to settle all liabilities that existed at year-end if the unpaid expenses at year-end (totaling R22.78 billion) were also taken into account
  - At year-end, 87 per cent of the departments had claims against them, totaling R147.12 billion. Claims are made against departments through litigation
- Nature of material irregularities
  - Procurement: overpricing of goods and services and appointed suppliers not delivering
  - Expenditure management: payment of goods and services not received or of poor quality and invoices not paid on time resulting in penalties
  - Revenue management: revenue not billed and debt not recovered
  - Resource management: no benefit derived from cost and assets not safeguarded and resulting in loss

# Conclusion

- The fiscal strategy in the 2021 Budget is to curtail non-interest expenditure growth and to adjust the composition of spending, while
  - Supporting low-income households for a part of 2021
  - Increasing funding for health to respond to the Covid-19 pandemic and
  - Maintaining capital investment mainly through the implementation of the South African Economic Reconstruction and Recovery Plan
- Notwithstanding the negative socio-economic impact of Covid-19, the 2021 Budget proposal fails to show how vulnerable societies and the economy will be protected
- The presentation demonstrated the main adjustments that were required to the main budget non-interest expenditure since the 2020 Budget, which includes:
  - The reduction of programme baselines
  - Wage bill estimated allocations
- The adjustments are meant to provide for:
  - The additional funding required to address the social and health needs of the Covid-19 pandemic
  - Provisional allocations as well as a contingency reserve, that will be appropriated during the adjustments budget

# Conclusion

- As part of the fiscal strategy to adjust the composition of spending, the presentation further provided a summary of the composition of the Appropriation bill per vote. This summary should give an indication where adjustments could be made to the composition of spending.
- This summary does not include all the programmes per vote.
  - A separate table, however, shows the proportion of spending on programme 1: Administration per vote. This could assist with recommendations towards the improvement of the efficiency of the composition of spending.
- The analysis of real per capita expenditure identifies risks in relation to the medium term decline in expenditure on local government services, safety and security and healthcare.
- The reductions to real expenditure in key budget areas are unlikely to achieve fiscal consolidation, but may negatively impact future revenue collection by negatively affecting aggregate demand and GDP growth.
- Other fiscal risks such as the reduction of the wage bill, public finance strategies and management as well as the global economic performance are likely to delay the realization of government's fiscal and strategic objectives over the medium term.
- The 2019/20 PFMA audit outcomes show signs of improvements, however, the financial health of many departments remains alarming.

Thank You

# 2019/20 Overall Audit Outcomes

## **Overall audit outcome**

66 Improved

35 Regressed

### **Departments audit outcome**

30 Improved

10 Regressed

### **Public Entities:**

36 improved

25 regressed

### **Outstanding audits:**

44 audits had not been finalised by 30 Nov 2020

## **Unauthorised, Irregular, and Fruitless and Wasteful Expenditure**

### **Irregular expenditure**

R54.34 billion in 2019/20

R66.90 billion in 2018/19

### **Fruitless and wasteful expenditure**

R2.39 billion in 2029/20

R2.36 billion in 2018/19

### **Unauthorized expenditure**

R18.12 billion in 2029/20

R1.65 billion in 2018/19