

RISE UP SABC!
PHAKAMA SABC!
VUKA SABC!
PFUKA SABC!
TAN È SABC!
STYG UIT SABC!
EMELELA SABC!
TAKUWANI SABC!
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GOLA O AKALALE SABC!

SCOPA HEARING

IRREGULAR EXPENDITURE : FY 2020/2021

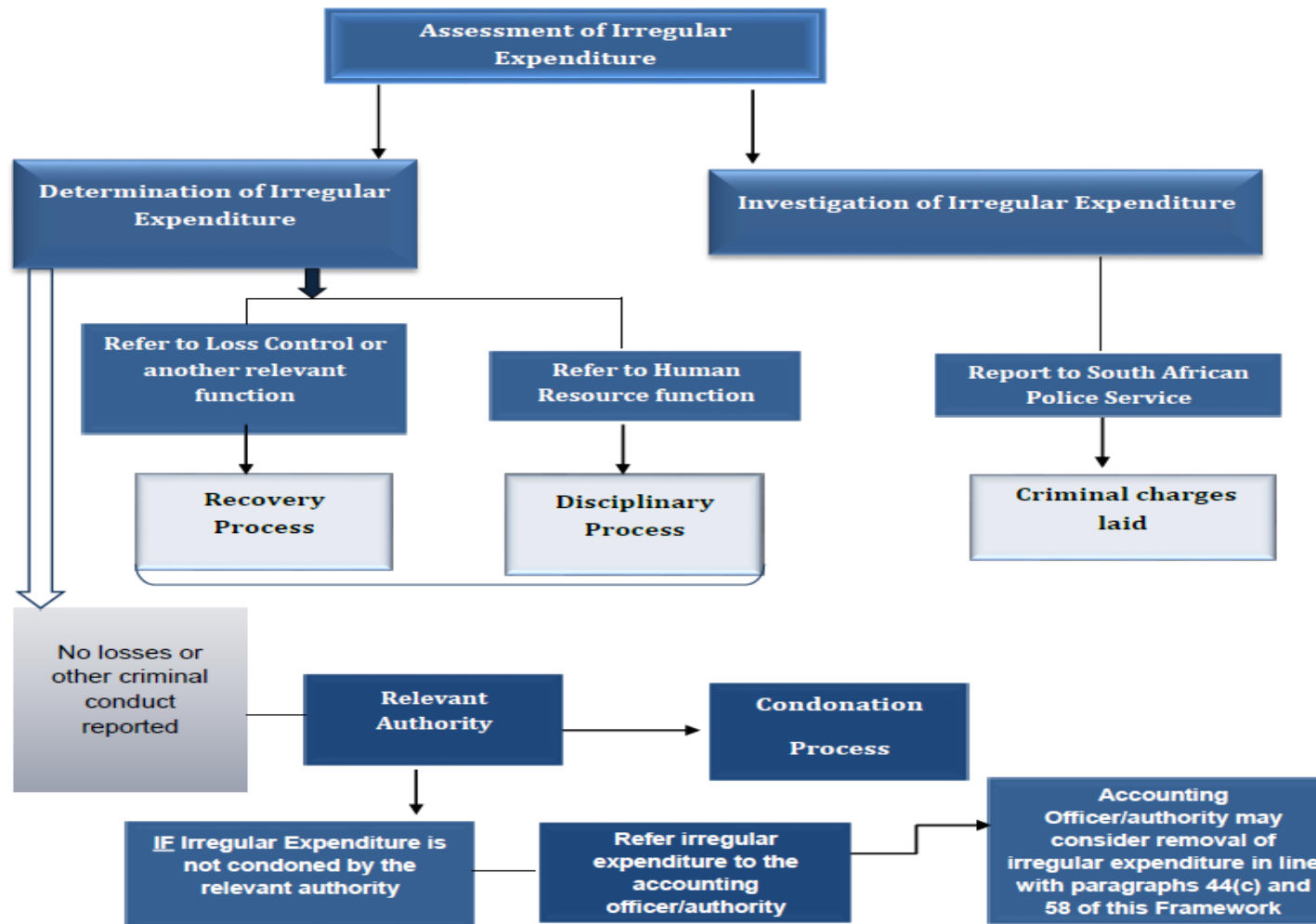
DATE: 02 MARCH



IE TREATMENT PROCESS: IE FRAMEWORK

CHAPTER 8

PROCESS FLOW FOR IRREGULAR EXPENDITURE



NB: Each and every Irregular expenditure/ transaction must follow the process as outlined in the Irregular Expenditure Framework to assess amongst others;

- Actual role-players (transgressors)
- Financial losses
- Fraud/corrupt/ Criminal conduct

Loss Control Committee is in place to confirm compliance with all the elements of IE treatment process

Extract from the SABC FY2021 Annual Report: Notes to the Audited Annual Financial Statements

40. Expenditure and Losses through Criminal Conduct, Irregular, Fruitless and Wasteful Expenditures

The incidents/ instances of contraventions which resulted into the irregular expenditure have been categorized and disclosed below.

(i) All losses through any irregular expenditure

Section 1 of the Public Finance Management Act, No. 1 of 1999, as amended, defines irregular expenditure as expenditure, other than unauthorised expenditure, incurred in contravention of or that is not incurred in accordance with a requirement of any applicable legislation.

The following amounts have been determined as being irregular expenditure, in terms of section 55(2)(b)(i) of the Public Finance Management Act, No. 1 of 1999, as amended:

	Notes	2021 R'000	202 R'000
Opening balance		5 398 766	5 220 726
Plus: Prior period error		8 477	(2 005)
Add: Irregular Expenditure-identified in the current year relating to the prior years		63 428	30 840
Balance as restated		5 470 671	5 249 561
Add: Irregular expenditure-identified in the current year		111 068	202 470
Less: Irregular Expenditure condoned in the current year but relating to prior years		(183 210)	(53 265)
Less: Irregular expenditure referred to the Accounting Authority for removal from the notes to the annual financial statements in line with instruction note 2 of 2019/20		(2 543 537)	-
Irregular Expenditure awaiting condonation subject to further investigation		2 854 992	5 398 766
Payments without contracts	a	5 748	52 922
Deviations	b	14 210	11 879
Procurement policy/process not followed			
Minimum number of quotations not obtained	c	1 955	28
Bids advertised for less than minimum number of days	d	345	72
Incorrect evaluation criteria applied to bids	e	63 808	85 099
Use of supplier without following procurement process	f	1 003	3 415
Irregular awards due to lack of planning	g	157	3 833
Procurement through quotation process versus competitive	h	5 158	4 406
Variation order in excess of 15%	i	2 588	21 179
Awards made to suppliers without obtaining valid Tax clearance certificates	k	593	229
Schedule All	e	229	2,810
Tender above R30 million did not include subcontracting as a condition of a tender	l	2 727	18 349
Schedule All	m	12 713	1 059
Non compliance with National Treasury Instruction note on PPE Emergency Procurement (COVID 19)	n	63	-
		111 068	202 470

MEASURES PUT IN PLACE TO ADDRESS IE

1. POLICIES AND PROCEDURES

- ❖ **The SCM Policy and Procedure Manual have been revised and socialised** across the organisation and is reviewed regularly. Continuous workshops on SCM related matters are conducted for both business units and SCM officials also often in consultation with National Treasury
- ❖ These procedures are augmented by **various checklists** to ensure compliance. Tenders are subjected to compliance review before award.
- ❖ The **Bid Committee TORs** have been developed, approved and socialized. Socialization of the terms of reference forms part of the standing agenda item for the initial onboarding meetings for BEC and BSC appointed to each tender or RFQ
 - ❖ An overview of the SCM Policy and Procedure Manual is included in the quarterly Induction Programme for new employees.
- ❖ **Regular engagements with National Treasury** ensure alignment with and continuous improvement between the Corporation and National Treasury Regulations and SCM prescripts.
- ❖ **Service Level Agreements supported by regular engagements between SCM and Business Units** ensure constant alignment, guidance and advise and ultimately improved planning

MEASURES PUT IN PLACE TO ADDRESS IE

2. REDUCTION OF CONTRACT DEVIATIONS AND EXPANSIONS

- ❖ The contract management process is detailed in the revised SCM Procedure. The roles and responsibilities of the various role-players in the contract management value chain is clarified in the abovementioned procedure to enforce improved contract management.
- ❖ The ERP, SAP system has been configured to issue early contract expiry warning to the relevant contract owners. In addition, the Contract management unit, within SCM shares the contract register with the relevant Heads of Business Units to raise awareness on expiring contracts.
- ❖ Expansions and deviations are only used in exceptional cases as stipulated in National Treasury Regulations.
- ❖ Market analysis is conducted to confirm sole supplier status prior approval.
- ❖ All deviation and contract extensions are reviewed by SCM compliance section before finalised. This ensures that none of these are executed contrary to compliance requirements.

MEASURES PUT IN PLACE TO ADDRESS IE

3. IMPLEMENTATION OF CONSEQUENCE MANAGEMENT RELATING TO IRREGULAR EXPENDITURE

- ❖ A Standard Operating Procedure for the Prevention, Detection and Management of IE has also been developed, socialised and is currently in implementation.
- ❖ The Guideline for Consequence Management of Financial Misconduct has been finalised and approved. The process of investigation and determinisation of role players to IE transaction is ongoing
- ❖ Engagements with Executives where IE instances have been identified are also ongoing to ensure consequence management are implemented based on the Guidelines and the Disciplinary Code in the Corporation.
- ❖ Two Senior investigators were appointed in November 2021 on a fixed term contract to assist with determining the IE root cause and responsible parties. A guideline was developed and shared with Business on the procedures, timelines and expectations in the course of the investigation process
- ❖ Consequence Management is being tracked, reported on separately to oversight Committees of the Board

MEASURES PUT IN PLACE TO ADDRESS IE

4. CONTINUOUS MONITORING

- ❖ The procurement processes are periodically assessed /audited by the Group Internal Audit and the SCM compliance and Governance Unit to assess the level of compliance and assist management in putting measures in place to close any detected deficiencies. Various reports are shared with the Board as a means of enforcing compliance with SCM prescripts

THANK YOU