



**FRUITLESS & WASTEFUL EXPENDITURE
DECEMBER 2021**

QUARTER 3 PROGRESS REPORT

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1. INTRODUCTION

In terms of Public Finance Management Act (PFMA), the following terms are defined as follows:

Fruitless & wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Section 51(e) (iii) then puts the responsibility on the Accounting Authority (Board of Directors) to take effective and appropriate disciplinary steps against any employee of the public entity who makes or permits an irregular expenditure or a fruitless and wasteful expenditure.

It is in the abovementioned legislative framework that a quarterly progress report is presented on the fruitless and wasteful expenditure incurred, including remedial action taken.

2. FRUITLESS & WASTEFUL EXPENDITURE

2.1 Current Year movement – December 2021

2022- Additional Fruitless and Wasteful Expenditure identified in the FY2021/22

Division	Amount R'000	Responsible person	Summary of actions taken
Regions	2 401	Ian Plaatjes	The SABC has filed a notice to abide with the SIU application to have the Rental Agreement between the SABC and Rybak Prop 001 (Pty) Ltd set aside and monies paid in terms of the Agreement recouped. The matter is still being investigated by SIU
Technology	325	Lungile Binza	<p>The amount relates to interest on late payments to Telkom. Ongoing discussions are still happening with Telkom to resolve the issue of invoices being received late and the SABC incurring interest.</p> <p>The SABC has received a credit note to the value of R145 695, relating to the fans that could not be utilised. The amount will be recorded against recoveries once the credit note has been processed.</p>
Video Entertainment	2 301	Merlin Naicker	Management is developing an SAP functionality that will assist in the management of repeat fees and update its SOP relating to interest paid on repeat fees. The process is in the development stages and is set to be finalised by the 31 st of January 2022. The implementation of this process is expected to reduce late payments of repeat fees and reduce interest on repeat fees.
Sports	1	N Wotshela	Driver retrenched & untraceable-Recovery from affected driver not possible. The amount is immaterial to pursue through legal means and a request for write-off will be submitted.
TOTAL	5 028		

Comparison between 2022- and 2021

Dec 2021 R'000	Dec 2020 R'000	Difference R'000	
5 028	11 133	(6 105)	The decrease in F&WE as at Dec 2021, is because of significantly reduced amounts reported as F&WE relating to repeat fees. In the PY repeat fees as at Dec 2020 was sitting at R6,9 million. In the current year as at Dec 2021, interest on repeat fees is at R2,3 million.

2.2 Disclosure note.

	Dec 2021 R'000	Mar 2021 R'000
Opening balance	199 739	297 131
Less: Reversal of incorrectly disclosed prior year amount	(5 495)	(13 208)
Adjusted Opening Balance	194 246	283 923
Add: Fruitless and wasteful expenditure – current year	4 806	10 283
Add: Fruitless and wasteful expenditure – Relating to prior years identified in the current year	222	10 970
Less: Fruitless and Wasteful Expenditure approved for write off	-	(103 223)
Less: Amounts recovered from employees	(146)	(2 213)
Fruitless and wasteful expenditure awaiting write off subject to further investigation	199 128	199 739
Details of fruitless and wasteful expenditure – Current Year		
Interest, penalties, fines, and interest on repeat fees	2 555	7 420
No Value received on generators	-	446
Other (Traffic fines, Interest on unpaid retirement benefits)	1	469
S&T on the Oh Ship cruise trip	-	68
Overtime paid to employees for hours they did not work	-	39
Rental of unoccupied office space- Mbombela	2 250	10 758
Overpaid leave for employees who resigned	-	2 052
Fans delivered that are not functioning to specifications	222	-
Total	5 028	24 253

- **Rental of unoccupied space**

This relates to rental expenditure paid for office space that is not occupied. The lease ended on 31 October 2021, however the SABC has entered a five-month extension on the lease ending 31 March 2022. The contract is under further investigations by the SIU. The lease contract went out on open tender. The existing supplier was appointed for a new lease contract, and the contract award excludes the area that is currently unoccupied. Negotiations are still ongoing on the new lease contract terms to agree on market related rental.

- **Interest on Late payments and repeat fees**

This is interest paid on late payments to Eskom, Telkom SA, Northwest region, and Limpopo region. Interest also includes interest paid on outstanding royalty and repeat fees. Management is engaging with Telkom to have its various accounts administered centrally with a single invoice issued to the SABC.

- **Fans delivered that cannot be utilised.**

The project was for MCR Server room cooling. The SABC ordered and paid for fans based on specifications provided by HAMSA – a contractor. The fans were acquired and delivered based on the HAMSA specifications by the implementing contractor. The implementing contractor indicated that the supplied fans cannot be utilised in the provided real estate as the physical size of each fan cannot be mounted due to limited available space to provide the required cooling. The SABC has been able to repurpose nine of the fans in other areas of the business, the remaining estimated loss of R222 000 was reported as fruitless and wasteful expenditure. Through the intervention of the Loss Control Committee, a credit note amounting to R145 695 has been received from the supplier for the supply of the fans. The credit note is reported as recovery. The fans would then be replaced by suitable and usable fans. These replacement fans will be installed at no additional cost to the SABC and hence the full amount of R222 000 will be recoverable once the installation has been finalised

2.3 Long outstanding matters and progress - Faulty generators

The matter relating to the faulty generators paid for and delivered by the supplier that were never replaced nor fixed by the supplier, has been formally referred to Legal for collection and the Loss Control Committee for further investigation. The Loss Control Committee heard the matter in October of 2021 and requested further information and investigations from management. The supplier has failed after numerous attempts to provide the SABC with terms of payment after signing the acknowledgement of debt. The supplier still has not made any efforts to make payments to the SABC despite signing the acknowledgement of debt.

On the 14th of September 2021, a meeting was held to discuss progress on the matter, a resolution was reached that the attorneys will issue a final letter of demand citing “blacklisting” a punitive consequence. Management in the Technology department has been advised by the Loss Control Committee to recover the amounts owing from the supplier. The supplier is currently working on two projects for the SABC, which if completed will have a total outstanding amount owing to the supplier of approximately R68 000. Management has advised the supplier of their intention to recover part of the amounts owing by not settling the remaining invoices from the projects. Management has also written to Legal Services requesting a legal opinion on the efficacy of instituting legal collection procedures.

2.4 Highlights - YTD

- Sports impairment of R1,101 million was approved by Exco for recommendation to the Audit and Risk Committee & Board to be written off by the Board of Directors. Awaiting approval by the Board of Directors.
- Additional requests will be submitted to request for Board approval to have the amounts written off from the fruitless and wasteful expenditure register by the end of January 2022. Of the total an amount totaling R22,813 million relating to fruitless and wasteful expenditure relating to the Video Entertainment department (Interest on repeat fees, cancellation costs and BCCSA penalties) are currently under review for finalization.

- Further amounts totaling R3,5 million will be referred to the Loss Control Committee for further investigation and to initiate the recovery process from the responsible parties. The amounts relate to hotel and flight no shows, traffic fines, no show charges for training and faulty generators.
- Two submissions relating to the SABC Foundation and SABC Airwave Travel totaling an amount of R921 246,13 are currently under review to be finalized by the end of January 2022.
- On the 18th of December 2021, the High Court ruled on the case against the former COO Hlaudi Motsoeneng. As per the court order, the court had declared that the amount of R11,5 million paid to the former COO as a succession fee was unlawful and invalid, the former COO was ordered to pay the total amount including 15,5% interest dating back to 2016 within 7 days. However, the former COO has filed an application to appeal the ruling by the High Court. If unsuccessful and the order to pay back the R11,5 million is upheld, this will reduce the balance of fruitless and wasteful expenditure by the R11,5 million.

2.5 Remedial action

- **Interest on overdue repeat fees**

- a) Repeat fee strategy was approved by the Board on 26 April 2018 and to be implemented through Industry Development. SABC will pay for three repeats thereafter there will be a buyout. The process is yet to undergo industry engagement to allow for full implementation.
- b) SAP CCC is currently developing a SAP functionality that will assist with the Management and Administration of the Repeat Fees system, the project is set to be completed by the 31st of January 2022. The process is currently in the development stages. The payment process is also being reviewed by SAPCCC to ensure effective financial and risk management and internal control systems. The Repeat Fees SOP states that the SABC should inform all the affected officials and employees that they would be subjected to a disciplinary procedure should they fail to prevent the payment of interest because of late payment of repeat fees. A reconciliation is performed of repeated programmes broadcasted to ensure accuracy of repeat fees. There is now synergy between Scheduling department and Finance to ensure timeous processing of invoices. Repeat fee strategy has also been approved by Board and to be implemented through Industry Development after consultation which will ensure settlement or buy out of repeat fees.

- **Interest, penalties & fines on late payments**

- a) The regions have engaged Municipalities to request alignment in terms of the date of submission of invoices date in order to avoid late payments due to invoices being submitted late. The coastal regions being KZN, Western Cape and the Eastern Cape, have engaged successfully with municipalities and municipalities have agreed to align with the SABC's payment dates and to ensure that invoices are received and paid on time.
- b) For the inland regions (Free State, Limpopo, North-West, Northern Cape, Mpumalanga) the engagements are still ongoing and final agreements have not been reached yet.

- **Other initiatives to assist to reduce Fruitless and Wasteful Expenditure include:**


- a) More management supervision. Focus will be given to consequence management as contained in the Management of Fruitless and Wasteful Expenditure Policy.
- b) A tracking schedule has been implemented, that contains the full details of the balance of fruitless and wasteful expenditure. Amounts that can be recovered have been identified and will be referred to the Loss Control Committee for further investigation and to begin the process of recovery. For amounts that have been identified as irrecoverable, management in the respective divisions will be informed to prepare submissions to the Board for approval motivating why the amounts cannot be recovered and requesting for the amounts to be written off from the fruitless and wasteful expenditure register. This schedule also includes comments on actions taken to source information for the submissions and the result thereof. This will also be done to highlight possible risks of non-submission due to outstanding information.

2.6 Amounts to be recommended for write off.

Please see **Annexure A – Updated plan for the year**

3. ACCURACY AND COMPLETENESS DECLARATION

I hereby certify that the information submitted is accurate and complete, as provided by the divisions.




Signature (Preparer)

Ms Thabisile Nkabinde
Financial Reporting Specialist

18 January 2022

Date




Signature (Endorser)

Mr. Tendai Matore
Head: Financial & Management Reporting

18 Jan 2022

Date



Signature (Endorser)

Ms Yolande van Biljon
Chief Financial Officer

19 January 2022

Date

ANNEXURE A: UPDATED PLAN FOR THE YEAR

Description	Contact Person	Division	F&WE Awaiting to be written off	First Planned Date of Submission	Revised Submission Date	Comments	Risk Assessment Non submission
Impairment of Content (VE and Sport)	Fidel Hanyani	Video Entertainment	19 192 780	0	31 March 22	VE is still investigating impairment of R14 million, the remaining R5 million will be analysed to determine if it is still valid fruitless and wasteful expenditure.	Medium
Settlements	Stanley Mmotong	Group Services	65 256 968	31 Oct 2021	31 March 22	A request was sent to legal to obtain the supporting documentation relating to the settlements. That is the settlements documents, however the request was unsuccessful. A response on the 13 th of December 2021 was received from Legal services stating that they do not have the requested documents at their disposal. Finance will also engage with HR and Payroll to try to source the required information. Failing which other alternatives will be explored to prepare a submission requesting the amounts to be written off from F&WE.	High
Legal Fees	Stanley Mmotong	Group Services	11 563 655	31 Oct 2021	31 March 22	A request was sent to legal to obtain the supporting documentation relating to the settlements. That is the settlements documents, however the request was unsuccessful. A response on the 13 th of December 2021 was received from Legal services stating that they do not have the requested documents at their disposal. Finance will also engage with HR and Payroll to try to source the required information. Failing which other alternatives will be explored to prepare a submission requesting the amounts to be written off from F&WE.	High
Interest on overdue accounts - Other	Various Divisions	Various Divisions	11 520 960	31 Jan 22	28 Feb 22	A request will be sent to the affected Divisional managers to submit requests to write off the amounts from F&WE, the submissions will be referred to the Loss Control Committee.	Medium
Interest on repeat fees	Fidel Hanyani	Video Entertainment	22 429 374	31 Aug 2021	17 Jan 22	Submission submitted to the Loss Control Committee for support	Low
SARS Penalties	Stanley Mmotong	Group Services	27 661 473	30 Nov 2021	28-Feb-22	A request will be sent to the Divisional Finance Manager to request for the preparation and submission of a request to write off the amounts from fruitless and wasteful expenditure.	High
Unauthorised payments and Overtime overpayment	Stanley Mmotong	Human Resources-Payroll	24 768 898	28 Feb 2021	31 March 22	A court ruling in the favour of the SABC for the former COO to pay back the R11,5 million relating to a succession fee paid to him. Once the matter is resolved the amount will be reduced by the R11, 5 million. For the remainder of the amount a submission will be prepared and referred to the Loss Control Committee. A request was made to Forensics on the 31 st of March 2021 requesting a detailed listing of the employees affected to perform an analysis to	Medium

						determine recoverability. Forensics was unable to provide the required information which will make the recovery process impossible. It will also be difficult to assess adequacy of consequence management without such detail.	
Other	Various Divisions	Various Divisions	1 363 093	31 Jan 22	28 Feb 22	The affected Divisions will be requested to prepare and submit a request to write off amounts from fruitless and wasteful expenditure.	Medium
Fraudulent Payments-SIU Reports	Mbuso Sokhela	Radio	409 428	30 Nov 2021	28 Feb 22	A request for further information on steps taken to recover the amounts as referred by the SIU reports was sent to the Divisional Finance Manager. Once confirmation has been received that all necessary steps were taken to recover the amounts from the responsible employee to no success a submission to request the amounts to approved for write off will be prepared and submitted to the Loss Control Committee	High
Rental of unoccupied space	Mbuso Sokhela	Regions (Provinces)	11 258 101	31 Aug 2021	TBC once investigations are concluded.	The SABC has filed a notice to abide with the SIU application to have the Agreement between the SABC set aside and monies paid in terms of the Agreement set recovered for the unoccupied building space. The matter will undergo SIU investigations. The submission will be finalized once investigations have been finalized by the SIU. Investigations are still on going. Completion date of Investigations is still unknown.	High
Over Payment to employees of leave days	Juanita Van Rensburg	Group Services	2 052 343	31 Aug 2021	01 Sept-21	Submission was submitted and rejected by the Executive Committee. It was referred to the Loss Control Committee and further sitting of the LCC planned on 14 January 2022.	Low
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