



DEPARTMENT: CORRECTIONAL SERVICES

REPUBLIC OF SOUTH AFRICA

Private bag X136, Pretoria, 0001, Tel. (012) 307 – 2939, Facsimile (012) 328 - 3338  
124 Church Street, Poyntons Building (West), , Pretoria

Director General  
Private Bag X115  
Pretoria  
0001

Reference no : 3/6/1/4  
Enquiry : N Mareka  
Date : 27 May 2011

Attention: V Mbethe

**2008/09 UNAUTHORISED EXPENDITURE BY THE DEPARTMENT OF CORRECTIONAL SERVICES: VOTE 18**

Your request under reference number FP 36/2/3/13 dated 26 May 2011 refers:

1. This Department would like to highlight the events that occurred and steps taken by the department which culminated in the 2008/09 unauthorised expenditure.
2. It should be noted that the Department informed National Treasury of the anticipated overspending resulting from the implementation of the Public Service Coordinating Bargaining Council Resolution number 1 of 2007 through the following documents which were submitted to National Treasury:
  - 2.1. The 2008/09 and 2009/10 MTEF submissions (**Annexure A**).
  - 2.2. The Expenditure Status Report as at 30 June 2008 (**Annexure B**).
  - 2.3. The Cabinet Memorandum which was sent to request additional funds required to finance the unforeseen and unavoidable expenditure resulting from the implementation of the Public Service Coordinating Bargaining Council Resolution number 1 of 2007 (**Annexure C**).
  - 2.4. The Expenditure Status Report as at 31 December 2008 (**Annexure D**).

We Serve With Pride

Please contact the sender if you require this communication in any of the other official languages

**2008/09 UNAUTHORISED EXPENDITURE BY THE DEPARTMENT OF CORRECTIONAL SERVICES: VOTE 18**

- 2.5. The monthly In Year Monitoring Reports which were submitted to inform National Treasury about the possible overspending of the vote as a result of the implementation of the Public Service Coordinating Bargaining Council Resolution number 1 of 2007.
- 2.6 The previous Accounting Officer also informed National Treasury and the Department of Public Service and Administration about the anticipated over-expenditure resulting from the implementation of the PSCBC Resolution number 1 of 2007 in the presentation done on the 14 May 2008.
- 2.7. The issue of anticipated overspending resulting from the implementation of the PSCBC Resolution number 1 of 2007 was raised with National Treasury in both 2008/09 and 2009/10 MTEC discussions.
3. It is unfortunate that the overspending mainly resulted from the implementation of the Public Service Coordinating Bargaining Council Resolution number 1 of 2007. The signing of the PSCBC Resolution number 1 of 2007 effectively negated the gains of the previous Departmental Bargaining Council Resolution number 2 of 2005 which the Department enjoyed by remunerating the overtime worked on Saturdays and public holidays by means of giving officials time-off with no financial implications involved. The provision made in terms of the DBC Resolution number 2 of 2005 was however overridden by the new PSCBC Resolution number 1 of 2007 which required that the employees be compensated for the work done on Saturdays, Sundays and public holidays without an option of granting time-off as provided previously by the DBC Resolution number 2 of 2005.
4. Failure to implement the Public Service Coordinating Bargaining Council Resolution number 1 of 2007 would have resulted in labour unrest in the Department. The Department implemented cost curtailment measures during the financial year 2008/09 to minimise the anticipated overspending on Compensation of Employees such as enforcing and monitoring the implementation of the moratorium on the filling of posts which was placed and the downscaling of the payments of performance bonuses.
5. The Department would like to take this opportunity to remind National Treasury that in 2007/08 financial year, two treasury virements approvals were requested from National Treasury to virement funds from the Payments for Capital Assets to Compensation of Employees (one requested during the month of October 2008 and the other one during the end of the financial

## **2008/09 UNAUTHORISED EXPENDITURE BY THE DEPARTMENT OF CORRECTIONAL SERVICES: VOTE 18**

year 2007/08, May 2008), in order to fund the budget shortfalls resulting from the implementation of the Public Service Coordinating Bargaining Council Resolution number 1 of 2007. It is necessary to highlight that the same situation could not apply in the 2008/09 financial year as there were no funds available under the Payments for Capital Assets to virement to Compensation of Employees in order to fund the budget shortfalls resulting from the implementation of the Public Service Coordinating Bargaining Council Resolution number 1 of 2007 (*Annexure E*).

6. The Department was faced with two dilemmas at the time of the 2008/09 adjustment estimates process, namely the unfunded impact of the Public Service Coordinating Bargaining Council (PSCBC) Resolution number 1 of 2007 and the very high abnormal inflation rate for which funding had not been received in the 2008/09 financial year budget baseline. In this regard a cabinet memorandum was submitted requesting an additional allocation of R543 million. The decision was taken to down manage expenditure and reprioritise the budget to be able to fund the impact of inflation on Goods & Services and only submit a treasury cabinet memorandum (*Annexure C*) with regard to the budget shortfalls on Compensation of Employees as mentioned above. As you are well aware, the requested R543 million was not approved (*Annexure F*).
7. The huge amount of budget shortfalls could not therefore been managed through the mere curtailment of day to day running expenses such as travel and subsistence. It needs to be remembered that National Treasury had already implemented budgetary cuts in our Department in line with the efficiency gain savings. The severe budgetary cuts in the 2008/09 and 2009/10 financial years only aggravated the problem further in that the Department had to once again curtail other services to fund the cumulative effect of inflation and this made the situation very difficult to manage. We were left with no choice but to reprioritise the remaining budget to survive in a high inflationary environment where for example food inflation was very high. Furthermore over R1 billion of the Goods and Services budget was already committed for Property Management Services.
8. The decision which was taken to fully implement the 7-Day Establishment from 01 April 2009 in line with the R300 million additional funds allocated respectively over the 2009 MTEF period. The challenge was that no agreement had been reached in the General Public Service Sector Bargaining Council (GPSSBC) or Public Service Coordinating Bargaining Council (PSCBC)

**2008/09 UNAUTHORISED EXPENDITURE BY THE DEPARTMENT OF CORRECTIONAL SERVICES: VOTE 18**

chambers regarding the implementation of the 7-Day Establishment. Relief from the commitment was eventually reached in terms of GPSSBC Resolution number 2 of 2009 (**Annexure G**)

9. The programmes affected were Security and Social Reintegration as indicated in the attached Notes to the Appropriation Statement (**Annexure H**)

10. I sincerely hope that above information will assist National Treasury to prepare the necessary recommendations for Parliament.

Kind regards



---

**DC: Financial and Management Accounting**  
**NV Mareka**  
**for Commissioner: Correctional Services**  
Date: 21/06/10