



provincial treasury
MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA



PRESENTATION ON THE FISCAL LEAKAGES MPUMALANGA PROVINCE

30 August 2022



VISION

Leading in innovation and service excellence.



MISSION

Enhance fiscal discipline, accountability and effective governance in PFMA and MFMA institutions through:

- Capable and professional workforce;
- Inter-governmental collaboration; and
- Sustainable funding and Equitable allocation and prudent financial management



VALUES

We are committing ourselves to serve with:

- Integrity;
- Diligence;
- Commitment;
- Collaboration;
- Transparency;
- Leadership



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- Provincial Departments
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Enablers to Fiscal Leakages

- Future commitments on the budget which do not consider the budget availability in the outer years.
- Salary increases that are not in sync with the budget availability in the outer years and the revenue generation capacity of the Municipality and Schedule 3C Public Entities
- Cost implications over the MTEF that must be maintained from the Provincial fiscus
- Rising consumer inflation rates negatively affect service delivery especially if the approved budget did not accommodate the challenge or were unknown when budget assumptions were formulated in the Main Appropriation eg. the frequency of load shedding.
- Unplanned and unfunded activities/projects that might need to be accommodated in current and or future budgets.
- All unwanted expenditure such as fruitless and wasteful expenditure, unauthorized expenditure and Irregular expenditure
- Unethical behavior of officials which lead to procurement at inflated prices or commitments without budget

Fiscal Leakages in Provincial Departments

Fiscal Leakages- General Expenditure

• Area of Leakage

- High Accruals that are not cash backed –first charge against current year budget
- Increasing medico-legal claims (litigations) & contingent liabilities
- Personnel policies that were implemented due to scarce skills (commuted overtime, grade progressions, sessional doctors, Pilir (teachers) management)
- Excess teachers – R89, million for 294 excess teachers in 2022
- Lack of a scientific way or formula or standardization of doing business in a different sectors eg. the cost of building one classroom or construction of a km of road taking other factors in the geo- technical report

• Impact on Service Delivery/Economy

- Reduces budget thus impacting on service delivery programs/activities /outputs
- Increases rate of unemployment or increases wage bill at the expense service delivery

• Mitigating Strategy

- Improving financial management within institutions, developing accruals monitoring systems
- Improving record management systems, reducing institutions and personnel workloads
- Recommending reviewing of policies by relevant sectors

Fiscal Leakages-Infrastructure

- **Area of Leakage**

- Increasing variation orders on infrastructure projects
- Poor contract management
- Poor planning of projects and implementation therefore projects take longer than normal to complete and end up costing more
- Misinterpreting of the BBBEE guidelines that will lead to work stoppages which will then lead to payment of standing time or escalation of prices
- Community unrest that lead to damage of priority infrastructure eg clinics

- **Impact on Service Delivery/Economy**

- Reduces budget thus impacting on service delivery programs/activities /outputs

- **Mitigating Strategy**

- Improving contract management within Infrastructure Departments
- Improving monitoring and coordination

Departmental Unwanted Expenditure-2020/21

Department	Irregular Expenditure R'000	Unauthorised Expenditure R'000	Fruitless and Wasteful Expenditure R' 000
Office of the Premier	462 969	-	11 041
Provincial Legislature	-	-	-
Provincial Treasury	-	-	-
Co-operative Governance and Traditional Affairs	-	-	-
Agriculture, Rural Development, Land and Environmental Affairs	-	11 927	-
Economic Development and Tourism	125 280		7 777
Education	1 391 875	685 894	20 988
Public Works, Roads & Transport	538 650		73
Community Safety, Security and Liaison	2 831 630		7
Health	4 951 817	234 705	3 182
Culture, Sports & Recreation	166 524	29 279	9 180
Social Development	132 356	-	1 026
Human Settlements	300 587	-	342
Total	10 901 688	961 805	53 616

Fiscal Leakages in Local Government

Fiscal Leakages

- **Area of leakage**

- The organizational structures are not always consistent with the capacity requirements in the different categories of municipalities and
- this further contributes to the increasing wage bills of municipalities.
- Municipalities planning ability is often found to be the root cause or failure to full utilization of capital budgets, which is mainly grant funding.
- The absence of infrastructure maintenance plans results to unplanned maintenance and emergencies
- Distribution Efficiencies and Tariff Setting in Local Government
- The latest assessment conducted in Local Government indicated that municipalities are challenged with high distribution losses due to distribution inefficiencies and inability of cost reflective tariff setting for services.
- Inadequate Contract Management and lack of clear terms of reference for contractors and consultants does sometimes lead to fruitless and wasteful expenditure, which further impacts on service delivery.

Fiscal Leakages

- **Area of leakage –continued**

- On the revenue side of Local Government revenue is often lost due to the incompleteness of the revenue baselines of municipalities.
- The latest information further indicates that control deficiencies over pre-paid vendors further contribute to revenue losses.

Fiscal Leakages

- **Impact on Service Delivery/Economy**

- This contributes directly to the ever increasing budget provision for overtime and standby allowances.
- The bloated organizational structures do have a direct impact on budget provision for adequate maintenance and upgrading of infrastructure requirements.
- Less funds /budget available for service delivery activities
- The above directly contributes to the unfunded budgets and increase in unauthorized expenditure in municipalities.
- The interest on Eskom arrear accounts is one of the biggest contributors to the increased fruitless and wasteful expenditure.

Fiscal Leakages

- **Mitigating Strategy**

- This support includes the review of the budgets, improvement of tariff setting, capacity building for SCM, Contract Management and improvement on oversight ability of Committees.
- COGTA and PT are further working hand in hand with the Development Bank OF SA in improving the revenue management and planning abilities of the municipalities.
- Provincial Treasury and COGTA are working on improving the budget status of municipalities with unfunded budgets.
- Training on contract management

UIF& W OF MUNICIPALITIES -2020/2021

No	Name of Municipality	Unauthorised		Fruitless & Wasteful		Irregular		TOTAL	
		2020	2019	2020	2019	2020	2019	2020	2019
1	Govan Mbeki LM	R1 907 661 430	R1 356 493 391	R548 080 766	R345 839 425	R880 053 962	R658 002 651	R3 335 796 158	R2 360 335 467
2	Lekwa LM	R1 106 342 265	R818 230 700	R450 405 866	R330 624 233	R461 416 062	R388 916 517	R2 018 164 193	R1 537 771 450
3	Bushbuckridge LM	R346 751 979	R391 924 798	R3 075 736	R67 515 443	R1 490 596 596	R1 150 971 153	R1 840 424 311	R1 610 411 394
4	Emalaheni LM	R187 222 018	R518 787 643	R332 516 655	R403 377 979	R419 535 753	R412 036 763	R939 274 426	R1 334 202 385
5	Thaba Chweu LM	R196 260 226	R188 739 675	R212 128 125	R165 024 237	R506 218 659	R448 425 668	R914 607 010	R802 189 580
6	Mkhondo LM	R717 849 124	R486 915 213	R37 496 775	R30 659 258	R105 794 667	R62 749 646	R861 140 566	R580 324 117
7	Mbombela LM	R341 284 740	R992 157 803	R173 079	R85 649 700	R511 966 928	R698 777 179	R853 424 747	R1 776 584 682
8	Dr JS Moroka LM	R1 669 605	R89 763 860	R4 782 027	R4 782 027	R809 172 800	R653 243 915	R815 624 432	R747 789 802
9	Chief Albert LM	R207 268 789	R83 120 718	R24 544 830	R23 349 887	R453 887 187	R433 344 432	R685 700 806	R539 815 037
10	Msukaligwa LM	R257 614 258	R629 828 613	R141 438 243	R177 735 507	R254 506 289	R631 366 547	R653 558 790	R1 438 930 667
11	Dipaleseng LM	R217 116 960	R202 752 310	R22 301 221	R14 848 014	R160 664 052	R133 884 202	R400 082 233	R351 484 526
12	Victor Khanye LM	R129 309 536	R73 851 338	R60 487 957	R32 316 985	R66 388 869	R57 810 079	R256 186 362	R163 978 402
13	Emakhazeni LM	R10 927 913	R7 203 480	R15 447 029	R11 023 784	R201 355 319	R96 517 620	R227 730 261	R114 744 884
14	Thembisile Hani LM	R0	R0	R12 236 174	R11 167 649	R57 227 316	R44 136 824	R69 463 490	R55 304 473
15	Steve Tshwete LM	R56 244 136	R31 375 387	R38 922	R56 422	R488 900	R3 991 037	R56 771 958	R35 422 846
16	Nkomazi LM	R33 472 562	R27 258 886	R1 856 828	R1 092 956	R754 769	R648 059 024	R36 084 159	R676 410 866
17	Pixley ka Seme LM	R0	R0	R5 730	R6 930	R32 412 304	R30 665 700	R32 418 034	R30 672 630
18	Nkangala DM	R0	R0	R34 500	R0	R2 613 097	R3 884 595	R2 647 597	R3 884 595
19	Ehlanzeni DM	R186 345	R186 345	R22 400	R125 147	R60 750	R3 684 623	R269 495	R3 996 115
20	Gert Sibande DM	R0	R0	R0	R0	R0	R0	R0	R0
		R5 717 181 886	R5 898 590 160	R1 867 072 863	R1 705 195 583	R6 415 114 279	R6 560 468 175	R13 999 369 028	R14 164 253 918



Recommendations

It is recommended that the NCOP

- **Notes** the presentation
- **Notes** the Provincial Treasury encourages Prudent spending is expected from all provincial Departments to avoid Fiscal leakages and Fiscal dumping
- Disciplinary Boards must be in place and functional
- MPAT must be functional in the municipal space
- Consequence management must be implemented in both PFMA and MFMA space especially in the light of the new framework on consequence management in the municipal space



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SIYATHOKOZA
HI NKHENSILE
RE A LEBOHA
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