



provincial treasury

Department:
Provincial Treasury
North West Provincial Government
REPUBLIC OF SOUTH AFRICA

North West Provincial Treasury



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Ministerial Briefing Session on Fiscal Leakages:

Progress in Implementing Measures to Mitigate against Fiscal Leakages (Provincial Departments and Municipalities) and their Impact on Service Delivery to the National Council of Provinces

30 August 2022

By the MEC for Finance: Ms. M.Z. Rosho

FISCAL LEAKAGES

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- Award of Tenders to Suppliers not competent to deliver such services;
- Variation Orders increases the scope and the price given the under-estimation of the scope of work of the scope of work;
- Services (in particular municipal services) are delivered but not billed resulting into non-collection of revenue/payments for services delivered;

MITIGATING FACTORS

- SCM committees need to assess the competency and credit ratings of Suppliers before awarding;
- Full costings are to be secured prior to award of tender and contracting.
- Improve the core process related to billing, for example, tracking, collection and credit control, etc;

FISCAL LEAKAGES

- Acquisition/Tender price management does not receive adequate attention;
- Inflated pricing that leads to high expenditure margin leaks and will lead to material efficiency gains and cost savings;
- A defined price or profit margin analysis will give opportunities to SMME's and established Business to participate in provision of services to government and be considered for Tenders/ Contracts, etc.

MITIGATING FACTORS

- Acquisition/tender price management is intended to stop exorbitant prices;
- Effectively analysing acquisition/ tender pricing will enable government to identify the hidden sources of price inflation/ expenditure leakage and to achieve improved pricing and value-for-money to stretch the rand;
- Gathering, organizing and synthesizing price and cost-related data will contribute to limit wasteful, fruitless and exorbitant expenditures.

FISCAL LEAKAGES

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- Delayed completion of projects that results in increased costs due to security and loss of guarantees and warranties on key equipment's and possible vandalism;
- Advance payments of funds to implementing Agents for implementation of projects without due monitoring of utilization of such funds and accountability as well as disclosure of interest earned.
- Payments of interest due to delayed payments to service providers without due enforcements of policy of payments within 30 days;
- Inability of provincial departments to participate on sourcing of alternating funding mechanisms(models like BFI).

MITIGATING FACTORS

- Monitoring of contractor's performance in line with implementation plans.;
- Adopt a provincial policy on advance payments aligned to contract conditions as well as dealing with disclosures of advanced payments;
- Enforce compliance of accountability and reporting of interest paid as well as payment within 30 days;
- Institutionalize the participation of sectors on the BFI and long-term infrastructure planning requirements
- Enforce stage approvals of the Framework for Infrastructure Delivery and Procurement Management (FIDPM)

FISCAL LEAKAGES

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- Appointment of consultants to do designs that are not used as well as absence of appetite to use standard design where applicable;
- Inadequate application of cost norms and standards (Cost per km of road) to ensure value for money delivery;
- Escalation and extension of leases inclusive of mismanagement of leases.
- Inadequate contract management and lack of enforcement of contract conditions.

MITIGATING FACTORS

- Institutionalize and enforce application and use of sectoral cost and standards norms
- Monitor the implementation of the approval granted to the Department of Public Works by the Provincial Treasury
- Enforce Contract management practices and principles



THANK YOU!
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