

Expecting the Unexpected!

Cleaning up expenditure on utilities via cost savings and expense recovery services

Every successful business entity must both grow its revenue (Increase turnover) and / or reduce its operational costs.

Legislation, including the PFMA & MFMA, has been introduced as part of the continuous drive by government to improve efficiencies and effectiveness of state owned entities and public entities. Such legislation mandates **performance monitoring, evaluation and corrective action** of expenditure. It also recognises that state owned and public entities, specifically municipalities, must **manage resources effectively, efficiently, economically and transparently**.

Against this legislative framework, in line with the recent world-wide economic crisis, in July 2009, Cabinet established a Ministerial Task Team to scrutinize public expenditure trends and propose cost-cutting measures as part of the government's response to the economic meltdown and the negative impact of the current recession on the national fiscus. The Task Team comprises the Minister of Finance, Mr. Pravin Gordhan, the Minister in the Presidency responsible for Performance Monitoring and Evaluation, Mr. Collins Chabane, and the Minister of Public Service and Administration, Mr. Richard Baloyi. The three Ministers have been given the responsibility of investigating and identifying instances where wastage and inefficient spending by government (National, Provincial & Local) can be reduced, and to present these recommendations to Cabinet.

The Task Team's mandate is to analyse government expenditure and identify resources which can be channelled towards better service delivery and supporting the administration's key strategic priorities.

Government is determined to work collectively in

- reviewing spending plans,
- reprioritising the budget,
- reducing wastage and inefficiency,
- identifying and eliminating corruption, and
- getting better value for each rand spent, across all spheres of government.

It was decided that government needs to

1. **achieve more with less,**
2. **minimise bureaucratic structures, and**
3. **re-think how it should work, and**
4. **how it should work with the private sector and civil society partners.**

It is the view of the Task Team that government can realise substantial savings over the short term as well as the medium to long term. These savings relate mostly to expenditure reductions on non-core goods and services items.

Government has confirmed that finding savings is **not only about reducing budgets and reprioritizing expenditure; it is also about combating wastage, leakage and corruption in government, specifically in the procurement system.** This aligns with the pressures on municipalities and Local Government to both increase their revenue and cleaning up inefficiencies in their expenditure, specifically in the operational budget, in areas that traditionally have not been subjected to intensive scrutiny.

The Public Finance Management Act (PFMA, 1999) accords certain powers to the National Treasury to “investigate any system of financial management in any department”; and further that it “must intervene by taking appropriate steps”. An interdepartmental working group was set up to strengthen compliance and enforce uniform norms and standards in managing tenders. The emphasis will be on preventing fraud and corruption before it actually happens. The working group comprises the National Treasury, South African Revenue Service, Financial Intelligence Centre, Auditor-General and the Special Investigations Unit. It reports to the Minister of Finance. Its task is to establish if there are leakages in the procurement system and if there are instances of weak management which result in unwarranted cost escalation. For example, some of this leakage happens in the government feeding scheme, school construction, and in procuring office equipment and other goods and services.

This action by government requires cooperation, commitment and engagement from all political principals and their respective departments. The work of the Task Team will also be monitored by Minister Chabane, as this will lay the basis for the envisaged Comprehensive Expenditure Review. There will be regular reporting to the relevant cabinet structures and between departments. These measures will not only apply during this time of crisis but should become the blueprint for how we do things and manage public resources in future.

Aligned to the Task Team to effect Savings, the opportunity for expense recovery services will compliment and add value to the many cost-saving and revenue management and enhancement programmes already in place in many (if not all) state owned and public entities.

Based on research, experience and expertise - there are substantial savings in the area of utilities expenditure.

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