

060503 pjustice

(060503 hollamby)

2005/06 FINANCIAL YEAR: BUDGET REPRIORITISATION PROCESS

The "underspending"

At the Joint Departmental EXCO held on 24 October 2005 at the Glenburn Lodge, Muldersdrift, a report was presented on budget versus expenditure for the first half of the 2005/06 financial year. In terms of the monthly accounts (end September 2005), major areas of underspending were identified at branch level in various instances. As a consequence, the Director-General instructed the Directorate: Budgets to reprioritise the allocations of the various branches.

The underspending (budget that should have been spent on a straight-line projection in the first 5 months that was not spent) per economic classification amounted to:

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|--------------------------------------|------------------------|
| * Compensation of Employees | R30, 6 million |
| * Goods and Services | R314, 6 million |
| * Machinery and Equipment | R55, 5 million |
| * Software / intangibles | <u>R1 million</u> |
| Total projected underspending | R401, 7 million |

In addition, a R42 million forced saving on Travel and Subsistence was implemented.

The Director-General indicated that the R401, 7 million underspending would be utilised for the following departmental priorities:

- Recording of court proceedings and transcription services;
- DNS (IT network) roll-out;
- Court security and rehabilitation of infrastructure.

These initiatives are once-off in nature and required substantial capital investment (as opposed to personnel expenditure).

Portfolio Committee briefings

At the briefing of the Portfolio Committee in January 2006, the Committee was informed of the R401,7 million reprioritisation, the R42 million saving, and the intended usage. The Portfolio Committee requested further detail.

In preparation for the briefing of the Portfolio Committee on Justice and Constitutional Development on 7 February 2006, a schedule per programme and the Standard Chart of Accounts (SCOA) for virement and audit purposes was prepared. The CFO proposed the following virements:

- On Programme 2: A virement within the Programme from Current Payments to Payment for Capital Assets in the amount of R119 834 810;
- On Programme 2: A virement between the Programme and Programme 4. This result in a decrease of the budget of Programme 2 by R99 million matched with a corresponding increase in Programme 4.
- On Programme 2: A virement between the Programme and Programmes 3 and 5 in the amount of R21 478 162. This result in an increase of the budget of Programme 2 with the said amount.

These virements were presented to the Portfolio Committee and it was indicated that the reprioritisations would be use for the following purposes:

- Recording and transcription services: R177 353 585 (R158 351 415 as a capital expenditure and R19 002 170 for maintenance);
- Court Security – CCTV: R50 million;
- DNS Phase III roll-out: R20 million;
- Shortfall on payroll: R10 million;
- Legal fees: R15 million;
- GG car accounts: R10 million;
- Upgrading computers: R10 million;
- Communication (telephones, cell phones, etc): R4 million;
- Specialised vehicles for the Witness Protection Unit: R5 million;
- Implementation of the results of job evaluation: R30 million;

- Additional vehicles: R15 million.

The projected 4th quarter expenditure was revised to reflect all known commitments. It was said that if the projected 4th quarter expenditure materialise and the reprioritisation efforts bear fruit, the Department should have a underspending of R120 318 733 at financial year end. This underspending consists of R116 622 637 on compensation of employees, R3 654 216 on transfers and subsidies and R41 880 on capital assets. As a percentage of the total budget, this would have amounted to 2,32%. This information was presented to the Portfolio Committee in the form of a schedule.

Post Portfolio Committee briefings

Subsequent to the meeting with the Portfolio Committee and at the EXCO meeting held on 13 February 2006, the Director-General reported on the R401 million underspending and the full year projected linear underspending of R800 million.

The Director-General adopted an inclusive approach of inviting bids from DDG's and the constitutional institutions and public entities forming part of the Departmental vote against the balance of the mid-year reprioritization of R401, 7 million. At this point (24 February 2006) the prices in respect of the DNS roll-out and the transcription services tender were firm and the projections were adjusted downwards. Delays were experienced with the start-up of the burglar proof project. The balance available for immediate reprioritization was R178 million.

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| Reprioritization | R401, 7 million |
| Less | |
| Transcription Services | R177 million |
| DNS-III | R40 million (originally R100 million allocated) |
| Upgrading of courts / Infrastructure | R5, 5 million (originally R124 million allocated) |
| Available for Immediate reprioritization | R178, 5 million |

These initiatives are all in line with the Unfunded Priority Projects presented during the 2005 MTEF period, the Estimates of National Expenditure (ENE) programme purposes and measurable objectives, and the Department's Medium Term Strategy Framework (MTSF).

National Treasury was informed in a letter dated 13 February 2006 of the Department's intentions to request for a roll-over of funds as we realised at that time that it would not be possible to spend fully the amounts reprioritised for Transcription Services, DNS roll-out and Upgrading of courts / infrastructure.

Based on the inclusive bidding process, the following awards were made by the Director-General on 14 March 2006:

1. Public Protector: R3, 5 million. To be used for high profile cases and the implementation of JYP.
2. Legal Aid Board: R13, 22 million. To cover increased expenditure in Judicare, to purchase 10 vehicles, computers, video conferencing equipment, software licenses, and to conduct a national survey to establish the prevalence of HIV/Aids in the workplace.
3. NPA: R77 million. To address shortfall on employer contributions to be transferred to the Government Employees Pension Fund, pay State Attorney fees, GG accounts, implement the job evaluation results, procure specialized vehicles for DSO and WPU, and to upgrade computers.
4. Family Advocates: R3, 5 million. This relates to office equipment and computer needs, and motor vehicles.
5. Master's Office: R6 million. To address the furniture and vehicle requirements for the various Master's offices.
6. Master's Office: R14 million. To cover a projected overspending on compensation of employees.
7. 50 X-ray machines and 200 walk-through metal detectors: R35, 95 million.
8. State Attorney's Office, Kimberley: R7 million. To establish an office of a State Attorney in the Northern Cape (Kimberley).

Treasury approval was obtained to increase the transfer payments to the Legal Aid Board, the Public Protector and the SIU. The reprioritization to the Master's Office, the State Attorney, and the NPA are within the virement rules (see section 43 of the PFMA).

The way forward

In terms of section 30(2)(g) of the Public Finance Management Act, 1999 and Treasury Regulation 6.4.1 funds appropriated but not spent in the financial year may be rolled over to a subsequent financial year subject to approval of National Treasury. Such approval is guided by the following limitations:

- **Payments for capital assets:** Unspent funds on payments for capital assets may only be rolled over to finalise projects or asset acquisitions still in progress.
- **Transfers and subsidies:** Savings on transfers and subsidies may not be rolled over for purposes other than originally voted for.
- **Current payments:** Savings on compensation of employees may not be rolled over. A maximum of 5 % of a department's payments for goods and services may be rolled over.

Requests for rollovers must be submitted to National Treasury on or before the last working day of April, in the format determined, and must include the purpose for which the funds were appropriated, the reasons why the funds were not spent, proposed changes to the use of funds, if any; and a disbursement schedule indicating the month(s) in which the expenditure is expected to be incurred. Funds for a specific purpose may not be rolled over for more than one financial year, unless approved in advanced by National Treasury.

The Department will approach Treasury with a request to roll-over some funds in respect of the 2005/06 commitments.

In order to address the underspending in the Department caused by, *inter alia*, capacity constraints and delays in implementation of certain projects, the Department has embarked on the following remedial actions:

- Inclusive budget allocation process adopted;
- Decentralisation of budgets from National Office to Service Delivery points;
- Appointment of Chief Director: Budget Coach Court Services responsible for budget rightsizing and overall monitoring of the implementation of projects;
- Quarterly reviews of budget vs expenditure and proactive re-prioritisation in the event of underspending.

Gordon Hollamby

7 April 2006

| REPRIORITISING | | | UPP | ENE | MTSF |
|------------------|-----------------------------------|----------------------|---|----------------------|--|
| Branch | Project | Amount | | | |
| Courts | Transcription Services | R 177,000,000 | | | |
| Courts | Upgrading of Courts | R 5,500,000 | Rehabilitation of Courts | R 72,000,000 | Provide and manage efficient court facilities |
| Courts | X-ray machines etc. | R 35,950,000 | Save guarding and protection of court house | R 145,000,000 | Infrastructure development/ facility management |
| ISM | DNS III | R 40,000,000 | DNS project requirements | R 182,030,000 | Security, health & safety management |
| Public Protector | High profile cases/JYP | R 3,500,000 | | | Provide auxiliary services associated with the Department aims |
| LAB | Judicare, vehicles etc. | R 13,220,000 | | | |
| NPA | Short fall on salaries etc. | R 77,000,000 | | | Provide a co-ordinated prosecution service |
| Family Advocate | Office equip, computers, vehicles | R 3,500,000 | Extension of the Services of the Family Advocates | R 2,000,000 | Facilitate the resolution of family law matters |
| Masters | Furniture and vehicles | R 6,000,000 | Establishment of sub-offices | R 7,104,000 | Promote Justice through the provision of a legal system to the public |
| Masters | Personnel expenditure | R 14,000,000 | | | Improving access to guardian fund services Facilitating accessible deceased & insolvent estate services |
| LAS | State Attorney Kimberley | R 7,000,000 | | | Provide legal services to the Government |
| TOTAL | | R 382,870,000 | | R 408,104,000 | Business process re-engineering |