

	Total Transfer Budget	First Quarter Trans Exp	% Trans Exp for 1 <sup>st</sup> Quarter	Second Quarter Trans Exp	% Trans Exp for 2 <sup>nd</sup> Quarter	Trans Exp to date	% Trans Exp to date
R'000							
Parliament	158061	0	0.00%	0	0.00%	0	0.00%
Foreign Affairs	485579	170064	35.02%	20609	4.25%	190673	39.27%
Home Affairs	361169	129109	35.75%	76575	21.20%	205684	56.95%
Provincial and Local Government	24574782	886638	3.61%	7477791	30.43%	8364429	34.04%
Public Works	1226310	475357	38.76%	547507	44.65%	1022864	83.41%
<b>Financial and Administrative Services</b>	<b>13806165</b>	<b>2997448</b>	<b>21.71%</b>	<b>3513538</b>	<b>25.45%</b>	<b>6510986</b>	<b>47.16%</b>
Government Communications and Information Services	93083	34278	36.83%	39150	42.05%	73428	78.88%
National Treasury	13107620	2833028	21.61%	2936831	22.41%	5769859	44.02%
Public Enterprises	581086	120041	20.66%	459996	79.16%	580037	99.82%
Public Service and Administration	409	3918	957.95%	71783	17550.85%	75701	18508.80%
Public Service Commission	92	41	44.57%	23	25.00%	64	69.57%
S A Management Development Institute	23063	5850	25.37%	5750	24.93%	11600	50.30%
Statistics South Africa	812	292	35.96%	5	0.62%	297	36.58%
<b>Social Services</b>	<b>87328400</b>	<b>28035327</b>	<b>32.10%</b>	<b>21885096</b>	<b>25.06%</b>	<b>49920423</b>	<b>57.16%</b>
Arts and Culture	1080681	218649	20.23%	251483	23.27%	470132	43.50%
Education	13546832	6629915	48.94%	3497409	25.82%	10127324	74.76%
Health	10433090	2525565	24.21%	2693736	25.82%	5219301	50.03%
Labour	372945	125585	33.67%	41277	11.07%	166862	44.74%
Social Development	61722516	18475028	29.93%	15353557	24.88%	33828585	54.81%
Sport and Recreation South Africa	172336	60585	35.16%	47634	27.64%	108219	62.80%
<b>Justice and Protection Services</b>	<b>9846694</b>	<b>861374</b>	<b>8.75%</b>	<b>2602396</b>	<b>26.43%</b>	<b>3463770</b>	<b>35.18%</b>
Correctional Services	32348	11311	34.97%	6403	19.79%	17714	54.76%
Defence	8635529	545663	6.32%	2320840	26.87%	2866503	33.19%
Independent Complaints Directorate	72	24	33.33%	13	18.06%	37	51.39%
Justice and Constitutional Development	803017	221208	27.55%	199752	24.87%	420960	52.42%
Safety and Security	375728	83168	22.14%	75388	20.06%	158556	42.20%
<b>Economic Services and Infrastructure Development</b>	<b>34811530</b>	<b>5549067</b>	<b>15.94%</b>	<b>8065685</b>	<b>23.17%</b>	<b>13614752</b>	<b>39.11%</b>
Agriculture	1042387	209338	20.08%	400263	38.40%	609601	58.48%
Communications	968884	68788	7.10%	231332	23.88%	300120	30.98%
Environmental Affairs and Tourism	1388862	551151	39.68%	418217	30.12%	969368	69.80%
Housing	6483438	1398014	21.56%	2016801	31.11%	3414815	52.67%
Land Affairs	3806189	317423	8.34%	486845	12.79%	804268	21.13%
Minerals and Energy	2008633	264688	13.18%	600420	29.89%	865108	43.07%
Science and Technology	2299469	474141	20.62%	605540	26.33%	1079681	46.95%
Trade and Industry	2887190	330237	11.44%	839873	29.09%	1170110	40.53%
Transport	12293670	1745837	14.20%	2190766	17.82%	3936603	32.02%
Water Affairs and Forestry	1632808	189450	11.60%	275628	16.88%	465078	28.48%

Table 8 illustrates Departments' with the highest Transfer expenditure at the end of the second quarter.

Table 8: Highest Transfer Expenditure to date

	Total Transfer Budget	First Quarter Trans Exp	% Trans Exp for 1 <sup>st</sup> Quarter	Second Quarter Trans Exp	% Trans Exp for 2 <sup>nd</sup> Quarter	Trans Exp to date	% Trans Exp to date
R'000							
Public Service and Administration	409	3918	957.95%	71783	17550.85%	75701	18508.80%
Public Enterprises	581086	120041	20.66%	459996	79.16%	580037	99.82%
Public Works	1226310	475357	38.76%	547507	44.65%	1022864	83.41%
Government Communications and Information Services	93083	34278	36.83%	39150	42.05%	73428	78.88%
Education	13546832	6629915	48.94%	3497409	25.82%	10127324	74.76%

The department reflecting highest percentage of transfer payments is Public Service and Administration. The Department transferred R70 million to the Government Employees Medical Scheme to enable GEMS to meet their financial obligations. A further transfer of R5 million was made to Public Corporations and private enterprises. As reflected in Table 8 an amount of informed the Department of a further allocation of R75 million in the adjusted the budget.

The Department of Public Enterprises transfer budget is R581 million. In the budget speech the Minister of Finance announced that State owned Enterprises are eligible for capitalisation funds which would be deducted from the Contingency Reserve which was established in the new financial year 2006/2007. Department would receive an additional R1.736 billion which had not yet been allocated. Transfer expenditure during the first half of the financial year was R580 million or 100% of the transfer budget. At the end of the second quarter of the 2005/06 financial year the Department spent only 0.5% of its transfer budget. However at the end of the previous financial year the Departments transfer expenditure had escalated to 99.9% of its transfer budget.

The Departments of Public Works transfer budget is R1.226 billion. The Transfer expenditure during the first half of the financial year was R1.02 billion or 83.4%. This is a significant improvement on the previous financial year's performance in transfers when the Department spent 45.7% of its transfer budget.

Government Communications and Information Services transfer budget is R93 million. Transfer expenditure during the first half of the financial year was R73.4 million, or 78.88%. This is a significant improvement on the previous financial year's performance when the Department spent 54.6% of its transfer budget.

The Department of Education's transfer budget is R5.914 million. Transfer expenditure during the first half of the financial year was R10.1 billion, or 74.76%. This compares favourably with the pattern in the first six months of the previous financial year's performance when the Department spent 75.6% of its transfer budget. At the end of the previous financial year the Department had transferred 99% of its budget.

Given this pattern, significant over or under expenditure of the transfer budget by the Department is statistically insignificant.

Table 9 illustrates Departments' with the lowest Transfer expenditure at the end of the second quarter.

Table 9: Lowest Transfer Expenditure to date

R'000	Total Transfer Budget	First Quarter Trans Exp	% Trans Exp for 1 <sup>st</sup> Quarter	Second Quarter Trans Exp	% Trans Exp for 2 <sup>nd</sup> Quarter	Trans Exp to date	% Trans Exp to date
Parliament	158061	0	0.00%	0	0.00%	0	0.00%
Land Affairs	3806189	317423	8.34%	486845	12.79%	804268	21.13%
Water Affairs and Forestry	1632808	189450	11.60%	275628	16.88%	465078	28.48%
Communications	968884	68788	7.10%	231332	23.88%	300120	30.98%
Transport	12293670	1745837	14.20%	2190766	17.82%	3936603	32.02%

Parliament's transfer budget is R158 million. The amount for transfer to provinces and municipalities of R172 thousand had not yet been transferred. In addition an amount of approximately R157 million had not yet been transferred to non-profit institutions. This falls under Programme Three which allocates funds to deepen participatory democracy. Effectively then at the end of the second quarter no transfers had been made by Parliament.

The Department of Land Affairs transfer budget is R3.8 billion. Transfer expenditure during the first half of the financial year was R804 million 21.13%. The reasons given by the Department for low levels of expenditure include: protracted negotiations with landowners, which delay the settlement of claims and land purchases; community and traditional leadership disputes which contribute to delays in deciding the restitution option and in processing claims; high staff turnover resulting in capacity constraints; and development planning taking longer than the settlement process. During the first six months of the 2005/06 financial year the Department spent 24.8% of its transfer budget and at the end of the financial year the t spent 69.5%.

In the Committee's opinion there is a significant risk of under expenditure and the Department should take urgent measures to arrest this pattern in transfer budget.

The Department of Water Affairs and Forestry's transfer budget is R1.6 billion. Transfer expenditure during the first half of the financial year was R465

million, or 28% of the transfer budget. The functions in the Water Services programme have been shifted to Local Government and appropriate water service institutions. However the Committee has not yet been able to ascertain whether the funds have followed this shift. A further engagement with this department will be conducted during the next quarter. Clarity on the construction time frames for De Hoop Dam will also be sought during this engagement.

The Department of Communication's transfer budget is R969 million or 30.98% of the budget which is R300.1 million. The low rate of transfer expenditure is linked to fewer transfer payments to entities, as a result of improved monitoring and control.

The Department of Transport's transfer budget is R12.294 billion. Transfer expenditure during the first half of the financial year was R3.937 billion, or 32.02% of the budget. In the first half of the previous financial year the transfer expenditure was R3.1 billion or 30% of the budget. The current transfer budget reflects a slight increase compared to the first half of the 2005/06 financial year. At the end of the 2005/06 financial year the Department spent 98.3% of its Transfer budget. The possibility of significant over or under expenditure is therefore statistically insignificant.

#### 4. Capital Expenditure

Table 10 represents departments' overall Capital expenditure at the end of the second quarter of the 2006/07 financial year. Departments' spent on average 23.68% of their Capital budgets at the end of the second quarter. They spent on average 2.52% of their Capital budgets during July, 7.26% during August and 6.95% during September. Average departmental expenditure on Capital budgets is much lower than Current 43.81% and Transfer expenditure which is 48.26%.

In the Committee's opinion this gives rise for concern as the budget committed itself to using capex to promote economic growth, employment and so contribute to poverty reduction.

Table 10: Capital Expenditure to date

	Total Capital Budget	First Quarter Capital Exp	% Capital Exp for 1 <sup>st</sup> Quarter	Second Quarter Capital Exp	% Capital Exp for 2 <sup>nd</sup> Quarter	Capital Exp to date	% Capital Exp to date
R'000							
<b>Voted Amounts</b>	<b>5976025</b>	<b>589412</b>	<b>9.86%</b>	<b>825833</b>	<b>13.82%</b>	<b>1415245</b>	<b>23.68%</b>
<b>Central Government Administration</b>	<b>1629971</b>	<b>80876</b>	<b>4.96%</b>	<b>73186</b>	<b>4.49%</b>	<b>154062</b>	<b>9.45%</b>
The Presidency	6277	126	2.01%	1835	29.23%	1961	31.24%
Parliament	22720	2384	10.49%	1257	5.54%	3641	16.03%
Foreign Affairs	397752	14178	3.56%	33447	8.41%	47625	11.97%

	Total Capital Budget	First Quarter Capital Exp	% Capital Exp for 1 <sup>st</sup> Quarter	Second Quarter Capital Exp	% Capital Exp for 2 <sup>nd</sup> Quarter	Capital Exp to date	% Capital Exp to date
R'000							
Home Affairs	594888	21766	3.66%	29726	5.00%	51492	8.66%
Provincial and Local Government	6058	477	7.87%	639	10.55%	1116	18.42%
Public Works	602276	41945	6.96%	6282	1.05%	48227	8.01%
<b>Financial and Administrative Services</b>	<b>63196</b>	<b>9116</b>	<b>14.42%</b>	<b>10599</b>	<b>16.78%</b>	<b>19715</b>	<b>31.20%</b>
Government Communications and Information Services	2017	704	34.90%	967	47.95%	1671	82.85%
National Treasury	12551	1066	8.49%	1550	12.35%	2616	20.84%
Public Enterprises	466	234	50.21%	900	193.14%	1134	243.35%
Public Service and Administration	2174	1163	53.50%	1230	56.57%	2393	110.07%
Public Service Commission	1582	170	10.75%	125	7.90%	295	18.65%
S A Management Development Institute	2389	891	37.30%	354	14.81%	1245	52.11%
Statistics South Africa	42017	4888	11.63%	5473	13.03%	10361	24.66%
<b>Social Services</b>	<b>70192</b>	<b>7391</b>	<b>10.53%</b>	<b>16109</b>	<b>22.95%</b>	<b>23500</b>	<b>33.48%</b>
Arts and Culture	4796	0	0.00%	0	0.00%	0	0.00%
Education	6537	1757	26.88%	1209	18.49%	2966	45.37%
Health	28042	3255	11.61%	5778	20.60%	9033	32.21%
Labour	22602	667	2.95%	8278	36.63%	8945	39.58%
Social Development	5640	1639	29.06%	720	12.77%	2359	41.83%
Sport and Recreation South Africa	2575	73	2.83%	124	4.82%	197	7.65%
<b>Justice and Protection Services</b>	<b>3705961</b>	<b>414991</b>	<b>11.20%</b>	<b>614904</b>	<b>16.59%</b>	<b>1029895</b>	<b>27.79%</b>
Correctional Services	1363888	79995	5.87%	197751	14.49%	277746	20.36%
Defence	298250	37303	12.51%	49716	16.67%	87019	29.18%
Independent Complaints Directorate	1800	578	32.11%	222	12.33%	800	44.44%
Justice and Constitutional Development	459024	131400	28.63%	96144	20.94%	227544	49.57%
Safety and Security	1582999	165715	10.47%	271071	17.12%	436786	27.59%
<b>Economic Services and Infrastructure Development</b>	<b>506705</b>	<b>77038</b>	<b>15.20%</b>	<b>111035</b>	<b>21.92%</b>	<b>188073</b>	<b>37.12%</b>
Agriculture	33059	16403	49.62%	18961	57.35%	35364	106.97%
Communications	6990	1317	18.84%	827	11.83%	2144	30.67%
Environmental Affairs and Tourism	14062	6540	46.51%	7001	49.78%	13541	96.29%
Housing	3933	527	13.40%	400	10.17%	927	23.57%
Land Affairs	55359	2486	4.49%	12299	22.22%	14785	26.71%
Minerals and Energy	4716	308	6.53%	1666	35.33%	1974	41.86%
Science and Technology	133854	9880	7.38%	1005	0.75%	10885	8.13%
Trade and Industry	8853	1429	16.14%	8160	92.17%	9589	108.31%
Transport	37936	767	2.02%	2341	6.17%	3108	8.19%
Water Affairs and Forestry	207943	37381	17.98%	58375	28.07%	95756	46.05%

Table 11 illustrates Departments' with the highest Capital expenditure at the end of the second quarter.

Table 11: Highest Capital Expenditure to date

	Total Capital Budget	First Quarter Capital Exp	% Capital Exp for 1 <sup>st</sup> Quarter	Second Quarter Capital Exp	% Capital Exp for 2 <sup>nd</sup> Quarter	Capital Exp to date	% Capital Exp to date
R'000							
Public Enterprises	466	234	50.21%	900	193.14%	1134	243.35%
Public Service and Administration	2174	1163	53.50%	1230	56.57%	2393	110.07%
Trade and Industry	8853	1429	16.14%	8160	92.17%	9589	108.31%
Agriculture	33059	16403	49.62%	18961	57.35%	35364	106.97%
Environmental Affairs and Tourism	14062	6540	46.51%	7001	49.78%	13541	96.29%

The Department of Public Enterprises spent the highest percentage of its Capital budget by the end of the second quarter. Capital expenditure during the first half of the financial year was R1.134 million, or 243.35% of the capex. Budget. In the budget the Minister indicated a further allocation for capex. The bulk of this money was spent on the upgrading of the security systems and audiovisual systems. At the end of the 2005/06 financial year Public Enterprises spent 88.3% of its Capital budget.

The Committee intends engaging the department in the next quarter to clarify the expenditure patterns.

The Department of Public Service and Administration's capital budget is R2.174 million. Part of the increase will be used for finalising the Departments relocation. Capital expenditure during the first half of the financial year was R2.393 million, or 110.07% of the capex budget. During the 2005/06 financial year the Department overspent its capital budget by 87.8% or R3.7 million.

The Department of Trade and Industry capital budget is R8.853 million. Capital expenditure during the first half of the financial year was R9.589 million, or 108.31% of the capex budget. The Department spent 32.9% of its capital budget at the end of the 2005/06 financial year.

It would seem as if the under expenditure has been arrested through strategic planning however the Committee will request a full explanation from the Department in the next quarter.

The Department of Agriculture's capital budget is R33 million. Capital expenditure during the first half of the financial year was R35 million, or 106.09%. The Department spent 222.1% of its capital budget at the end of the 2005/06 financial year. It overspent its R44 .6 million budget by R56 million.

In the Committee's opinion the department's pattern of capital expenditure will echo the previous year's over expenditure. In the next quarter the Committee intends engaging the Department to clarify the reasons for this pattern.

The Department of Environmental Affairs and Tourism's capital budget is R14.062 million. Capital expenditure during the first half of the financial year was R13.5 million, or 96.29% of the budget. The Department spent 100.1% of its capital budget by the end of the 2005/06 financial year.

The current expenditure pattern at the end of the second quarter gives rise for concern as there is a risk of over expenditure. The Committee intends engaging with the Department in the next quarter to clarify this pattern.

Table 12 illustrates Departments' with the lowest Capital expenditure at the end of the second quarter.

Table 12: Lowest Capital Expenditure to date

R'000	Total Capital Budget	First Quarter Capital Exp	% Capital Exp for 1 <sup>st</sup> Quarter	Second Quarter Capital Exp	% Capital Exp for 2 <sup>nd</sup> Quarter	Capital Exp to date	% Capital Exp to date
Arts and Culture	4796	0	0.00%	0	0.00%	0	0.00%
Sport and Recreation South Africa	2575	73	2.83%	124	4.82%	197	7.65%
Public Works	602276	41945	6.96%	6202	1.05%	48227	8.01%
Science and Technology	133854	9880	7.38%	1005	0.75%	10885	8.13%
Transport	37936	767	2.02%	2341	6.17%	3108	8.19%

The capital budget of the Department of Arts and Culture is R4.8 million which remain unspent at the end of the second quarter. The Departments entire capital budget is intended for machinery and equipment. The Department spent 100.3% of its capital budget at the end of the 2005/06 financial year. In the Committee's opinion there does not appear to be any significant risk of under expenditure however an explanation will be sought in the next quarter.

The Department of Sport and Recreation South Africa capital budget is R2.575 million. Capital expenditure during the first half of the financial year was R197 thousand, or 7.65% of the budget. The Departments' entire capital budget is intended for machinery and equipment. The Minister, in his budget speech indicated that the budget included the government's investment commitments for the 2010 Soccer World cup. He added that "details of project allocations (had) not yet been finalised.

The Committee intends engaging with the department in the next quarter in view of the envisaged increase in capital expenditure.

The Department of Public Works capital budget is R602 million. Capital expenditure during the first half of the financial year was R48 million, or 8.01% of the budget. The Department has spent only R34 million of R493 million allocated to buildings and other fixed structures. During the first six months of

the 2005/06 financial year the Department had not utilised its capital budget. However, at the end of the previous financial year the Department reflected an over expenditure of R96 million or 36.7%.

In the Committee's opinion this expenditure pattern gives rise for concern because in the first half of the previous financial year significant expenditure was overtaken by 36.7% over spending at the end of the financial year. The Committee intends to engage with this department on this issue in the next quarter.

The Department of Science and Technology's capital budget is R134 million. Capital expenditure during the first half of the financial year was R10.9 million, or 8.13% of the budget. The R133 million under the line item of buildings and other fixed structures has been allocated to the Department for the construction of a new head office.

The Department of Transport's capital expenditure during the first half of the financial year was R3.108 million, or 8.19% of the budget. The Department has spent R2.8 million or 8% of R34.8 million allocated to buildings and other fixed structures. During the first six months of the 2005/06 financial year the Department spent R1.7 million or 11.7% of its R14.5 million capital budget. At the end of the financial year the Department spent R25.4 million, over spending by R10.9 million or 75%.

In the Committee's opinion this expenditure pattern gives rise for concern because in the first half of the previous financial year significant expenditure was overtaken by over expenditure of 75% at the end of the financial year. The Committee intends engaging with this department on this issue in the next quarter.

## **5. Conclusion**

Departments spent on average 43.61% of their current budgets, 48.26% of their transfer budgets and 23.68% of their capital budgets by the end of the second quarter of the 2006/07 financial year. This translates to a total expenditure of R120.2 billion (46.24%). Based on the cash flow projections provided by National Treasury 28 Departments spent less than their projections and six over spent on their planned projections for the spend during the second quarter. As pointed out earlier in this report averages can be misleading. Having studied the expenditure patterns the analysis conducted by the Committee has identified several areas for concern.

The second quarterly expenditure patterns provide an early warning alert to those departments that are running the risk of either under or over expenditure. At this enables departments to take corrective action. It also enables Parliament to conduct more effective oversight which is intended to increase accountability and transparency in the budget process.