

Table 7: Projected and Actual Expenditure on Conditional Grants by Type, April to September 2006

Grant Type	Budget	Transfers April to September (R'000)	Actual Expenditure April to September (R'000)	Over(-)/Under(+) (R'000)	Actual as % of Transfers	Over(-)/Under(+) as % of Transfers	Actual as % of Budget
Integrated housing & human resettlement dev.	761,994	434,500	163,989	270,511	37.7%	62.3%	21.5%

- **Integrated Housing and Human Settlement grant.**

The grant aims to finance the implementation of National Housing programmes and to facilitate habitable, stable and sustainable human settlements.

From April to September of 2006, the department has received R434, 5 million as transfers. Expenditure for the same period stood at R163, 9 million or 37, 7% of transfers, leaving an under-expenditure of R270,5 million or 62, 3% of transfers.

The worst performing activity is the People Housing Processes (PHP) which is characterized by the emerging contractors who repeatedly deliver poor quality of houses.

The reasons for under-spending, range from administrative and process related issues, construction management, to stakeholder management, and institutional factors. At an implementation stage, the department is faced with delays in municipal procurement processes, registration of beneficiaries and approval with National Home Builders Registration Council.

This staggered spending on PHP definitely hampers the transversal objectives of eradicating informal settlements and promoting sustainable human settlements by 2014. Mindful of the challenges identified above, the department has developed a Housing Recovery Plan. Essentially, the thrust of this plan:

- Ongoing interaction
- Outstanding beneficiary registration

- Outstanding transfers
- Involvement of Thubelitsha
- Taking over the implementation of some of the unblocked projects

3.4.4. Department of Agriculture

Business Plans for both grants were signed by the Provincial Department and sent to the National Department for signature. To date, no feedback has been received. The department has not indicated existence of Service Level Agreements and Risk Management Plans for conditional grants.

Table 8: Projected and Actual Expenditure on Conditional Grants by Type, April to September 2006

Grant Type	Budget	Transfers April to September (R'000)	Actual Expenditure April to September (R'000)	Over(-)/Under(+) (R'000)	Actual as % of Transfers	Over(-)/Under(+) as % of Transfers	Actual as % of Budget
Comprehensive agriculture support programme	57,061	25,678	23,858	1,820	92.9%	7.1%	41.8%
Land care programme	6,675	3,004	2,220	784	73.9%	26.1%	33.3%
Total	63,736	28,682	26,078	2,604	90.9%	9.1%	40.9%

- **Comprehensive Agricultural Support Programme**

The grant seeks to support emerging farmers by providing agricultural infrastructure. The targeted infrastructure includes fencing, animal housing facilities, and irrigation schemes.

For the period April to September 2006, the department has received transfers amounting to R25, 7 million. Expenditure for the same period stands at R23, 9 million or 92, 9% of the actual transfers, thus posting an under-expenditure of R1, 820 million or 7,1% of the actual transfers.

- **Land Care Programme**

The Land Care Programme grant aims to address the degradation of natural resources and improve the socio-economic status and food security of rural communities.

Transfers amounting to R3 million have been received for the first six months of the year. An expenditure of R2, 2 million has been recorded for

the same period, resulting in under-expenditure of R784 thousand or 26% of transfers.

3.4.5. Department of Roads and Transport

The business plans for this grant are part of the Infrastructure Plan and Department of Roads and Transport has not indicated existence of risk management plans that are specific to the grant.

Table 9: Projected and Actual Expenditure on Conditional Grants by Type, April to September 2006

Grant Type	Budget	Transfers April to September (R'000)	Actual Expenditure April to September (R'000)	Over(-)/Under(+) (R'000)	Actual as % of Transfers	Over(-)/Under(+) as % of Transfers	Actual as % of Budget
Provincial infrastructure grant	742,057	371,028	333,382	37,646	89.9%	10.1%	44.9%

- **Provincial Infrastructure Grant**

The conditional grant would be utilized to finance the construction and maintenance of provincial infrastructure like roads, school buildings, health facilities and agriculture infrastructure.

R371 million has been transferred in the first six months of the current financial year, whilst R333, 4 million or 89, 9% of actual transfers is recorded as expenditure, thus leaving an under-expenditure of R37, 6 million or 10, 1% of actual transfers.

3.4.6. Department of Sport, Arts and Culture

The Business Plan for the period 2006/07 was approved. At the moment there is no indication that Service Level Agreements exist.

In an attempt to mitigate possible risk the department has developed a risk management plan. Based on a template provided by the National Treasury, the department has also developed a monitoring and evaluation system. A dedicated monitoring unit is developed within the department to monitor and evaluate implementation of grant projects.

Table 10: Projected and Actual Expenditure on Conditional Grants by Type, April to September 2006

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Mass sports and recreational participating program.	17,060	9,091	6,737	2,354	74.1%	25.9%	39.5%

- **Siyadlala Community Mass Participation Programme**

The grant seeks to promote of mass participation within disadvantaged communities and schools in a selected number of sport activities and the empowerment of communities, educators, and volunteers to manage these activities in conjunction with provincial departments responsible for sport.

Transfers of R9 million have been received in the period April to September 2006. Expenditure for the same period is R6, 7 million or 74, 1% of transfers, resulting in under-expenditure of R2, 4 million or 25, 9% of transfers.

3.5. Provincial Treasury Interventions

Whilst building its internal capacity on one hand, the Provincial Treasury is on the other hand continuing to engage departments on acceptable expenditure levels within the broader context of overall expenditure and revenue management. To this extent, the IYM is being used as the central tool for monitoring grants revenue and expenditure patterns. As a supporting measure to the IYM, Treasury has initiated a study on the Financial Management capacity within the department and is awaiting the results.

Whilst we are waiting conclusive findings on reasons for under spending our preliminary findings suggest that the following challenges are more pronounced.

CHALLENGE/RISK AREA		INTERVENTIONS BY PROVINCIAL TREASURY	
1.	Lack of proper planning and budgeting for Infrastructure, including conditional grants.	1.	Support to departments on planning and budgeting techniques and stepping up the use of Infrastructure Development Improvement Programme (IDIP) and accelerate the roll out of Technical Advisors.
2.	Delays in agreeing and signing business plans between provincial departments and National counter parts.	2.	To assist with Conditionals Grants approval process as per the Grants Frameworks.
3.	Inadequate project management skills, including the management of conditions in the conditional grants.	3.	<ul style="list-style-type: none"> Focused monitoring and oversight in the implementation of programmes, including following up on critical stages of planning, procurement, implementation, payment and reporting processes. The treasury together with departments is engaged in the reviewing of business plans formats for implementation in the next budgeting cycle. The format is very user-friendly in reporting on key project activities that will be the basis of monitoring.
4.	Inadequate Supply Chain Management (procurement) capacity in the departments.	4.	Provide support to departments in order to increase Supply Chain Management capacity. To this extent, Provincial Treasury is currently co-coordinating the submission of procurement plans from departments,

CHALLENGE/RISK AREA		INTERVENTIONS BY PROVINCIAL TREASURY	
			including assessing their Supply Chain Management capacity. The intention is to identify bottle necks for early intervention.
5.	Limitation in the IYM reporting where Conditional Grants are not clearly identifiable within the programme.	5.	As part of IYM reporting process, conditional grants revenue and expenditure patterns are now given serious attention. Monthly financial position of a Province drawn from the IYM also includes Conditional grant.
6.	No risks management plans in place		Treasury to provide a framework on Risk assessment and management framework. As part of the approval process risk plan by designed by departments will form one of the key basis for grant business plan approval.
7.	Weak oversight role by Treasury		PT to be involved in the design of business plans with a view of ensuring that adequate institutional capacity exists and to ensure existence of streamlined recruitment and procurement processes, as well as alignment of cash flow projections to project activities.

4. Conclusion.

Most of the interventions are medium to long term and may not realize any significant improvement in the short term. We are however hoping to minimize impact of under-expenditure while targeting the next financial cycle for interventions to bear fruit.

In this regard there is concerted effort to build capacity in the areas of procurement and general financial management within departments.

The following issues are receiving serious attention with a view to improve on under-spending:

- Business Plans to ensure that they are realistic and measurable;
- Cash flow projections to ensure that they link with project activities and project activities are measurable and are aligned to the strategic thrust of the grant;
- Risk management plans to ensure that they are developed in order to mitigate any possible risks of either under spending or over spending

- Follow up on departments to ensure that they develop internal capacity in as far as monitoring and evaluation of grants are concerned.

Attached hereto is Annexure A indicating compliance with the Division of the Revenue Act.

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W. H. Nel

MEC for Finance.



Annexure A: Compliance with the Division of Revenue Act for the first six moth of 2006/07 financial year.

Department	Submission of certified Business Plans	Submission of SLA	Risk Management Plans	Submission of Cash Flow projections and expenditure plans
Housing & LGTA	No, as there none in place.	No, the department has not indicated existence of this.	No, department has not indicated existence of this.	No
Education	Yes all three have been signed	9 of these are still in the drafting stages	No plan in existence but the Department has put in place mechanisms to deal with possible risks	Yes, even though they require interrogation
Health	Yes,	Most services are rendered through municipalities but no SLA have been received.	None exist for each grant, but the department has a generic one for all of its projects	Yes, but not all the grants
Sport, Arts and Culture	Yes	No SLA in existence	No plan in existence but the Department has put in place mechanisms to deal with possible risks	Yes
Agriculture	Signed by the Province only	No, the Department did not indicate existence thereof	Department did not indicate existence thereof	Yes, even though at a draft stage
Roads and Transport	The Business Plans are part of the Provincial Infrastructure Plan.			