



**2006/07 EXPENDITURE REPORT: Draft 4**  
**DEPARTMENTAL EXPENDITURE FROM APRIL 2006 TO MARCH 2007**

8 June 2007

## 1. INTRODUCTION

Since 1994, South Africa has sought to democratise its structures and society, as well as foster socio-economic change in all sectors of society, reconciliation, and the building of consensus founded on the commitment to improve the lives of all South Africans, particularly the poor. In this regard, improved budget planning, better documentation and greater transparency in public finances continue to be prioritised by government; as are improvement and strengthening of capacity and proper monitoring systems within government<sup>1</sup>. It is imperative to improve and strengthen compliance in government departments in relation to financial management legislation, and all departments are required to improve planning, coordination and monitoring of their programmes to ensure efficiency in expenditure.

The programme to align planning instruments across the spheres of government also has a bearing on departments. Departments are presented with several challenges, particularly in terms of compliance monitoring and auditing, managing additional budgets for recruitment and salary increases, as well as capacitating all spheres of government with professional and financial expertise.

Departmental expenditure has been fairly consistent throughout the financial year. However, it is evident that departments increased their expenditure in the last quarter. Departments started the financial year with a low average expenditure of 21.44% for the first quarter<sup>2</sup>. At the end of the second quarter average departmental expenditure was 46.24%, and by the end of the third quarter, it increased to an average of 70.46%. At the end of the 2006/07 financial year average departmental expenditure was 98.02% (97.67% 2005/06, 97.65% 2004/05). This translates to an under expenditure by departments of approximately R5.3 billion for the last financial year (R5.4 Billion 2005/06, R3.6 billion 2004/05).

## 2. BRIEF OVERVIEW OF EXPENDITURE PER QUARTER

### 2.1. FIRST QUARTER

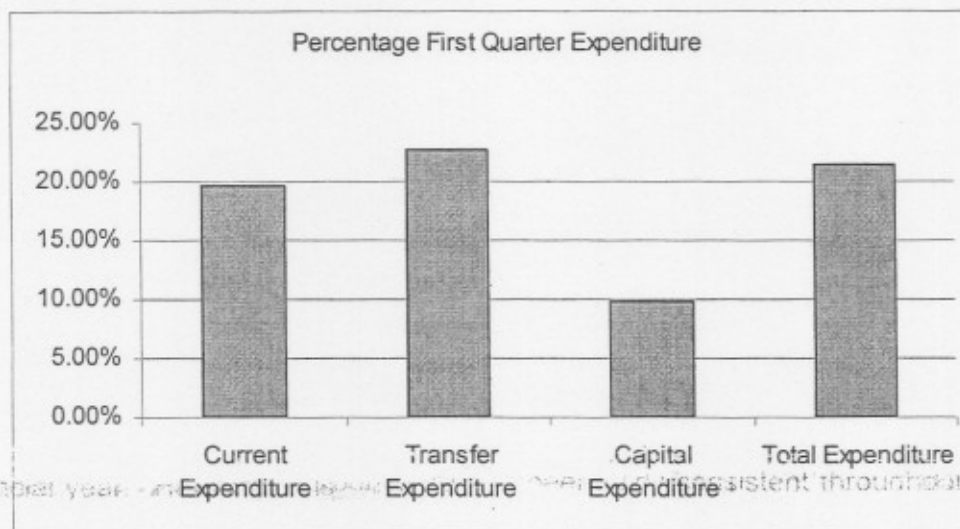
Average departmental expenditure at the end of the first quarter was 21.44% (23.14% 2005/06). The Department of Provincial and Local Government was the lowest spending Department, spending 3.81% or R958 million. This amount was significantly less than what they had planned to spend during the first quarter. The Department of Education was the highest spending department (49.16% or R6.7 billion).



Departments spent on average 19.70% of their current budgets, 22.66% of their transfer budgets and 9.86 % of their capital budgets during the first quarter. This translates to a total expenditure of R55.7 billion or 21.44%. Based on the cash flow projections provided by National Treasury 31 Departments spent less than they predicted they were going to spend and 3 spent more than what they planned to spend during the first quarter.

Figure 1 provides a graphical illustration of the average current, transfer and capital expenditure of National Departments for the first quarter.

Figure 1



## 2.2. SECOND QUARTER

During the second quarter of the financial year, departments spent on average 24.80% of their total budgets. This translates into a R8.8 billion increase in expenditure during the second quarter in comparison to the first quarter. In total national expenditure was R120.23 billion or 46.24% (47.5% 2005/06). Departments' spent on average 10.06% of their budget during July, 7.31% during August and 7.43% during September. Departments spent on average 23.91% of their current budgets, 25.60% of their transfer budgets and 13.82% of their capital budgets during the second quarter.

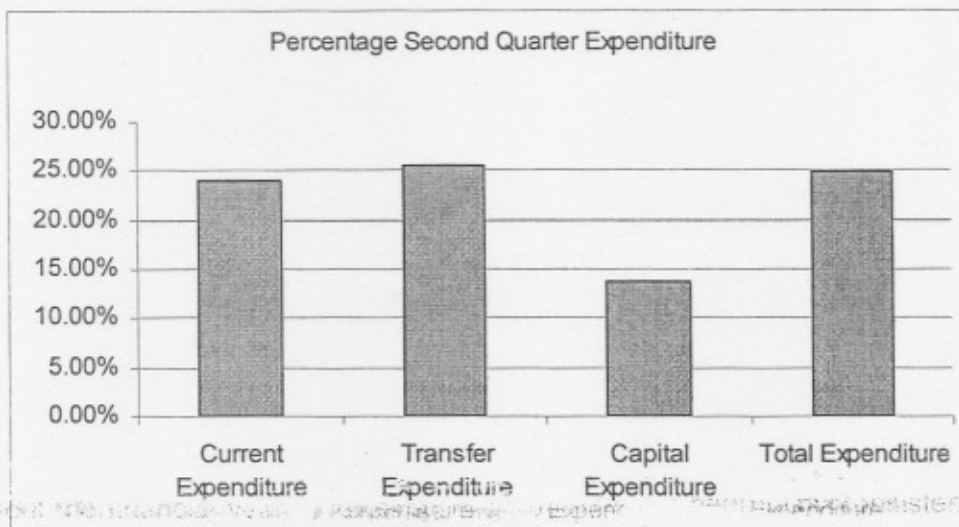
The cash flow projections provided by the National Treasury indicated that departments planned to spend R127.4 billion by the end of the second quarter of the financial year but were R7.2 billion below that target, which was indicative of a slow expenditure pattern resulting in significant under expenditure by certain departments at that stage of the financial year.



The Committee raised a concern about the slow expenditure on capex by Departments. While there may have been valid reasons, the Committee felt that it was an unacceptable pattern given its priority in promoting economic growth and employment in order to contribute to poverty reduction. The Committee felt that there was a need for Departments to develop far more robust measures to track its budgets.

Figure 2 provides a graphical illustration of the average current, transfer and capital expenditure of National Departments for the second quarter.

**Figure 2**



### 2.3. THIRD QUARTER

Departments spent on average 67.24% of their current budgets, 72.54% of their transfer budgets and 53.12% of their capital budgets by the end of the third quarter of the 2006/07 financial year. This translated to a total expenditure of R187.6 billion or 70.48%. During the third quarter Departments spent 25.31% or R67.3 billion of their total budgets. Cash flow projections provided by National Treasury showed that Departments' planned spending R75.4 billion during the final quarter. Based on these forecasts an under expenditure of R3.2 billion or 1.2% was expected in the national budget. Departments spent on average 23.45% of their current budgets, 26.01% of their transfer budgets and 29.65% of their capital budgets during the third quarter.

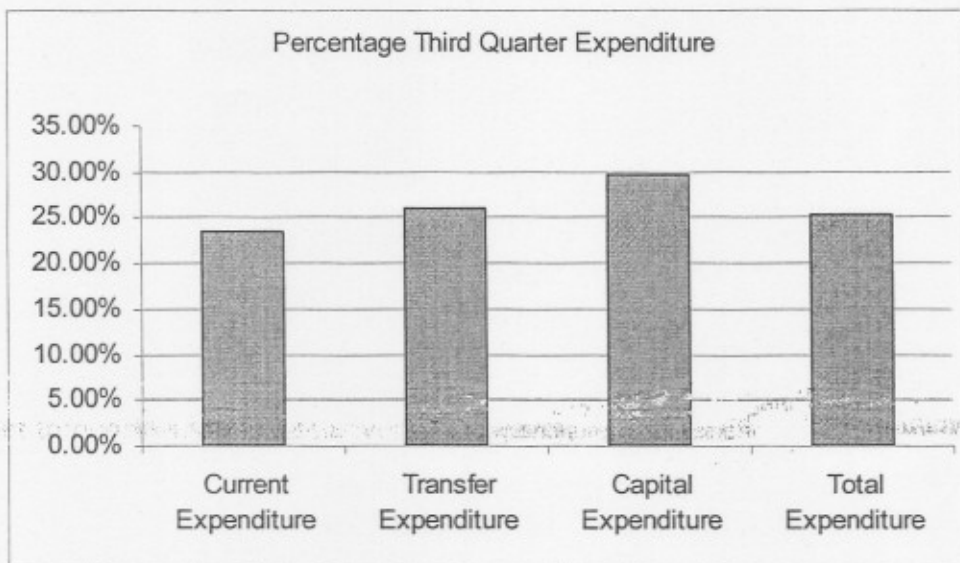
Having studied the expenditure patterns up until the end of the third quarter the Committee identified several areas that required departmental attention. **These, amongst others, include the development and implementation of appropriate risk management instruments to address the challenges that continue to be posed by under and over expenditure; strengthening intergovernmental and interdepartmental co-ordination together with co-operative planning into the process of transfers to provinces, municipalities and other agencies; as well as**



monitoring the slow expenditure of capital budgets so that action could be taken sooner to arrest the delays. The Committee noted that very few departments had taken note of the call for such attention in previous quarterly expenditure reports and hoped the concerns expressed after deliberating the third quarter report would be taken more seriously as they impact negatively on outputs translated into service delivery. **The Committee stated that it's important for departments to develop resource action plans related to capital projects that take into account requirements from treasury that Departments need to deliver on.**

Figure 3 provides a graphical illustration of the average current, transfer and capital expenditure of National Departments for the third quarter.

**Figure 3**



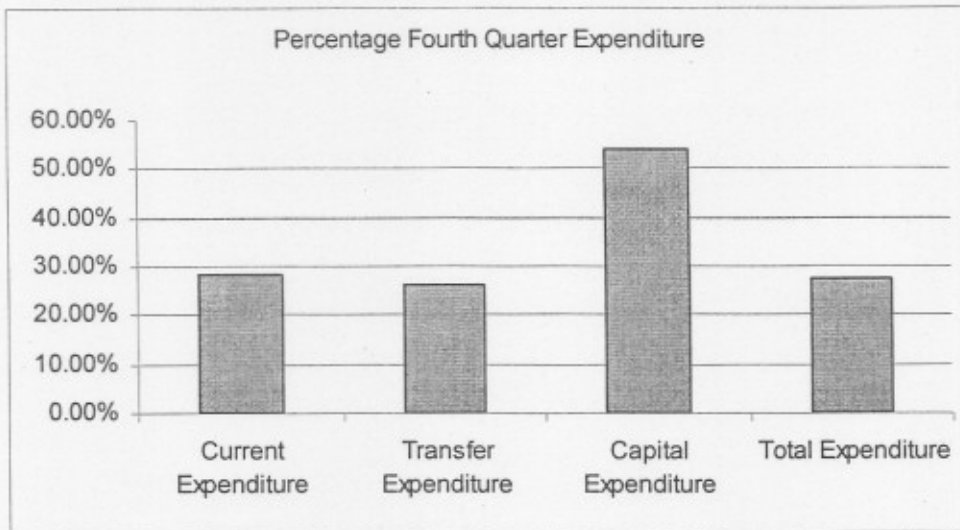
#### 2.4. FOURTH QUARTER

During the last quarter of the financial year, departments increased their overall expenditure. Departments spent on average 28.31%, 26.30% and 53.82% of their Current, Transfer and Capital expenditure respectively. At the end of the 2006/07 financial year, Departments spent an average of 95.55%, 98.83% and 106.95% of their Current, Transfer and Capital expenditure respectively. Departments spent on average 8.35% of their budgets during January, 11% during February and 8.75% in March 2007. More than 50% of the overall capital budget was spent in the last quarter of the financial year. Even though none of the departments overspent on their total budget 18 departments overspent their capital budget.

Figure 4 provides a graphical illustration of the average current, transfer and capital expenditure of National Departments for the fourth quarter.



Figure 4



### 3. TOTAL EXPENDITURE

Total expenditure consists of current expenditure, transfer payments and capital expenditure. At the end of the 2006/2007 financial year, departments spent on average 98.02% of their total budgets. There was a gradual increase in expenditure throughout the year. During the first quarter departments spent R55.7 billion or 20.94%, R64.5 billion or 24.23% during the second quarter, R67.3 billion or 25.31% during the third quarter and R73.3 billion or 27.54% during the fourth. Departments spent R260.9 billion during the 2006/07 financial year, which resulted in a 1.98% or R5.3 billion under expenditure. Table 1 represents departments' total expenditure as at the end of the financial year (R5.4 billion 2005/06, 3.6 billion 2004/05).

Table 1: Departmental Expenditure

	Total Budget	% First quarter spending	% Second quarter spending	% Third quarter spending	% Fourth quarter spending	Total Spending	% Total Spending	Under Expenditure	% Under Expenditure
R'000									
Voted Amounts	266,163,164	20.94%	24.23%	25.31%	27.54%	260,885,443	98.02%	5,277,721	1.98%
Central Government Administration	35,372,602	8.54%	27.96%	22.17%	37.48%	34,010,155	96.15%	1,362,447	3.85%
The Presidency	238,865	19.15%	22.50%	23.69%	34.11%	237,556	99.45%	1,309	0.55%
Parliament	782,133	14.11%	24.37%	26.17%	35.35%	782,133	100.00%	0	0.00%
Foreign Affairs	3,042,149	20.09%	20.36%	20.37%	32.98%	2,853,621	93.80%	188,528	6.20%
Home Affairs	2,800,405	18.48%	20.64%	21.91%	30.49%	2,563,035	91.52%	237,370	8.48%
Provincial and Local Government	25,392,288	3.73%	29.73%	23.41%	39.90%	24,571,639	96.77%	820,649	3.23%
Public Works	3,116,762	25.29%	28.87%	12.97%	29.19%	3,002,171	96.32%	114,591	3.68%



	Total Budget	% First quarter spending	% Second quarter spending	% Third quarter spending	% Fourth quarter spending	Total Spending	% Total Spending	Under Expenditure	% Under Expenditure
R'000									
<b>Financial and Administrative Services</b>	<b>21,654,212</b>	<b>17.26%</b>	<b>20.26%</b>	<b>29.14%</b>	<b>28.66%</b>	<b>20,639,990</b>	<b>95.32%</b>	<b>1,014,222</b>	<b>4.68%</b>
Gov. Communications and Info. Services	294,580	25.82%	29.42%	15.88%	28.38%	293,107	99.50%	1,473	0.50%
National Treasury	16,729,581	19.41%	20.36%	29.44%	27.12%	16,115,620	96.33%	613,961	3.67%
Public Enterprises	2,869,923	4.88%	16.86%	33.30%	35.20%	2,589,783	90.24%	280,140	9.76%
Public Service and Administration	442,426	15.21%	30.36%	21.59%	30.00%	429,879	97.16%	12,547	2.84%
Public Service Commission	97,003	21.08%	24.72%	26.86%	26.36%	96,054	99.02%	949	0.98%
S A Management Development Institute	58,918	23.17%	24.42%	20.74%	30.84%	58,429	99.17%	489	0.83%
Statistics South Africa	1,161,781	14.85%	20.42%	21.42%	34.30%	1,057,118	90.99%	104,663	9.01%
<b>Social Services</b>	<b>91,919,174</b>	<b>31.11%</b>	<b>24.59%</b>	<b>24.50%</b>	<b>19.31%</b>	<b>91,470,534</b>	<b>99.51%</b>	<b>448,640</b>	<b>0.49%</b>
Arts and Culture	1,330,139	24.38%	24.34%	26.90%	24.37%	1,329,941	99.99%	198	0.01%
Education	14,299,176	46.87%	25.26%	18.96%	8.43%	14,229,514	99.51%	69,662	0.49%
Health	11,453,993	23.02%	24.93%	24.75%	26.29%	11,338,658	98.99%	115,335	1.01%
Labour	1,493,495	21.98%	20.70%	27.81%	27.49%	1,463,459	97.99%	30,036	2.01%
Social Development	62,382,425	29.70%	24.74%	25.57%	19.73%	62,222,158	99.74%	160,267	0.26%
Sport and Recreation South Africa	959,946	8.06%	7.28%	26.22%	50.82%	886,804	92.38%	73,142	7.62%
<b>Justice and Protection Services</b>	<b>72,800,200</b>	<b>18.43%</b>	<b>24.23%</b>	<b>24.47%</b>	<b>31.28%</b>	<b>71,648,510</b>	<b>98.42%</b>	<b>1,151,690</b>	<b>1.58%</b>
Correctional Services	9,831,512	19.00%	22.87%	22.14%	30.03%	9,245,377	94.04%	586,135	5.96%
Defence	23,902,904	14.34%	25.42%	24.37%	35.50%	23,815,243	99.63%	87,661	0.37%
Independent Complaints Directorate	65,906	21.91%	23.78%	23.33%	30.84%	65,811	99.86%	95	0.14%
Justice and Constitutional Dev.	6,478,647	18.31%	21.54%	22.85%	29.92%	6,000,849	92.63%	477,798	7.37%
Safety and Security	32,521,231	21.29%	24.30%	25.57%	28.84%	32,521,230	100.00%	1	0.00%
<b>Econ. Services &amp; Infrastructure Dev.</b>	<b>44,416,976</b>	<b>15.67%</b>	<b>22.46%</b>	<b>28.99%</b>	<b>29.95%</b>	<b>43,116,254</b>	<b>97.07%</b>	<b>1,300,722</b>	<b>2.93%</b>
Agriculture	2,367,630	14.92%	25.12%	24.69%	29.01%	2,219,522	93.74%	148,108	6.26%
Communications	1,322,306	9.99%	22.84%	38.63%	28.35%	1,319,795	99.81%	2,511	0.19%
Environmental Affairs and Tourism	2,061,804	32.73%	27.56%	22.19%	17.39%	2,059,139	99.87%	2,665	0.13%
Housing	7,333,726	19.53%	28.13%	27.10%	22.91%	7,162,345	97.66%	171,381	2.34%
Land Affairs	3,730,196	12.58%	19.38%	29.68%	38.23%	3,725,459	99.87%	4,737	0.13%
Minerals and Energy	2,635,100	13.42%	27.04%	29.39%	29.11%	2,607,677	98.96%	27,423	1.04%
Science and Technology	2,617,093	20.25%	24.89%	29.69%	25.01%	2,612,998	99.84%	4,095	0.16%
Trade and Industry	3,942,028	11.30%	25.25%	25.59%	33.09%	3,753,656	95.22%	188,372	4.78%
Transport	13,746,790	13.47%	17.30%	33.12%	33.19%	13,345,853	97.08%	400,937	2.92%



	Total Budget	% First quarter spending	% Second quarter spending	% Third quarter spending	% Fourth quarter spending	Total Spending	% Total Spending	Under Expenditure	% Under Expenditure
R'000									
Water Affairs and Forestry	4,660,303	15.44%	21.19%	23.95%	31.90%	4,309,810	92.48%	350,493	7.52%

### Parliament

Parliament is guided by its new vision, which is to build an effective people's Parliament that is responsive to the needs of the people and is driven by the ideal of realising a better quality of life for all the people of South Africa.<sup>3</sup> In order to realise this vision, Parliament set up a mission to act as voice of the people and oversee executive action.

The figures reflected above for Parliament is money requested by Parliament and not expenditure figures. The 2007 Estimates of National Expenditure shows that Parliament's (before taking into account the 2006/07 financial years under or over expenditure) opening balance of its Surplus Account is R293 million. The 2005/06 audited outcomes shows that Parliament underspent its budget by R75 million; 2004/05 it was R81 million; and in 2003/04 it was R42 million. Parliament's Surplus Account increased from minus R9.8 million in 2003/04 to R293 million at the start of the 2007/08 financial year. The 2007 Estimate of National Expenditure states that Parliament will receive R29.3 million by the end of 2006/07, mainly due to interest on accumulated surpluses. The ENE also states that the closing balance of the Surplus Account will be used mainly for parliamentary accommodation projects.

### Department of Provincial and Local Government

The Department of Provincial and Local Government's (DPLG) vision is to establish a well-coordinated system of government consisting of all three spheres of government so as to achieve sustainable development and service delivery. The mandate of the DPLG is to develop national policies and legislation with regard to provinces and local government, and monitor the implementation of provincial and local legislation. It manages, co-ordinates, monitors and measures the effectiveness of the implementation of legislation and programmes by both provincial and local government.

The Department's total expenditure at the end of the 2006/07 financial year was R24.57 billion or 96.77% of the adjusted appropriation compared to 100% during the 2005/06 financial year. This resulted in under expenditure of R821 million for the 2006/07 financial year, more than R807 million being transfer payments to provinces and municipalities. The Department's expenditure increased gradually throughout the financial year from 3.73% during the first quarter to 39.90% during the fourth quarter.

This pattern of expenditure is due to the transfer schedule of the equitable share, which was paid every four months. The first payment was made during the fourth month of the financial year, i.e.



July (R6.77 billion in July) the second payment was made during the eighth month of the financial year, i.e. November (R5.1 billion in November), and the final payment was made during February (R8.42 billion during February). The Department's expenditure pattern was in line with expenditure projections provided to National Treasury at the beginning of the year. The department transferred R8.4 billion to provinces and municipalities during February.

### **Department of Land Affairs**

The aim of the Department of Land Affairs is to create and maintain an equitable and sustainable land distribution that results in social and economic development for all South Africans.<sup>4</sup> In the year under review, the Department's total expenditure was R3.7 billion or 99.87% of the adjusted appropriation, which compares favourably to the 73.3% expenditure during the 2005/06 financial year. **Even though the Department spent 99.87% of its total budget it moved via Virements R113 million from current expenditure, R79.4 million to transfers most going to the households line budget and R34 million to its capital budget. The increase in expenditure from 2005/06 to 2006/07 was mainly due to the increase in spending on land restitution and land redistribution. The Department has come up with a proactive land acquisition strategy (PLUS) to fast track delivery. The DLA has during 2006/07 moved to purchase the land for restitution purposes itself with the process to identify and negotiate with the repossessed communities being a subsequent step to complete the restitution. Section 10 of the Provision of Land and Assistance Act, 126 of 1993 gives legal effect to the proactive land acquisition. The Act gives the department the authority to purchase land without first identifying beneficiaries. Problems related to PLUS are the unresolved issue on how the land acquired through PLUS will be managed before it is transferred to beneficiaries and the objective of the Department with regards to restitution not being fully met which is the transfer of land to disposed beneficiary communities as well as the redistribution of agricultural land to historical disadvantaged individuals.** The Department's expenditure increased gradually throughout the financial year from R496 million or 12.58% during the first quarter, R723 million or 19.38% during the second quarter, R1.1 billion or 29.68% in the third quarter, to R1.4 billion or 39.90% in the fourth quarter.

### **Department of Defence**

The mandate of the Department of Defence (DOD) is derived from the Constitution, the White Paper on defence, the Defence Review, and national legislation. These policy documents stipulate what is expected of the Department and specifically the South African National Defence Force (SANDF). Whereas the Constitution<sup>5</sup> states that the SANDF should, among other things, defend and protect the Republic, its territorial integrity and its people, the White Paper on Defence<sup>6</sup> recognises the fact that South Africa is expected to play an active role in regional defence co-operation and peace-support operations in Africa. The Department furthermore renders extensive support towards Government's foreign policy initiatives as it manifest itself in the New Partnership for Africa's Development (NEPAD), promoting





solidarity in the Southern African Development Community (SADC) and by contributing to the fulfilment of the United Nations' (UN) aspirations for a better world for all.

The Department's total expenditure at the end of the 2006/07 financial year was R23.8 billion or 99.63% of the adjusted appropriation in comparison to 99.9% during the 2005/06 financial year. The Department's expenditure increased gradually throughout the financial year from R3.4 billion or 14.34% during the first quarter to R8.5 billion or 35.50% in the fourth quarter.

The Department explained that this pattern of expenditure was due to contractual agreements. The increase in the expenditure pattern was mostly due to the increase in transfer payments, especially programme 9 of the department: special defence account, which includes the procurement of defence equipment and strategic armaments. Payments within this programme are usually huge and only happen when equipment is delivered. This pattern was reflected in the cash flow projections the Department provided National Treasury at the start of the financial year.

#### **Department of Public Enterprises**

The Department of Public Enterprises (DPE) has oversight responsibilities over the affairs and performance of state-owned enterprises (SOE). In this role it acts as the shareholder-representative of government, ensuring that state-owned enterprises are commercially viable and contribute to the growth of the country's economy. Furthermore, the Department ensures that SOE business strategies are aligned with sector departmental policies and regulatory frameworks such as the Public Finance Management Act (Act 1, 1999)<sup>7</sup>.

In the year under review, the Department of Public Enterprises has been responsible for seven state owned enterprises, namely Transnet, Eskom, Denel, Safcol, Alexkor, South African Airways (SAA), Pebble Bed Modular Reactor (PBMR) (Pty) and the broadband Infrastructure Company (InfraCo), which will soon be officially established.

In the year under review, the Department's total expenditure was R2.59 billion or 90.24% of the adjusted appropriation in comparison to 99.8% during the 2005/06 financial year. This resulted in under expenditure of R280 million or 9.76% for the 2006/07 financial year. Almost the entire amount is money that was supposed to have been transferred to foreign governments and international organisations. The Department's expenditure increased gradually throughout the financial year from 4.88% during the first quarter, 16.86% during the second quarter, 33.30% in the third quarter, to 35.2% in the fourth quarter. It's important to note that the Department's budget was adjusted from R683 million to R2.87 billion during the adjustment process and this is in all probability the reason for the slow rate of expenditure during the first half of the financial year.



The Department in its reply stated that its expenditure increased gradually over the year due to projects where the planning phases were during the initial months of the year and were then finalised during the latter part of the year. In addition, the transfer payments for the PBMR, InfraCo and Alexkor were approved in the adjusted estimates. The PBMR and Alexkor allocations were transferred during December 2006 and January 2007, in addition to a further transfer to Alexkor in March (R1.9million), whereas Infraco (R627million) was only approved for payment by National Treasury during the last week in March 2007.

The amount of R280 million under expenditure referred to was in respect of Value-Added Tax on a transfer payment in the sum of R2billion made to Denel in the previous year. The department was advised by National Treasury to make provision for this amount in the adjusted estimates. During the latter period of the year, the Department contacted National Treasury and raised its concerns regarding this provision / payment as the transfer to Denel was of a capital nature where shares were issued to the Department. Subsequently, the department consulted with SA Revenue Service together with National Treasury and it was established that capital transfers where shares are issued do not attract VAT and that the funds should not be disbursed to the entity.

#### **Statistics South Africa**

Statistical information makes the measurement of Government business performance transparent and promotes accountability. It is important to enable the Government to monitor areas where it has direct control, as well as where it does not<sup>8</sup>. Official statistics also play a major role in engendering social debate, facilitating resource allocation, facilitating the design of development programmes or interventions, monitoring the progress of Government programmes and facilitating official report-backs. The aim of the organisation is to provide a relevant and accurate body of statistics on the dynamics in the economy and society through the application of internationally acclaimed practices.

In the year under review, Statistics South Africa's (StatsSA) total expenditure was R1.06 billion or 90.99% of the adjusted appropriation in comparison to 87% during the 2005/06 financial year. This resulted in under expenditure of R105 million for the 2006/07 financial year. Of this R73.5 million was under expenditure on compensation of employees and R21 million on the goods and services budget. Reasons given by StatsSA for under expenditure includes under expenditure on the community survey because some of the costs runs into the 2007/08 financial year and personnel vacancies not being filled. StatsSA spent R399 million or 34.3% of its budget during the final quarter, R235 million during March alone. StatsSA states that a huge portion of money spent during the final quarter was to finance the community survey. StatsSA also spent R20 million on the labour force reengineering survey and R8 million on the household survey during the last quarter.



## Home Affairs

The Department of Home Affairs has a mandate to protect and regulate the interest of the inhabitants of the Republic of South Africa in respect of their individual status, identity and specific rights and powers, and to promote a supporting service to this effect. It is also responsible for managing migration and ports of entry, ensuring national security, enabling economic development and tourism and promoting good international relations. The Department processes and issues civic services (births, marriage and death certificates), identity documents and identification, citizenship, travel documents and passports. By engaging on this mandate, the Department serves to service marginalised communities, deepens democracy and promotes social security.<sup>9</sup>

In the year under review, the Department's total expenditure was R2.56 billion or 91.52% of the adjusted appropriation in comparison to 101.08% during the 2005/06 financial year. This resulted in under expenditure of R237 million for the 2006/07 financial year. Of this amount R61 million was under expenditure on compensation of employees, R25 million on the goods and services budget, and R155 million on machinery and equipment. The Department's expenditure increased gradually throughout the financial year from R518 million or 18.48% during the first quarter, R577 million or 20.64% during the second quarter, R613 million or 21.91% in the third quarter, to R854 million or 30.49% in the fourth quarter. The Department spent R481 million or 17% of its budget during February.

The Department did not respond to the question on the increasing rate of its expenditure. Reasons given by the Department for the rate of under expenditure includes:

- "savings" on compensation of employees due to the slow filling of vacant posts as a result of job evaluations. The Department will request a roll over of these funds and it will be utilised for the outstanding Foreign Affairs claims as from February 2005 until March 2006.
- Smart ID Card funds (R93.358 million) which was earmarked for the **Electronic Document Management System (EDMS)** project which did not materialise. The Department will request a role over.
- Payment of initiated severance packages (R3.94 million). The Department will request a role over.
- "Savings" regarding capital works (for the repair and maintenance programme that did not materialise as projected) to the amount of R58.963 million. The Department will request a role over.

Under expenditure on compensation of employees seems to be a recurring problem within the Department. This is highlighted in the Department's Annual Report for 2005/06, which states that by 31 March 2006, the Department employed 6 963 persons out of 9 853 posts. Overall, the Department had a vacancy rate of 29.3%. In terms of critical posts, the report shows that the Department had a very high vacancy rate in highly skilled supervision level, 56.6% (292 people employed, 673 posts) as well as in



senior management level, 45% (57 people employed, 104 posts). In the year under review the Department appointed 837 people and 555 people resigned, representing a turnover rate of 12.7%. Lower skilled level had the highest turnover rate of 36.5%. With regard to turnover rate by critical occupation, regulatory inspectors had the highest turnover rate of 62.7%. The General report of the Auditor-General for the financial year 2005/06 looks at the audit opinions of the auditor-general for the period 2000/01 to 2005/06 and it shows that the Department received a qualified audit opinion for the entire period (six years in a row). It also states that there are no written policies and procedures for financial accounting processes and accounting processes for asset management and the asset register was inaccurate and not up to date.

#### **Department of Sport and Recreation South Africa**

South Africa is plagued by disparities in the access to sport, particularly in the poorer communities. It is clear that much still needs to be done with regard to meeting the sporting and training needs of the nation, particularly among historically disadvantaged communities. Transformation and sustainable access highlight the challenges of sport in South Africa. As part of the transformation process Sport and Recreation South Africa (SRSA) aims to improve access to sport and recreation at all levels of participation. SRSA aims to create an environment conducive to maximising the access to participation in sport and recreation by all South Africans and to enhance the medal winning potential of the country's athletes in international sporting competitions<sup>10</sup>.

In the year under review, the Department's total expenditure was R887 million or 92.38% of the adjusted appropriation in comparison to 95.20% during the 2005/06 financial year. This resulted in under expenditure of R105 million for the 2006/07 financial year. A huge portion of this amount was under expenditure on goods and services even though nearly 40% of expenditure on goods and services happened during March. The Department's expenditure increased dramatically in the third and fourth quarter of the financial year from 8.06% during the first quarter, 7.28% during the second quarter, 26.22% in the third quarter, to 50.82% in the fourth quarter. **These percentages are based on the adjusted budget. When comparing expenditure to the main appropriation the Department spent 21.97% during the first quarter (78% of projected expenditure) and 19.95% during the second quarter, which resulted in 75.22% of projected expenditure at the end of the first six months of the financial year (R147 million of R196 million).** This trend in expenditure is similar to the previous financial year where the Department spent 65% of its total budget during the last month of the financial year. It is important to note that the Department received an additional R600 million via the adjusted estimates for the construction of stadiums for the 2010 FIFA World Cup and this is in all probability the reason for the slow rate of expenditure during the first half of the financial year.

The Department said the reason for the increase in expenditure, especially in the last quarter, was due to the Department relocating to a new building in late last year resulting in an increase in expenditure towards refurbishment and renovations to the



new premises during the latter part of the year, as well as funding of about R600 million that was transferred to the Department in December 2006 and transferred to host cities during the last quarter. The Department said that under expenditure was mainly due to compensation to employees, which is below budget because of vacancies in SRSA. The filling of vacancies is currently underway and should be concluded by June 2007. In addition, there were transfer payments to sport federations that were withheld due to the non-compliance with funding agreements.

#### **Department of Water Affairs and Forestry**

The Department of Water Affairs and Forestry (DWAF) seeks to ensure that the country has reliable sources of water and sufficient forest resources for sustainable social and economic progress. However, it is important to note that the Department's core function is water services. The role of the Department with regards to forestry is to promote sustainable management and development through policy making and regulation. The state, through DWAF, will in future no longer directly manage plantations, this role is being transferred to the private sector, to this effect South Africa is in the process of creating enabling conditions that will allow broad socio-economic development. The policy shift is intended to benefit the majority of the population who were previously disadvantaged. The broader policy shift and developmental directive is embraced by the Forestry Broad Based Black Economic Empowerment Charter. The Department is in the process of substantial restructuring, which will only be completed in eight to ten years. The department is transferring most of its implementation functions to more appropriate levels of government, and it will be focusing on developing its role of policy development, regulation, sector leadership, oversight and monitoring.

The Department's total expenditure at the end of the 2006/07 financial year was R4.3 billion or 92.48% of the adjusted appropriation in comparison to 94.6% during the 2005/06 financial year. This resulted in under expenditure of R350 million for the 2006/07 financial year. **The Department under spent its budget on its Administration programme by R5.2 million.** This was due to a once off personnel related cost, which could not be paid, as the agreements relating to transfer of schemes could not be finalised. The budget for the Water Resource Management Programme was under spent by R314 million mainly due to the delay in obtaining the approval for the Environmental Impact Assessment, which was only granted by the Minister of Environmental Affairs, which led to the delay of six months for the construction of the De Hoop Dam. The Water Services programmes budget was under spent by R32 million as a result of the direct grant Schedule 7 of DORA for the refurbishment, operational and maintenance costs of the water schemes that could not be finalised due to the delay in finalising transfer agreements with local governments. The Forestry programmes budget was under spent by R3 million as a result of unfilled posts. With regards to the eradication of the bucket system, out of 252 254 units at February 2005, a total of 62 206 buckets were removed during the



2005/06 financial year and an additional 71 747 buckets were removed during the 2006/07 financial year. Another R1 billion will be spent to make sure that the bucket system is eradicated completely by the end of 2007. The Department has reduced the backlog to 118 301 units as at 31 March 2007 with a view in meeting the target of 31 December 2007 to eradicate the bucket system. The Departments expenditure increased gradually throughout the financial year from 15.44% during the first quarter, 21.19% during the second quarter, 23.95% in the third quarter, to 31.9% in the fourth quarter.

#### 4. CURRENT EXPENDITURE

Current expenditure is categorised into two main components namely compensation of employees and goods and services. Compensation of employees includes most payments to government employees, except social contributions and payment to government employees working on capital projects (the latter payments are classified as capitalised payments). Goods and services are all goods and services used by a government unit, excluding purchases of capital assets. All goods to be used by a government unit and costing less than R5 000 are included here.

Table 2 represents departments' overall current expenditure per quarter for the 2006/07 financial year. During the first quarter departments spent R16 billion or 19.7%, during the second quarter they spent R19.5 billion or 23.91%, during the third quarter they spent R19 billion or 23.45% and during the fourth quarter they spent R22.96 billion or 28.31% of their current budgets based on the adjusted appropriations. Departments spent R77.5 billion or 95.55% during the 2006/07 financial year, which resulted in a 4.45% or R3.6 billion under expenditure of current budgets.

Table 2: Current Expenditure

R'000	% Cur. Exp for 1st Quarter	% Cur. Exp for 2nd Quarter	% Cur. Exp for 3rd Quarter	% Cur. Exp for 4th Quarter	Total Current Budget	Current Expenditure	% Current Expenditure	Over / under expenditure	% Over / under expenditure
<b>Voted Amounts</b>	<b>19.78%</b>	<b>24.01%</b>	<b>23.45%</b>	<b>28.31%</b>	<b>81,091,278</b>	<b>77,480,903</b>	<b>95.55%</b>	<b>3,610,375</b>	<b>4.45%</b>
<b>Central Government Administration</b>	<b>19.33%</b>	<b>25.69%</b>	<b>23.21%</b>	<b>30.80%</b>	<b>6,575,103</b>	<b>6,511,540</b>	<b>99.03%</b>	<b>63,563</b>	<b>0.97%</b>
The Presidency	18.38%	22.59%	23.97%	32.00%	208,118	201,738	96.93%	6,380	3.07%
Parliament	17.96%	31.50%	27.29%	34.69%	601,208	670,011	111.44%	-68,803	-11.44%
Foreign Affairs	19.07%	25.26%	21.62%	34.67%	2,237,586	2,251,462	100.62%	-13,876	-0.62%
Home Affairs	19.97%	25.68%	25.40%	24.46%	1,836,732	1,754,132	95.50%	82,600	4.50%
Provincial and Local Government	18.97%	21.97%	22.34%	31.49%	318,753	302,080	94.77%	16,673	5.23%
Public Works	19.74%	25.21%	21.16%	30.94%	1,372,706	1,332,117	97.04%	40,589	2.96%
<b>Financial and Administrative Services</b>	<b>17.79%</b>	<b>20.98%</b>	<b>21.99%</b>	<b>28.38%</b>	<b>4,109,004</b>	<b>3,663,272</b>	<b>89.15%</b>	<b>445,732</b>	<b>10.85%</b>



R'000	% Cur. Exp for 1st Quarter	% Cur. Exp for 2nd Quarter	% Cur. Exp for 3rd Quarter	% Cur. Exp for 4th Quarter	Total Current Budget	Current Expenditure	% Current Expenditure	Over / under expenditure	% Over / under expenditure
Gov. Communications and Info. Services	20.67%	23.42%	22.66%	31.69%	198,786	195,657	98.43%	3,129	1.57%
National Treasury	18.75%	21.20%	20.99%	24.01%	2,204,877	1,873,295	84.96%	331,582	15.04%
Public Enterprises	19.61%	22.65%	27.34%	29.49%	101,336	100,415	99.09%	921	0.91%
Public Service and Administration	17.15%	16.91%	25.89%	35.97%	362,710	347,904	95.92%	14,806	4.08%
Public Service Commission	21.23%	25.00%	27.14%	25.57%	95,329	94,307	98.93%	1,022	1.07%
S A Management Development Institute	20.66%	24.75%	18.51%	33.93%	33,460	32,744	97.86%	716	2.14%
Statistics South Africa	15.04%	20.83%	21.77%	33.95%	1,112,506	1,018,950	91.59%	93,556	8.41%
<b>Social Services</b>	<b>17.81%</b>	<b>22.51%</b>	<b>19.14%</b>	<b>32.63%</b>	<b>3,116,775</b>	<b>2,870,348</b>	<b>92.09%</b>	<b>246,427</b>	<b>7.91%</b>
Arts and Culture	43.99%	30.14%	32.29%	22.44%	239,994	309,262	128.86%	-69,268	-28.86%
Education	12.04%	19.54%	15.38%	41.68%	581,778	515,632	88.63%	66,146	11.37%
Health	13.84%	19.99%	16.76%	34.16%	778,896	660,153	84.75%	118,743	15.25%
Labour	18.82%	24.18%	20.24%	32.32%	1,073,731	1,026,016	95.56%	47,715	4.44%
Social Development	19.88%	29.39%	22.26%	22.32%	265,913	249,548	93.85%	16,365	6.15%
Sport and Recreation South Africa	9.47%	12.56%	12.72%	27.45%	176,463	109,737	62.19%	66,726	37.81%
<b>Justice and Protection Services</b>	<b>20.50%</b>	<b>24.35%</b>	<b>23.80%</b>	<b>28.12%</b>	<b>59,225,284</b>	<b>57,314,789</b>	<b>96.77%</b>	<b>1,910,495</b>	<b>3.23%</b>
Correctional Services	20.59%	23.69%	23.09%	28.48%	8,630,038	8,271,830	95.85%	358,208	4.15%
Defence	19.08%	24.85%	23.31%	29.98%	14,912,947	14,498,162	97.22%	414,785	2.78%
Independent Complaints Directorate	21.63%	24.13%	23.68%	27.28%	63,970	61,869	96.72%	2,101	3.28%
Justice and Constitutional Dev.	16.49%	21.74%	21.96%	30.05%	5,055,825	4,562,596	90.24%	493,229	9.76%
Safety and Security	21.84%	24.73%	24.55%	26.79%	30,562,504	29,920,332	97.90%	642,172	2.10%
<b>Econ. Services &amp; Infrastructure Dev.</b>	<b>16.56%</b>	<b>22.29%</b>	<b>23.44%</b>	<b>26.00%</b>	<b>8,065,112</b>	<b>7,120,954</b>	<b>88.29%</b>	<b>944,158</b>	<b>11.71%</b>
Agriculture	13.55%	18.65%	21.58%	34.15%	941,914	828,154	87.92%	113,760	12.08%
Communications	20.03%	22.55%	23.14%	32.76%	309,628	304,960	98.49%	4,668	1.51%
Environmental Affairs and Tourism	20.91%	25.52%	24.59%	25.63%	560,093	541,369	96.66%	18,724	3.34%
Housing	12.78%	17.34%	25.86%	39.57%	262,307	250,654	95.56%	11,653	4.44%
Land Affairs	15.16%	22.71%	22.47%	27.93%	984,731	869,137	88.26%	115,594	11.74%
Minerals and Energy	17.01%	21.20%	23.90%	34.09%	520,952	501,130	96.20%	19,822	3.80%
Science and Technology	22.46%	21.91%	20.87%	19.80%	204,861	174,201	85.03%	30,660	14.97%
Trade and Industry	14.37%	18.63%	21.00%	25.27%	790,635	626,710	79.27%	163,925	20.73%
Transport	14.51%	25.47%	17.44%	8.64%	724,802	478,843	66.07%	245,959	33.93%
Water Affairs and Forestry	17.82%	23.63%	26.37%	24.25%	2,765,189	2,545,796	92.07%	219,393	7.93%