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PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA

RESEARCH UNIT
PO Box 15 Cape Town 8000 Republic of South Africa
Tel: 27 (21) 403 8273 Fax: 27 (21) 403 8118
www.parliament.gov.za

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EXPENDITURE REVIEW OF 2005/06, 2006/07 FINANCIAL YEAR AND THE FIRST QUARTER OF 2007/08 BY THE JOINT BUDGET COMMITTEE (JBC) – FINAL DRAFT

1. INTRODUCTION

The Joint Budget Committee (JBC) is authorised by its Terms of Reference (ToR) No.2 and No.4 "to ...consider proposed budget allocations in the Medium-Term Expenditure Framework (MTEF) and the Appropriation Bill and whether these allocations are broadly in keeping with the policy directions of the Government and; on a regular basis monitor monthly published actual revenue and expenditure per department, and to ascertain whether they are in line with budget projections". In fulfilling the ToR, the JBC hereby conducts a review of departmental expenditure trends from 2005/06, 2006/07 financial years and the first quarter of 2007/08 financial year.

The intended objective of the review is to draw attention to departments with recurring trends of under or over-spending of their allocated funds during the period under review. The departmental expenditure trends (the backward-looking view) are expected to be considered by Parliament during the period of the Medium-Term Budget Policy Statement (MTBPS) (the forward-looking view) of 2008/09 financial year and the Medium-Term Expenditure Framework (MTEF).

2. DEPARTMENTAL EXPENDITURE REVIEW

2.1 DEPARTMENTAL EXPENDITURE IN 2005/06 FINANCIAL YEAR

At end of 2005/06 financial year, the aggregate departmental expenditure was 97.67 per cent of the budget. This translated into an aggregate under-spending of approximately R5,4 billion at the end of 2005/06 financial year.

The departments which reflected highest expenditure are listed below:

Table 1: Highest total expenditure at the end of 2005/06 financial year

TOTAL EXPENDITURE	Allocated Budget	Actual Expenditure	% Actual Expenditure	Over-spending	% of Over-spending
Departments	R'000	R'000	%	R'000	%
Home Affairs	3,032,461	3,071,657	101.29%	-39,196	-1.29%
Independent Complaints Directorate	49,522	49,589	100.14%	-67	-0.14%
Parliament	672,412	672,412	100.00%	-	0.00%
Safety and Security	28,480,504	28,480,501	100.00%	3	0.00%
Provincial and Local Government	15,960,427	15,957,713	99.98%	2,714	0.02%

The Department of Home Affairs was by far the most spending department at the end of 2005/06 financial year. The policy strategy of this department is to expand its services to marginalised communities, manage migration and ports of entry, ensuring national security, enable economic development & tourism, and promote good international relations. High expenditure could be perceived as a positive indicator, but a question is whether this department has utilised its allocated funds effectively and efficiently in its targeted programmes or service delivery.

The lowest spending departments in 2005/06 financial year are listed below:

Table 2: Lowest total expenditure at the end of 2005/06 financial year

TOTAL EXPENDITURE	Allocated Budget	Actual Expenditure	% Actual Expenditure	Under-spending	% of Under-spending
Departments	R'000	R'000	%	R'000	%
Land Affairs	3,897,117	2,876,896	73.82%	1,020,221	26.18%
Statistics South Africa	717,424	619,982	86.42%	97,442	13.58%
The Presidency	216,463	188,646	87.15%	27,817	12.85%
National Treasury	14,172,795	13,057,624	92.13%	1,115,171	7.87%
Trade and Industry	3,907,420	3,631,268	92.93%	276,152	7.07%

The Department of Land Affairs was by far the least spending department at the end of 2005/06 financial year. It should be noted that this department is responsible to deliver both the restitution and land reform programmes. The President's directive was that all land restitution claims should be finalised by March 2008[1]. The settlement date for all land restitution claims were initially set to be in 2005, but this could not be achieved due to capacity constraints and the protracted negotiations process. The critical issue is whether the Land Claims Commission is close to settling land claims as directed by the President and how many hectares of land have attained restoration.

Overall, government departments spent an average of 96.51 per cent of budgeted current payments funds, an average of 97.6 per cent of budgeted transfers and subsidies, and an average of 112.32 per cent of budgeted capital expenditure (CAPEX) in 2005/06 financial year. It should be highlighted that some departments have a tendency of spending huge portions of their allocated funds nearly at the end of the financial year. This tendency of spending (termed "March Spike") raises questions of whether the transactions should be classified as fiscal dumping or fruitless and wasteful expenditure. One example is the Department of Sport and Recreation South Africa, which spent a total of 65.03 per cent of its actual expenditure only in the last month of 2005/06 financial year.

[1] Estimates of National Expenditure 2007, pg 581

The least spending departments on Current Expenditure in 2005/06 are listed below:

Table 3: Lowest current expenditure at the end of 2005/06 financial year

CURRENT EXPENDITURE	Allocated Budget	Actual Expenditure	% Actual Expenditure	Under-spending	% of Under-spending
Departments	**R'000**	**R'000**	**%**	**R'000**	**%**
Transport	567,696	399,743	70.41%	167,953	29.59%
Water Affairs and Forestry	1,703,456	1,348,953	79.19%	354,503	20.81%
Health	714,706	580,291	81.19%	134,415	18.81%
Agriculture	777,553	635,514	81.73%	142,039	18.27%
Minerals and Energy	481,114	394,103	81.91%	87,011	18.09%

Current Expenditure funds are allocated (among other things) for compensation of employees, and acquisition of goods & services. The Department of Transport was the least spending department of current expenditure funds in 2005/06 financial year. Although the department's expenditure on current payments showed growth in 2005/06 compared to 2004/05, the growth was attributed to the creation of new sub-divisions such as the legal section, internal audit and secretarial services; increase in senior management post; and increase in consultancy fees. This raises the question of whether the department has managed to fill the vacant posts which were identified in 2004 annual reports or whether the department is experiencing a high staff turnover as it under-spent on current payments in 2005. The critical issue is whether the department will effectively and efficiently attain the 2010 FIFA World Cup ™ obligation.

With regard to Capital Expenditure (CAPEX) in 2005/06 financial year, departments on average spent 112.32 per cent of their allocated transfers and subsidies funds. The most spending departments on CAPEX are listed below:

Table 4: Highest capital expenditure (CAPEX) at the end of 2005/06 financial year

CAPITAL EXPENDITURE	Allocated Budget	Actual Expenditure	% Actual Expenditure	Over-spending	% of Over-spending
Departments	**R'000**	**R'000**	**%**	**R'000**	**%**
Science and Technology	805	2,700	335.40%	-1,895	-235.40%
Parliament	18,657	52,328	280.47%	-33,671	-180.47%
Agriculture	44,669	99,330	222.37%	-54,661	-122.37%
Sport and Recreation South Africa	5,012	10,745	214.39%	-5,733	-114.39%
Presidency	3,755	7,763	206.74%	-4,008	-106.74%

The departments listed in Table 4 reflect a significant and material over-spending of their allocated funds (above 100 per cent) in 2005. The Department of Science and Technology was the highest spending department of CAPEX funds in 2005/06 financial year.

The least spending departments on CAPEX are listed below:

Table 5: Lowest capital expenditure (CAPEX) at the end of 2005/06 financial year

CAPITAL EXPENDITURE	Allocated Budget	Actual Expenditure	% Actual Expenditure	Under-spending	% of Under-spending
Departments	R'000	R'000	%	R'000	%
Defence	264869	0	0.00%	264,869	100.00%
Arts and Culture	4,362	81	1.86%	4,281	98.14%
Trade and Industry	17,701	5,688	32.13%	12,013	67.87%
Land Affairs	75,770	51,343	67.76%	24,427	32.24%
Foreign Affairs	231,277	173,634	75.08%	57,643	24.92%

The departments listed in Table 5 reflect significant and material under-spending of their allocated funds in 2005/06. The Department of Defence was the least spending department on CAPEX funds in 2005/06 financial year.

2.2 DEPARTMENTAL EXPENDITURE IN 2006/07 FINANCIAL YEAR

At the end of 2006/07 financial year, the average total spending improved to 98.02 per cent compared to 97.67 per cent in 2005/06. Nonetheless, 2006/07 resulted in total under-spending of approximately R5,3 billion.

The least spending departments in 2006/07 financial year are listed below:

Table 6: Lowest total expenditure at the end of 2006/07 financial year

TOTAL EXPENDITURE	Allocated Budget	Actual Expenditure	% Actual Expenditure	Under-spending	% of Under-spending
Departments:	R'000	R'000	%	R'000	%
Public Enterprises	2,869,923	2,589,783	90.24%	280,140	10%
Statistics South Africa	1,161,781	1,057,118	90.99%	104,663	9%
Home Affairs	2,800,405	2,563,035	91.52%	237,370	8%
Sport and Recreation SA	959,946	886,804	92.38%	73,142	8%
Water Affairs and Forestry	4,660,303	4,309,810	92.48%	350,493	8%
Justice and Constitutional Development	6,478,647	6,000,849	92.63%	477,798	7%
Agriculture	2,367,630	2,219,522	93.74%	148,108	6%
Foreign Affairs	3,042,149	2,853,621	93.80%	188,528	6%

The Department of Public Enterprises was the least spending department at the end of 2006/07 financial year with approximately per cent under-spending. It should be highlighted, though, that this department received additional funds from special adjustment appropriation (that is, appropriation from R683 million to R2,87 billion) during the course of 2006/07 financial year. The department reported that the under-spending was associated to the finalisation of specific projects during the second half of the year. Further, the transfer payments for the PBMR, InfraCo and Alexkor were approved by the time of the adjusted budget. The InfraCo transfer of R627 million was approved during the last week of March 2007.

The Department of Home Affairs was among the top-eight under-spending departments. When the committee made its enquiries, the department associated its under-spending to the slow filling of vacant posts as a result of job evaluations. The department indicated that it would request a roll-over of unspent funds to next year. Smart ID card funds of R93 million, earmarked for the Electronic Document Management System (EDMS) project, were not utilised and the department requested a roll-over of the funds to the following year. Under-spending on compensation of employees seemed to be a recurring problem in this department.

The Statistics South Africa under-spent on compensation of employees by an amount of R73,5 million and on goods and services by an amount of R21 million in 2006/07 financial year. The critical question is whether the vacant posts identified in 2006 have been filled.

The Department of Sport and Recreation South Africa was among under-spending departments at the end of 2006/07 and significant under-spending was on goods and services. The critical question is whether the department will efficiently monitor 2010 project with such a high vacancy rate. It is equally important to note that the department received additional funds from the special adjustment appropriation of R600 million during the course of 2006/07 financial year for the 2010 FIFA World Cup ™.

The least spending departments on current payments budget in 2006/07 are listed below:

Table 7: Lowest current expenditure at the end of 2006/07 financial year

CURRENT EXPENDITURE	Allocated Budget	Actual Expenditure	% Actual Expenditure	Under-spending	% of Under-spending
Departments	R'000	R'000	%	R'000	%
Sport and Recreation SA	176,463	109,737	62.19%	66,726	37.81%
Transport	724,802	478,843	66.07%	245,959	33.93%
Trade and Industry	790,635	626,710	79.27%	163,925	20.73%
Health	778,896	660,153	84.75%	118,743	15.25%
National Treasury	2,204,877	1,873,295	84.96%	331,582	15.04%
Science and Technology	204,861	174,201	85.03%	30,660	14.97%
Agriculture	941,914	828,154	87.92%	113,760	12.08%
Land Affairs	984,731	869,137	88.26%	115,594	11.74%
Education	581,778	515,633	88.63%	66,145	11.37%

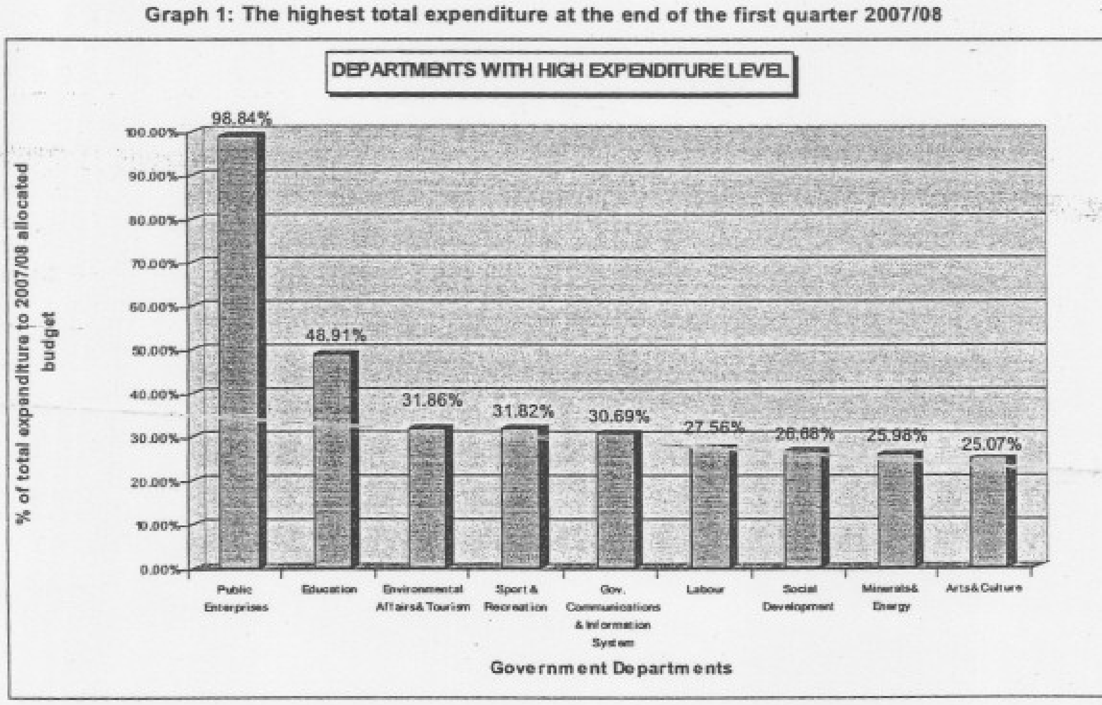
The departments listed in Table 7 reflected the most under-spending on current payments. The most notable departments were, Sport and Recreation South Africa, and Transport, which reflected an alarming under-spending of above 30 per cent of their budgeted current expenditure in 2006/07 financial year. The under-spending on current payments could be an indication of either high vacancy ratio or a strain of high staff turnover.

DEPARTMENTAL EXPENDITURE IN THE FIRST QUARTER OF 2007/08 FINANCIAL YEAR

At the end of the first quarter of 2007/08 financial year, all departments spent on average 22.33 per cent of their allocated funds. Total expenditure has improved to R66,7 billion in the first quarter of 2007/08 compared to R55,7 billion in the first quarter of 2006/07.

Graph 1 below shows the departments with the highest total expenditure in the first quarter of 2007/08:

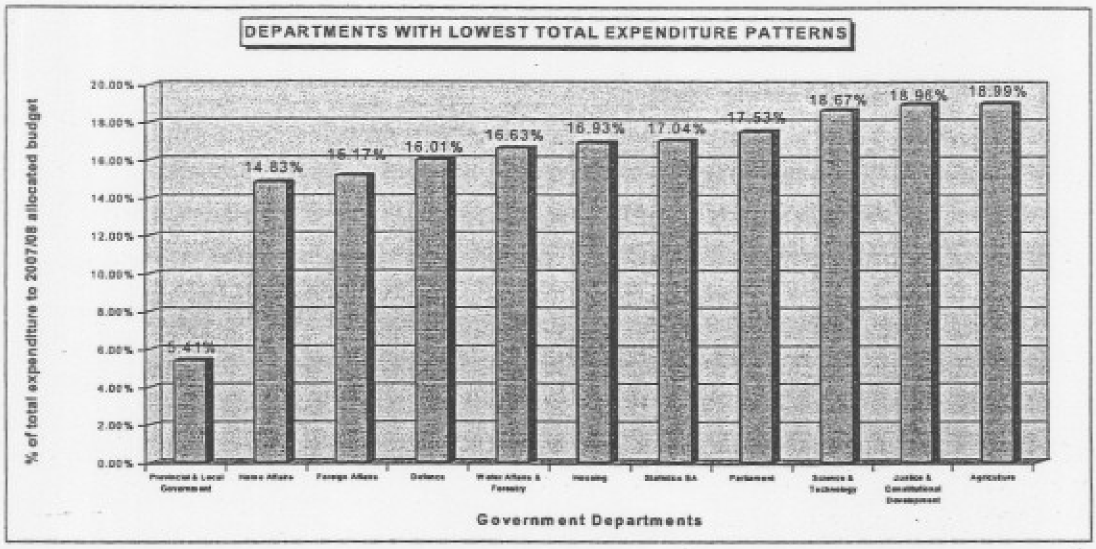
Graph 1: The highest total expenditure at the end of the first quarter 2007/08



At the end of the first quarter of 2007/08, the Department of Public Enterprises had the highest total expenditure amounting to 98.84 per cent of its allocated funds. At the end of the first quarter of 2007/08, the actual expenditure utilised by this department amounted to R1,052 billion. It is important to note that the Department of Public Enterprises has requested for Special Adjustment of Appropriation in the second of quarter of 2007/08 financial year.

Graph 2 below shows departments with the least total expenditure in the first quarter of 2007/08 financial year.

Graph 2: Lowest total expenditure at the end of the first quarter 2007/08



It is evident that the Department of Provincial & Local Government (DPLG) had the lowest total expenditure at end of the first quarter of 2007/08. This department only utilised 5.41 per cent of the allocated funds in 2007/08. Ninety six (96) per cent of the first quarter actual spending was on Transfers and Subsidies through Programme Six: Provincial and Local Government Transfers.

The DPLG associates its low expenditure on the transfer schedule of the equitable share, which requires withdrawals to be made once in a fiscal quarter. The first withdrawal is stated to be due in July 2007, a month after the end of the first quarter. In 2006/07 fiscal year, the first withdrawal of R6,77 billion was made in July 2006; the second withdrawal in November 2006 amounted to R5,1 billion, and the final withdrawal was made in February 2007 amounting to R8,42 billion. At the end of first quarter of 2007/08, payment for current expenditure amounted to R69 million or 19.55 per cent of current expenditure funds.

The DPLG's strategic objective is to establish a sustainable system of local government that is able to provide infrastructure and other essential services. A direct consequence of effective service delivery is the alleviation of poverty and unemployment. A critical question is whether the local government equitable share and the municipal infrastructure grant are compromised by this under-spending. A follow-up must be conducted on whether provinces transfered funds to municipalities almost at the financial year (that is evaluation of fiscal dumping in provincial and local sphere).

3. CONCLUSION

- Departmental and provincial budget allocations have steadily increased over the medium-term on the back of strong economic growth and improved revenue collection systems. Whilst this is positive, expanded and improved service delivery is only possible if the public sector develops capacity to absorb and utilise resources effectively and efficiently. As observed in the 2007 Budget Review: "The rapid growth in budgeted expenditure does pose a challenge in terms of the capacity to effectively utilize these amounts and to deliver better service".
- Despite budget allocation improvements, under-spending remains a concern in the public sector. As noted in the JBC's Reports, national departments under-spent the budget by R5,3 billion or 1.98 per cent in 2006/07 (compared to R5,4 billion in 2005/06 and R3,6 billion 2004/05). Conversely, provinces under-spent by R2,8 billion or 1.3 per cent of their allocated funds – with Department of Education contributing R1,5 billion under-spending.
- The JBC has consistently noticed a tendency by certain departments and entities whose expenditure accelerates during the last quarters of the financial year, particularly in March ("March Spike"). Although there may be many legitimate reasons to this unusual or excessive expenditure during the last month of a financial year, this tendecy also suggests a possibility of "fiscal dumping". In the national sphere of government, expenditure in March is relatively high although more evident and of greater concern is in certain departments than others. Expenditure in March by provinces is, on aggregate, considerably more pronounced.
- High vacancy ratio is also identified in numerous departments, which resulted in under-spending of current payments funds. In 2006/07, amongst others, the Departments of Arts and Culture, Health, Sports and Recreation, Land Affairs, Science and Technology and Transport were among the departments with high vacancy ratio. In the first quarter of 2007/08, Sports and Recreation and Transport again appeared in the two departments with the lowest current expenditure.
- The prevalence of public sector vacant posts has also meant that departments frequently make virements during the adjustments appropriations, especially from compensation of employees, to other programmes. Section 43(2) of the PFMA provides that no more than 8 per cent of a programme allocation may be moved to another programme within the same Vote.
- Based on these findings, the Committee identified general deficiencies in departmental budgeting for personnel. These included inflated establishments, deficiencies in departmental retention strategies especially in respect of key staff positions and under-utilisation of personnel and ineffective skills development and internship programmes. The JBC also noted that employee appointment procedures in public sector are complex and lengthy and that these should perhaps be streamlined.

- The Committee has raised concerns in respect of transfer payments and conditional grants, in particular, the allocation and spending of certain conditional grants. One of the challenges identified has been the inability of certain recipient entities to meet conditional grants' requirements which were set during the MTBPS period. This has resulted in the withholding of conditional grants by Treasury. With regard to enforcement of conditions and withholding grants, the National Treasury has indicated that, to date, in cases where entities failed to meet prescribed requirements, compliance through the available legislated mechanisms is yet to be enforced. The practice has been for Treasury to facilitate quarterly meetings with the relevant departments and entities.
- The Committee has emphasized that capital expenditure (CAPEX) (specifically infrastructure investment) is fundamental to Government's economic and poverty alleviation initiatives, the Accelerated and Shared Growth Initiative (ASGISA) and the hosting of a successful 2010 FIFA World Cup ™. In this regard, medium-term projections reveal a strong projected growth on public infrastructure spending.
- In 2006/07, the least spending departments on CAPEX include the Departments of Arts and Culture, Foreign Affairs, National Treasury, Education, Housing, Sports and Recreation, Transport and Water Affairs and Forestry. Furthermore, during the first quarter of 2007/08, Arts & Culture, Transport and Home Affairs were among the least CAPEX spending departments.
- The JBC has also noted that, compared to other economic classification of expenditure, CAPEX has generally been the lowest expenditure at the end of the first quarter during the period under review and CAPEX accelerates dramatically during the last quarters – with approximately 50 per cent of departmental CAPEX utilised between January and March 2006/07 – in some cases over and above the initial allocations. In addition, CAPEX has generally been unpredictable and erratic. The JBC has emphasised to departments that strategic planning and monitoring tools are central tenets of effective budget implementation.
- One critical concern of the JBC has been the link between infrastructure and maintenance budgets. At present, infrastructure maintenance is funded through departmental operating budgets rather than making a separate provision by departments. The Committee is of the view that infrastructure projects should not be approved without the simultaneous guarantee of, and provision for, maintenance. In addition, Treasury Regulations regarding virements of allocated funds to maintenance expenditure should be tightened.
- The National Treasury has indicated that it has emphasised to departments that capital and infrastructure budget bids must ensure accurate costing and that adequate provisions are made for infrastructure maintenance. The JBC has also identified the effectiveness of monitoring tools such as the Infrastructure Project Register and interventions such as the Infrastructure Delivery Improvement Programme (IDIP) and Project Consolidate, established to assist the provincial and local spheres respectively, as key to reducing the infrastructure backlog.

- The JBC has noted that effective budgeting process and budget implementation are ultimately dependent on the advancement of good financial management and monitoring systems – as prescribed by the Public Finance Management Act (PFMA) and the Municipal Finance Management Acts (MFMA). Despite the reported departmental progress, serious challenges remain. These challenges include the shortage of management and accounting skills, inadequate internal controls, lack of asset management, concerns over risk management and difficulties with contracting and procurement practices. In relation to these problems, the Committee had noted the work of the Auditor-General and specifically the utility of the Financial Management Capability Model whose purpose is to provide a framework to enable the user(s) of Annual Reports assess the adequacy of financial management, monitor progress and to make comparisons.
- The Committee has also noted various initiatives aimed at improving the quality of departmental monitoring, evaluation and reporting. The implementation of performance audits and implementation of the Framework for Managing Programme Performance Information are considered key in this regard.

4. APPENDIX – FINDINGS AND RECOMMENDATIONS

2006/07 FINANCIAL YEAR

First Quarter

Departments spent on average 19.70 per cent of their current expenditure funds, 22.66 per cent of their transfer payment funds and 9.86 per cent of their capital expenditure funds during the first quarter of the 2006/07 financial year. This translates to an aggregate expenditure of R55.7 billion (21.44 per cent). Based on the cash flow projections, 31 departments were behind their projected spending and 3 departments were ahead of their scheduled expenditure.

Second Quarter

Departments spent on average 43.61 per cent of their current budgets, 48.26 per cent of their transfer budgets and 23.68 per cent 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 or 46.24 per cent. Based on the departmental cash flow projections, 28 departments spent less than their projections and six over-spent their allocated funds.

The Committee is of the opinion that the slow expenditure on CAPEX, while there may be valid reasons, is unacceptable given the national priority of promoting economic growth and employment to contribute to poverty reduction. The Committee assumes that there is a need for departments to develop far more robust measures to control and monitor their budget. The Committee noted that transfers are technically reflected by departments as actual expenditure, but it is important to conduct oversight to ascertain whether the money transferred was in fact utilised.

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

Third Quarter

Departments spent on average 67.24 per cent of their budgeted current expenditure, 72.54 per cent of their budgeted transfer & subsidies and 53.12 per cent of their budgeted capital expenditure at the end of the third quarter of 2006/07 financial year. Departmental cash flow projections indicated that departments projected spending of R75,4 billion during the final quarter. As a result there will be an under-spending of R3,2 billion or 1.2 per cent of the allocated budget. Having studied the expenditure patterns, the JBC has identified several areas of concerns, including:

- The slow expenditure of capital expenditure (CAPEX).
- The ability of provinces and municipalities as well as departmental agencies to spend transfers and subsidy funds received in the final quarter of the financial year.
- Departments spending a large portion of their allocated budget during the final quarter of the financial year.
- Projected under-spending by Parliament, Home Affairs, Justice and Constitutional Development and Water Affairs and Forestry.

Fourth Quarter: Findings and Recommendations

Departments started the financial year with a below average expenditure of 21.44 per cent (or R55,7 billion) during the first quarter. At the end of the second quarter, average departmental expenditure was 46.24 per cent (R120,2 billion) and, by the end of the third quarter 70.46 per cent (R187,6 billion). By the end of year average departmental expenditure had increased to 98.02 per cent or R260,9 billion (as compared to R225 billion or 97.67 per cent in 2005/06 and 97.65 per cent in 2004/05). This translated to under-expenditure of approximately R5,3 billion (R5,4 billion in 2005/06, and R3,6 billion in 2004/05). Departments spent R77,5 billion or 95.55 per cent of their budgeted current expenditure, R177 billion or 98.83 per cent of their budgeted transfer & subsidies and R6,5 billion or 106.94 per cent of their budgeted CAPEX. The Joint Budget Committee identified the following general issues and concerns.

- Departmental cash flow projections for the third quarter showed that departments planned expenditure of R75,4 billion. Based on these projections, under-spending of R3,2 billion or 1.2

per cent was incurred. By the end of the final quarter, however, under expenditure of R5,3 billion or 1.98 per cent was recorded.

- The inability of some departments to fill vacancies meant that the trend of under-spending for current expenditure and particularly compensation of employees continued. In light of this trend, the Committee agreed to make further enquires concerning vacancies across Government departments and their impact on the budget and service delivery.
- Certain departmental service delivery continued to be compromised due to weak financial planning and management - as evident from consecutive qualified audits reports. In this regard, the Committee agreed to focus on and assess weaknesses in specific departments during the 2007/08 financial year including, but not limited to, the Departments of Home Affairs, Health and Land Affairs.

Based on the findings in this Report, the JBC makes the following recommendations:

4.1 Many departments use the term "savings" to describe under-spending or lack of spending. The Committee therefore recommends that National Treasury further clarify, to Parliament committees and the various accounting officers, the criteria for the classification of unspent funds, specifically savings.

4.2 Departments frequently make virements after the adjusted appropriations, especially from compensation of employees, to other line budgets. Such virements are often the result of poor planning, poor financial management and vacancies that remain unfilled for long periods. The JBC therefore recommends that additional attention be given by departments to planning and budgeting for filling of vacancies and that these indeed be prioritised, and that the parliamentary committees pay particular attention to departmental initiatives in this regard.

4.3 Related to recommendation 4.2, departments should further focus on developing and expanding internship programmes to ensure that such programmes contribute to meeting the capacity needs of government.

4.4 National Treasury, after engaging with the JBC in this regard during the course of the current financial year, revise the content of Section 32 Reports published in terms of the PFMA to include additional details of departmental expenditure.

4.5 As certain government capital projects were compromised as a result of poor departmental planning and financial management and slow spending rates, the relevant departments as

better service delivery is compromised. In this regard, ...
should prioritise enhancing research support to committees.

2007/08 FINANCIAL YEAR

First Quarter: Findings and Recommendations

4.7 Findings and work in progress

4.7.1 Whilst spending has continued to improve across Government, the ability of ... and produce the desired outcomes and impact remains a ...

4.7.2 The JBC noted ... remains well below the linear benchmark of 25 per cent. Due to the relatively predictable ... current expenditure especially in relation to compensation of employees there is again a risk of under-spending in this category. Under-spending on personnel has been attributed for the most ... in departmental planning and human requests for information. The JBC is concerned that certain departments did not respond positively to previous requests and did not provide detailed information to that effect.

4.7.5 The JBC identified a number of spending challenges in specific departments which it intends to monitor during the year. The Committee maintains the importance of the need for the relevant portfolio and select committees to examine the details of expenditure in their respective departments.

4.8 **Recommendations**

4.8.1 With reference to 4.7.4 above, Parliament emphasise to the relevant departments the importance of responding promptly and fully to Committee requests for information.

4.8.2 Noting the budget implications of high and continuous vacancy rates, the Departments of Home Affairs, Education, Sports and Recreation, Housing and Transport submit a report to Parliament with the most recent details and progress on:

1. Number of posts per category/level of employment;
2. Number of posts funded or not funded;
3. Number of posts filled or vacant;
4. How long have the posts been vacant;
5. Measures taken to reduce and address vacancies within the 2007/08 financial year and over the medium term.

These reports should be submitted to Parliament within a month after the adoption of the Committee report.

4.8.3 That over-spending departments must submit expenditure breakdown, by economic classification and programme, on a quarterly basis – from October 2007 – for purposes of oversight.

4.8.4 Noting that many departments do not allocate funds for maintenance in general and for new capital projects in particular, the JBC recommends that departments should ensure that they budget for infrastructure maintenance as per Treasury Guidelines.

4.8.5 Noting that certain public enterprises have not managed their finances satisfactorily and repeatedly requested additional funds over those allocated in the Main Appropriation Bill, the JBC recommends that National Treasury and the Department of Public Enterprises report to Parliament within 1 month after the adoption of this report on measures taken to prevent the reoccurrence of such requests over both the short and medium term.