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ANALYSIS OF THE INDEPENDENT POLICE INVESTIGATIVE DIRECTORATE 4TH QUARTER (2012/2013) BUDGET REPORT

1. INTRODUCTION

Parliament's 'power of the purse' is a fundamental feature of democracy¹. As Krafchik and Wehner (2004) rightfully observe, "the vast majority of democratic constitutions require budgets, appropriations and taxation measures to be approved by parliament in order to become effective". For this requirement to be more than constitutional fiction though, "parliament, through the optimal usage of its oversight powers, must ensure that the revenue and spending measures it authorizes are fiscally sound, match the needs of the population with available resources, and are implemented properly and efficiently".² The Parliament of the Republic of South Africa is not an exception in this regard. In launching the Parliamentary Budget Office (PBO) at Parliament, the Speaker of the National Assembly, Mr Max Sisulu, informed members of the public and the media that, the Constitution of the Republic of South Africa grants Parliament the power of the purse and stipulates that executive revenue and spending plans must be approved by Parliament. He alluded to the need for effective parliamentary oversight of the budget and greater budgetary activism.

Indeed, effective parliamentary oversight of public budgets is central to democratization and improved public finance and/or budget management.³ It becomes imperative for Parliament, as the representative of citizens, to continuously monitor expenditure of government departments and institutions to ensure that;

- The nation's priorities are adequately reflected in the national departments' major fiscal plans.
- Government departments plan and implement budgets more effectively and efficiently.
- Allocated resources are utilised for their intended purposes.
- Gaps between planned and actual budgets are reduced.
- Over and/or under spending by departments are minimised.
- Unauthorised, irregular, fruitless and wasteful expenditure are prevented.
- Transparency and accountability prevail.

In light of the above, this paper will highlight the overall expenditure trends of the Independent Police Investigative Directorate (IPID) over the 2012/13 financial year with a specific focus on the last Fourth Quarter ending in March 2013/14. The paper is structured as follows:

- Overview of 1st, 2nd and 3rd Quarter spending trends for 2012/13 including the Adjusted Estimates
- Focussed analysis of the 4th Quarter spending for 2012/13;
- Year end spending for 2012/13
- Concluding comments

¹ Krafchik Warren and Wehner Joachim. 2004. Legislatures and Budget Oversight: Best Practices. Paper presented at the Open Forum held by Kazakhstan Revenue Watch in Almaty on April 8, 2004.

² Krafchik and Wehner (2004)

³ Krafchik and Wehner (2004)



2. FIRST, SECOND AND THIRD QUARTER SPENDING TRENDS FOR 2012/13 FINANCIAL YEAR

2.1 Spending in the first two Quarters of 2012/13

IPID received a budget allocation of R196.961 million for 2012/13 (28 per cent higher than its adjusted appropriation of R153.534 million for 2011/12). This included:

- R92.850 million for Programme 1: Administration (in contrast to the R73.4 million adjusted appropriation for 2011/12)
- R98.755 for Programme 2: Investigation and Information Management (in contrast to the R78.4 million adjusted appropriation for 2011/12)
- R5.356 million for Programme 3: Legal Services (in contrast to the R1.69 million adjusted appropriation for 2011/12)

During the First Quarter of 2012/13, the Directorate spent only 17 per cent (R32.873 million against R196.961 million) of its allocated budget, far below the 25% benchmark. The pattern of low First Quarter spending continued as in previous years (i.e. 19% in 2011/12 and 17% in 2010/11). By the end of the Second Quarter (30 September 2012), IPID had only spent 38.2 per cent (R75.32 million) of this main appropriation.

2.2. Adjusted Appropriation

The main appropriation of R196.96 million was increased by R937 thousand during the October 2012 adjustment period. The adjusted appropriation thus increased to R197.898 million.

The additional R937 million was allocated for higher remuneration increases than what was provided for in the main budget and was distributed for Compensation of employees across the three programmes.

In addition the following are some of the main virement that occurred:

- An amount of R6.681 million was moved from Goods and services in Programme 1 to Compensation of employees in Programme 2.
- An amount of R634 thousand was shifted from Goods and services in Programme 2 to Compensation of employees in Programme 2.

It should be noted that during the 2012/13 BRRR process in October 2012, IPID had alerted the Portfolio Committee on Police to the following problems with their 2012/13 budget:

- That their budget was almost equally divided into Compensation of employees (48 per cent) and Goods and services (49 per cent).
- That due do this fundamental misalignment of their budget they would not have the funds to pay for all filled posts (291 as at the end of August 2012) or to fill vacant posts (58 as at the end of 2012/13). They stated that they had a shortfall of R7.135 million to fund filled posts (R2.58 million needed) and to fill the 58 vacant posts for three months (R5.056 million needed).
- The allocation for Goods and services was too high and they would not be able to spend this budget.
- Cost cutting measure could be put in place and funds shifted from Goods and services budget to cover the shortfall of funds for Compensation of employees. Key areas for cost

Briefing by the Independent Police Investigative Directorate (IPID) on the 4th and 1st Quarter Report.



cutting included the Government Garage fleet services; reduction in contractual obligations; reduce overtime claims, cap payments of performance bonuses; and limit procurement of new equipment.

In light of this submission, the Portfolio Committee had noted in its BRR Report that it would 'recommend that National Treasury supports the movement of funds from Goods and services to Compensation of employees in order to cover existing staff costs as well as to fill the 58 vacant posts'.

The following table illustrates these shifts and adjustments:

Programme R'000	Main Appropriation	Virements and shifts	Other adjustments	Adjusted appropriation
1. Administration	92 850	(6 681)	357	86 526
2. Investigation and Information Management	98 755	6 681	531	105 967
3. Legal Services	5 356		49	5 405
Total	196 961	-	937	197 898

In essence, virement made during the adjustment period resulted in higher allocations for Programme 2: Investigation and Information Management and lower allocations for Programme 1: Administration. The higher allocations in Programme 2: Investigation and Information Management resided in the Compensation of employee line item and were to be used to fund vacant posts in this critical core business programme.

2.3. Spending in the Third Quarter of 2012/13

By the end of the Third Quarter, IPID had only managed to spend 60.1 per cent of its adjusted appropriation and was thus behind in planned spending by R28.3 million. All Programmes reflected under spending by December 2012 as follows:

- Programme 1: Administration had spent 65 per cent
- Programme 2: Investigation and Information Management has spent 57.1 per cent
- Programme 3: Legal Services had spent 39.8 per cent

Despite the virement that had been approved during the adjustment period which included the removal of R6.681 million from Goods and services, spending in Goods and services was still very low at only 54.4 per cent. Compensation of employees spending was better but still low (at 66.6 per cent). Spending on payments for capital assets (Machinery and equipment) was exceptionally low at only 4.4 per cent (only R257 thousand spent of an adjusted allocation of R5.8 million).

It should be noted as a concern that by the end of December 2012, only 299 of 344 posts were filled, which resulted in an overall vacancy rate of 13.1 per cent. National Treasury has noted that the slow filling of critical post vacancies, especially of investigators, remains a setback on effective service delivery and should be addressed as a matter of urgency.



3. FOURTH QUARTER SPENDING FOR 2012/13 ENDING 31 MARCH 2013

3.1. Overall spending

The IPID only spent 86.6 per cent of its allocated budget by the end of the Fourth Quarter ended 31 March 2013. Expenditure of R171.4 million of its adjusted appropriation of R197.9 million resulted in under-expenditure of R26.5 million. This is in contrast to the total expenditure for 2011/12 of 100 per cent of the 2011/12 adjusted appropriation.

The below reflects the year-to-date expenditure of the IPID as at the end of the fourth quarter.

Fourth Quarter year-to-date expenditure for 2012/13 per Economic Classification

Economic Classification	Adjusted Appropriation 2012/13	Actual Year to date Expenditure	Variance	% Spent
	R`000	R`000	R`000	%
Compensation of employees	103,417	94,045	(9,372)	90.9%
Goods & Services	88,572	71,981	(16,591)	81.3%
Transfers & Subsidies	103	2,070	1,967	2009.7%
Machinery & Equipment	5,806	3,347	(2,459)	57.6%
Payments for financial assets	-	5	5	-
Total Actual Expenditure	197,898	171,448	(26,450)	86.6%

In terms of the table below it is clear that all Programmes underspent by year end. Programme 1: Administration spent 93.57 per cent of its annual budget for the year ended 31 March 2013. Programme 2: Investigation and Information Management spent 82.53 per cent of its annual budget whereas Programme 3: Legal Services spent only 55.99 per cent of its annual budget.

Fourth Quarter year-to-date expenditure for 2012/13 per Programme

Economic Classification	Adjusted Appropriation 2012/13	Actual Year to date Expenditure	Variance	% Spent
	R`000	R`000	R`000	%
Administration	86,526	80,964	(5,562)	93.57%
Investigation & Information Management	105,967	87,458	(18,509)	82.53%
Legal Services	5,405	3,026	(2,379)	55.99%
Total Actual Expenditure	197,898	171,448	(26,450)	86.60%



3.2. Spending during the Fourth Quarter

As noted above, IPID had only managed to spend 60.1 per cent of its budget by the end of the Third Quarter 2012/13. In order to achieve 100 per cent spending for 2012/13, IPID would have needed to have spent almost 40 per cent of its budget during the Fourth Quarter. This it was clearly unable to do. However, during the Fourth Quarter, the Department managed to spend R52. 459 million of their annual adjusted appropriation of R197. 898 million⁴, which equated to 27 per cent expenditure for that Quarter.

Against a benchmark of 25 per cent spending for the Fourth Quarter, in terms of Programme expenditure during the Fourth Quarter 2012/13, Programme 1: Administration spent 29 per cent of its adjusted budget during the Fourth Quarter. Programme 2: Investigation and Information Management spent 25 per cent of its adjusted budget whereas Programme 3: Legal Services spent 16 per cent of its adjusted budget.

Fourth Quarter 2012/13 spending per Programme

Economic Classification	Annual Budget Target	Quarterly Budget Target	Actual Quarterly Expenditure	Variance (Quarterly Exp. Vs. Quarterly Budget)	Actual Percentage Spent
	R'000	R'000	R'000	R'000	
Administration	86,526	21,632	24,679	3,047	29%
Investigation & Information Management	105,967	26,492	26,904	412	25%
Legal Services	5,405	1,351	876	(475)	16%
Total	197,898	49,475	52,459	2,984	27%
Should have spent					25%

Fourth Quarter spending per Economic classification

Economic Classification	Annual Budget Target	Quarterly Budget Target	Actual Quarterly Expenditure	Variance Quarterly Exp vs Quarterly Target	Actual Percentage Spent
	R'000	R'000	R'000	R'000	
Compensation of employees	103 417	25854	25147	(707)	24%
Goods and Services	88 572	22 143	23 842	1 699	27%
Transfers & Subsidies				-	369%

⁴ R197 898 000 was an increase from a final appropriation of R153,534 million received by the Directorate in 2011/12



	103	26	380	354	
Machinery & Equipment	5 806	1425	3090	- 1639	53%
Total	197898	49475	52459	- 2985	27%
Should have spent					25%

In addition, the following detail can be noted in terms of spending during the Fourth Quarter:

Programme 1: Administration

January to March 2013: Administration Budget and Expenditure

Economic Classification	Annual Budget Target	Quarterly Budget Target	Actual Quarterly Expenditure	Variance Quarterly Exp vs Quarterly Target	Actual Percentage Spent
	R'000	R'000	R'000	R'000	
Compensation of employees	36 951	9 238	8 918	320	24%
Goods & Services	48 335	12 084	14 291	-2 207	30%
Transfers & Subsidies	100	25	297	-272	297%
Machinery & Equipment	1 140	285	1 173	-888	103%
Total	86 526	21 632	24 679	-3 048	29%
Should have spent					25%

As shown in the table above, the overall Programme performance shows 4 per cent over the planned expenditure of 25 per cent for the Fourth Quarter. This was caused mainly by overspending on Transfers and Subsidies. Late procurement and delivery of office furniture and IT equipment has also contributed to the overspending of the Programme (103 per cent spent on Machinery and equipment instead of 25 per cent) for the Fourth Quarter.

Programme 2: Investigation and Information Management

January to March 2013: Investigation and Information Management Budget and Expenditure

Economic Classification	Annual Budget Target	Quarterly Budget Target	Actual Quarterly Expenditure	Variance Quarterly Exp vs Quarterly Target	Actual Percentage Spent
	R'000	R'000	R'000	R'000	
Compensation of employees	61 525	15 381	15 550	-169	25%
Goods and Services	39 801	9 950	9 438	512	24%
Transfers & Subsidies	3	1	83	-82	2767%
Machinery & Equipment	4 638	1 160	1 833	-674	40%



Total	105 967	26 492	26 904	-412	25%
Should have spent					25%

As highlighted above, the Fourth Quarter overall spending trend of this Programme was within target (25 per cent). However, item spending reflects unsatisfactory trends of 2767% under Transfers and Subsidies (apparently due to a leave discounting pay-out to a senior official who has since left the Public Service in the quarter under review). As in the Administration Programme, late procurement and delivery of office furniture and IT equipment was provided as the reason for higher than desirable spending on Machinery and equipment and lower spending on Goods and services. This resulted to over spending by R674 thousand on Machinery and equipment and under spending by R512 thousand on Goods and services for the Fourth Quarter.

Programme 3: Legal Services

January to March 2013: Legal Services Budget and Expenditure

Economic Classification	Annual Budget Target	Quarterly Budget Target	Actual Quarterly Expenditure	Variance Quarterly Exp vs Quarterly Target	Actual Percentage Spent
	R'000	R'000	R'000	R'000	
Compensation of employees	4941	1235	679	556	14%
Goods and Services	436	109	113	-4	26%
Transfers and Subsidies	-	-	-	0	0%
Machinery and Equipment	28	7	84	-77	300%
Total	5405	1351	876	475	16%
Should have spent					25%

The Fourth Quarter spending of this Programme was 16 per cent, which thus was considerably short of the projected 25 per cent- resulting in lower than planned spending for this Programme of 9 per cent. This was apparently as a result of underperformance in Compensation of Employees, caused by misallocation of funds and incorrect personnel linking codes. Part of the personnel costs related to the officials in this programme were incurred by Programme 2, however correction measures are apparently in place to correct the expenditure classification.

3.3. Detailed analysis of overall spending by end of Fourth Quarter 2012/13

Despite 27 per cent spending in the Fourth Quarter, as highlighted above, IPID could only manage to spend 86.6 per cent of its adjusted allocation for the 2012/13 financial year.



3.3.1. Programme analysis

Programme 1: Administration

Programme 1 spent 93 per cent of its adjusted appropriation of R86.526 million. It should be noted that it would have under spent even more if R6.8 million had not been shifted from Programme 1 to Programme 2 during the adjustment period. Higher than planned expenditure occurred in sub programmes:

- Department Management (221.5 per cent)
- Office Accommodation (153.3 per cent)

Lower than planned expenditure occurred in sub programmes:

- Corporate Services (75.2 per cent)- the largest of the sub programmes with a total adjusted appropriation of R51.5 million)
- Internal Audit (90.6 per cent)
- Finance Administration (73.3 per cent)

In terms of Economic Classification, lower than planned expenditure is apparent for:

- Compensation of employees (91.8 per cent)
- Goods and services (90.7 per cent).

Higher than planned expenditure is apparent for:

- Transfers and subsidies (1983 per cent)
- Machinery and equipment (107.4 per cent)

Questions and comments

- Explain higher than planned expenditure for Department Management (221.5 per cent) and Office Accommodation (153.3 per cent) sub programmes as well as lower than planned spending in the other sub –programmes.
- Finance Administration is a key sub –programme. Why did this sub- programme under spend (only 73.3 per cent spent).
- It is clear that under spending was as a result of low spending in Compensation of employees and Goods and services. Highlight vacant positions per sub-programme and explain how these impacted on service delivery for 2012/13. Why were these positions not filled?
- Explain over expenditure in Transfers and subsidies (1983 per cent- only R100 thousand budgeted for and R1.98 million spent) and Machinery and equipment (R107.4 per cent).

Programme 2: Investigation and Information Management

Programme 2 spent 82.5 per cent of its adjusted appropriation of R105.967 million. It should be remembered that a total of over R6.8 million was shifted to this Programme from Programme 1 during the adjustment period with the understanding that vacant posts, including for investigators were to be filled. Low spending is apparent in all sub programmes as follows:

- Investigation Management (85.6 per cent)
- Information Management (50.4 per cent)
- Policy Development and Provincial Coordination (50.7 per cent)



In terms of Economic classification, low spending is apparent in:

- Compensation of employees (93.6 per cent)
- Goods and services (69.6 per cent)
- Machinery and equipment (44 per cent)

In contrast high spending is noted in Transfers and Subsidies (2900 per cent).

Comments and questions

- Explain extremely low spending in Information Management; and Policy Development and Provincial Coordination sub programmes. How much of this under spending was as a result of unfilled vacancies?
- Explain lower than desirable spending in Investigation Management, the core sub programme of the Directorate. How much of this under spending as a result of unfilled vacancies?
- Explain extremely low Goods and services spending (69.6 per cent) and Machinery and equipment spending (44 per cent), despite shifts made during the adjustment period of R634 thousand out of the Goods and services budget.
- Compensation of employees budget under spent by R3.9 million yet an additional R7.4 million had been shifted to this classification in Programme 2 during the adjustment period (i.e. R6.8 million from Programme 1 and R634 thousand out of Goods and services in Programme 2). Why were these additional funds requested as virement if only R3.4 million of these funds were spent? It seems as if there may even have been a problem with the planning process in terms of virement.
- Explain the very high spending for Transfers and subsidies (2900 per cent- only R3 hundred allocated but R87 thousand spent).

Legal Services

Programme 3 spent 56 per cent of its adjusted appropriation of R5.4 million. Higher than planned expenditure occurred in sub programme Legal and Litigation Advisory Services (123.7 per cent) and lower than planned expenditure occurred in Investigation Advisory Services (35.7 per cent).

Under spending occurred in Compensation of employees (50.5 per cent) and overspending occurred in Goods and services (102.1 per cent) and Machinery and equipment (300 per cent)

Comments and questions

- Explain the overspending in Legal and Litigation Advisory Services sub programme (123.7 per cent) and the under spending in Investigation Advisory Services (35.7 per cent).
- Explain the high under spending in Compensation of employees (50.5 per cent). Where are these vacancies and how did they affect service delivery?
- Explain the 300 per cent overspending in Machinery and equipment.

3.3.2. Economic classification

Compensation of employees

An amount of over R9 million was not spent by year end under this line item. An analysis of spending for the 2012/13 financial year illustrates that under spending occurred in all Programmes in terms of Compensation of employees but was particularly marked in Programme 3: Legal



Services (50.5 per cent spent and R2.4 million was still available). Programme 1 under spent on Compensation of employees at 91.8 per cent (R3 million was still available) and Programme 2 under spent at 93.6 per cent (R3.9 million was available).

This points to problems in filling vacancies within IPID and should be probed further to ensure that this problem is not reoccurring in 2013.14. It is also a concern that funds were shifted to pay for filling these vacant posts and yet the funds that were shifted were not all spent.

Goods and services

Very low spending occurred in Goods and services by the end of the Fourth Quarter of 2012/13. This is despite an amount of over R7.2 million that had been shifted out of Goods and services during the adjustment period in October (and into Compensation of employees). Again, it is noted that IPID had informed the PC on Police that their Goods and services budget was too large and that in addition, a number of cost savings were going to be made in this area.

Despite these measures overspending by the end of 2012/13 is noted for:

- Advertising (118.8 per cent)
- External audit costs (135.3 per cent)
- Fleet services (163.3 per cent)
- Operating payments (356.9 per cent)
- Transport provided (departmental activity) (70 722.2 per cent)

Under spending is noted for (amongst others):

- Lease payment (36.7 per cent)
- Property payments (61.8 per cent)

Comments and questions

- Explain the overspending in all line items mentioned above but with a focus on Fleet services and Transport provided. In terms of Fleet services, a total of R4.408 million was budgeted for but R7.2 million was spent. What measures were implemented (in line with the inputs made to the PC on Police in October 2012, where it was stated that measure were to be taken to reduce expenditure on GG vehicles)? In addition, only R9 hundred was budgeted for Transport provided yet a total of R6.356 million was spent. Explain this huge discrepancy and the reasons for spending on an item which had essentially no budget allocated.
- Explain the much higher spending (R6.695 million) on Operating payments than the amount budgeted for (R1.876 million).
- Explain the very low spending on Lease payments (only R8.6 million spent of an allocation of R23.5 million)? What is the current situation with the Department's Head Office lease as well as the provincial and satellite offices?



Machinery and equipment

Only 57.5 per cent of the total adjusted appropriation of R5.8 million for Machinery and equipment was spent by the end of the Fourth Quarter 2012/13. Under spending occurred in Programme 2: Investigative and Information Management (44 per cent) while overspending occurred in Programme 1 (107.4 per cent) and Programme 3 (300 per cent).

Comments and questions

- Explain very low expenditure for Machinery and equipment in Programme 2 (44%) and higher than planned expenditure in the other two programmes. Surely, Programme 2 which is the core business of the Department has more of a need for equipment in order to improve service delivery?

Transfers and subsidies

Overspending on Transfers and Subsidies (2009.7 per cent) by the end of 2012/13 was according to the report from the IPID, “due to the payment of leave discounting and settlement fees for some of the personnel (under this Programme), who have since left the Public Service”.

Comments and questions

- How many people left IPID during 2012/13 and what were the main reasons?
- Why was such a small amount (R103 thousand) allocated for this line item in light of the fact that payments made were over R2 million

Vacancies

As at the end of March 2013 out of a total of 347 posts, only 302 posts were filled thus reflecting 45 vacant posts (i.e. a vacancy rate of 13 per cent).

- Crime investigators- 80 posts were available of which 65 were filled resulting in 15 vacancies (vacancy rate of 76.9 per cent)
- Financial clerks- 16 posts available of which 134 were filled resulting in 3 vacancies (vacancy rate of 76.90 per cent)
- Human resources related - 4 posts available of which 3 were filled resulting in 1 vacancy (vacancy rate of 66.7 per cent)
- Senior managers- 20 posts available of which 8 were filled resulting in 12 vacancies (vacancy rate of 50 per cent)
- Head of Department- 1 post available which has not yet been filled
- Security officer- 1 post available which has not yet been filled

Comments and questions

- Explain how IPID is addressing the filling of the 15 vacant posts for investigators
- Explain progress with the filling of the Executive Director posts and the senior management posts including for provincial heads?
- Explain how vacant post affected service delivery for 2012/13 as well as financial spending performance?



- Why were these 45 vacant posts not filled during the financial year, especially as funding was made available (during the adjustment period) to fill these posts and that over R9 million was not spent of these funds for Compensation of employees by year end?

4. CONCLUDING COMMENTS

It is clear that despite adjustments made during the October 2012 adjustment period, these did not address clear problems with budget planning and performance for the 2012/13 financial year. In summary the following are some key concerns:

- Only 86.6 per cent of the total annual adjusted appropriation of IPID was spent by the end of the 2012/13 financial year.
- Misalignment of the 2012/13 budget allocation (too much funds for Goods and services and too few funds for Compensation of employees) set the tone for very poor spending during the 2012/13 financial year.
- Very low spending occurred in both the First (17 per cent) and Second Quarters (38.2 per cent) of 2012/13
- However, despite over R7.4 million in virement during the adjustment period (October 2012) from Goods and services to Compensation of employees (specifically to Programme 2, the core business of the Department), Goods and services was still under spent by the end of the Fourth Quarter by R16 million.
- Of even more concern is that over R9 million rand was not spent by the end of the Fourth Quarter for Compensation of employees pointing to a clear problem with filling of vacant posts by the Directorate. Why were funds shifted if they could not be spent?
- IPID and the Portfolio Committee need to seriously look at the reported spending levels at the start of the 2013/14 financial year and closely monitor monthly expenditure performance to ensure spending according to plans and targets. The Portfolio Committee should remain mindful that there is a high probability that the under/over expenditure recorded in the first quarter may persist throughout the year and lead to over/under expenditure in the last quarter of the 2013/14 financial year.

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