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 on Sectoral  
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 (Analysis)  
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 2014

**Definition of terms**

**Capacity constraints** refers to a situation where the available resources are insufficient to enable the institution to deliver or carry out its functions.

**Conditional grants** refer to the allocation of funds from one sphere of government to expenditure on certain services being delivered or on compliance with specified requirements.

**Cooperative governance** refers to a form of government that espouses political flexibility, negotiation, compromise and less reliance on the rigid distribution of powers between the three spheres of government. It also requires a synthesis and coordination of the functions and endeavours of the three spheres of government working together for the common good of the nation as a whole.

**Equitable share** is the allocation of revenue to the national, provincial and local spheres of government as required by the Constitution.

**Funded and unfunded mandates** - Funded mandates occur when funds are allocated to a sphere of government to enable that sphere to perform its functions and unfunded mandates occur where legislation or regulation requires a sphere of government to perform certain functions without allocating funds for the performance of such functions.

**Inter-governmental relations** refer to the relationships between the three spheres of government as stipulated within the Constitution. In terms of section 40(1) of the South African Constitution, in the Republic, government is constituted as national, provincial and local spheres which are distinctive, interdependent and interrelated.

**Intervention** occurs when one sphere of government intervenes in the affairs of another sphere (that fails to fulfill its constitutional mandate) by taking appropriate steps to ensure that such a sphere fulfills its constitutional obligations.

**Low revenue base** in a municipality refers to a situation where potential own revenue is less than government transfers to the municipality.

**Medium term expenditure framework** refers to the three year spending plans of national and provincial governments, published at the time of the budget.

**Negative audit opinion** refers to any of the following audit outcomes – unqualified audit opinion with matters of emphasis, qualified audit opinion, adverse audit opinion and disclaimer:

- Unqualified audit opinion with emphasis of matter indicates that the financial statements may be regarded as fairly representing the financial status of the department or entity, but there are a number of issues that are cause for concern which are raised in the emphasis of matter;
- Qualified opinion is expressed when the Auditor-General concludes that an unqualified opinion cannot be expressed, but that the effect of any disagreement with management, or limitation on the scope of the audit is not so material or fundamental as to require an adverse opinion or a disclaimer of opinion;
- Adverse opinion is expressed when the effect of a disagreement is so material and fundamental to the financial statements that the Auditor-General concludes that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements;
- Disclaimer means no opinion is expressed and occurs when the Auditor-General concludes that the possible effect of a limitation on the scope of the audit is so material and fundamental that the auditor has not been able to obtain sufficient

appropriate audit evidence, and accordingly is unable to express an opinion on the financial statements.

**Roll-over** occurs when unspent allocated funds are carried over to the next financial year.

**Stopping and withholding** of funds occur when the transferring department stops or withholds the transfer of allocated funds to another department or entity.

**Structural challenges** within municipalities includes low revenue base, poverty, inequality, unemployment, under-development, capacity constraints etc.