



## national treasury

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

Public Finance

File:1.4.7.3

From: Ike Mabena

Tel: 012 315 5582

Fax: 012 315 5522

E-mail: isaac.mabena@treasury.gov.za

### EXTERNAL MEMORANDUM

THEMBA GODI  
CHAIRPERSON: STANDING COMMITTEE ON PUBLIC ACCOUNTS (SCOPA)

REPORT ON THE UNAUTHORISED EXPENDITURE INCURRED BY THE DEPARTMENT OF HOME AFFAIRS FOR THE 2005/06 YEAR.

#### PURPOSE

1. To brief SCOPA on the unauthorised expenditure incurred by Home Affairs on its votes in the 2005/06 year.

#### SUMMARY

2. The Department of Home Affairs over spent R53.002 million at the end of the 2005/06. Furthermore it utilised R46.881 million which was earmarked for information technology capital projects to defray current expenditure relating to information technology without prior approval from National Treasury as contemplated in Treasury Regulation 6.3.1(c).
3. According to the department the over spending was as mainly due to the expenditure incurred for the Back Record Convention (BRC) project for the digitization of manual fingerprints for which it accounted for R37.229 million and the other amount was for the 2004/05 accruals which accounted for R15.733 million of the total rollovers. NB
4. During the 2005/06 the department submitted to National Treasury the rollover request totalling R389.678 million of which R97.286 million was approved. In the amounts approved there was R46 million for the completion of the BRC project, and R51.186 million for orders which were not delivered on time for payment to be made. The rollover request was approved on condition that the department's expenditure trends for the first quarter should be in line with the approved expenditure benchmark. However, the expenditure was below the benchmark and expenditure projections indicated that the department will under spend at the end of the year and as a result the rollovers were not allocated during the 2006 Adjusted Estimates of National Expenditure. NB

#### DISCUSSION

5. The department must submit its monthly expenditure report to the National Treasury before the 22<sup>nd</sup> of every month in terms of sections 32(2) and 40(4)(b)(c) of the PFMA and in accordance

with Treasury Regulation 18.1.2. During the 2005/06 the department complied with the requirements of the PFMA by submitting in time all 12 monthly expenditure reports. National Treasury assessed all the 12 reports and the assessment of the first nine month reports all revealed that the department was under spending its budget.

6. In January of each year, National Treasury performed the under/over spending exercise which forecast the year end expenditure of departments based on the expenditure trends for the 9 months period ending 31 December i.e. until the end of the third quarter. The results of the exercise are then compared with the department's own projections for the year which also take into account all commitments. The outcome of both exercises performed by National Treasury and the Department revealed that the department was going to under spend at the end of the year (The department projected R40 million under spending and National Treasury's projection was R178.4 million).
7. In a letter dated 3 May 2006, National Treasury wrote to the department requesting that it explain why the expenditure at the end of March 2006 was so abnormally high. The department responded in a letter dated 18 May 2006 (see annexure A for detail) providing details of transactions. National Treasury was concerned about the extremely high level of expenditure that occurred between January and March, this high uncontrolled level of expenditure resulted in over spending at the end of the financial year.


#### COMMENTS

8. The department had a history of under spending its budget at the end of each financial year prior to the 2005/06, this was the main reason that National Treasury reserved and not allocated the rollover amount of R97.286 million (see annexure B for details). It was going to be irresponsible on the part of Treasury to increase the department's budget by allocating additional funds when it did not have the capacity to spend it. The department knew well in advance that the rollover amounts were withdrawn and therefore, could have been put in measures to remain within the budget.
9. In light of the above, it is recommended that the Committee in its resolution, consider that the unauthorised expenditure be recovered from future baseline budgets of the department. This could be either done as a once-off or staggered depending on the savings that could be realised.

#### RECOMMENDATION

10. It is recommended that the unauthorised expenditure be recovered from the department's future baseline budgets. This could be either done as a once-off or staggered depending on the savings that could be realised.

Compiled by Ike Mabena

  
Gillian Wilson  
Chief Director: Administrative Services  
Public Finance, National Treasury  
Date: 11/06/2010

Contact Details:  
Tel. 012 315 5195 Fax: 012 315 5522 Mobile: 082 445 2896 or 082 679 3868  
E-mail: Gillian.wilson@treasury.gov.za