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**ANALYSIS OF EXPENDITURE OF THE CIVILIAN SECRETARIAT FOR POLICE (CSP)  
AS AT THE END OF THE 2015/16 FINANCIAL YEAR (Q4)**

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1. INTRODUCTION

The Civilian Secretariat for Police (CSP) showed positive expenditure as at the end of the 2015/16 financial year (FY) and managed to spend 98.9 per cent of its allocated budget of R113.184 million, which is a significant improvement on the previous financial year (82.6 per cent). However, the expenditure pattern at year-end shows significant variances between the Budget Programmes of the Secretariat, with some ahead of expenditure and some behind (giving an overall positive expenditure), as illustrated below:

- Programme 1: Administration spent 92.2 per cent of its appropriated budget;
- Programme 2: Intersectoral coordination and strategic partnerships spent 118.6 per cent of its appropriated budget;
- Programme 3: Legislation and policy development spent 103.9 per cent of its appropriated budget; and
- Programme 4: Civilian oversight, monitoring and evaluation spent 87.6 per cent of its appropriated budget.

This paper provides a summary of Departmental expenditure as at the end of the 2015/16 FY.

2. OVERVIEW DEPARTMENTAL EXPENDITURE 2015/16 FINANCIAL YEAR-END

At the end of the 2015/16 financial year, the Secretariat had spent R111.9 million or 98.9 per cent of the adjusted appropriation budget of R113.2 million. As a result, the Secretariat underspent its budget by R1.3 million. The underspending was mainly visible under the *Administration* and *Civilian Oversight, Monitoring and Evaluations* Programmes, which incurred underspending of R3.6 million and R2.8 million, respectively. In contrast, the *Intersectoral Coordination and Strategic Partnerships* and the *Legislation and Policy Development* Programmes recorded overspending of R4.2 million and R907 000, respectively.



In terms of economic classification, the bulk of expenditure was incurred on *compensation of employees* (58.4 per cent). Spending under current payments was at 98.7 per cent. This is an increase of 15.6 percentage points from the spending outcome recorded in 2014/15. While the Secretariat underspent its available budget on *compensation of employees* by R3 million, it overspent its available budget on *goods and services* by R1.6 million.

The table below provides a summary of the overall Departmental spending as at the end of the 2015/16 financial year:

**Table 1: Overall Departmental spending**

| IPID Programmes<br>R'000                                    | Adjusted<br>Appropriation | Actual<br>Spent | Projections    | %<br>Spent    | %<br>Variance  |
|---|---------------------------|-----------------|----------------|---------------|----------------|
| 1. Administration   | 44 541                    | 40 960          | 44 541         | 92.0%         | 8.0%           |
| 2. Intersectoral Coordination and<br>Strategic Partnerships | 22 539                    | 26 724          | 22 539         | 118.3%        | (18.6%)        |
| 3. Legislation and Policy Development                       | 23 442                    | 24 348          | 23 442         | 103.9%        | (3.9%)         |
| 4. Civilian Oversight, Monitoring and<br>Evaluations        | 22 662                    | 19 859          | 22 662         | 87.6%         | 12.4%          |
| <b>Total</b>  | <b>113 184</b>            | <b>111 891</b>  | <b>113 184</b> | <b>98.9%</b>  | <b>1.1%</b>    |
| <b>Economic classification</b>                              |                           |                 |                |               |                |
| <b>Current payments:</b>                                    | <b>111 316</b>            | <b>109 876</b>  | <b>111 316</b> | <b>98.7%</b>  | <b>1.3%</b>    |
| Compensation of employees                                   | 68 330                    | 65 294          |                | 95.6%         | 4.4%           |
| Goods and services  | 42 986                    | 44 582          |                | 103.7%        | (3.7%)         |
| <b>Transfers and subsidies:</b>                             | <b>209</b>                | <b>5</b>        |                | <b>2.4%</b>   | <b>97.6%</b>   |
| Provinces and Municipalities                                | 6                         | 5               |                | 83.3%         | 16.7%          |
| Departmental agencies and private<br>enterprises            | 203                       |                 |                | 0.1%          | 99.9%          |
| Households  | 0                         | 0               | 0              | 0%            | 0%             |
| <b>Payments for capital assets:</b>                         | <b>1 659</b>              | <b>2 705</b>    | <b>1 659</b>   | <b>163.1%</b> | <b>(63.1%)</b> |
| Machinery and equipment                                     | 1 601                     | 2 705           | 1 601          | 169.0%        | (69.0%)        |
| Software and other intangible assets                        | 58                        | 0               | 58             | 100%          | 100%           |
| <b>Cumulative Journal Transaction<br/>Correction</b>        |                           | <b>(695)</b>    |                |               |                |
| <b>Total</b>  | <b>113 184</b>            | <b>111 891</b>  | <b>113 184</b> | <b>100%</b>   | <b>1.1%</b>    |

### 3. EXPENDITURE PER PROGRAMME

This section provides a summary of the key spending trends and concerns of the Directorate as at the end of the 2015/16 financial year per separate budget Programme.

#### 3.1. Programme 1: Administration

At the end of the 2015/16 financial year, spending under the *Administration* programme was R41 million or 92 per cent of the available budget. A total of R3.6 million of the available budget was not spent. Despite the overall underspending of R3.6 million recorded at programme level,





overspending was noticeable under the *Department Management* (R4.4 million) and *Corporate services* (R533 000) subprogrammes. Conversely, the *Finance, Office Accommodation and Internal Audit* subprogrammes reported underspending of R7.2 million, R1.2 million and R78 000, respectively.

In terms of economic classification, the following should be noted:

- The Secretariat underspent its available budget for *goods and services* by R4.1 million.
- A significant proportion of this underspending was on *computer services* (R6 million) and *operating leases* (R1.3 million).
- At the end of the 2015/16 financial year, spending on *compensation of employees* was higher than the available budget by R852 000.
- The Secretariat overspent its budget for *payments for capital assets* by R580 000, more specifically on machinery and equipment.

#### Comments and questions

- 1) It should be noted that the Secretariat overspent its budget on compensation of employees for this programme by R852 000. However, according to Vulindlela, the Secretariat had 5 vacant posts under the *Administration* programme. The Secretariat should provide clarity on why or how it overspent its budget for compensation of employees when there were 5 vacant funded positions in this programme at the end of 2015/16.
- 2) The Secretariat should elaborate on the drivers that led to its overall underspending of R3.6 million in the *Administration* programme at the end of the fourth quarter.
- 3) The Secretariat should explain the variances recorded in expenditure under its subprogrammes under the *Administration* programme. The *Finance, Office Accommodation and Internal Audit* subprogrammes reported underspending of R7.2 million, R1.2 million and R78 000, respectively, while the *Department Management* and *Corporate Services* subprogrammes overspent its budget.
- 4) The overspending on the budget of the *Department Management* subprogramme should be a concern to the Committee, as overspending on the allocated budget has been a trend for the past few financial years. In 2014/15, the Secretariat spent 116 per cent of its allocation towards this subprogramme, which is amplified in the 2015/16 expenditure of 160.1 per cent of its allocated budget. The purpose of the subprogramme is to provide strategic support to the Secretary of Police and performance indicators include the consultative forums with the IPID and the production of statutory reports such as the, quarterly and annual performance reports and the annual performance plan (APP). From the targets and purpose of the subprogramme it is unclear why the Secretariat overspent on its allocated budget for this subprogramme.
- 5) The *Office Accommodation* subprogramme budgeted R1.199 million at the start of the financial year, yet it recorded zero expenditure at year-end. This suggests that the Secretariat still does not have its own office accommodation. The Committee should ask the Secretariat to provide an explanation for the failure to secure office accommodation for the past five years (since its establishment in 2012).
- 6) The Secretariat should provide reasons for the lack of expenditure on *Transfers and subsidies: Provinces and municipalities*. The Secretariat budgeted R209 thousand, but only spent R4 thousand at year end, which is a variance of 98.1 per cent.





- 7) The Secretariat should explain the reasons for spending almost twice its allocated budget for machinery and equipment in the Administration programme. The Secretariat spent a total of R1.205 million on *machinery and equipment* against an Adjusted appropriation towards this item was R625 thousand.
- 8) The variances in expenditure recorded for subprogrammes suggest a lack of strategic planning and budgeting in the *Administration* programme.

### 3.2. Programme 2: Intersectoral coordination and strategic partnerships

At the end of the 2015/16 financial year, spending on this programme was R26.7 million against the available budget of R22.5 million. As such, the Secretariat overspent its available budget allocated to the *Intersectoral coordination and strategic partnerships* programme by R4.2 million. The bulk of this overspending was mainly notable under the *Intergovernmental, Civil Society and Public-Private Partnerships* subprogramme, which recorded overspending of R5 million.

At economic classification level, the following should be noted:

- **The Secretariat recorded overspending of R5 million under *goods and services*.**
- The bulk of this overspending was incurred on *advertising* (R2.1 million) and *venues and facilities* (R1.5 million).
- Despite the implementation of cost containment measures in the Secretariat from November 2015, the Secretariat still overspent its available budget on these non-core goods and services items which should be cause for concern for the Committee.

#### Comments and questions

- 1) Similar to the previous financial year (2014/15) where the Secretariat overspent its available budget for this programme by 3.5 per cent, the available budget, more specifically on *goods and services*, was also overspent in 2015/16, which implies that the Secretariat has incurred unauthorised expenditure, however Secretariat has applied virements to defray the excess expenditure.
- 2) The Secretariat should explain the high expenditure on ***advertising* and *venues and facilities***.

### 3.3. Programme 3: Legislation and policy development

Spending under this programme at the end of the 2015/16 financial year was R24.3 million against the available budget of R23.4 million thus resulting in overspending of R906 000. While the *Policy Development and Research* subprogramme recorded overspending of R1.2 million, the *Legislation* subprogramme recorded underspending of R269 000.

In terms of economic classification, the following should be noted:

- Spending on *compensation of employees* was R13.1 million or 99.5 per cent of the available budget. This is an increase of 18.4 per cent from the spending outcome recorded in the same period in 2014/15.
- Spending on *goods and services* was ahead of projections with 7.6 per cent.





- Spending on *machinery and equipment* was ahead of schedule with 56.6 per cent. The Secretariat spent R620 thousand of its available budget of R396 thousand at the end of the fourth quarter of 2015/16.

#### Comments and questions

- 1) Similar to the *Intersectoral Coordination and Strategic Partnerships* programme, the programme had possibly incurred unauthorised expenditure at the end of March 2016. It is unclear what virements were applied, if any, which could mitigate against the possibility of unauthorised expenditure. The Secretariat should indicate the amount post-AENE.
- 2) The Secretariat spent almost double its available budget in the *Legislation and Policy Development* programme for *machinery and equipment* at the end of the fourth quarter, which should be explained by the Department. The Department should indicate what items were procured.
- 3) The *Legislation* subprogramme only recorded a slight underspending (2.4 per cent), yet no performance targets for 2015/16 was achieved as none of the five (5) pieces of legislation targeted in its 2015/16 APP was introduced in Parliament.

### 3.4. Programme 4: Civilian Oversight, Monitoring and Evaluations

At the end of the 2015/16 financial year, spending under this programme was R19.9 million or 87.6 per cent of the available budget. As a result, the Secretariat underspent its available budget by R2.8 million. However, it is notable that the Secretariat's spending rate has increased by 41.7 percentage points when comparing spending at the end of the fourth quarter of 2014/15 to the spending outcome in 2015/16.

At economic classification level, the following should be noted:

- A greater proportion of the reported underspending of R2.8 million was under current payments (R3 million), more specifically on *compensation of employees* (R2.9 million).

#### Comments and questions

- 1) At the end of 2015/16, 4 positions (2 at skilled level and 2 at highly skilled supervision level) were reported to be vacant in this programme. These positions became vacant in February and March 2016 respectively, resulting in an underspending of R2.9 million on compensation of employees at the end of the financial year. The Secretariat should indicate what measures have been put in place to ensure that these critical posts are filled, specifically as the 4 posts translate into a vacancy rate of 17.4 per cent given the establishment size of the programme.

## 4. SPENDING ON SELECTED ITEMS

The following key expenditure trends should be noted:

- **Underspending:** The items: *catering and entertainment*, *communication and computer services* underspent their available budgets by R2 million, R2.3 million and R5.6 million, respectively.
- **Overspending:** Overall, the department overspent its adjusted budget on goods and services by R901 000.





- The items: *advertising, consultants, contractors, travel and subsistence and venues and facilities* overspent their available budgets by R3.3 million, R815 000, R107 000, R2.1 million and R2.9 million, respectively.
  - *Note:* With the exception of *advertising*, which recorded overspending of 58 per cent at the end of the 2014/15 financial year, all the above goods and services items underspent their budgets in 2014/15.
- **Cost containment:** The overspending on non-core goods and services items in 2015/16 is therefore an indication that the implementation of cost containment measures in the Secretariat was not stringent enough in 2015/16 and this should be of serious concern to the Committee. This may result in the Secretariat's budget for goods and services being reviewed during the 2017 Budget process.

## 5. VACANCIES AND COMPENSATION

As reflected in table below, at the end of the 2015/16 financial year, the Department had 20 positions that were vacant. The bulk of vacant posts were under the *Legislation and Policy Development* (9 vacant positions or 31 per cent vacancy rate) programme. It should be noted that this programme overspent its budget with 3.9 per cent at the end of the fourth quarter.

**Table 2: Vacancies by Programme**

| Programme   | Number of funded posts | Number of posts filled | Number of posts vacant | Vacancy Rate |
|---|------------------------|------------------------|------------------------|--------------|
| Administration  | 58                     | 53                     | 5                      | 8.6%         |
| Intersectoral coordination and strategic partnerships | 22                     | 20                     | 2                      | 9.1%         |
| Legislation and policy development                    | 29                     | 20                     | 9                      | 31.0%        |
| Civilian oversight, monitoring and evaluations        | 23                     | 19                     | 4                      | 17.4%        |
| <b>Total</b>  | <b>132</b>             | <b>112</b>             | <b>20</b>              | <b>15.2%</b> |

## 6. KEY ISSUES FOR PARLIAMENT

The following are key issues identified regarding the Departmental expenditure as at the end of the fourth quarter (2015/16):

- **Vacancies:** The vacancy rate of the Secretariat is high at 15.2 per cent. The acceptable vacancy rate is approximately 10 per cent, which means that the Secretariat is above the acceptable rate of government departments.
- **Compensation of employees:** The underspending on compensation of employees account does not correlate with the high vacancy rate of the Secretariat, especially in terms of the *Administration* programme.
- **Cost containment:** The higher than projected expenditure on *goods and services* (103 per cent), especially in terms of *venues and facilities* and *advertising* is against Treasury Note 1 of 2013/14 on Cost Containment. This is especially in term of the significantly higher than planned spending on *machinery and equipment* (169 per cent) should be a cause for concern to the Committee.
- **Accelerated spending:** The Secretariat has recorded accelerated spending in 2015/16 compared to the previous financial year. Although the continuous underspending has been



identified as a concern by the Committee in previous year, the spending of the Secretariat is currently erratic and should be controlled more effectively. The Secretariat received a qualified audit opinion in 2014/15 mainly based on its lack of financial controls. It does not seem that these challenges have been sufficiently addressed by the Secretariat.

- **Variance in subprogramme expenditure:** The variation in expenditure between the subprogrammes within the main budget programmes of the Secretariat suggest a misalignment between the budget projections/allocations and the strategic priorities of the programmes.

