



ANALYSIS OF THE ANNUAL REPORT FOR THE ENTITY OF THE DEPARTMENT OF HOME AFFAIRS : THE INDEPENDENT ELECTORAL COMMISSION

08 October 2008

Background

The Electoral Commission (IEC) is a permanent body created by the Constitution of the Republic of South Africa to promote and safeguard democracy. Although publicly funded and accountable to Parliament, the Commission is independent of the government. Its immediate task is the impartial management of free and fair elections at all levels of government¹. During the year under review (2007/08 financial year), the Electoral Commission conducted a Multi-stakeholder Conference, which included debates and dialogue on critical issues including floor crossing; funding of political parties; media and elections and lack of impartiality. The major rationale behind the conduction of the aforementioned conference was to enable efficacy in the preparation for the 2009 elections.

In furtherance of this, the Electoral Commission participated in other international electoral elections namely; Nigeria and Comoros. Moreover, the Electoral Commission observed elections in Australia and Botswana.² It is imperative to indicate that apart from ensuring fairness in electoral procedures of other international countries the Electoral Commission engaged in dialogue with Malaysia, Nepal, Gambia, Maldives, Tanzania, etc. to learn good practices that would enhance the formulation as well as implementation of effective elections management. The Electoral Commission maintained international partnership with Southern African Development Community (SADC) Electoral Commissions Forum (SADC ECF), the African Union (AU) and the International Institute for Democracy and Electoral Assistance (International IDEA), the Commonwealth, the European Union (EU) and individual embassies.³

This report provides an in-depth analysis of the annual report for the Electoral Commission for the 2007/08 financial year. The report further entails the comments made by the Auditor-General on the performance and expenditure of the Electoral Commission.

Strategic Objectives of the Electoral Commission for 2007/08

The strategic objectives of the Electoral Commission to guide service delivery include among others:

- o Entrenching the Commission as a focal point for the delivery of free and fair elections in the most efficient and most cost-effective manner.

¹ Independent Electorate Commission Annual Report, 2008

² Electoral Commission Annual Report for 2007/08 page 2

³ Electoral Commission Annual Report for 2007/08 page 3



- o Maintaining an optimal network of voting districts and voting stations for elections to ensure reasonable access by voters and to maintain an accurate and up-to-date national common voters roll.
- o Informing civil society with a view to maximising citizen participation in democracy and electoral processes, and to manage elections.
- o Enabling and promoting the effective participation of political parties and independent ward candidates in electoral processes.
- o Maintaining and consolidating organisational systems and infrastructure for efficient delivery of elections.
- o Developing and maintaining effective business processes in respect of financial management, information and communication technology, corporate services, legal services and communications in order to ensure the effective functioning of the Commission.⁴Offering continuous structured training to officials to facilitate the effective functioning of the organisation, including a fluent and effective electoral process.
- o Positioning the human capital within the organisation for effective delivery of elections and making the Commission the employer of choice.

Achievement of Strategic Objectives

- o The Electoral Commission managed to liaise with Chapter 9 (of the Constitution) institutions with a view to create partnerships for joint ventures with regard to entrenchment of democracy and the sharing of initiatives. The Electoral Commission targeted to have one meeting with the chapter 9 institutions and that target was achieved.
- o The actual number of liaisons with Elections Management Boards increased from the targeted 13 to 16 delegate visits.
- o The number of elections observed was achieved which entailed 4 elections.
- o Commission managed to effectively enhance the asset management mechanisms, these include the
 - i. Implementation and operational management of an electronic procurement system (Votaquotes/ eProcurement).
 - ii. Continued with stringent and effective diligence to ensure the validity of supplier claims in terms of the provisions of the Preferential Procurement Policy Framework, 2000.
 - iii. Implemented and maintained reporting requirements concerning contracts entered into and supplier details.⁵

Outstanding targets

The Electoral Commission was unable to register targeted 20 357 338 voters due to deaths. Research regarding electoral systems was targeted to be conducted in the year under review but the target was not reached. The Electoral Commission has now planned to conduct the research in the

⁴ Electoral Commission Annual Report for 2007/08 page 4-5

⁵ Electoral Commission Annual Report 2008, page 44



2008/09 financial year prior to the April 2009 elections. However reasons are not provided as to what hindered the Electoral Commission from attaining the targeted objective.

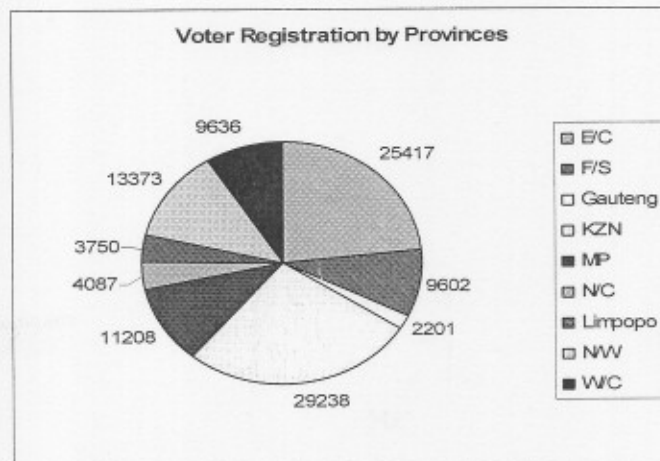
Strategic Objectives not attained as a result of 2007/08 not being an election year

- o The Electoral Commission was unable to host meetings with the provincial infrastructure task teams. The Electoral Commission targeted to conduct 2 meetings. It is unclear as to what led the Electoral Commission to plan to conduct such meetings knowing that no elections will be held during the year under review (2007/08).
- o Number of election officials trained was targeted at 550, however only 386 election officials were trained due to the fact that no general elections were held during the year under review.

Targets not achieved

The Electoral Commission targeted to achieve 196 training and development interventions. However, the Electoral Commission only managed to achieve 98 training and development interventions. The Electoral Commission states that the actual skills development and training interventions responded to identified needs and the target interventions depended on the availability of staff.

Table 1: Voter Registration per Province



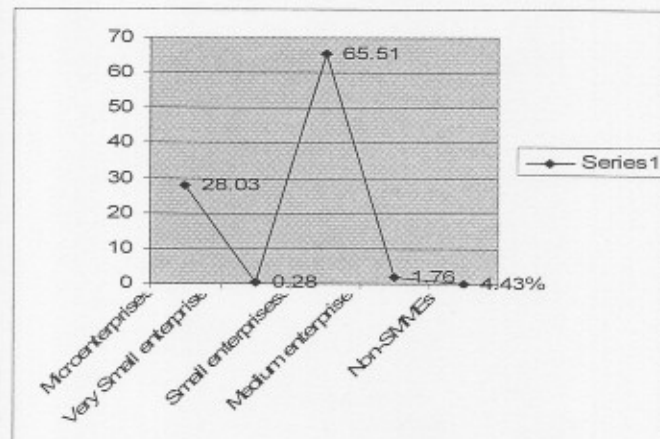
The Electoral Commission was unable to fill all 252 vacancies but intended to fill 60% of these vacancies by June 2008 and 80% vacancies by end of the financial year (2008/09). Currently it is unclear as to what extent the Electoral Commission achieved the aforementioned objective.



Critical Areas for Parliament's consideration

- The annual report indicates that the availability of a report entailing the Commission's involvement with the elections in the DRC will be made to relevant parties.⁶ It is recommended that Parliament accesses this report to ascertain the progress made regarding this relevant issue.
- Research results in the annual report⁷ have indicated a decline in the average number of registered voters. It is crucial therefore that the Electoral Commission provides Parliament with strategic interventions to address contributing factors resulting in people not participating in the voting process.
- It is recommended that the Electoral Commission provides Parliament with the finalisation of a number of voting districts for the 2009 elections as indicated on page 34 of the Annual Report
- On page 41 of the Annual Report, the Electoral Commission indicates that about 27% (3900) of the permanent voting stations do not have electricity, 8.5%(1606) do not have toilets and 12.2% (2310) do not have water. It is recommended therefore that the Electoral Commission provides a brief presentation to Parliament on its intervention to ensure that people who will be assisting during the election process will be working in a conducive environment with accessible basic services.
- On page 44 of the Annual Report, the Electoral Commission indicates that it has effectively implemented audits to ensure validity of supplier claims. It is recommended that the Commission provides Parliament with the progress report regarding this validation process.
- On page 45, the Electoral Commission mentions that it has awarded 253 contracts out of the total 379 to the Black Economic Empowerment companies. It is crucial therefore that the Electoral Commission presents to Parliament the operational models to ensure that the remaining contracts are also fairly awarded.

Table 2: Value of Contracts Awarded to Small Business



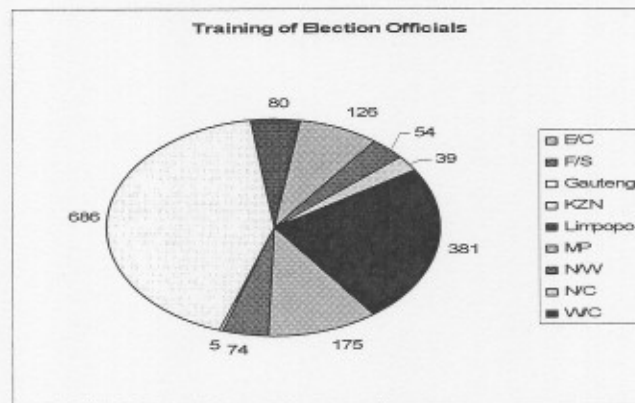
⁶ Electoral Commission Annual Report for 2008, page 24

⁷ Electoral Commission Annual Report for 2008 page 34



- o On page 48 of the Annual Report, the Electoral Commission indicates that it has used community newspapers, community radio, posters, pamphlets and leaflets to educate people about the importance of voting. It is recommended that the Electoral Commission provides a brief presentation to Parliament on the methodologies in place to educate rural residents about voting. In intensifying election management, the Election Commission trained various officials to guide, supervise and monitor election procedures. The following table indicates a number of officials trained to enable the attainment of fair and transparent elections.

Table 3: Training of Election Officials



ANALYSIS OF THE FINANCIAL SECTION OF THE INDEPENDENT ELECTORAL COMMISSION (IEC)

Funds Received

This section will focus on the analysis of the financial statement of the Independent Electoral Commission. The IEC received an amount of R 485.250 million as a final appropriation in the year under review in the form of a Parliamentary grant. Other incomes such as Government allocation, foreign assistance, political party registration fee, interest received and sponsorship income were also generated up to the amount of R 29.156 million, which saw an increase in the total revenue of the Commission up to R 514.406 million. Funds which are regarded as other incomes were received from various sources and were duly spent. The following table is reflects funds received from other sources and how they were utilised⁸.

⁸ IEC Annual Report, 2008



Table 4: Sources of Funds received

Source	Received	Spent	Refunded	Balance
Government of Ireland	2 250 120	2 208 133	0	41 987
Limpopo Local Government & Housing	2 000 000	1 999 122	0	878
Western Cape Local Gov.	294 488	84 987	209 501	0
Royal Netherlands Embassy	1 600 000	1 17 443	424 557	0
International IDEA	209 175	209 175	0	0
African Union	643 500	643 500	0	0
Danish Embassy (DRC)	5 000 000	5 000 000	0	0
UNDP (DRC)	76 155 293	76 155 293	0	0
Government of Ireland	6 533 120	6 533 120	0	0
TOTAL	94 685 696	92 950 773	634 058	42 865

Source: IEC Annual Report, 2008

The total income received and spent from other sources amounted to R94 million and the Commission only spent about R92 million and remained with a surplus of R 42 865. An amount of R 634 058 was refunded to the sources such as Western Cape Local Government and Royal Netherland Embassy.

The Financial Performance of the Commission

Initially the Commission had generated revenues which amounted to R 514 million in the year under review including other incomes from different sources. This shows a slight increase of R 5 million compared to the previous year, since in 2007 the Commission had raised funds up to R 495 million. In the previous years the Commission was not receiving any funds from sponsors but in 2008 the Commission received about R300 000 from sponsors. It has been noticed that revenues of the Commission are mainly dominated by the Parliamentary grants and interest received, which shows that Commission has made a number of investments to earn interests. The funds raised through the registration of the political parties are such a small amount of R7 700, which cannot make a difference. This shows that the Commission does not rely on parties' registration fees to operate but there are other options. However the Commission had expenditure in the year under review which amounted to R 380 million. This amount is much lesser than the amount that was spent last year



where the Commission had spent about R457 million and the Commission was left with the surplus of about R37 million a surplus. In the year under review, the operating expenses went up to R380 million which reflects a decrease in the expenditure compared to previous financial year which resulted in the surplus of R134 million. This might have happened as a result of the increase in the revenues contributed by various donors and interests received by the Commission. This shows a 28 per cent increase in the surplus of the year, which is remaining in the account of the Commission. This might have resulted from the fact that some of the projects were cancelled in the year under review, such as data sets and voter education fieldworkers.

The Financial Position of the Commission

The organisation has current assets which amount to R304 million which is much higher than the previous year (2007), this includes things like inventories, account receivable, payment made in advanced and cash and cash equivalent⁹. This indicates an increase of 23 per cent compared to the balance of the previous year. This area of the balance sheet puts focus on organisational debtors. However the current liabilities of the organisation amount to R71 million, which shows a small increase of about 11 per cent in the year under review. It is very imperative to note that in this case the organisation is still reflecting a good financial position when current assets are still greater than the current liabilities. This indicates that the organisation is still going to be able to finance its credit obligations in that particular year. However, on the other hand it might not be a good idea because it shows the fact that debt payment in the organisation is minimal. The balance sheet reflects the final amount of R330 968 525 which means it has increased by almost the entire amount of the previous year which was R 196 710 673 million¹⁰. This shows an increase of almost 60 per cent.

The following table reflects a summary of the financial statements for the past two years in the Independent Electoral Commission.

⁹ Annual Report, 2008

¹⁰ Annual Report, 2008



TABLE 5: Summary of the Financial Statements for the year ended 31 March 2008

Summary of the Income Statement	2008	2007
Total Revenues	514 405 544	350 000 000
Total Expenditure	(380 127 692)	(457 955 047)
Total Surplus for the year	134 277 852	37 451 880
Summary of the Balance Sheet		
Current Assets	304 324 684	192 156 708
Current Liabilities	71 743 661	63 004 265
Summary of the Cash Flow Statement		
Cash in /out Flow From Operating Activities	166 201 428	29 050 902
Cash Flow From Investing Activities	(50 001 267)	(11 609 710)
Cash and cash equivalent	290 555 321	174 355 160

Source: Annual Report, 2008

Issues raised by Auditor General (A-G)

The A-G indicated that due to the fair presentation of the financial statements and the sufficient information of evidence obtained from the Commission, the Commission has obtained an unqualified audit opinion regarding the following matters:

Irregular expenditures

Irregular expenditure of R16 million was incurred during the financial year under review.

- This was due to the fact that the Commission did not comply with the Treasury Regulations 15.12.3 which states that all payments in excess of R2000 must be effected electronically unless otherwise approved by relevant treasury. Commission made cheque payments for



amount exceeding R2000 to the amount of R515 790 during the financial year ended 31 March 2008 without obtaining the approval from National Treasury¹¹.

- Treasury Regulation 17.3.1 states that institutions may not amend existing or institute new computerised system that might affect financial administration without the prior approval of the National Treasury. The Commission has acquired a new computerised financial and administrative system without the approval of National Treasury. This expenditure amounted to R15 698 237 in the year under review.
- The total amount of the irregular expenditure amounted to R16 214 027 million in the year under review.

The A-G has also pointed out other weaknesses regarding compliance with applicable legislation

- Public Finance Management Act.
- Treasury Regulations.
- The Commission did not make payments to its suppliers within 30 days to comply with the Treasury Regulations as it is required by rule 8.2.3.
- The Commission did not perform bank reconciliation on a daily basis to comply with the Treasury Regulations, which is rule no. 15.10.1.2(j) 15.10.1.2¹².
- The Commission did not report all its tenders awarded in excess of R200 000 within 15 days after the month during which tender were awarded to comply with the Practise Note of SCM No. 3 of 2004¹³.
- The Commission did not report all instances to National Treasury or Auditor General where it had procured goods or services more than R1 million by means other than competitive bids to comply with National Treasury Practise Note 6 of 2007/08. Seven bids were not reported to National Treasury in this regard.

Under the report on the performance information, the A-G reported as follows;

The objectives which were reported in the annual report were not predetermined in the strategic plan, corporate, annual performance, integrated development plan and or budget. This means that

¹¹ Annual Report, 2008

¹² National Treasury, 2008

¹³ Supply Chain Management policy, 2008



alignment of these processes is very minimal; therefore chances of the Commission achieving its objectives within the required timeframe are minimal.

Subsequently, the strategic plan of the Electoral Commission for 2007-08 was approved during February 2007 and it did not include things like time frames or targets for the Commission programmes for the performance indicators as required by the Treasury Regulations rule No. 5.2.3(d). The Commission only set applicable timeframes and targets for the 2007-08 performance indicators as part of the ENE submission made to National Treasury during January 2008.

Issues for Committee considerations

- It was highlighted in the annual report that the Commission was receiving some funds on behalf of other beneficiaries, it might be important for the Committee to get clarity as to who these beneficiaries are.
- It might also be important for the Committee to get clarity on what caused irregular expenditure and what measures have been taken to address such things in order to make sure that this does not happen in the future.
- In the above summary of financial statements, the balance sheet section has reflected that there is a high level of account receivable; the Committee might need clarity as to what informs the increase in this account when compared to the previous year.
- The Commission needs to explain the mechanism they have in place to make sure that they expedite the rate of debt collection in order to reduce high levels of debt.
- The Commission needs to clarify to the Committee what mechanism they have in place to enforce the issues of compliance as it is indicated by the A-G.
- The Commission should give clarity as to what other sources of income does the Commission have besides the ones mentioned on table 1.
- The Committee has to establish how the Commission intends to achieve the organisational objectives if there is no alignment in terms of their targets, predetermined objectives, budget, annual plan and integrated development plan.
- The Commission indicated that a large number of cheques in the excess of R2000 made by itself led to non-compliance with the Treasury Regulation No 15.13.2, were made as a result of the people hired not having bank accounts. It might be important for the Committee to check why the Commission is not encouraging its hirelings to open bank accounts.



Sources

Independent Electoral Commission Annual Report for 2007/08.

National Treasury Regulations.

Public Finance Management Act, Act 1 of 1999.