

## **EXPLANATORY NOTE TO 2009 MTEF CHANGES**

- Departmental expenditure is expected to increase from R7 billion in 2008/09 to R9.5 billion in 2011/12 at an average annual rate of 10.4 per cent due to additional allocations for:
  - Working for Water (2010/11:R100m and 2011/12:R300m)
  - Working on Fire programmes ( 2010/11:R50m and 2011/12: R100m)
  - Continued development of bulk infrastructure (R200 million in 2010/11 and R800 million in 2011/12)
  - Inflation related adjustments (R139.6 million in 2009/10, R234.7 million in 2010/11, R291.7 million in 2011/12)
  - Capacity building (R25 million in 2010/11 and R30 million in 2011/12)
  - Support to forestry sector projects and enterprise(R30 million in 2011/12).
  - Funding for previous unfunded administrative services

13

## **MANAGING CHANGES IN THE BUDGET**

- Virements
- Rollovers
- Additional funding through adjusted budget

14

## VIREMENTS

For purposes of section 43(1) of the Act –

- personnel expenditure and transfers to other institutions may not be increased without approval of the relevant treasury;
- new transfers may not be introduced without the approval of the National Treasury;
- allocations earmarked by the relevant treasury for a specific purpose (excluding personnel expenditure) may not be used for other purposes, except with approval, e.g. capital projects

15

## ROLL-OVERS

- Funds appropriated but not spent in a particular financial year may be rolled over to a subsequent year [( in terms of sections 30(2)(g) and 31(2)(g) of the PFMA] subject to approval of the relevant treasury.
- Such approval will be guided by the following limitations–
  - *Capital expenditure*: Unspent funds on capital expenditure may only be rolled over to finalise projects still in progress.
  - *Transfer payments*: Savings on transfer payments may not be rolled over for purposes other than originally voted for.
  - *Current expenditure*: A maximum of five per cent of a department's non-personnel

16

## **ROLL-OVERS REQUESTS FROM THE 2008/09 FISCAL YEAR**

Purpose	Amount requested
To continue with the construction of the De Hoop dam and related infrastructure	227,000
To continue with implementation of the Nebo Bulk Water Supply Project	3,913
To continue with implementation of the Mthatha Bulk Water Supply Project	1,340
To make payment for packages plants brought during 2008/09 to combat Cholera	40,000
<b>TOTAL</b>	<b>272,253</b>

## **ROLL-OVERS (CONT...)**

- Requests for rollovers must be submitted to the National Treasury on or before the last working day of April, in a format determined by the National Treasury and must include-
  - the purpose for which the funds were appropriated;
  - the reasons why the funds were not spent;
  - proposed changes to the use of the funds, if any; and;
  - a disbursement schedule indicating the months in which the expenditure is expected to be incurred.

## **ADDITIONAL FUNDS THROUGH ADJUSTMENT BUDGET**

- The department may request additional funds through an adjustments budget [Sections 30(2)(b) and 31(2)(b) of the PFMA]
- must submit a memorandum to the National Treasury, the Cabinet/EXCO Secretariat and any treasury committee of the Cabinet/EXCO, on a date determined by the relevant treasury.
- These requests must be unforeseeable and unavoidable expenditure

19

### **EXPENDITURE TRENDS – MAIN EXCHEQUER ACCOUNT (MEA)**

Year	Actual R'000	Budget R'000	% Expend
2004/05	3,776,946	3,823,112	99
2005/06	3,717,088	3,935,636	94
2006/07	4,305,650	4,660,303	92
2007/08	5,385,461	5,862,513	92
2008/09	6,511,300	7,036,616	93

20

## **PREVIOUS AUDIT REPORTS**

- 2003 Annual Report. Adverse opinion as the department did not comply with S40(1)(b) of the PFMA
- 2004. Audit report contained various items that led to emphasis of matter
- 2005 annual report- financial statements prepared on accrual basis. Disclaimer as material items did not meet the required reporting standards.

21

## **PREVIOUS AUDIT REPORTS**

- **2006 Audit Report qualified opinion** with regards to (wrt)
  - terms of the treatment of assets,
  - independent checks and reconciliations and the BAS reconciliation and an incomplete commitment register and
  - an **emphasis of matter** in relation to compliance with PFMA and performance monitoring
- **2007 Audit Report qualified opinion**
  - mainly due to the incomplete asset register,
  - treatment of the suspense account
  - and the disclosure of loans and receivables. <sup>22</sup>

## 2006/07: AUDITOR-GENERAL REPORTS

	Exchequer	Trading	Forestry Trust
Disclaimer		●	
Qualification	●		
Emphasis of matter			
Unqualified			●

23

## 2007/08: AUDITOR-GENERAL REPORTS

	Exchequer	Trading	Forestry Trust
Disclaimer			
Qualification	●	●	
Emphasis of matter			
Unqualified			●

24

## **KEY HIGHLIGHTS FROM AG REPORT 2007/08**

- Unsubstantiated additions to the asset register
- Unverified Biological Assets balances
- Unconfirmed accounts Receivables-WTE
- Immovable assets- scientifically valued but more refinements required later
- Non-compliance/No adherence to policies and procedures wrt to: Debtors and DoRA
- Lack of staff skills- capacity
- Management monitoring and reviews

25

## **FINANCIAL IMPROVEMENT INITIATIVES**

- **WTE: Shift from cash-based accounting to accrual accounting** (in line with NT requirements)
- **Siyanqoba Project** – develop revenue management and other financial management processes and assess construction business (completed Sept 08)
- **Sakhile Project**
  - Phase 1: develop compliant infrastructure asset register, asset management plans (in terms of GIAMA), and identification of systems needs
  - Phase 2: update of AMPs and assistance in establishing the asset management system and associated processes)

26