

# **STANDING COMMITTEE ON APPROPRIATIONS**

## **ANNEXURE B FOURTH QUARTER EXPENDITURE FOR 2016/17 FINANCIAL YEAR (AUDITED BY AGSA)**

**29 AUGUST 2017**



**correctional services**

Department:  
Correctional Services  
REPUBLIC OF SOUTH AFRICA

## Outline of the presentation

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- **Part A:** Summary of the National State of Expenditure up to 31 March 2017
  
  - **Part B:** Summary of the National State of Expenditure per programme up to 31 March 2017
  
  - **Part C:** Summary of National State of Expenditure per economic classification up to 31 March 2017
  
  - **Part D:** The Year Ahead – Implications of 2016-17 Financial Performance on the 2017-18 Budget
  
  - **Part E:** Summary of Departmental Revenue up to 31 March 2017
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**A. SUMMARY OF THE NATIONAL STATE OF EXPENDITURE FOR THE YEAR TO  
DATE: 31 MARCH 2017**

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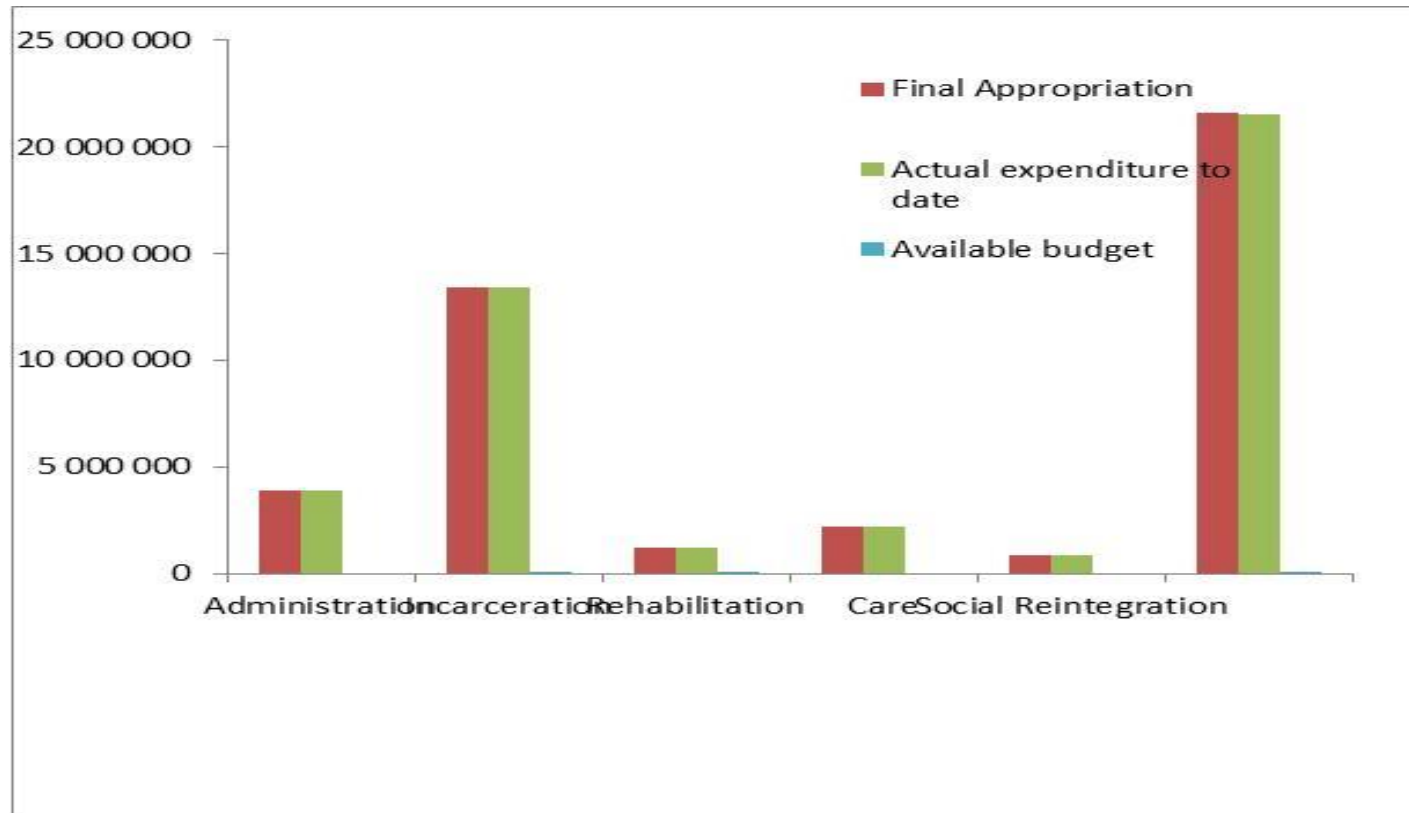
	<b>R'000</b>
<b>Adjusted Budget</b>	21 580 191
<b>Less: Expenditure</b>	21 542 174
<b>Available budget</b>	<b>38 017</b>

<b>Percentage spent</b>	<b>99.82%</b>
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## B. SUMMARY OF THE NATIONAL STATE OF EXPENDITURE PER PROGRAMME FOR THE YEAR TO DATE : 31 MARCH 2017

<b>Programme</b>	<b>Final Appropriation R'000</b>	<b>Actual expenditure to date R'000</b>	<b>Percentage actual expenditure</b>	<b>Available budget R'000</b>
<b>Administration</b>	3 879 599	3 879 599	100.00%	-
<b>Incarceration</b>	13 423 945	13 388 093	99.73%	35 852
<b>Rehabilitation</b>	1 187 826	1 185 661	99.82%	2 165
<b>Care</b>	2 235 094	2 235 094	100.00%	-
<b>Social Reintegration</b>	853 727	853 727	100.00%	-
<b>Total</b>	<b>21 580 191</b>	<b>21 542 174</b>	<b>99.82%</b>	<b>38 017</b>

## B. SUMMARY OF THE NATIONAL STATE OF EXPENDITURE PER PROGRAMME FOR THE YEAR TO DATE : 31 MARCH 2017



## B. ANALYSIS ON THE NATIONAL STATE OF EXPENDITURE PER PROGRAMME FOR THE YEAR TO DATE: 31 MARCH 2017

<b>Programme 2: Incarceration GFS Classification</b>	<b>Final Appropriation R'000</b>	<b>Actual expenditure to date R'000</b>	<b>Percentage actual expenditure</b>	<b>Available budget R'000</b>
<b>Compensation of Employees</b>	9 356 012	9 171 874	98.03%	184 138
<b>Goods and Services</b>	3 222 031	3 386 074	105.09%	(164 043)
<b>Interest on Rent on Land</b>	0	265	0.00%	(265)
<b>Transfers and Subsidies</b>	69 225	68 582	99.07%	643
<b>Payment of Capital Assets</b>	776 677	753 940	97.07%	22 737
<b>Payments for financial assets</b>		7 358	0.00%	(7 358)
<b>Total</b>	<b>13 423 945</b>	<b>13 388 093</b>	<b>99.73%</b>	<b>35 852</b>

## B. SUMMARY OF THE NATIONAL STATE OF EXPENDITURE PER PROGRAMME FOR THE YEAR TO DATE: 31 MARCH 2017

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- ❑ The actual spending of programme Incarceration is R13,388 billion (99.7%) against the final appropriation of R13,424 billion (100%) resulting in an under spending of R36 million.
- ❑ **Compensation of Employees:** The actual spending of R9,172 billion (98%) against the final appropriation of R9,356 billion (100%) resulting in R184 million under spending as a result of funded vacant posts. PERSAL reported a funded permanent establishment of 28,225, of which 27,124 are funded filled posts, 190 posts are filled additional to the funded establishment, mostly on entry level, resulting in a total PERSAL head count of 27,314, but leaving 1,101 vacant funded posts (3.90%).
- ❑ **Goods and Services:** The actual spending of R3,386 billion (105.10%) against the final appropriation of R3,222 billion (100%) resulting in R164 million over spending is ascribed to the item: Property Payments under the activity Capital Works for municipal services where invoices amounting to R193,3 million received for the 2015/16 financial year were paid in the current financial year.

## B. SUMMARY OF THE NATIONAL STATE OF EXPENDITURE PER PROGRAMME FOR YEAR TO DATE: 31 MARCH 2017

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- ❑ **Interest and Rent on Land:** There was an expenditure of R265 thousand incurred against a zero budget and that is due to interest paid on arrears salary for personnel based in Gauteng region under sub programme Offender Management
- ❑ **Transfers and subsidies:** The actual spending of R69 million (99.10%) against the final appropriation of R69 million (100%) resulting in R643 thousand under spending as result of lower than anticipated leave gratuity due for service terminations
- ❑ **Payments for capital assets:** The actual spending of R754 million (97.10%) against the final appropriation of R777 million (100%) resulting in R23 million under spending was mainly on item: Buildings and other fixed structures DPW capital works payments which were not processed as a result of sub programme Facilities over expenditure due to payment of municipal services which far exceeded the allocated budget.
- ❑ **Payments for financial assets:** There was an expenditure of R7,4 million incurred against a zero budget which was utilised to write off long outstanding earmarked debts and losses which were approved in principle in prior years when there was no available funds to do so.



## B. ANALYSIS ON THE NATIONAL STATE OF EXPENDITURE PER PROGRAMME FOR THE YEAR TO DATE: 31 MARCH 2017

<b>Programme 3: Rehabilitation GFS Classification</b>	<b>Final Appropriation R'000</b>	<b>Actual expenditure to date R'000</b>	<b>Percentage actual expenditure</b>	<b>Available budget R'000</b>
<b>Compensation of Employees</b>	885 657	885 657	100.00%	-
<b>Goods and Services</b>	274 781	274 781	100.00%	-
<b>Transfers and Subsidies</b>	4 026	4 026	100.00%	-
<b>Payment of Capital Assets</b>	23 362	21 197	90.73%	2 165
<b>Total</b>	<b>1 187 826</b>	<b>1 185 661</b>	<b>99.82%</b>	<b>2 165</b>

□ The actual spending of programme Rehabilitation is R1,186 billion (99.82%) against the final appropriation of R1,188 billion (100%) resulting in an under spending of R2 million.

□ **Compensation of Employees:** The actual spending of R886 million (100%) against the final appropriation of R886 million (100%).

□ **Goods and Services:** The actual spending of R275 million (100%) against the final appropriation of R275 million (100%).

## B. ANALYSIS ON THE NATIONAL STATE OF EXPENDITURE PER PROGRAMME FOR THE YEAR TO DATE: 31 MARCH 2017

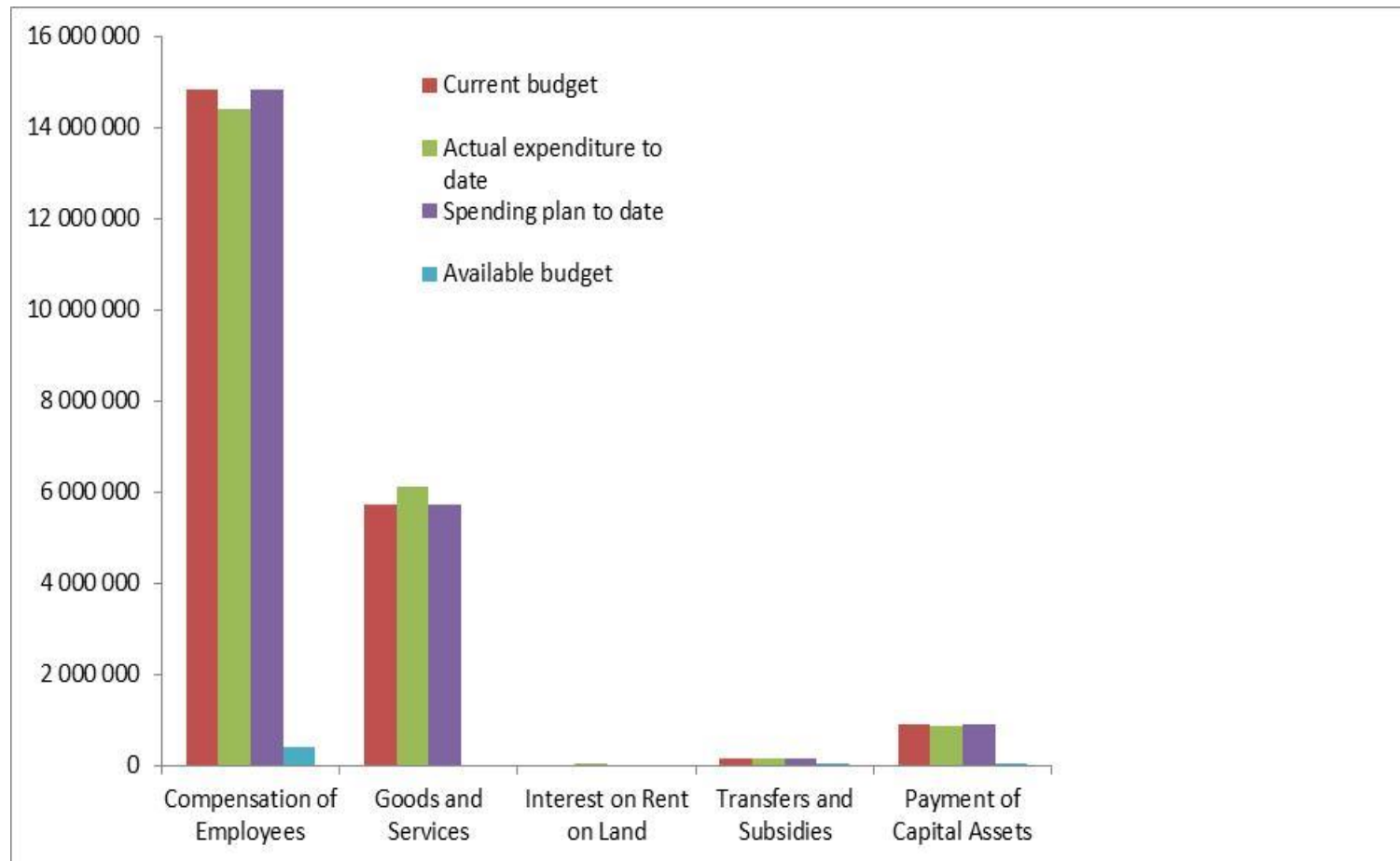
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- ❑ **Transfers and subsidies:** The actual spending of R4,026 million (100%) against the final appropriation of R4,026 million (100%).
- ❑ **Payments for capital assets:** The actual spending of R21 million (90.73%) against the final appropriation of R23 million (100%) resulting in R2 million under spending on item: other machinery and equipment was due to delays in finalising the procurement process for Production workshop equipment and tools.

## C. SUMMARY OF THE NATIONAL STATE OF EXPENDITURE PER ECONOMIC CLASSIFICATION FOR THE YEAR TO DATE: 31 MARCH 2017

<b>Economic Classification</b>	<b>Final Appropriation R'000</b>	<b>Actual expenditure to date R'000</b>	<b>Percentage actual expenditure</b>	<b>Available budget R'000</b>
<b>Compensation of Employees</b>	14 821 416	14 417 167	97.27%	404 249
<b>Goods and Services</b>	5 727 377	6 111 482	106.71%	(384 105)
<b>Interest on Rent on Land</b>	0	314	0.00%	(314)
<b>Transfers and Subsidies</b>	132 091	131 448	99.51%	643
<b>Payment of Capital Assets</b>	899 307	874 405	97.23%	24 902
<b>Payments for financial assets</b>	0	7 358	0.00%	(7 358)
<b>Total</b>	<b>21 580 191</b>	<b>21 542 174</b>	<b>99.82%</b>	<b>38 017</b>

## C. SUMMARY OF THE NATIONAL STATE OF EXPENDITURE PER ECONOMIC CLASSIFICATION FOR THE YEAR TO DATE: 31 MARCH 2017



## C. ANALYSIS OF THE STATE OF EXPENDITURE PER ECONOMIC CLASSIFICATION FOR THE YEAR TO DATE: 31 MARCH 2017

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- ❑ **Compensation of Employees.** The actual spending of R14,417 billion (97.27%) against the final appropriation of R14,821 billion (100%) resulting in an under spending of R404 million due to funded vacant posts. PERSAL reported a funded permanent establishment of 41,994 of which 39,259 are funded filled posts, 402 posts are filled additional to the funded establishment, mostly on entry level, resulting in a total PERSAL head count of 39,634, but leaving 2,735 vacant funded posts (6.51%).
- ❑ Learnership, 2 017 learners were certified competent for absorption in the department. These learners are given contract posts and only placed permanently when there are vacant posts.

### **OSD phase 2**

- The department implemented OSD phase 2 partly in line with Departmental Bargaining Chamber (DBC) resolution 1 of 2016 which was signed on the 21 November 2016.
- Estimated 13 000 officials who are currently in service were paid adjustment notches and 17% back pay in February 2017 and March 2017 respectively.

## C. ANALYSIS OF THE NATIONAL STATE OF EXPENDITURE PER ECONOMIC CLASSIFICATION FOR THE YEAR TO DATE: 31 MARCH 2017

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- At the end of 31 March 2017 the department had not finalised the implementation of OSD. It is envisaged that the process of translation of notches and the 17% of the 30% will be finalised in 2017/18 and the remaining 13% of 30% over the 2017 Medium Term Expenditure Framework period.
- ❑ **Compensation of Employees** budget is specifically and exclusively appropriated and cannot be shifted without an act of parliament.
- ❑ **Goods & Services.** The actual spending of R6,111 billion (106.71%) against the final appropriation of R5,727 billion (100%) resulting in an over spending of R384 million is ascribed to the item: Property Payments under the activity Capital Works for municipal services where invoices amounting to R193,3 million received for the 2015/16 financial year were paid in the current financial year as well as items: Agency and Support/Outsourced Services and Food and Food Supplies as a result of increase of food prices.
- ❑ **Interest and Rent on Land:** There was an expenditure of R314 thousand incurred against a zero budget and that is due to interest paid on arrears salary.

## C. ANALYSIS OF THE STATE OF EXPENDITURE PER ECONOMIC CLASSIFICATION FOR THE YEAR TO DATE: 31 MARCH 2017

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- ❑ **Transfers and subsidies:** The actual spending of R131 million (99.5%) against the final appropriation of R132 million (100%) resulting in R643 thousand under spending as result of lower than anticipated leave gratuity due for service terminations
- ❑ **Payments for Capital Assets.** The actual spending of R874 million (97.14%) against the final appropriation of R899 million (100%) resulting in an under spending of R25 million is mainly on item: Buildings and other fixed structures for DPW Capital Works payments which were not processed as a result of sub-programme Facilities over expenditure due to payment of municipal services amounting to R1,3 billion which far exceeded the allocated budget of R840 million.
- ❑ **Payments for financial assets:** There was an expenditure of R7,4 million incurred against a zero budget as a result of irrecoverable debts and losses written.

## D. THE YEAR AHEAD – IMPLICATIONS FOR 2017-18

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- ❑ **The underlying factors that influenced expenditure in 2016-17 financial year have significant implications for the 2017-18 resource utilization and potential negative impact on the priorities and objectives as contained on 2017-18 Annual Performance Plan.**
  
- ❑ **Human Resource Planning:**
  - ❑ In the light of OSD settlement obligation which is payable over the next 3 financial years, the Human Resource Plan and Forecast was completed to inform the parameters and maximum posts that can be filled provided that they are funded.
  
  - ❑ Significant number of funded posts will be reduced over the MTEF period on programmes 1, 2 and 4 estimated as follows:
    - ❑ Administration - 1 579 posts (23%); Incarceration - 434 posts (1.6%); Care – 170 posts (10%)
  
    - ❑ For Programmes Rehabilitation and Social Reintegration, there will be increase in funded posts by 410 and 271 respectively
  
    - ❑ **For the above programmes, individual posts and location i.e. per region, JICS or Head Office need to be identified for recruitment purposes**



## D. THE YEAR AHEAD – IMPLICATIONS FOR 2017-18

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### **Facilities subprogramme:**

- The rising municipal service charges continue to put pressure on the budget of the department
- Due to shortfall on municipal services item, the infrastructure programme will be compromised over the medium term, unless electricity and water consumption is contained by one way or another.
- In 2017-18 financial year, R183 million has been reduced from capital projects towards municipal service charges
- The taking over administration of municipal accounts can yield R60 million savings annually, however it is not sufficient to make good the shortfall.
- Exploring renewable energy and water saving technology

## E. SUMMARY OF THE DEPARTMENTAL REVENUE FOR THE YEAR TO DATE: 31 MARCH 2017

ITEM	Estimate R'000	Actual Revenue to date R'000	Percentage Actual Revenue R'000	Over/Under collection R'000
<b>Sales of goods and services other than capital assets</b>	57 498	60 016	104.38%	(2 518)
<b>Transfers received</b>	0	2 250	0.00%	(2 250)
<b>Fines, penalties and forfeits</b>	19 300	21 757	112.73%	(2 457)
<b>Interest, dividends and rent on land</b>	180	215	0.00%	(35)
<b>Sales of capital assets</b>	7 500	15 998	213.31%	(8 498)
<b>Financial transactions in assets and liabilities</b>	46 500	47 248	101.61%	(748)
<b>Total</b>	<b>130 978</b>	<b>147 484</b>	<b>112.60%</b>	<b>(16 506)</b>

- ❑ Departmental revenue comprises mainly, sale of goods and services, commissions on insurance and garnishee orders, court fines, sale of capital assets (scrapped assets), and rental income from letting of residential accommodation to personnel as well as collection of monies from debtors. Other goods sold by the department are mainly products manufactured or produced at production and agricultural workshops.
- ❑ The Accounting Officer reviews tariffs on products and services on an annual basis, and adjusted by inflation in line with CPI as determine by National Treasury. During the period under review, the department collected revenue amounting to R 147,5 million against an estimate or target of R 130,9 million. The department exceeded its target due to sale of capital assets.

**THANK YOU**

**STRIVING FOR A SOUTH AFRICA IN WHICH PEOPLE ARE  
AND FEEL SAFE**



**correctional services**

Department:  
Correctional Services  
**REPUBLIC OF SOUTH AFRICA**

