



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

# **Treasury Guidelines**

## **Preparation of the**

### **Estimates of National Expenditure**

#### **2009**

*November 2008*

This document is available at: [www.treasury.gov.za/publications/guidelines](http://www.treasury.gov.za/publications/guidelines)

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## Introduction

These guidelines provide instructions on how to complete your chapter for the 2009 Estimates of National Expenditure (ENE). The format of this year's publication is largely the same as before, but there are some additions and changes.

The guidelines are divided into two parts:

- Completing the vote chapter; and
- Completing the public entities section.

National Treasury will send pre-itemised Appropriation Bill sheets to each department.

## Changes in the 2009 ENE

**Lower level expenditure information** is required this year, and will be presented as an annexure to the chapter. The database will provide a separate sheet for lower level expenditure (for example: expenditure per court, police station, school, hospital etc) and it should be completed providing disaggregated information to the extent appropriate for the vote. Departments are expected to provide information over the seven-year period.

For transparency, **official development assistance (ODA) funds** have to be reflected in government's financial reports. Reporting on ODA should be in line with the relevant development co-operation agreements and the provisions of the PFMA.

The annexure table for donor funding has been reintroduced, with columns for the following information: departmental programme linked to donor funding, the donor, the amount committed, the type, performance and operations indicators, and seven-year expenditure information.

The 2009 ENE requires national departments to provide **detailed financial information for all public entities** associated with the governance framework of that department. Data on public entities will be adjusted not only to reflect financial data and performance information but also to include an entity's activities/programmes.

The National Treasury intends to extend the depth of reporting for 50 selected public entities, based on their size and revenue threshold, among other things. Part 2 of these guidelines has additional instructions for the selected 50 entities.

## Numbers style

Present numbers in the text as follows:

- Use a full-stop to separate a number from the decimal numbers denoting the fraction of the number.
- Use a space to separate thousands.

### Examples

R75 000 (75 thousand rand)

R10.2 billion (10 billion and 200 million rand).

## Notes on the database

All the relevant database sheets should be completed by all departments.

The carry-through costs for salary increases, including the 10.5 per cent increase for 2008/09, should also be reflected in your database.

Your database should reflect salary increases of 7 per cent in 2009/10, and of projected CPI (fiscal year) plus 1 per cent for the two outer years.

## Submission requirements

Your ENE chapter should be submitted following the format set out in part 1 of these guidelines.

The completed chapter must be accompanied by a separate covering letter signed by your accounting officer stating the name and contact details of an official that will be available to deal with related queries during the latter part of December 2008 and early January 2009.

## Deadlines

**It is essential that National Treasury is able to contact your designated official over the holiday season as Budget Day will be early next year - 11 February 2009.**

National Treasury distributes guidelines to departments and public entities	7 November 2008
National Treasury provides information session for departments National Treasury distributes databases to the departments	11 November 2008 (morning)
National Treasury provides information session for public entities	11 November 2008 (afternoon)
National Treasury sends indicative allocation sheets to departments	11 November 2008
National Treasury sends allocation letters to departments	21 November 2008
Departments submit Appropriation Bill inputs	4 December 2008
Departments and Public Entities submit: - first draft database - first draft chapter - public entities annual report	4 December 2008
Departments and Public Entities submit: - second draft database - second draft chapters	7 January 2009
Departments sign off chapters	28 January 2009
Budget day	11 February 2009
Strategic plans	10 days prior to Budget vote discussion in Portfolio Committee

## **Contact persons at National Treasury**

**For clarity and assistance, contact:**

For general enquiries regarding the completion of the chapter, contact your relevant budget analyst at the National Treasury.

**Public entities:**

Sheila Thipe: [sheila.thipe@treasury.gov.za](mailto:sheila.thipe@treasury.gov.za) or 012-315 5991

**Performance information**

Robert Clifton: [robert.clifton@treasury.gov.za](mailto:robert.clifton@treasury.gov.za) or 012- 315 5726

**Database:**

Refer to the contact person listed on the cover page of your database template.

## Part 1: Completing the main chapter

# [Vote number]

## [Name of vote]

### Budget summary

R thousand	2009/10				2010/11	2011/12
	Total to be appropriated	Current payments	Transfers and subsidies	Payments of capital assets	Total	Total
Total Expenditure Estimates						
Executive authority	Minister of .....					
Accounting officer	Director-General of .....					
Web address	www.xxx					

### Aim

### Programme purposes

This year, programme purposes only appear at this point in the chapters. There is no repetition of them under each programme.

**Change from 2008 ENE:** Reporting on measures and objectives will be under individual programmes.

### Strategic overview: 2005/06 – 2011/12

Begin the strategic overview by describing your department's strategic priorities, including the results your department and its public entities plan to achieve over the MTEF. Then provide a discussion of key policy developments that impact on your departmental spending plans.

Your strategic overview must not be longer than one page.

**Change from 2008 ENE:** Reporting on recent achievements will be under individual programmes.

## Selected performance and operations indicators

The 2009 ENE will continue to focus on selected quantitative and trendable indicators for departmental and public entity achievements. The table presents only a selection of your department or a public entity's performance information. Note that a column for programme name(s) has been added to this year's table.

Table xx.1

Indicator	Programme name(s)	Past			Current	Projections		
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12

### The scope of the indicators

Performance and operations information will continue to be presented over a seven-year period in the 2009 ENE. In some special cases, such as short-term projects, reporting on past performance may not be applicable or projections may not be relevant beyond the first or second year of the MTEF period. The 2008/09 data should reflect your estimated achievement through to the end of year.

### What do the indicators show?

Indicators must be quantitative and trendable. They are specific, numerical measurements that track progress towards achieving the goals of a department or public entity. Indicators may reflect inputs, activities, outputs, outcomes, or, in certain instances, explanatory information about the factors that could affect performance.

### Quantitative indicators require numbers

Because indicators must be quantitative, only use numbers. As a general rule, these numbers must be absolute values not percentages. Where departments opt to use percentages, they must be accompanied by absolute values (for example 60% (15 000)).

### Finalising your indicators

Refining and reviewing performance and operations indicators should be done through bilateral discussions between National Treasury budget analysts and departments.

## Expenditure estimates

Table xx.2 [Name of department]

Programme	Audited outcomes			Adjusted Appropriation	Revised Estimates	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09		2009/10	2010/11	2011/12
R thousand								
1.								
2.								
3.								
4.								
5.								
6.								
7.								
8.								

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9.								
10.								
<b>Subtotal</b>	-	-	-	-	-	-	-	-
<b>Direct charge against the National Revenue Fund</b>	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	-
Change to 2008 Budget estimate	-	-	-	-	-	-	-	-
<b>Economic classification</b>								
<b>Current payments</b>	-	-	-	-	-	-	-	-
Compensation of employees								
Goods and services								
of which:								
Communication								
Computer services								
Consultants, contractors and special services								
Inventory								
Maintenance repair and running cost								
Operating leases								
Travel and subsistence								
Specify								
Specify								
Specify								
Specify								
Other								
Interest and rent on land								
Financial transactions in assets and liabilities								
<b>Transfers and subsidies to:</b>	-	-	-	-	-	-	-	-
Provinces and municipalities								
Departmental agencies and accounts								
Universities and technikons								
Public corporations and private enterprises								
Foreign governments and international organisations								
Non-profit institutions								
Households								
<b>Payments for capital assets</b>	-	-	-	-	-	-	-	-
Buildings and other fixed structures								
Machinery and equipment								
Cultivated assets								
Software and other intangible assets								
Land and subsoil assets								
of which: Capitalised compensation	-	v	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	-



## Expenditure trends

Your written content on expenditure trends must relate directly to the data in the table above. Provide explanations for significant increases or decreases in expenditure, as well as the underlying policies and factors that inform the trends, also considering changes in economic classifications. You should also explain changes to the vote baseline, as approved by Cabinet and detailed in your allocation letter. Explain additional funding allocations, and express changes as average annual growth. The database provides formulas for calculating growth rates. You should also explain any significant movements in historical and projected expenditure. For details of transfers, emphasise the major transfers.

## Savings and reprioritisation

A separate sheet is included in the ENE database where the amount of efficiency savings, programme expenditure reductions and reprioritisations should be indicated per programme and economic classification. Provide a summary discussion of the total efficiency savings, cost reductions and reprioritisations per vote under this expenditure trends section for the vote as a whole. Significant savings per programme should be discussed here, not under an individual programme's expenditure trends section.

## Infrastructure spending

Discuss your spending on existing and new infrastructure.

Classify infrastructure projects according to the following three categories:

- Mega projects: estimated to cost more than R300 million per year for a minimum of three years, or a total project cost of R900 million or more. All projects that extend beyond the MTEF period fall into this category. These projects would have been through a detailed feasibility study.
- Large projects: estimated to cost between R50 million and R300 million per year within a given MTEF period. These also would have been through a feasibility study.
- Small projects: estimated to cost less than R50 million per year.

## Departmental receipts

Above the table, briefly describe all departmental revenue for 2008/09, and anticipated revenue for the MTEF period. Note any significant changes in amounts.

Table xx.3: Departmental receipts

R thousand	Audited outcome			Revised Estimate	Medium-term receipts estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
<b>Departmental receipts</b>	-	-	-	-	-	-	-
Sales of goods and services produced by department							
Sales of scrap, waste and other used current goods							
Transfers received							
Fines, penalties and forfeits							
Interest, dividends and rent on land							
Sales of capital assets							
Financial transactions in assets and liabilities							
<b>Total</b>	-	-	-	-	-	-	-

## Programme [number]: [Programme name]

Explanations of subprogrammes should include the purpose, activities, transfers, subsidies or subcomponents of the subprogramme. In respect hereof, indicate what the funding is to be utilised for and include the applicable rules, formulae, criteria and other principles which govern the use thereof.

### Objectives and measures

In the 2009 ENE, objectives and measures will be reported under each programme. For each objective, explain its strategic intention(s), specific intervention(s) and progress measures. For example, improve public health (i.e., objective) by increasing the number of mice trapped each year from 100 to 150 (i.e., progress measure) through the design and roll-out of a new mouse trap (i.e., specific intervention) before March 2010 (i.e., progress measure). When you review your objectives and measures for each programme, ensure that they are aligned to your department's strategic priorities. Note that Programme 1: Administration is exempt from this requirement.

While departments are responsible for refining and updating objectives and measures, National Treasury may assist in this process through bilateral discussions between budget analysts and departments.

### Recent achievements

This section provides departments with an opportunity to identify non-quantitative and non-trendable performance. Under each programme, provide details on recent achievements for each programme, including service delivery and operational achievements for 2007/08 and to date for 2008/09. Report relative to targets that were presented in the 2008 ENE performance indicator table, and other indicator tables from previous ENEs. Where targets have not been met, explain how your department is addressing the shortfall in performance.

## Expenditure estimates

Table XX.4: Programme name

Subprogramme	Audited outcome			Adjusted appropriation 2008/09	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08		2009/10	2010/11	2011/12
R thousand							
Minister <sup>1</sup>							
Deputy minister <sup>2</sup>							
Management							
Corporate services							
Property Management							
<b>Total</b>	-	-	-	-	-	-	-
Change to 2008 Budget estimate				-	-	-	-

<sup>1</sup> Payable as from 1 April 2008. Salary: R Car allowance: R

<sup>2</sup> Payable as from 1 April 2008. Salary: R Car allowance: R

### Economic classification

Current payments	-	-	-	-	-	-	-
Compensation of employees							
Goods and services							
of which:							
Communication							
Computer services							

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Consultants, contractors and special services							
Inventory							
Maintenance repair and running cost							
Operating leases							
Travel and subsistence							
Specify							
Specify							
Specify							
Specify							
Other							
Interest and rent on land							
Financial transactions in assets and liabilities							
<b>Transfers and subsidies to:</b>	-	-	-	-	-	-	-
Provinces and municipalities							
Departmental agencies and accounts							
Universities and technikons							
Public corporations and private enterprises							
Foreign governments and international organisations							
Non-profit institutions							
Households							
<b>Payments for capital assets</b>	-	-	-	-	-	-	-
Buildings and other fixed structures							
Machinery and equipment							
Cultivated assets							
Software and other intangible assets							
Land and subsoil assets							
<i>of which: Capitalised compensation</i>	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-

Details of transfers and subsidies:

<b>Provinces and municipalities</b>							
<b>Provinces</b>							
Provincial revenue funds							
Current	-	-	-	-	-	-	-
Capital	-	-	-	-	-	-	-
Provincial agencies and funds							
Current	-	-	-	-	-	-	-
Capital	-	-	-	-	-	-	-
<b>Municipalities</b>							
Municipal bank accounts							
Current	-	-	-	-	-	-	-

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Capital	-	-	-	-	-	-	-
Municipal agencies and funds							
Current	-	-	-	-	-	-	-
Capital	-	-	-	-	-	-	-
Departmental agencies and accounts							
Social security funds							
Current	-	-	-	-	-	-	-
Capital	-	-	-	-	-	-	-
Public entities							
Current	-	-	-	-	-	-	-
Capital	-	-	-	-	-	-	-
Universities and technikons							
Current	-	-	-	-	-	-	-
Capital	-	-	-	-	-	-	-
Public corporations and private enterprises							
Public corporations							
Subsidies on production or products							
Current	-	-	-	-	-	-	-
Capital	-	-	-	-	-	-	-
Other transfers							
Current	-	-	-	-	-	-	-
Capital	-	-	-	-	-	-	-

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Private enterprises							
Subsidies on production or products							
Current	-	-	-	-	-	-	-
Capital	-	-	-	-	-	-	-
Other transfers							
Current	-	-	-	-	-	-	-
Capital	-	-	-	-	-	-	-
Foreign governments and international organisations							
Current	-	-	-	-	-	-	-
Capital	-	-	-	-	-	-	-
Non-profit institutions							
Current	-	-	-	-	-	-	-
Capital	-	-	-	-	-	-	-
Households							
Social benefits							
Current	-	-	-	-	-	-	-
Capital	-	-	-	-	-	-	-
Other transfers							
Current	-	-	-	-	-	-	-
Capital	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-

## Expenditure trends

As with expenditure trends for the whole vote, your written content here must relate directly to the figures in the table above. Explain significant increases or decreases in expenditure, and the underlying policies and factors that inform the trends and also considering economic classifications. You should also explain changes to the programme’s baseline, as approved by Cabinet and detailed in your allocation letter. Explain additional funding allocations, and express changes as average annual growth. The database provides formulas for calculating growth rates. You should also explain any significant movements in historical and projected expenditure at programme level. For details of transfers, emphasise the major transfers.

## Transfers to public entities and trading entities

Where a transfer to a public entity or trading entity is related to a specific programme, the written content on the entity’s expenditure trends and its performance information should be placed at the end of the related programme discussion. The written content for other entities should be placed in the public entities section at the end of the chapter.

## Public entities reporting to the responsible Minister

Part 2 of these guidelines provide detailed instructions on how to complete the data sheets for all public entities.

## [Name of public entity]

### Strategic overview: 2005/06-2011/12

### Selected performance and operations indicators

Provide information in the table as described for the main section of the chapter above.

Table XX.5:

Indicators	Activity / Programme name(s)	Past			Current	Projections		
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12

\* Refer to Annexure B of Part 2 for definition of activity / programme.

## Expenditure estimates

## Expenditure trends

Provide written content as described for the main section of the chapter above.

## **Recent achievements**

# **Annexure tables**

These templates will be sent out with the database.

Table A – Summary of expenditure trends and estimates per programme and economic classification

Table B – Summary of personnel numbers and compensation of employees

Table C – Summary of expenditure on training

Table D – Summary of conditional grants to provinces and local government (municipalities)

Table E – Summary of official development expenditure

Table F – Summary of expenditure on infrastructure

Table G – Summary of lower level institutional expenditure

Table H – Summary of Public Private Partnership projects

## Part 2: Completing the section on entities

The 2009 ENE requires national departments to provide detailed financial information for all public entities associated with the governance framework of that department. Data required from public entities will not only need to reflect financial data and performance information but also to include an entity's activities/programmes.

The following data sheets should be completed for each entity:

- Selected performance and operations indicators
- Activities/programmes budget
- Summary of the statement of financial performance, statement of cash flow and statement of financial position
- Spending on infrastructure for all entities engaged in the infrastructure projects (including construction and maintenance).
- Details on all capital assets transactions
- Spending of Official Development Assistance (ODA) funding

All information required in the database template must be submitted.

**In addition, all entities must attach a copy of their 2007/08 annual report.**

### Process and database

A database template will be sent to each entity with entity details and National Treasury contacts on a cover page. Ensure that the names on this cover page are correct before completing the first sheet. Entities are requested to start completing their database templates and written content as soon as they receive these guidelines and database templates, and contact the relevant officials in the National Treasury if they experience any difficulties.

Public entities that have submitted their financial reports to the Office of the Accountant General, will receive their data files with the history data already completed and balanced to their financial statements.

As the format is generic, it is designed to hide variables that are specific to certain types of entities. We have identified four types of entities: SETAs, social security funds, financial entities, and all other entities.

The cash conversion sheet converts the public entities data from accrual to cash budgeting so that it can be consolidated with the financial data of national government. The adjustments made will mainly be for coverage differences.

The budget sheet presents the data by economic and functional classifications. The accrual data will be published in the ENE for the individual entities, while the cash converted data will be consolidated into the department database.

*Note: Both the cash conversion and budget sheets will not be available for viewing by the public entities.*



**Extended reporting for 50 selected entities**

These selected entities will be required to provide written content on: key policies; activities and spending areas; recent outputs; and special projects such as research and infrastructure. Annexure A of these guidelines provides the list of these 50 entities. The information requested from these 50 entities should be provided in the same layout as the main chapter.

# ANNEXURE A

## List of selected entities

No.	Department	Entity Name
		<u>Entities Largest by assests, revenue and expenditure and published in ENE08</u>
1	Agriculture	Agricultural Research Council
2	Agriculture	Land and Agricultural Bank of South Africa
3	Communications	SA Broadcasting Corporation Limited
4	Communications	SA Post Office Limited
5	Communications	Sentech Ltd
6	Defence	Armaments Corporation of South Africa
7	Public Enterprises	DENEL
8	Education	National Student Financial Aid Scheme
9	Environmental Affairs and Tourism	SA National Parks
10	Environmental Affairs and Tourism	SA Tourism Board
11	Health	National Health Laboratory Service
12	Health	SA Medical Research Council
13	Home Affairs	Government Printing Works
14	Home Affairs	The Independent Electoral Commission
15	Housing	National Home Builders Registration Council - NHBRC
16	Housing	National Housing Finance Corporation
17	Housing	Thubelisha Homes
18	Justice	Legal Aid Board
19	Labour	Compensation Fund, including Reserve Fund
20	Labour	Consolidated Sector Education and Training Authority
21	Labour	National Skills Fund
22	Labour	Unemployment Insurance Fund
23	Land Affairs	Registration of Deeds Trading Account
24	Minerals and Energy	SA Nuclear Energy Corporation
25	National Treasury	Development Bank of Southern Africa
26	National Treasury	SA Revenue Service
27	Public Service Admin	State Information Technology Agency
28	Public Works	Property Management Trading Entity (PMTE)
29	Science and Technology	Council for Scientific and Industrial Research (CSIR)
30	Science and Technology	National Research Foundation
31	Social Development	SA Social Security Agency (SASSA)
32	Trade and Industry	National Lotteries Board
33	Trade and Industry	SA Bureau of Standards (SABS)
34	Trade and Industry	Small Enterprise Development Agency
35	Transport	Air Traffic and Navigation Services Company
36	Transport	Airports Company of South Africa
37	Transport	Road Accident Fund
38	Transport	Road Traffic Management Corporation
39	Transport	SA National Roads Agency

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No.	Department	Entity Name
40	Transport	SA Rail Commuter Corporation Limited
41	Water Affairs & Forestry	Consolidated Water boards
42	Water Affairs & Forestry	SA Forestry Company Limited
43	Water Affairs & Forestry	Trans-Caledon Tunnel Authority
44	Water Affairs & Forestry	Water Services Trading Account (incl equipment acc)
		<b><u>Other entities Largest by assests but not by revenue and expenditure and published in ENE08</u></b>
45	Trade and Industry	Companies and Intellectual Properties Property Registration Off
46	Minerals and Energy	Council for Mineral Technology (Mintek)
47	Arts and Culture	Freedom Park Trust
48	Environmental Affairs and Tourism	Marine Living Resources Fund
49	Labour	National Empowerment Fund
50	Housing	National Urban Reconstruction and Housing Agency - NURCHA
51	Public Enterprises	South African Airways (SAA)

## ANNEXURE B

### Completing the data sheets

Complete the data sheets in this order:

- (a) Transactions in capital assets
- (b) Detail
- (c) Selected performance and operations indicators
- (d) Activities/programmes budget
- (e) Infrastructure sheet
- (f) Official development assistance (ODA) funds

### To open and close the sheets

1. Make sure your macros security level is set at “Medium”.
  - (a) Open Excel.
  - (b) On the main menu click “Tools”.
  - (c) Select “Macros”.
  - (d) On the sub-menu select “Security”.
  - (e) Click the “Security Level” tab.
  - (f) Select “Medium” then “OK”.
  - (g) Close Excel.
2. Open the file.
3. Enable macros.
4. The file will open with *information* being the active sheet.
5. Go to the *transactions in capital assets* sheet.
6. There should be a “Save/close” button on the top right hand side of the sheet.
7. To temporarily stop completing the format, click the “Save/close” button.
  - (a) At the prompt “Do you want to also close the template?” select “Yes”.
  - (b) The template will save your changes and close.
  - (c) To reopen, follow the same procedure as for the opening (steps 2-3).

## Transactions in capital assets

The sheet for capital expenditure is included to make capital expenditure explicit rather than implicit within the *detail* sheet. The aggregates from the capital expenditure data sheet have been linked back to the *detail* sheet so that the entity does not have to provide the information twice. Checks at the bottom of the additional sheet ensure that there is coherence between all movements on capital assets.

### To complete the transactions in capital assets sheet

1. Your name should be on cell C2.
2. Only the white cells are available for completion.
3. The sheet requires the entity to complete all economic flows on their capital assets, including MTEF projections.
4. At the bottom there are checks verifying that the data is correct. The formulae are visible on clicking the checks cells.
5. Totals of acquisitions, depreciation and amortisation, impairments and carrying value of assets are linked to the detail sheet, such that the entity need not complete these when working on the detail sheet.
6. The history numbers for entities that submitted their audited statements will already be completed.
7. Complete all cells shaded white with data from your audited financials (where applicable) and from your budget projections.
8. The checks at the bottom should retain a zero value; otherwise the difference will be shown.
9. Entities are expected to correct their projections to balance this data set.
10. If the figures balance, the entity can then move on to the *detail* sheet.

*Note: A new block Movements not elsewhere classified (NCE) has been added to cater for all movements that happen but are specified here (see definition for examples of such movements).*

## Detail

### Basis of budgeting

While entities generally comply with the GAAP/accrual basis of budgeting, it is possible that a significant number of entities might be budgeting on a cash basis. A cash budget indicates expected cash flows in the MTEF period.

Indicate which basis of budgeting the entity is using.

### History and budget data on the database template

The *detail* sheet consists of three sections:

- (a) the audited financial statistics: reflects the entity's financial activities for the past three years and should balance to its annual report

- (b) the estimated outcome for the current year: an estimate given by the entity based on its financial activities at the date of completing this database template
- (c) the projected budget figures for the medium term: a projection of the entity's three-year budget based on its strategic and operational plans for the same period.

Seven-year data is included in this format for continuity and to reflect any changes in the entity's objectives.

### **Sales by market establishments**

Sales by market establishments arise when a public entity sells goods or services at market related prices (economically significant enough to influence demand and supply), for example renting buildings, selling water. Give details of the entity's sales by market establishments. Indicate the actual sales category for publication purposes.

### **Unclassified revenue**

Unclassified revenue is revenue that an entity deems cannot be classified elsewhere. It is imperative that entities give the breakdown on this item. Type the details of these items into the relevant spaces. After the ENE has been published, a report will be sent to the entities on any unclassified revenue items that could in fact have been classified elsewhere.

### **Capital assets**

The variables relating to capital assets (depreciation, acquisitions, carrying value of assets) are all linked from the transactions in capital assets sheet.

### **Statement of cash flow detail requirements**

As with the 2008 ENE, entities are required to supply National Treasury with detail on the changes in working capital as well as the "other" on the accrual adjustments.

### **To complete the detail sheet**

1. Make sure that your name is reflected on cell D3.
2. The *detail* sheet is shaded green where the cells are formulae.
3. Only the cells shaded white should be completed.
4. Column B contains the variable names to be completed. It flows from the statement of financial performance to cash flow to the statement of financial position data classified economically.
5. Column C contains the hyperlinks to the definitions of the variables. These will assist in the completion of the format as the definitions contain examples.
6. Columns D, E and F are for the history financial data taken from the audited annual reports (05/06, 06/07, 07/08 financial years).
7. Column G is for completion of the estimated financial performance, cash flow and financial position for the current year (08/09 financial year).

8. Columns H, I, J are for the projected budgets over the MTEF period (09/10, 10/11, 11/12 financial years).
9. Rows 203-205 are for budgets for the entity's science and technology activities. These amounts are additional information and are not added to any of the balances of the main database template
10. Rows 208-218 contain data consistency checks.
  - (a) Firstly, we check the transfer allocation reflected on the financial performance data against that reflected on the cash flow.
  - (b) Secondly, we check that the flows emanating from the financial performance data (as reflected in the cash flow data) are consistent with the flows emanating from the financial position data.
  - (c) Thirdly, we check that the balance on fixed assets takes into account all movements in assets as shown by data from financial performance and cash flow data.
  - (d) Lastly we check the movement in deferred income
11. Start by selecting the basis (cash or accrual) of budgeting for the MTEF period on cell J4 using the drop down list.
12. The first three columns are already completed for entities that submitted their financial reports to the OAG, National Treasury, and therefore D, E and F might be protected. Entities that did not submit their reports before the compilation of the data files must complete the history data and balance it to the audited financials. Entities should then proceed to complete the last four columns.
13. Start at the top completing the unshaded parts with your estimated and projected figures. Use the definitions to assist you to correctly classify the data.
14. The shaded rows will show the subtotals of each item category. Clicking on these will reveal the formula showing which cells make up the total.
15. The surplus and deficit balance at the end of the financial performance data is linked with the cash flow part. Adjustments on the cash flow are therefore done directly from the surplus/deficit line.
16. Accrual items adjustments on the cash flow (depreciation, profit and loss on sale of assets, impairments and (gains)/losses on adjustments to fair value) are linked directly from the financial performance part of the format.
17. When you have completed the format, check that the checks on rows 208-218 retain zero values (-). if not:
  - (a) Check the cell formula and the notes to the check on the *definitions* sheet to see which items are included in the check.
  - (b) Verify that the values you have inputted are correct and correct any errors. Use the definitions to ensure that your data inputs are consistent with the principles used to derive the checks.
  - (c) Correct your data as per findings.
18. Complete the science and technology expenditure data if applicable. This information does not form part of the main format and should not affect your balances.
19. If the checks are balancing go to the *selected performance and operations indicators* sheet.

## Selected performance and operations indicators

### To complete the selected performance and operations indicators sheet

1. Make sure that your name is reflected on cell D

Complete the *selected performance and operations indicators* sheet following the instructions in part 1 of these guidelines, and referring to the “Framework for Managing Programme Performance Information” (<http://www.treasury.gov.za/publications/guidelines/FMPPI.pdf>).

## Budgeting for major activities/programmes

In an effort to gain a better understanding of costs associated with the functions of public entities, entities should provide a breakdown of the budget in terms of the major activities/programmes carried-out.

For this purpose, a major activity / programme should be viewed as an integrated group of activities or projects in relation to specific organisational priorities. Administrative activities or overhead costs should be allocated to major activity/programme entitled “Administration”.

The following examples relate to groups of activities/projects/programmes that should be considered in completing the tables for the ENE:

### Examples of major activities

Entities whose main function is to conduct various **research projects** or which have significant research activities as part of their operations should report on these grouped into meaningful categories in the activities data sheet. In the text, give brief descriptions as well as the stage at which the research is, where applicable (such as assessment/scoping, innovation/development, or completion/implementation stages).

**Social development** applies to entities that are involved in community development, skills development, etc. List these activities/programmes and give information on recipients, duration, area affected, and other such information.

**Environmental protection and conservation** applies to entities whose operations and activities relate to environmental sustainability. List the activities/programmes and explain their impact on the environment.

**Social security assistance** only applies to the social security agencies (UIF, CompFund, RAF and SASSA). List the types of social security benefits and include information such as the number of recipients and provincial distribution.

### To complete the activities/programmes sheet:

1. Make sure that your name is reflected on cell D.
2. The programme information must reconcile with the expenditure side of the income statement. In other words, programme allocations must relate to the entity’s operational budget. Information on capital budgets will be provided either as part of the balance sheet or as information in the infrastructure tables.
3. The additional programme presentation will differ from one entity to the next as entities have diverse functionalities.



## Infrastructure

Reporting on infrastructure is required for both existing and new projects. Refer to part 1 of the guidelines for definitions of the three categories of infrastructure.

### To complete infrastructure sheets 1.1 and 1.2

1. If your entity has infrastructure projects open these sheets.
2. Make sure your name appears on cell A1.
3. Read the notes that define the columns at the bottom of the sheets.
4. Complete the columns shaded white.
5. For entities involved in donor assistance partnerships, proceed to the *official development assistance funds* sheet.

### Official development assistance funds

1. Make sure that your name is reflected in cell B1.
2. This sheet contains a table requesting summary information on receipts and expenditure on official donor funds.
3. Only complete the cells shaded white.
4. Complete both the history and the budget data.
5. Provide non-financial information (donor identity and project name).
6. Categorise projects by “programme” or “objective” or “activity” or any other budgeting unit specific to the entity.

# ANNEXURE C

## Minimum requirements for projecting balance sheet items (the statement of financial position)

This section aims to assist a public entity's finance officials to project balance sheet items over the MTEF period for the 2009 ENE. *Note: The balances of the items that have a direct relationship to the cash flow will reflect the cash flow impact thereof.*

Any unexpected fluctuations in costs and income should be accounted for in the entity's contingency budget. The contingency budget need not be made public. A contingency margin may be applied, but only to relevant items and not as an all inclusive percentage.

*Note: Entities are encouraged to develop projection models and not use the database template as a projection tool. Projected figures should then be transferred to the database template.*

## The balance sheet items

### Assets

#### 1. Investments

Among other factors, fluctuations of investments over the MTEF period are informed by changes in the following:

- preceding year closing balance or current year opening balance
- acquisitions (increase in investments)
- disposals (disinvestment or sales of assets) or transfers
- changes in accounting policies or estimates
- fair value changes if the fair value or equity model is applied.

Acquisitions and disposals of investments are cash items. Reflect them under cash flow from investing activities on the cash flow statement as well. Reflect the effect of any changes in non-cash items on the income statement expenditure part as "impairments of financial asset", positive and/or negative.

#### 2. Inventories

The purpose of an inventory may determine its valuation method over the MTEF period. When inventory is held mainly for consumption, it may be valued at cost. If it is held for selling, it may be valued at its net realizable value (GRAP 12.07). Whichever value may include the following:

- preceding year closing balance or current year opening balance
- any purchases and/or receipts
- usage (consumption), losses, damages, theft or obsolescence, i.e. any changes in value.

### 3. Receivables and prepayments

The main factors affecting the receivables and prepayments over the MTEF period are, among others:

- preceding year closing balance or current year opening balance
- any expected sales on credit or loans
- doubtful debts, which may involve the debtors collection period computations outcomes
- any changes in the prepayments value.

When interest is involved, inflation adjusted estimates may be necessary.

### 4. Cash and cash equivalents

Cash may not be a negative asset over the MTEF period. If the cash and cash equivalents is a negative amount as a result of set-off of cash and an overdraft (i.e. when the overdraft is higher than the debit bank amount) do one of the following:

- Record the accounts separately i.e. debit bank amount under “cash and cash equivalents” and overdraft under “trade and other payables”.
- or
- Take the set-off amount to “borrowings”.

The first method of separating the accounts is preferable.

Basically, the cash and cash equivalents amounts over the MTEF period would include:

- preceding year closing balance or current year opening balance
- receipts from sales, transfers, etc
- loans and any repayments.

### 5. Carrying value of fixed assets

The “carrying value of fixed assets” is taken from (linked to) the total “closing balance” from the “transactions in capital assets” sheet, which is part of the ENE template. This sheet has a breakdown of fixed assets items with categories for opening balances (formula run), acquisitions, disposals, impairments, depreciation and closing balances (may be formula run). The carrying value of fixed assets or any asset individually may not be a negative value.

## **Equity and liabilities**

### **Equity**

#### 6. Capital and reserves

The main elements of computing capital reserves value are:

- preceding year accumulated surplus or deficit (this is recorded separately on our format)
- current year surplus or deficit

- shares issued
- transfers between reserves accounts
- revaluation surplus or deficit. This should not affect the MTEF period.

The estimates of MTEF capital and reserves may be informed by the above, except for revaluation surplus/deficit.

## Liabilities

### 7. Trade and other payables

Over the MTEF period the trade and other payables will be informed by:

- preceding year closing balance or current year opening balance
- changes in any deferred income
- results of creditors remittance period computations
- any changes in loans.

When interest is involved, inflation adjusted estimates may be necessary. Changes in trade payable should correspond with the changes in non-cash items in the statement of financial performance.

### 8. Provisions

A provision is a present obligation (legal or constructive) arising from a past event for which it is probable that there will be an outflow of economic benefits or service potential required to settle the obligation and it can be measured reliably. (GRAP 19.20)

Provisions values are usually made of a percentage of a certain item, e.g. 9% of net receivables or 10% of unpaid leave, etc. The percentage is based on past experience. Where necessary, figures may be adjusted to take inflation into account. This may be the case if the subject item of a provision (e.g. “net receivables”) did not take inflation into account because it included inflation adjusted amounts, hence adjusting total provision for inflation would amount to double counting. Otherwise the following factors may affect the provisions values over the MTEF period:

- preceding year closing balance or current year opening balance
- any changes in estimates (I/S).

#### Example

In 2007 IT Skills SETA offered services worth R500 000 on credit. Over the past five years, IT Skills SETA observed that an average of 5% of their annual debtors tended to be doubtful debts, so they decided to make provision for these debts at 5% of the total debts.

Services on credit	R500 000
Provision for doubtful debts (R500 000*5%)	<u>(R25 000) I/S</u>
Net receivables	<u>(R475 000) B/S</u>

## 9. Borrowings

Factors that affect changes in borrowings over the MTEF period include:

- preceding year closing balance or current year opening balance
- any changes in borrowing should correspond with changes in the cash flow from financing activities.

## **Note on cash flow statement**

Over the MTEF period, the cash flow is pretty much straight.

### **Cash flow from operating activities**

1. Cash received from sales and debtors will mostly comprise of:

- estimated transfers
- debtors' recovery period computations
- estimated interest income.

2. Cash paid to suppliers and employees will mostly comprise of:

- creditors remittance computations
- estimated interest expense (I/S)
- total estimated salaries and wages expense (I/S)

3. Movements in non-cash items

Movements should just reflect the actual differences in the totals in the statement of financial position. Nothing more, nothing less.

The movements should be traceable.

### **Cash flow from investing activities**

Acquisitions of non-current assets

Intended acquisitions should be informed by the accounting policies of the entity. The same applies to investments.

The proceeds on sale of assets should not reflect any figure until the sale has taken place.

Unless there are non-current assets held for sale and disclosed in terms of IFRS 5, there should be no disposals figures on the transactions in capital assets sheet.

### **Cash flow from financing activities**

Deferred income

The grant relating to capital expenditure utilized should be reflected over the years. This should have an amortizing effect on the deferred Income in the balance sheet.

The grant relating to capital assets can be credited directly against the cost of the asset acquired, or amortized over the life span of the asset if deferred.

**Example: Grant credited against the cost of asset**

IT Skills SETA purchased computer equipment on 01/03/2007 for R2 million and qualified for 20% government grant. Computer equipment is depreciated at 33.33% per annum. IT Skills SETA's year ends on 28 February.

Cost (R2 million – R400 000)	R1.6 million
Accumulated depreciation (R1.6 million*33, 33%)	<u>(R533 000) I/S</u>
Carrying value (28/02/2008)	<u>R1.06mil B/S</u>

**Example 2: Grant deferred**

IT Skills SETA purchased computer equipment on 01/03/2007 for R2 million and qualified for 20% government grant. Computer equipment is depreciated at 33.33% per annum. IT Skills SETA's year ends on 28 February.

Cost (cost includes grant)	R2 million
Accumulated depreciated (R2 million*33, 33%)	<u>(R667 000) I/S</u>
Carrying value (28/02/2008)	<u>R1.330 million B/S</u>

# ANNEXURE D

## Definitions to the detail sheet

The definitions have been revised to align with South African government standards. They have also been improved. We have indicated items that *may seem* to fit the description, but should be excluded from the classification for the purposes of our economic reporting format.

## Revenue

### 1 Tax revenue

A tax receipt is defined as compulsory, unrequited revenue collected by public entities. [Guidelines for implementing the New Economic Reporting Format]

Taxes are compulsory because the other party is required by statutory provision to pay taxes in certain circumstances and under certain conditions. Taxes are unrequited in the sense that government does not provide anything directly in return to the party making the tax payment. Not all compulsory, unrequited receipts are recorded as taxes.

Excluded are:

Fines, penalties and forfeits also compulsory, unrequited receipts, but are recorded separately from taxes. Fines, penalties and forfeits are distinguished from taxes by that they are as a result of a violation of a law or administrative rules, while taxes are an implementation of a law.

Transfers received also unrequited receipts by government but not considered taxes. Taxes are distinguished from transfers received because taxes are compulsory and transfers received are voluntary. [Guidelines for implementing the New Economic Reporting Format]

Social (security) contributions payments earmarked for unfunded social security schemes, e.g. UIF, that provide benefits other than retirement benefits. These are recorded separately from taxes.

## Entity revenue

### 2 Sale of goods and services

The category consists of all sales by public entities provided that the government has produced the good or service. It is important to note that sales of capital assets are never included under this category, but under sales of capital assets. Thus, sales of capital assets are excluded from this category even if they have been produced by a public entity. Revenue from ownership of building and fixed structures - rentals - is included in this category. This is because revenue from ownership of buildings implies the provision of a service in the form of maintenance and repair. In contrast, revenue from ownership of land is more passive and is therefore not considered a sale. To note: Revenue from ownership of buildings must be distinguished from revenue from ownership of land and sub-soil assets; the latter is classified as rent of land, which is a separate revenue category.

There are three main components of sales of goods and services produced by government: (1) sales by market establishments, (2) administrative fees and (3) other sales.

3 Admin fees

This item consists of revenue collected for sales of regulatory or administrative services, and is sometimes referred to as license fees. In this category, government must exercise a regulatory or administrative function. For example, it may verify the competence of a licence holder.

Classification provided for under this category includes licence or permits, registration fees and inspection fees (e.g. brands, and travel documents).

*Note: Regarding license fees, the government should be providing a service to the remitter of this fee, e.g. the use of government-owned land by hunters; otherwise the fee is classified as a tax on goods and services*

4 Market establishments

When a public entity sell goods or services at market related prices the transactions should be recorded here. Examples are rent from buildings and equipment charged at the prevailing market prices.

*Market prices are prices economically significant enough to influence supply and demand of a good or service. The easiest benchmark is the prevailing price in the private market.*

5 Other Sales

This item includes money received from the sale of all other goods and services produces or partially produced by a national/provincial department.

To be part of this category, the fee charges must be below prices prevailing in the private market. User charges at below market prices are included for example hospital fees, university fees as well as park and museum fees. Examples are rentals of buildings and machinery, as well as hospital, university, park and museum fees. Sales of seeds and livestock produced by public entities are considered other sales. Sales of items purchased from another economic unit and then resold should also be included under this item; an example would be a postcard sold by a museum.

Also included in the other sales of goods and services are Sale of scrap, waste, arms and other used goods (excluding capital assets with cost price above R5000/capitalisation threshold). It includes sales of all items that are not considered capital assets and not produced by public entities, for example, used arms sold by the Department of Defence.

This category include scrap, waste paper, silver resale (X-ray), condemned linen, ash and kitchen refuse and selling of arms and arms supporting systems.

6 Fines and penalties and forfeits

This item consists of all compulsory receipts imposed by a court or quasi-judicial body.

Out-of-court settlements are also included in this category. As with taxes, this item consists of unrequited, compulsory transactions. Thus, the recipient public entity does not provide anything in return for these receipts.



7 Gains from sale of assets

Gains realised from sale of assets where such selling is not the core activities of the business

8 Other gains

Are gains which fall outside the scope of the normal operating activities of the entity excluding those from sales of assets.

9 Interest

This item consist of the income associated with ownership of interest-bearing financial instruments, such as bank deposits, loans extended to others, and bills and bonds issued by others.

10 Dividends

These are profit distributions receivable by public entities on equity participation in private and public sector entities. Dividends come in the form of revenue from shares and distribution of profits to the owner. Gains/losses associated with valuation changes should not be included in the amount reported here, these are recorded under Gains and Losses on the expenditure side.

11 Rent on land

The item consists of the revenue due to ownership of land. This item also includes all revenue due to ownership of sub-soil assets and other commercially exploitable naturally occurring assets such as virgin forests, game and fisheries. Examples are *royalties* collected for mining rights as well as *exploration rights* on government owned land.

*If it is not possible to distinguish receipts due to ownership of land from receipts due to fixed structures on it, the whole amount should be recorded under sales of goods and services produced by government (excluding capital assets).*

12 Unclassified revenue

All revenue items that could not be classified above. Please make sure that the items are clearly specified, i.e. we will not accept "other" as a specification. This is so that we can then classify the revenue in one of the classes given.

13 Transfers received

This item consists of all unrequited receipts voluntarily given by other parties. Thus, an entry should be made under this item when a public entity does not give a service or good directly in return for the transfer from the other party and the transfer is voluntary.

Included are:

Grants (not identified as grants in our format) which are voluntary transfers received by a government unit from either another government unit, foreign governments or an international organisation,

Social contributions payments earmarked for social security agencies and Other transfers (not identified as other transfers in our format) gifts and donations from sources other than government units and international organisations

Excluded are:

All payments made by government departments or other government units for services provided by the entity. These are sales of goods and services. E.g. if DTI commissions CSIR for some research project and pay for this, this should be rightly classified as sales. This item includes both current and capital transfers received. The transfers received are further categorised as; *Social contributions-payments earmarked for social security agencies; Transfers from other government units* part of grants described above; *Skills development levies* - payments earmarked for the skills development of the labour force in the South African economy; *Universities and technikons*. Other transfers *Local private donors-* other transfers above; *Foreign governments and international organisations-* part of grants described above.

- 14 Social contributions received (social security funds only)  
These are receipts from either employees on behalf of their employees or from employees, self-employed, or non-employed persons on their own behalf that secures entitlement to social benefits for contributors, their dependents, or survivors, e.g. the contributions received by the UIF.
- 15 Realisation of Deferred income  
Relates to the transfers realised in the current year, however, were received and capitalised in the previous year(s)
- 16 Skills development levy (SETAs only)  
These are receipts from employers for the purpose of the development of skills in their particular industries. These levies are paid to various SETAs who then disburse them as required.

## EXPENSE

### COMPENSATION OF EMPLOYEES

- 17 Salaries and wages  
This item includes most payments to employees, except *social contributions* and *payments to employees working on capital projects*. Social contributions are recorded separately while payments to employees on capital projects are capitalised. **The item, salaries and wages, includes:**  
Salaries or wages payable at regular weekly, monthly or other intervals. Remuneration to staff members employed on a *contractual basis* is included, provided that these staff members are paid at regular intervals and that they are listed on the government payroll. This also includes payments by results and *piecework payments; enhanced payments* or *special allowances for working overtime*, at nights, at weekends or other unusual hours; *allowances for working away from home* or in *disagreeable or hazardous circumstances*; and *expatriation allowances* for working abroad;

Supplementary allowances payable regularly, such as *housing allowances* or allowances to cover the costs of travel to and from work.

Salaries or wages payable to employees away from work for short periods, for example, on holiday;

Ad hoc bonuses or other exceptional payments made, for example, under incentive schemes.

Salaries and wages include the values of any social contributions, income taxes, etc., payable by the employee. This applies even if they are compulsory or withheld by the employer for administrative convenience or other reasons and paid directly to social insurance funds, tax authorities, etc., on behalf of the employee. For example, *employees' contributions* to pension funds and medical aid are included in salaries and wages.

The item, salaries and wages, does not include:

Reimbursements of costs incurred by employees on tools, equipment, uniforms and other items that are needed to enable them to carry out their work. For example, uniforms provided to police officers are not compensation of employees, but use of goods and services. Uniform allowances are classified as use of goods and services if the employee is required to use the funds to purchase a uniform that will mainly be used at work;

Relocation costs reimbursement - costs incurred by employees when they take up new jobs or are required by their employers to move their homes, for example, travel and moving expense;

Payments for travel and subsistence while on government duty away from duty station. Per Diem and out-of-town allowances fall under this category;

Purchases of services provided by people who are not government employees, for example, consultants, architects and occasional workers;

The above four items should be classified under use of goods and services

Social benefits to employees. These can be in the form of allowances made for accidental injury, severance and incapacity pay. Allowances to employees' dependants are also considered social benefits. In most cases, payments falling under this category are made from a social insurance fund.

Payments to employees or former employees that are not remuneration for work

The above two items should be classified under transfers to households, social benefits

18 Social contributions

This item includes the government's contribution (***but not the employees' contribution***) to social insurance schemes paid on behalf of employees.

Examples of social insurance schemes are social security funds, unemployment insurance funds, pension and provident funds, as well as medical aid schemes. Social contributions are made on behalf of employees currently employed by a public entity.

**Excluded:** are *post retirement benefits* (e.g. medical aid contributions made on behalf of retired employees). ***These should be included in Transfers to households: Social benefits***

19 Use of good and services

Included are goods of a non-capital nature purchased for resale as well as goods of a capital nature with a cost less than capitalisation threshold.

***Listed below are items typically included under this category:***

Advertising and marketing

Costs of the specific formulation and publication of notices to attract prospective service providers and suppliers, promote government activities and/or projects or for filling of vacant positions. This includes printing of leaflets, advertising on Radio/TV as well as in local or national newspapers.

***Excluded from advertising and marketing*** are publication cost, information documents, source documents and reports not specifically used for promoting the activities of the State/department/project. These are classified under *Printing and publications*.

Audit fees

The Constitution of South Africa Section 188 determines that the Auditor-General must audit and report on the accounts, financial statements and financial management of all a government unit and administrations, all municipalities and any other institution or accounting entity required by national or provincial legislation to be audit by the Office of the Auditor-General.

*This item would therefore only include payments made to the Office of the Auditor-General or a registered company appointed by him to do the work on their behalf. Any other services procured directly by the public entity from Registered Accountants and Auditors will be allocated to "Consultants, contractors and advisory services".*

Bank charges

All fees, levies and costs charged to the department on accounts held at commercial banks or credit/debit cards should be allocated to this item.

Included in this account are bank recall fees.

Excluded from transaction is interest charged. Interest charged should be allocated to *Interest, dividends and rent on land*

#### Board costs

All payments related to the functions of the board. This includes remuneration for non-executive members of the board, and all other administrative expenditure incurred on the functions of the board.

Remuneration for executive members of the board is excluded from this item. They should be classified under *compensation of employees*.

#### Bursaries (employees)

Bursaries include payments made to provide direct support to employees for studying at universities or other tertiary institutions, where all the conditions and terms have been complied with in terms of the contract with the bursary holder. Direct support could include fees, textbooks and other aids and accommodation at the university residence.

For a transaction to be classified as a bursary in accordance with the above definition, it has to comply with all the conditions and objectives of the department's policy on bursaries.

An employee bursary is classified as goods and services because the department will eventually benefit from the increased knowledge gained by the employee.

*Bursaries for non-employees are classified under "other transfers to households"*

#### Communication

Communication means the exchange of information between individuals and include verbal, written or using a common system of signs or behaviour. Communication refers to costs incurred for communication through a variety of communication mediums, including the transfer of data through electronic media.

It refers to all verbal and non-verbal communication costs incurred to communicate (for example telephonic or postal services), including electronic communication expenses but excluding those that are classified as computer costs, advertising and press releases.

**Included:** *Telephone, fax, telegraph and telex usage, installation of telephone, rental of post boxes and private bags, radio transmissions, postage, post and franking machines, licences (radio and television) and cellular contracts.*

#### Computer services

Payments made for computer services provided by SITA or an external service provider.

**Included are** *renting of data lines, information services, internet services, software licences, specialised computer services and system advisers*

#### Consultants, contractors and special services

Consulting Services refer to specialist services and skills provided that are required for the achievement of a specific objective, with the aim of providing expert and professional advice on a time and material basis. It is unnecessary to maintain these skills in-house, since they are required on a once-off or temporary basis. Therefore a consultant is a professional person appointed by the department to provide technical and specialist advice or to assist with the design and

implementation of projects/programs. The legal status of this person can be an individual, a partnership or a corporation. The fact that a consultant is defined as a professional person implies that the consultant is professionally qualified. The provision of advice or service is in line with a contractual arrangement (usually commissioned on a project basis).

Remuneration is usually based on an hourly fee or a fixed fee for a product/deliverable.

Contractors are required to provide services that are having a current and non-specialised nature, that are not core business of the department. It is normally not cost effective to maintain these skills within the department, i.e. cleaning services.

Clear distinction need to be made between other line items classified as goods and services and consultants, contractors and special services. The question to be answered is what is the purchase for? As an example the payments made on a contract allocated to a construction company for erecting a building to house a department would not be consultants, contractors and special services, but capital expenditure, non-residential buildings. Similar if the security services are outsourced to a private company this cost will be allocated to owned and leasehold property expenditure (current) - Security services.

*It is possible to appoint a consultant/contractor on a capital project (as determined by the capital/current decision tree).* The item under goods and service is used with a capital objective to distinguish between purchases on current projects/services and capital projects.

#### Entertainment

Entertainment: This item includes entertainment expenditure incurred by Senior Managers in performance of their duties. Such expenditure includes, but is not limited to:

- (a) Luncheon meetings held with colleagues, foreign delegations and/or other individuals in and outside the public sector; and
- (b) Purchase of dinner during authorised overtime.

This item does not include, but is not limited to, spending on:

- (a) Gifts (including flowers) to individuals;
- (b) Private entertainment;
- (c) Cost of meals claimed by individuals when away from home on official duty;

#### Catering

Expenditure incurred on individuals employed or contracted to the public entity or individuals outside the employ of the public entity, in connection with the activities of an entity, or division within the entity, that directly relates to the achievement of its objectives. Such expenditure includes, but is not limited to:

- (a) Catering for lekgotla's, conferences, bosberade, workshops, indabas, courses, forums, hearings and meetings held with the intention to discuss the public entity initiatives;
- (b) Catering for a function for the launching/roll-out of an product of the entity;
- (c) Catering for interviews or training sessions;
- (d) Diner and drinks supplied at year-end functions;

- (e) Eatery provided for members of standing boards, and official commissions or committees of enquiry; and

This item does not include, but is not limited to, spending on:

- (a) Gifts (including flowers) to individuals; and
- (b) Venues in connection with the function/event or any other expenditure incurred in addition to the catering of the function/event.

Equipment less than R5000/capitalisation threshold

Equipment less than R5 000/capitalisation threshold (equipment of a capital nature but costing less than R5000/capitalisation threshold per unit) is treated as current payments and not capitalised as assets as determined in the economic reporting format.

Cost of sales (goods)

This entails the cost of goods in the form of materials/supplies to be consumed in the production process in the form of materials or supplies to be consumed / distributed in the rendering of services held for sale or distribution in the ordinary course of operations or in the process of production for sale or distribution.

Legal fees

Costs incurred for services rendered by attorneys and advocates.

Maintenance and repairs

Costs incurred for maintaining, repairing and day-to-day running of capital equipment. Transactions allocated to this item is applicable only if the maintenance and repair does not extend the useful life of the asset and result in future cash inflows into the organisation this is determined through use of the capital /current decision tree.

Examples would be fixing broken windows, replacing filters or gas in an air conditioner, ordinary service of a motor vehicle.

Running cost included all cost associated with the day-to-day use of capital assets.

Operating Leases

Operating leasing is a productive activity that involves renting capital assets for terms less than the expected service lives of the assets. It is a form of production in which the leaser normally lets the use of a capital equipment / asset in exchange for the lease payments. Operating leasing can be identified by the following characteristics: (a) the leaser normally maintains a stock of equipment in good working order which can be hired on demand or at short notice, (b) the equipment may be rented out for varying periods of time, and (c) the leaser is frequently responsible for the maintenance and repair of the equipment as part of the service provided to the lessee.

Printing and publication

Cost incurred for printing being the reproduction by applying ink to paper as for and publications being documents printed or otherwise produced for wide distribution inside or outside an agency e.g. annual reports, brochures, pamphlets, posters, books.

Printing of annual reports for tabling in parliament, newsletters and communications to employees and or clients. Excluded are maintenance of equipment used, paper and ink and for advertising purposes.

#### Travel and subsistence

Travel and subsistence are the reimbursement of travel expenses within or outside South Africa for business purposes and subsistence for food and drink where the employee is required to stay at a location other than his permanent residence for one night or more within or outside of South Africa. The amount could also be paid by the entity directly to the travel agency responsible for making the travel arrangements or the service provider.

#### Training and staff development

The cost of training staff to develop and make them more efficient on the job. This cost includes materials and manuals as well as cost of external trainers.

**Venues and facilities** refer to expenditure going to venues used for functions, workshops etc and are seen in isolation from catering services.

#### Municipal Services

Included are cost of water and electricity (*and other municipal services excluded from rates and taxes*).

#### 20 Depreciation and amortisation

Depreciation represents the reduction in the balance sheet value of a company asset to reflect its loss of value through age and wear and tear. It involves the systematic reduction of the cost value of assets such as property plant and equipment and intangible assets.

#### 21 Losses from sale of fixed assets

Losses suffered as a result of sale of assets

#### 22 Impairments and Adjustments to fair value

Impairments are adjustments to the value of a non-monetary asset (i.e. a motor vehicle has deteriorated quicker than the depreciation charge and we pass through another entry to 'impair' or further depreciate the vehicle). Adjustments to fair value relate to monetary assets. We are required to disclose most of our monetary assets at fair value, where the value has increased or decreased at year-end we need to recognise this movement in the income statement.

#### 23 Interest

This item includes the total value of interest payments.

These are payments associated with debt, for example interest on borrowing and overdraft facilities. Interest payments on bills and bonds issued by other government units are also included here. Where possible, interest paid on overdue accounts should also be included under this item.



24 Dividends

A dividend is a distribution of money or property paid by a corporation out of the corporation's profits to shareholders. *Government units are not payers of dividends as a rule. Exceptions may be public corporations.*

25 Rent on land

Rent relates payments in respect of certain leases of land, subsoil assets, and other naturally occurring assets. These include rent; royalties, exploration and right of use costs.

26 Transfers and subsidies

This item consists of all unrequited, voluntary payments to other parties. Thus, an entry should be made under this item when government does not receive anything directly in return for the transfer to the other party and the transfer is voluntary.

Both current and capital transfers are included in this item. An example of a capital transfer is a cash payment, which the unit is required to use toward the acquisition of a capital asset. All other transfers are current, for example, donations and grants, which the recipient is not obliged to use to acquire capital assets. The transfers paid are further categorised as; Provincial government; Municipalities; Departmental agencies and accounts; Universities and technikons; Foreign governments and International organisations ; Public and private corporations; Households

Subsidies

Subsidies on production comprise all current, unrequited payments to businesses: both government and privately owned – on the basis of their level of production or quantity, or values of products produced, sold, imported or exported. Subsidies influence the level of production and / or pricing policies of the recipient. To be classified as a *subsidy on production*, the transfer must be current. Subsidies can be payable on specific products or on production in general.

***A subsidy on a product*** is a subsidy payable per unit of a good or service. The subsidy may be a specific amount of money per unit of quantity of a good or service, or it may be calculated *ad valorem* as a specified percentage of the price per unit. A subsidy may also be calculated as the difference between a specified target price and the market price actually paid by a buyer. A subsidy on a product usually becomes payable when the good or service is produced, sold, exported, or imported. But it may also be payable in other circumstances, such as when a good is transferred, leased, delivered, or used for own consumption or own capital formation.

***Subsidies on production*** consist of subsidies that enterprises receive for engaging in production but that are not related to specific products. Included are subsidies on payroll or workforce, which are payable on the total wage or salary bill, the size of the total workforce, or the employment of particular types of person; subsidies to reduce pollution; and payments of interest on behalf of corporations.

Subsidies also include transfers to public corporations to compensate for losses they incur on their productive activities as a result of charging prices that are lower than their average costs of production because of deliberate government economic and social policy. If such losses have been accumulated over two or more years, however, the transfer is considered of a capital nature and classified as *other transfers to public corporations and private enterprises*.

27 Transfers to households: Social benefits

These are transfers to protect the entire population or specific segments of the population against certain social risks: events that may adversely affect the welfare of the households concerned such as, loss of employment, poverty etc.

Social benefits are current transfers to households, but not all transfers to households are included under this category. Included are the transfers made to households to protect them against events that may adversely affect their social welfare. Examples include the *child support grant; payments for medical, convalescent and dental care and home care*. Social benefits also encompass the cost to provide free housing and housing below market prices.

Other government units can also pay social benefits, like the Unemployment Insurance Fund.

28 Other transfers to households

This item includes all other unrequited payments made to individuals and households that are not for social benefits.

**To note is the inclusion of** bursaries awarded to persons who are not employed by the public entity for the purpose of assisting them with tuition and other education and training related costs. They are transfers since the recipient has no obligation towards the benefactor.

29 Technical reserves (social security funds only)

Technical reserves are as a result of an actuarial evaluation. They consist of net equity of households in insurance reserves, prepaid premiums and reserves against outstanding claims.

30 Surplus/(deficit) for the year/ net cash and cash equivalents/assets-liabilities

The formula checks if the above balances in the template are in accordance with the published audited financial statements.

31 Other

.....

Items in the face of the Balance sheet

32 Investments

Investments are shares such as real property, stocks, bonds, collectible annuities, mutual fund shares, etc, held by an entity in another company. An entity acquires these shares with the expectation of realizing income or capital gain, or both, in the future.

33 Inventory

Inventories are goods and services held for sale, use in production, or other use at a later date.

34 Loans

Loans are financial instruments that are created when a creditor lends funds directly to an entity. This category includes mortgage loans, instalments loans, hire-purchase credit, loans to finance trade credit and advances, repurchase agreements, financial assets and liabilities implicitly created by financial leases, and claims on or liabilities to the IMF in the form of loans. Ordinary trade credit and similar accounts receivable/payables are not loans.

35 Accrued Investment Interest/Accrued interest

Interest which has been earned but not yet received/paid

Receivables and prepayments

**Accounts Receivable** is a current asset representing money due for services performed or merchandise sold on credit

**Prepaid Expenses** are amounts that are paid in advance to a vender or creditor for goods and services. Typically, insurance premiums are paid in advance of the coverage contained in the policy. Prepaid Expenses is a Current Asset for your business. This is because you have paid for something and someone owes you the service or the goods for which you prepaid.

37 Cash and cash equivalents

**Cash & Equivalents** means all cash, marketplace securities, and other near-cash items. Excludes sinking funds.

38 Assets not classified elsewhere

This refers to any **other** assets not placed in the template e.g. non-current assets held for sale.

39 Capital & Other Reserves

**Capital**, in economics, can mean: factories, machines, and other man-made inputs into a production process. In finance, capital is money and other property of a corporation or other enterprise used in transacting the business.

**Reserves**, generally, are those accounts where retained earnings are set aside to satisfy dividends, improvements, contingencies, retirement of preferred stock, etc, thereby cannot be distributed for other uses. Included are Non-distributable reserves (other than share capital and share premium). It will include Capital Redemption reserves, contingency reserves and other capital reserves. Amounts attributable to minority interests (if applicable) should also be included in this category

40 Borrowings

**Borrowings** comprises obligations under finance leases, bank overdrafts, loans due to other group companies, redeemable debentures, bonds, commercial paper, bills of exchange and any other form of borrowing. Accrued interest on borrowings should not be included here.

41 Post Retirement Benefits

Benefits provided by a company to retirees. Typical examples of potential benefits are pensions, life insurance, and health insurance.

42 Trade and Other Payables

**Trade payables**, also known as an accounts payable, are an amounts owed to a creditor for goods and services received.

**Other payables** are an amounts awaiting payment to be made, e.g. interest payable or taxes payable.

43 Provisions

**Provision**, generally, is to prepare in advance for an event that is projected to take place in the future. In accounting, it is an amount charged against profits for a specific liability (for example: bad debts, depreciation or taxes). A liability may be known, but the amount is often uncertain. This uncertainty may lead to an adjustment in a later income statement once the final amount of the liability is ascertained.

44 Managed Funds (e.g. Poverty Alleviation Fund)

These are funds instituted by the fiscus to run programmes across various government institutions to deliver on a particular national priority, e.g. poverty alleviation fund. Allocations are typically disbursed from those particular funds and are monitored from one central point.

45 Liabilities not classified elsewhere

This relates to other liabilities or equity item not placed in the template including deferred liability caused by smoothing of leases

46 Financial position check

Formula:  $D156 - D163 = 0$ . This check verifies that the assets and liabilities on the financial position data are balancing.

47 Science and technology services (STS):

Are defined as activities concerned with supporting research and experimental development and contributing to the generation, dissemination and application of scientific and technical knowledge. This includes activities such as patenting, geological surveys, standards generation, operation of libraries and national scientific databases and the like.

48 Scientific and technical education and training (STET)

Covers all activities comprising specialised non-university higher education and training, higher education and training leading to a university degree, postgraduate and further training, and organised lifelong training for scientists and engineers.

49 Scientific and technological innovation (STI)

May be considered as the transformation of an idea into a new or improved product introduced on the market into a new or improved operational process used in industry and commerce, or into a new approach to a social service.

Checks

The checks facilitate consistency throughout the format. A rounding off difference of  $\pm 5$  has been allowed

50 Departmental allocation

Formula: **D31-D134 = 0**. This formula verifies that the allocation as stated on the revenue side is consistent with the total given on the cash flow. On receipt of the format, this input will be further checked against the one indicated by the department in their own submission

51 Cash balances

Formula: **ABS(E162-D162) - ABS(E153) = 0**. The formula takes the current year's closing cash balances then subtracts the opening cash balances, then subtracts the movement for the year of cash balances.(ABS changes the negative signs).This formula checks that the cash balance on the financial position data increases/decreases by the net cash movement as indicated by the balance on the cash flow data.

52 Receivables

Formula: **ABS(E161-D161) - ABS(E118) = 0**. The formula takes the current year's closing receivables balance then subtracts the opening receivables balance, and then subtracts the movement for the year of receivables. (ABS changes the negative signs)This formula checks that the change in receivables on the financial position data is consistent with the change on the cash flow.

53 Inventory

Formula: **ABS(E159-D159) - ABS(E126) = 0**. The formula takes the current year's closing inventory balance then subtracts the opening inventory balance, then subtracts the movement for the year of inventory. (ABS changes the negative signs)This formula checks that the change in inventory on the financial position data is consistent with that indicated on the cash flow data

54 Payables

Formula: **ABS(E167-D167) - ABS(E109) = 0**. The formula takes the current year's closing payables balance then subtracts the opening payables balance, then subtracts the movement for the year of payables. (ABS changes the negative signs). This formula checks that the change in payables on the financial position data is consistent with the change as shown by the cash flow data.

55 Provisions

Formula:  $ABS(E168-D168) - ABS(127) = 0$ . The formula takes the current year's closing provisions balance then subtracts the opening provisions balance, then subtracts the movement for the year of provisions. (ABS changes the negative signs) This formula checks that the change in provisions on the financial position data is consistent with that indicated on the cash flow data.

56 Carrying value of assets

Formula:  $(E168-D168+E152+E155+E60+E62+E65-E22-TransactionsInCapitalAssets!D91) = 0$ . This formula checks that the changes in the value of assets on the financial position data are consistent with movement shown on the financial performance and cash flow data.

57 Movements NCE (Not classified elsewhere)

These are other movements in non-financial assets such as transfers, reclassifications, fair value adjustments, restatements, prior-period correction, written-offs, etc.

58 Heritage assets

Heritage assets are assets that government intends to preserve indefinitely because they have unique history, cultural, educational, artistic or architectural significance. South African examples are; archives, areas/land of historic significance, cultural buildings, national parks and reserves, national monuments, antiques and collectables, paintings, sculptures, state jeweller and works of art.

# ENE chapter template

# Vote #

## Name

### Budget summary

[Insert table]

### Aim [Font: Heading 2]

*Format the paragraph with paragraph style, Times New Roman, 11 Pt and Italic.*

### Programme purposes [Font: Heading 2]

Format the paragraph with paragraph style, Times New Roman and 11 Pt.

### Strategic overview: 2005/06 – 2011/12 [Font: Heading 2]

Format the paragraph with paragraph style, Times New Roman and 11 Pt.

### Selected performance and operations indicators [Font: Heading 2]

Table xx.1

### Expenditure estimates [Font: Heading 2]

Table xx.2 [Name of department]

### Expenditure trends [Font: Heading 3]

Format the paragraph with paragraph style, Times New Roman and 11 Pt.

### Departmental receipts [Font: Heading 2]

Format the paragraph with paragraph style, Times New Roman and 11 Pt.

Table xx.3 [Departmental revenue]

## **Programme [number]: [Programme name] [Font: Heading 2]**

Format the paragraph with paragraph style, Times New Roman and 11 Pt.

### **Objectives and measures [Font: Heading 3]**

Format the paragraph with paragraph style, Times New Roman and 11 Pt.

### **Recent achievements [Font: Heading 3]**

Format the paragraph with paragraph style, Times New Roman and 11 Pt.

### **Expenditure estimates [Font: Heading 3]**

Table xx.4 [Programme name]

### **Expenditure trends [Font: Heading 3]**

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## **[Name of public entity] [Font: Heading 2]**

### **Strategic Overview: 2005/06-2011/12 [Font: Heading 2]**

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## **Selected performance and operations indicators [Font: Heading 2]**

Table xx.5

### **Expenditure Estimates [Font: Heading 3]**

Table xx.6 [Name of entity]

### **Expenditure trends [Font: Heading 3]**

Format the paragraph with paragraph style, Times New Roman and 11 Pt.

### **Recent Achievements [Font: Heading 3]**

Format the paragraph with paragraph style, Times New Roman and 11 Pt.

## **Annexure tables [Font: Heading 2]**