**ANNEXURE A: FINANCIAL HEALTH RATIOS AND TRENDS**

The ratios and trends on which the financial health analysis and discussion in *PART D – FINANCIAL HEALTH* under *SECTION 3: SPECIFIC FOCUS AREAS* is based are set out below.

|  |  |
| --- | --- |
|  | **Indicates information obtained from the "Financial sustainability" sheet in the Excel version of the 2011-12 departmental financial statements specimen.** |
|  | **Indicates information on which the assessment of the financial health indicators is based.** |

**BUDGETS**

|  | **AFS reference** |  | **Indicator reference** |  | **Financial statements amounts** |  | **Adjustments for material uncorrected misstatements** |  | **Financial statements amounts after adjustments for material uncorrected misstatements** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  | **2011/12** |  | **2011/12** |  | **2011/12** |
|  |  |  |  |  | **R'000** |  | **R'000** |  | **R'000** |
| Approved operating / current expenditure budget |  |  |  |  | 2 289 036 |  | (81) |  | 2 288 955 |
| Under/(over) spending of the approved operating / current expenditure budget |  |  |  |  | (15 014) |  | (82) |  | (15 096) |
| Approved operating / current expenditure budget not spent for the intended purposes |  |  |  |  | - |  | - |  | - |
|  |  |  |  |  |  |  |  |  |  |
| Approved capital budget |  |  |  |  | 1 528 368 |  | 0 |  | 1 528 368 |
| Under/(over) spending of the approved capital budget |  |  |  |  | 429 229 |  | 0 |  | 429 229 |
| Approved capital budget not spent for the intended purposes |  |  |  |  | 0.00 |  | 0 |  | - |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  | **2011/12** |
|  |  |  |  |  |  |  |  |  | **%** |
| **Percentage under/(over) spending of the approved operating / current expenditure budget** |  |  | **1.i** |  |  |  |  |  | **(1)** |
| **Percentage of approved operating / current expenditure budget not spent for the intended purposes** |  |  | **1.ii** |  |  |  |  |  | **-** |
|  |  |  |  |  |  |  |  |  |  |
| **Percentage under/(over) spending of the approved capital budget** |  |  | **1.iii** |  |  |  |  |  | **28** |
| **Percentage of approved capital budget not spent for the intended purposes** |  |  | **1.iv** |  |  |  |  |  | **-** |
|  |  |  |  |  | **2011/12** |  | **2011/12** |  | **2011/12** |
|  |  |  |  |  | **R'000** |  | **R'000** |  | **R'000** |
| Voted funds not requested / not received |  |  |  |  | - |  | - |  | - |
| Voted funds to be surrendered to the Revenue Fund |  |  |  |  | 797 870 |  | (4 956) |  | 792 914 |
| **Total current year voted funds not used** |  |  | **1.v** |  | 797 870 |  | (4956) |  | **792 914** |
|  |  |  |  |  |  |  |  |  |  |
| Less: Accruals |  |  |  |  | 264 176 |  | 226 |  | 264 402 |
|  |  |  |  |  |  |  |  |  |  |
| **Liabilities (accruals) that the department would not have been able to fund from the current year’s voted funds, if all liabilities had been paid at year-end** |  |  | **1.vi** |  | - |  | - |  | **-** |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  | **2011/12** |  | **2011/12** |  | **2011/12** |
| **AVAILABLE BUDGET FOR THE NEXT YEAR** |  |  |  |  | **R'000** |  | **R'000** |  | **R'000** |
| Voted funds for the next year | Approp Stat |  |  |  | 8 061 222 |  | 0 |  | 8 061 222 |
| Less: Prepayments and advances | Note 17 |  |  |  | 38 600 |  | 0 |  | 38 600 |
| Less: Accruals | Note 31 |  |  |  | 264 176 |  | 226 |  | 264 402 |
| Less: Commitments for the next 12 months | Note 30 |  |  |  | 2 349 910 |  | (315 779) |  | 2 034 131 |
| Funds actually available for the next year |  |  |  |  | **5 408 536** |  | **315 553** |  | 5 724 089 |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  | **2011/12** |
|  |  |  |  |  |  |  |  |  | **%** |
| **Percentage of next year's approved voted funds available for use** |  |  | **1.vii** |  |  |  |  |  | **71** |

**EXPENDITURE MANAGEMENT**

|  | **AFS reference** |  | **Indicator reference** |  | **Financial statements amounts** |  | **Adjustments for material uncorrected misstatements** |  | **Financial statements amounts after adjustments for material uncorrected misstatements** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  | **2011/12** |  | **2011/12** |  | **2011/12** |
|  |  |  |  |  | **R'000** |  | **R'000** |  | **R'000** |
| Material losses | Total per note 10 |  |  |  | 2 025 |  | - |  | 2 025 |
|  |  |  |  |  |  |  |  |  |  |
| Total revenue for the year |  |  |  |  | 7 904 939 |  | - |  | 7 904 939 |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  | **2011/12** |
|  |  |  |  |  |  |  |  |  | **%** |
| **Material losses as a percentage of total revenue for the year** |  |  | **2.i** |  |  |  |  |  | **-** |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| Accruals |  |  |  |  | 253 110 |  | 11 239 |  | 264 349 |
| Good and services | "Goods and services" line per "Accruals" note 31 |  |  |  | 142 488 |  | 10 699 |  | 153 187 |
| Expenditure for capital assets | "Expenditure for capital assets" line per "Accruals" note 31 |  |  |  | 110 622 |  | 540 |  | 111 162 |
|  |  |  |  |  |  |  |  |  |  |
| Goods and services | Note 8 |  |  |  | 1 032 905 |  | 1 |  | 1 032 906 |
| Expenditure for capital assets | Note 12 |  |  |  | 1 099 139 |  | (6 569) |  | 1 092 570 |
| Total Good and services & Expenditure for capital assets |  |  |  |  | 2 132 044 |  | (6 568) |  | 2 125 476 |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  | **2011/12** |
|  |  |  |  |  |  |  |  |  | **Days** |
| **Creditor-payment period** [Accruals: Good and services (note 31) + Accruals: Expenditure for capital assets (note 31)] ÷ [Good and services (note 8) + Expenditure for capital assets (note 12)] x 365 |  |  | **2.ii** |  |  |  |  |  | **44** |

**CONDITIONAL GRANTS**

|  | **AFS reference** |  | **Indicator reference** |  | **Financial statements amounts** |  | **Adjustments for material uncorrected misstatements** |  | **Financial statements amounts after adjustments for material uncorrected misstatements** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  | **2011/12** |  | **2011/12** |  | **2011/12** |
|  |  |  |  |  | **R'000** |  | **R'000** |  | **R'000** |
| Conditional grants | Note 47 |  |  |  | - |  | - |  | - |
| Under/(over) spending conditional grants | Note 47 |  |  |  | - |  | - |  | - |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  | **2011/12** |
|  |  |  |  |  |  |  |  |  | **%** |
| **Percentage under/(over) spending of conditional grants** |  |  | **3.i** |  |  |  |  |  | **-** |

**REVENUE MANAGEMENT**

|  | **AFS reference** |  | **Indicator reference** |  | **Financial statements amounts** |  | **Adjustments for material uncorrected misstatements** |  | **Financial statements amounts after adjustments for material uncorrected misstatements** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  | **2011/12** |  | **2011/12** |  | **2011/12** |
|  |  |  |  |  | **R'000** |  | **R'000** |  | **R'000** |
| Accounts receivable (before impairment) | Total per note 34 |  |  |  | 15 609 |  | 70 |  | 15 679 |
| Debtors impairment provision at year-end | "Debtors" per note 40 |  |  |  | 10 500 |  | - |  | 10 500 |
| Total revenue for services rendered on credit | "Amounts recognised" line per "Analysis of receivables for departmental revenue" note 34.1 |  |  |  | 35 570 |  | 70 |  | 35 640 |
| Debtors written-off for the year | "Amounts written-off" per note 34.1 |  |  |  | 62 |  | - |  | 62 |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  | **2011/12** |
|  |  |  |  |  |  |  |  |  | **Days** |
| **Debtor-collection period (Days)** (Accounts receivable [before impairment] ÷ Total revenue for services rendered on credit x 365) |  |  | **4.i** |  |  |  |  |  | **157** |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  | **2011/12** |
|  |  |  |  |  |  |  |  |  | **%** |
| Debtors impairment provision at year-end as a percentage of accounts receivable |  |  | **4.ii** |  |  |  |  |  | **66** |
| Debtors written-off for the year as a percentage of total revenue for services rendered on credit for the year |  |  | **4.iii** |  |  |  |  |  | **-** |

**ASSET AND LIABILITY MANAGEMENT**

\* Refer to the end of this annexure for a reconciliation between the department’s modified-cash financial performance and position and its accrual financial performance and position, as well as explanatory comments thereon.

|  | **AFS reference** |  | **Indicator reference** |  | **Financial statements amounts** |  | **Adjustments for material uncorrected misstatements** |  | **Financial statements amounts after adjustments for material uncorrected misstatements** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  | **2011/12** |  | **2011/12** |  | **2011/12** |
|  |  |  |  |  | **R'000** |  | **R'000** |  | **R'000** |
| Total revenue for the year |  |  |  |  | 7 904 939 |  | - |  | 7 904 939 |
| Total expenditure for the year |  |  |  |  | 7 061 436 |  | 1 |  | 7 061 437 |
| Surplus / (deficit) for the year |  |  |  |  | 843 503 |  | (1) |  | 843 502 |
|  |  |  |  |  |  |  |  |  |  |
| **Accrual-adjusted surplus / (deficit) for the period \*** |  |  | **5.i** |  | 1 436 201 |  | (39 496) |  | **1 396 705** |
|  |  |  |  |  |  |  |  |  |  |
| Total current assets |  |  |  |  | **1 097 980** |  | **(4 956)** |  | **1 093 024** |
| Total current liabilities |  |  |  |  | 1 092 922 |  | 4 956 |  | 1 087 966 |
| Net current assets / (liabilities) |  |  |  |  | 5 058 |  | - |  | 5 058 |
|  |  |  |  |  |  |  |  |  |  |
| **Accrual-adjusted net current assets / (deficit) \*** |  |  | **5.ii** |  | 3 966 896 |  | (12 656) |  | **3 954 240** |
|  |  |  |  |  |  |  |  |  |  |
| Total assets |  |  |  |  | **1 097 980** |  | **(4 956)** |  | **1 093 024** |
| Total liabilities |  |  |  |  | 1 092 922 |  | 4 956 |  | 1 087 966 |
| Net assets / (liabilities) |  |  |  |  | 5 058 |  | - |  | 5 058 |
|  |  |  |  |  |  |  |  |  |  |
| **Accrual-adjusted net assets / (deficit) \*** |  |  | **5.iii** |  | 3 966 896 |  | (12 656) |  | **3 954 240** |
|  |  |  |  |  |  |  |  |  |  |
| Cash and cash equivalents / (Bank overdraft) |  |  | **5.iv** |  | **825 604** |  | **(1)** |  | 825 603 |
| Unspent portion of conditional grants |  |  |  |  | **-** |  | - |  | - |
| **Portion of conditional grants not covered by cash and cash equivalents** |  |  | **5.v** |  | - |  | - |  | **-** |

###### **Reconciliation of modified-cash financial performance and position with accrual financial performance and position**

The information included below provides a reconciliation between the department’s modified-cash financial performance and position and its accrual financial performance and position. The department’s modified-cash position and performance and its accrual position and performance are based on the same underlying activities, but the differences arise due to the timing of when the costs of certain activities are recognised:

* For the modified-cash position and performance, costs are recorded when cash payments are made for goods received or services performed.
* For the accrual position and performance, costs are recognised when goods are used or services are performed. The accrual position and performance, therefore, includes costs incurred today but that have to be paid for in the future.

For some departments the timing differences may be small, for others the timing differences may amount to millions.

The key differences between the accrual and modified-cash measures result from changes in liabilities (as expenses are accrued, those that are not yet paid at year-end increase the department's liability), as well as from expensing the full cost of capital assets at purchase (instead of initially recognising the cost of capital assets in the statement of financial position and spreading it over the assets’ useful lives to match the assets’ cost with their use through the recognition of a depreciation expense). In addition, significant issues regarding certain items of the department's financial statements still need to be addressed, as reflected in the auditor’s report.

These differences can cause the modified-cash position and performance and accrual position and performance to send different signals about the department’s financial position and its ability to perform in accordance with its mandate. The accrual-adjusted financial information adds a longer-term focus to the department’s financial picture by providing more information on longer-term consequences of today's policy decisions and operations. The information will help management, those charged with governance, over-sight bodies and the public to assess whether the department’s current and future resources will likely be sufficient to sustain public service delivery and to meet obligations as they come due.





