Finance watchdog posts R3m loss

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CAPE TOWN — The Financial and Fiscal Commission (FFC), the constitutional body charged with reviewing the government's financial arrangements, suffered a net loss of R3m last financial year, mainly because of personnel costs.

The loss gave rise to a concern on the part of the auditor-general about the status of the body, whose function is to make recommendations on how the national budget is divided among the three spheres of government.

By year-end, the FFC's current liabilities exceeded its total assets by R733549 and it had to be advanced R3m from its 2007-08 budgetary allocation.

The annual report tabled in Parliament yesterday attributed the shortfall to the fact that the FFC's functions and operations increased while revenue was constrained.

The FFC received R22m from the state in the year to March and foreign donations of R390853.

The auditor-general's report, which is included in the commission's annual report, noted that the FFC was in contravention of its own founding act which entitled it to approach Parliament at any time during a financial year for additional funding.

"The fact that additional funding was not requested, together with a certain lack in the control environment over the expenditure of its allocated budget, contributed towards the condition (of poor financial control)," the report added.

Regarding internal controls, the auditor-general's report said transactions and other significant events were not properly classified and promptly recorded.

Personnel costs rose by 51% compared with the 13% increase the previous year and caused a significant increase in operational expense by 24% to R11,3m.

However, the FFC said this additional expenditure was needed to enable it to perform its core business function, in particular by attracting and retaining skilled staff.

Industrial Development Corporation (IDC) CEO Geoffrey Qhena said in the finance institution's annual report that the post-balance sheet rise in equities after March increased the value of its listed equity portfolio by R4,8bn to R38bn.

The IDC made a pre-tax profit of R4,3bn, up from the previous year's R795m.

Qhena said the IDC had embarked on a process of extending its footprint to all provinces.

“This geographic spread by the IDC will ensure that people have easy access to the IDC and will therefore lead to improved turnaround times,” Qhena said.

The report said the IDC had facilitated the creation more than 33000 direct jobs with a further 3900 in the rest of Africa through its funding activities.

However, this was still far from the 740000 jobs that the economy had to create every year to meet its growth targets.

Funding approvals worth R900m were made for 241 enterprises during the year, 69% of which related to small and medium enterprises.

The IDC also funded 162 transactions worth R3,4bn for black empowered companies.

In the 2006-07 year, the IDC was involved in 37 different projects in 17 African countries with net funding approvals amounting to R365m.

The IDC indicated in July that it planned on contributing to the government’s stated objective of halving unemployment and poverty, by creating 50000 jobs a year by 2011.

One of the challenges facing the IDC is to increase efficiencies and shorten the time it takes to approve funding applications.

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