

# KWAZULU-NATAL PROVINCIAL TREASURY



## ANNUAL PERFORMANCE PLAN 2010/11

## **Introduction by the MEC for Finance**

Introduction by the MEC for Finance

Mohandas Gandhi described poverty as "*the worst form of violence.*"

We are acutely aware that we have to intensify the fight against poverty to improve the lives of all our people. During President Jacob Zuma's inauguration ceremony we said to the world that "*we shall not rest, and we dare not falter, in our drive to eradicate poverty.*"

Government's long-term vision for South Africa and our province of KwaZulu-Natal is to build a non-racial, non sexist and democratic society with a strong and prosperous economy offering opportunities for all. While the recession has slowed down our pace it has certainly not changed our direction. As the Provincial Treasury we have a critical role to play in ensuring that all elements of this vision are achieved.

This Annual Performance Plan constitutes an important platform for ensuring the progressive realisation of government priorities for the benefit of the people of the province through focused second economy interventions, equitable fiscal resource allocations and strategic leadership in financial and fiscal management and good governance.

Over the past year the KZN Provincial Treasury has continued to build upon its earlier progress in making its vision to "*Be the centre of excellence in financial and fiscal management in the country*" a reality. Through this statement of intent we are committed to further improve effective and equitable financial resource allocation for provincial government and to optimise and sustain budget management and accurate financial reporting by provincial departments and local governments. A notable highlight of the past year is the improvement in the amount of own revenue generated by the province.

We have identified key areas of work as well as performance and financial management information which will enable us to monitor the progress. Through policy interventions, meetings, reports, publications, seminars and research we are committed to provide ongoing, effective and efficient support services to our internal and external clients.

Sound financial management makes the difference between goals achieved and opportunities missed. We can only spend the money of our people wisely if we have a collective culture of responsible spending in our provincial and local governments. This means that we must spend scarce resources effectively, efficiently and economically. Value for money is paramount.

To this end we will intensify our engagement with our clients to achieve in the following areas of good governance, namely:

- clean audit reports;
- elimination of fraud and corruption;
- transparent supply chain management practices; and
- on-budget expenditure.

When we beat with one heart – a heart to improve the lives of all our people – only then can we double our successes.



**Ms CM Cronjé**

**MEC for Finance**



## Introduction by the Head of Department

In considering the strategic direction of the Department, it is crucial to outline from the onset the Department's commitment to achieving the Government main priorities namely, of an improved quality of Education, the fight against crime and corruption as well as the strategic goals and objectives of the Province.

Despite the financial difficulties within the provincial government in recent times, we ensured that on the one hand we maximise the amount of financial resources available for distribution and on the other optimised the use of such finite resources by trying to find the best combination of available choices in response to unlimited needs and demands, in order to achieve the best and enduring socio-economic and governance benefits. In these endeavours, we provided advice and support to the Provincial Executive as well departments.

We are committed to ensuring sound financial management across all government institutions, hence we have taken note of the adverse findings by the Auditor General. An analysis in this regard has revealed a number of causes including skills and the capacity in many government departments, municipalities and public entities. As a department we have set ourselves a target of ensuring clean audit in all government departments, municipalities and public entities. This will be done through focusing on improving support and reporting by all relevant institutions including municipalities and public entities.

In November 2007, the Municipal Support Program (MSP) was launched with the main purpose of providing support to municipalities in recovering their financial position and thus mitigating any discretionary (section 137) or mandatory (section 139) interventions in terms of the MFMA. Since its inception, 16 municipalities have been supported through it, two of which have been the subject of a S139 intervention. Using the 2008/09 audit outcome of the municipalities supported through the MSP it is evident that the support programme has had a noted success.

In line with the principle of good governance, we have continued to investigate allegations of fraud, corruption, maladministration and misrepresentations that had been presented to us through various sources. Indeed, Provincial Treasury will continue to play a key role in promoting shared growth and development in KwaZulu-Natal. This is aimed at achieving socio-economic equity by more responsive budgeting processes and outcomes, encouraging value for money spending and protecting and promoting effective utilization of provincial assets. Treasury is also pulling all the stops to ensure that the financial position of the province improves to a positive cash position in the next two to three years.



SL Magagula  
Head of Department  
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## **PART A: STRATEGIC OVERVIEW FOR THE DEPARTMENT**

### **1. Situational analysis**

South Africa like other countries of the world will not escape the negative impact of the economic crisis in the near future. The liquidity crisis and closure of many firms in the manufacturing sector, especially the automotive sector, have already had a knock-on effect on our economy. This has resulted in retrenchments, especially in the mining sector. We have indeed seen many sectors of our economy being affected with workers in the manufacturing sector being asked to work short-time.

This means that government will require more innovation to ensure that we fight poverty, create decent employment, while at the same time improving the quality and reach of our services to the people.

Already national government has indicated that there will be massive investment in infrastructure, driven by the developmental concept. More investments will be directed towards ensuring the provision of quality health, education and road infrastructure for our people.

It will therefore be opportune for us as the Provincial Treasury to focus with renewed vigor on the structure and efficiency of government institutions, and the necessary task of fighting corruption and fraud. We must thoroughly examine the effectiveness of government departments and institutions; evaluate their efficiency, the adequacy of the systems and human resources.

There is obviously a need to ensure alignment of the electoral mandate with the institutions for service delivery. Over the past few years, provincial treasury has put service delivery on top of the agenda and this will continue to be so going forward.

### **1.1 Performance delivery environment**

#### **Programme 2: Fiscal Resource management**

The Public Finance unit is responsible for the preparation and the implementation of the provincial budget, the enhancement of own revenue collection and the participation in discussion around the Equitable Share formula. Crafting a budget in times of a world-wide economic down turn is a daunting task. It is daunting largely because the economic slowdown means less revenue for national government in general. Less revenue at a national level means less revenue for other sub-national spending agencies. The provincial fiscal framework has also been negatively affected by the inadequacy of resources in the national fiscus to fully finance the expenditure. The resource constraints have necessitated that the province approaches the MTEF differently.

The strategy has been one of reprioritising the provincial baseline, in order to release money from existing programmes whose spending has been slow, to finance programmes that show serious budgetary pressures, and has put additional pressure on revenue received by the government from taxpayers with most businesses retrenching. These retrenchments have caused a huge impact on the productivity level in the province, as a result the province has experienced negative economic growth rate.



In general, the global recession has been a warning towards monitoring spending, especially government spending. This consciousness in spending will have an impact on revenue of the province by allocating funds in the most needed projects. The attainment of this is impacted on by the following:

- Unfunded mandates imposed by national impacts on the budget (including the implementation of various Occupation Specific Dispensations for which insufficient funding is provided to the province);
- Continued high spending by provincial departments impacts on the availability of resources in ensuing years;
- Credibility of financial data from departments could result in incorrect action being taken by the province;
- Continuously changing priorities by departments in-year affects spending; and
- Inappropriate mechanisms currently in place to monitor tariff increases impacting on own revenue collection

The Municipal Finance unit within the Provincial Treasury was established to ensure efficient budget management and financial reporting by municipalities. This is impacted on by the following:

- Credibility of municipal budgets impacting on the sustainability of municipalities;
- Lack of skilled human capital compromising service delivery;
- Lack of accurate reporting impacting on analysis of viability;
- Escalating municipal debt having a direct impact on the sustainability of municipalities;
- Consistent under-expenditure on capital budgets compromising municipal infrastructure; and under-utilisation of conditional grants.

### **Programme 3: Financial management**

- In the drive to improve public accountability, there is a transition in progress from reporting on the cash basis of accounting to reporting on the accrual basis of accounting. Under the modified cash basis of accounting, transactions and other events are recognized when cash is received or paid, while disclosure notes are provided in the annual financial statement. These incremental changes as to how departments compile their sets of annual financial statements occur on an annual basis and are driven by National Treasury.
- Notwithstanding, officials within the financial management component at Provincial Treasury perform a critical role in assisting departments in compiling their statements by providing the necessary support and guidance and facilitating training sessions.

### **Programme 4: Internal audit**

The following details outline some of the challenges that Internal Audit is currently facing. Although significant effort has been made to manage these challenges, some are external to our control.

- The demand for skilled internal auditors and risk management specialists contributes to a high staff turnover, which impacts on the achievement of the programme's objectives.



- Inadequate response by clients to Internal Audit efforts adversely affects the achievement of the Unit's service delivery targets and compromises the clients' ability to respond to corporate governance. The clients' also prioritise the Auditor-General's activities over Internal Audit.
- The Auditor-General does not place full reliance on the Internal Audit Unit's work.

## 1.2 Organisational environment

The departmental structure consists of the executive authority who is a political head of the department assisted by of head of department. Provincial Treasury as a department is made up of five functional programmes.

### **Programme 1 (one) Administration**

It is responsible for providing support service to the core programmes within the department. The sub programmes under this programme are Office of the MEC, Head of Department, Office of the Chief Financial Officer, Human Resources, Corporate services and Support and interlinked financial systems.

### **Programme 2 (two) Fiscal Resource Management**

This programme is responsible for providing provincial treasury functions in terms of the Public finance Management act. The unit responsible for the Municipal Finance Management Act (MFMA) is also under this programme. The sub programmes under this programme are Programme support, Economic Analysis, Public Finance and Municipal Finance

### **Programme 3 (three) Financial Management**

This programme is responsible for providing financial management support to the provincial departments. The sub programmes under this programme are Financial Asset and Liabilities, Public private partnerships, Supply chain management, Financial reporting, and Norms and standards

### **Programme 4 (four) Internal Audit**

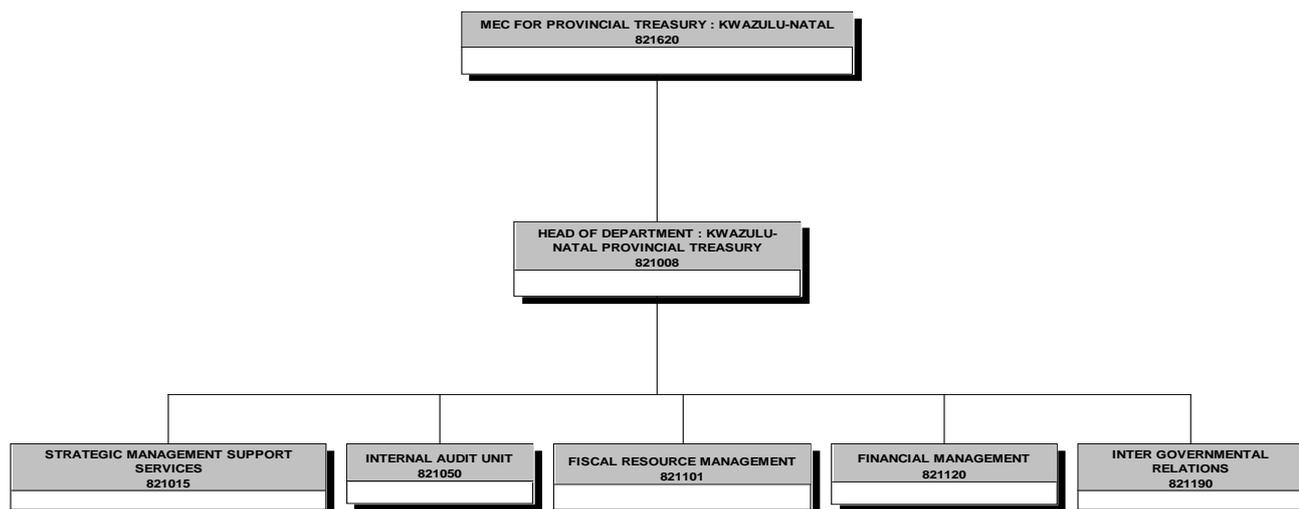
This programme is responsible for providing Internal auditing services in the province. The sub programmes under this programme are Assurance services and Risk and advisory services.

### **Programme 5 (five) Growth and development**

This programme is provincial specific. All special projects and community outreach projects of the MEC are housed under this programme.



The below diagram depicts the high level structure of the Provincial Treasury.



## 2. Revisions to legislative and other mandates

The department is governed by the following pieces of legislation and policy directives:

- The Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996)
- Public Finance Management Act (Act No. 1 of 1999, as amended)
- Municipal Finance Management Act (Act No. 56 of 2003)
- Promotion of Access to Information Act (Act No. 2 of 2000)
- Annual Division of Revenue Act (Act No. 12 of 2009)
- Provincial Appropriation Acts (Act No. 2 of 2009)
- Provincial Internal Audit Act (KZN Act No. 2 of 2001)
- Preferential Procurement Policy Framework Act (Act No. 5 of 2000)
- Intergovernmental Relations Framework Act (Act No. 13 of 2005)
- Borrowing Powers of Provincial Governments Act (Act No. 48 of 1996)
- Government Immovable Asset Management Act (Act No. 19 of 2007)
- Public Audit Act (Act No. 25 of 2004)
- Provincial Tax Regulation Process Act (Act No. 53 of 2001)

### Constitutional mandates

Sections 213, 215, 216, 217, 218, 219, 226 and 228 of the Constitution of the Republic of South Africa (Act 208 of 1996) deal with general financial matters for the national and provincial spheres of government.

These sections require the national legislation to give effect to the following:

- i. to establish a national treasury,
- ii. to introduce generally recognised accounting practices,
- iii. to introduce uniform treasury norms and standards,
- iv. to prescribe measures to ensure transparency and expenditure control in all spheres of government, and
- v. to set the operational procedures for borrowing, guarantees, procurement and oversight over the various national and provincial revenue funds.

### **Legislative mandates**

The pieces of legislation that give mandate and outline the key responsibilities on the department.

#### **2.1 Public Finance Management Act (Act No. 1 of 1999, as amended) and its regulations.**

The Act promotes the objective of good financial management in order to maximise delivery through the efficient and effective use of limited resources.

The key objectives of the Act may be summarised as being to:

- a) modernise the system of financial management;
- b) enable public sector managers to manage, but at the same time be more accountable;
- c) ensure the timely provision of quality information;
- d) eliminate waste and corruption in the use of public assets; and
- e) establish National treasury and provincial treasuries.

#### **2.2 Municipal Finance Management Act (Act No. 56 of 2003)**

Chapter 2 of the MFMA outlines general functions of National and provincial treasuries.

Section 5(3) and (4) of the MFMA highlight the supervisory responsibilities of provincial treasuries in relation to ensuring sound and sustainable management of fiscal and financial affairs of municipalities and municipal entities by establishing norms and standards and other requirements.

*To the extent necessary, to comply with its responsibilities in terms of MFMA, a provincial treasury:*

*a) must monitor:*

- i. compliance with the MFMA by municipalities and municipal entities in the province;*
- ii. the preparation by municipalities in the province of their budgets;*
- iii. the monthly outcome of those budgets; and*
- iv. the submission of reports by municipalities in the province as required in terms of the MFMA;*

*b) may assist municipalities in the province in the preparation of their budgets;*

*c) may exercise any powers and perform any duties delegated to it by the National Treasury in terms of the MFMA; and*

*d) may take appropriate steps if a municipality or municipal entity in the province commits a breach of this MFMA.*



### **2.3 Promotion of Access to Information Act (Act No. 2 of 2000)**

Section 14 requires the department to produce a manual with detailed information about the Department procedure to access it, the form to be used and which information is readily available and which needs to be requested. Section 32 of the Act stipulates that the department must submit an annual report to the Minister of Justice detailing requests received, those acceded or rejected and reasons for rejection.

### **2.4 Annual Division of Revenue Act (Act No. 12 of 2009)**

- a) This Act provides for the equitable division of revenue anticipated to be raised nationally among the national, provincial and local spheres of government.
- b) It promotes better coordination between policy, planning, budget preparation and execution processes between and within the different spheres of government.
- c) It promotes predictability and certainty in respect of all allocations to provinces and municipalities in order that such governments may plan their budgets over a multi-year period.
- d) It promotes transparency and equity in the resource allocation process.
- e) It promotes accountability by ensuring that all allocations are reflected on the budgets of receiving provinces and municipalities.

### **2.5 Provincial Appropriation Acts (Act No. 2 of 2009)**

These Acts provide for the appropriation of money from the Provincial Revenue Fund for the requirements of the Province.

### **2.6 Provincial Internal Audit Act (KZN Act No. 2 of 2001)**

This act provides for the establishment of the Provincial Internal Audit Unit so as to regulate the internal audit function and to regulate the degree to which transparency, accountability and sound and prudent management as contemplated in the Public Finance Management Act.

### **2.7 Preferential Procurement Policy Framework Act (Act No. 5 of 2000)**

This act gives effect to Section 217 (3) of the Constitution by providing a framework for the implementation of procurement policy.

The framework for the implementation of preferential procurement policy requires all organs of state to have their preferential procurement policy and implement them within a prescribed set of criteria that applies preference points system with emphasis to previously disadvantaged groups.

### **2.8 Intergovernmental Relations Framework Act (Act No. 13 of 2005)**

The object of this act is to provide within the principle of co-operative government set out in Chapter 3 of the Constitution a framework for the national government, provincial governments and local governments, to facilitate coordination in the implementation of policy and legislation, including:-

- a) Coherent government;
- b) Effective provision of services;
- c) Monitoring implementation of policy and legislation; and
- d) Realisation of national priorities

## **2.9 Borrowing Powers of Provincial Governments Act (Act No. 48 of 1996)**

This Act provides for norms and conditions in respect of the borrowing powers of Provincial governments and for matters incidental thereto.

## **2.10 Government Immovable Asset Management Act (Act No. 19 of 2007)**

The department has a responsibility to implement all applicable sections of this Act in managing its immovable assets or when providing support and advisory services to the provincial departments.

## **2.11 Public audit Act (Act No. 25 of 2004)**

The department must comply with all applicable provisions of the Public Audit Act as an auditee.

## **2.12 Provincial Tax Regulation Process Act (Act No. 53 of 2001)**

This Act provides the regulation of intergovernmental process that must be followed by provinces in the exercise of their power in terms of section 228 of the Constitution to impose taxes, levies and duties, the flat-rate surcharges on the tax basis of any tax, levy or duty imposed by national legislation; and to provide for connected therewith.

## **2.13 Policy mandates**

The following policies outline the key responsibilities for the department.

- a) PPP policy, this policy provides guidelines for administration and managing Public Private Partnerships transactions in the public sector environment
- b) SCM and PPPFA policy, this policy provides guidelines for the administration of a Supply Chain Management in line with broad government objectives. It also aims at promoting emerging enterprises with particular emphasis on black economic empowerment.
- c) Budgeting process policies, they provide framework within which budgeting process must be managed in the public sector in line with the relevant Acts.
- d) Treasury Regulations, provides procedural guidelines of implementation of the Public Finance Management act ( Act 1 of 1999 as amended by Act 29 Of 1999)



### 3. Overview of 2010/11 budget and MTEF estimates

#### 3.1 Expenditure estimates

##### Summary of payments and estimates by programme

R thousand	Outcome			Main Appropriation	Adjusted Appropriation 2009/10	Revised Estimate	Medium-term Estimates		
	Audited 2006/07	Audited 2007/08	Audited 2008/09				2010/11	2011/12	2012/13
1. Administration	140,626	165,391	182,875	175,090	175,420	174,619	193,840	204,947	214,705
2. Fiscal Resource Management	36,757	53,141	60,965	51,701	57,701	58,085	66,442	71,621	75,026
3. Financial Management	34,768	35,056	178,074	42,182	44,232	197,019	284,072	286,783	289,273
4. Internal Audit	33,851	53,134	70,384	78,231	66,840	58,622	82,634	88,299	92,704
5. Growth and Development	260,000	72,923	201,267	277,719	179,256	180,042	13,649	14,427	15,149
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>506,002</b>	<b>379,645</b>	<b>693,565</b>	<b>624,923</b>	<b>523,449</b>	<b>668,387</b>	<b>640,637</b>	<b>666,077</b>	<b>686,857</b>

Note: Programme 1 includes MEC remuneration: Salary: R1 420 490

##### Summary of payments and estimates by economic classification

R thousand	Outcome			Main Appropriation	Adjusted Appropriation 2009/10	Revised Estimate	Medium-term Estimates		
	Audited 2006/07	Audited 2007/08	Audited 2008/09				2010/11	2011/12	2012/13
<b>Current payments</b>	<b>262,739</b>	<b>339,940</b>	<b>518,784</b>	<b>466,272</b>	<b>354,808</b>	<b>500,458</b>	<b>636,225</b>	<b>661,646</b>	<b>681,723</b>
Compensation of employees	69,368	83,394	94,485	245,675	127,171	108,378	154,864	162,642	170,493
Goods and services	193,369	256,546	285,916	220,597	227,637	232,486	246,361	264,004	276,230
Interest and rent on land	2	-	138,383	-	-	159,594	235,000	235,000	235,000
<b>Transfers and subsidies to:</b>	<b>235,312</b>	<b>22,200</b>	<b>160,861</b>	<b>150,108</b>	<b>161,761</b>	<b>161,862</b>	<b>495</b>	<b>500</b>	<b>510</b>
Provinces and municipalities	48	21,563	158,963	150,000	159,646	159,646	-	-	-
Departmental agencies and accounts	-	130	-	108	108	108	145	150	160
Universities and technikons	-	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	235,000	14	-	-	-	-	-	-	-
Non-profit institutions	-	-	3	-	-	-	-	-	-
Households	264	493	1,895	-	2,007	2,108	350	350	350
<b>Payments for capital assets</b>	<b>7,073</b>	<b>16,716</b>	<b>9,644</b>	<b>8,543</b>	<b>6,880</b>	<b>6,067</b>	<b>3,917</b>	<b>3,931</b>	<b>4,624</b>
Buildings and other fixed structures	-	-	-	-	-	-	-	-	-
Machinery and equipment	5,820	7,686	9,094	4,420	6,387	5,931	3,817	3,931	4,624
Heritage assets	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Land and sub-soil assets	-	-	-	-	-	-	-	-	-
Software and other intangible assets	1,253	9,030	550	4,123	493	136	100	-	-
<b>Payments for financial assets</b>	<b>878</b>	<b>789</b>	<b>4,276</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>506,002</b>	<b>379,645</b>	<b>693,565</b>	<b>624,923</b>	<b>523,449</b>	<b>668,387</b>	<b>640,637</b>	<b>666,077</b>	<b>686,857</b>

#### 3.2 Reconciling expenditure trends to strategic goals

- The allocation made to programme 2 and 3 is mainly contributing towards attainment of the sound financial, fiscal management and good governance.
- The promotion of sound cash management practices and to improve liquidity in the province is catered for under programme 3 sub-programme Financial Asset and liability
- The budget allocation in programme 3 under supply chain management and programme 5 under other development initiatives in special projects are aimed at the attainment of fighting poverty and creating jobs in partnership with provincial departments through procurement targeting.
- Also in programme 3 is the allocation made towards the enhancement of broad-based BEE through effective Supply Chain Management policies.
- The attainment of good governance and implementing a policy on zero tolerance on fraud and corruption is catered for under programme 4 internal audit budget allocation.

### 3.3 Departmental budgeted receipts

#### Summary of receipts and financing

R thousand	Outcome			Main Appropriation	Adjusted Appropriation 2009/10	Revised Estimate	Medium-term Estimates		
	Audited 2006/07	Audited 2007/08	Audited 2008/09				2010/11	2011/12	2012/13
Provincial allocation	627,687	518,279	522,072	624,923	523,449	668,387	640,637	666,077	686,857
Conditional grants	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>627,687</b>	<b>518,279</b>	<b>522,072</b>	<b>624,923</b>	<b>523,449</b>	<b>668,387</b>	<b>640,637</b>	<b>666,077</b>	<b>686,857</b>
<b>Total payments</b>	<b>506,002</b>	<b>379,645</b>	<b>693,565</b>	<b>624,923</b>	<b>523,449</b>	<b>668,387</b>	<b>640,637</b>	<b>666,077</b>	<b>686,857</b>
Surplus/(Deficit) before financing	121,685	138,634	(171,493)	-	-	-	-	-	-
Financing									
<i>of which</i>									
Provincial roll-overs	135,635	10,280	11,252	-	-	-	-	-	-
Provincial cash resources	-	50,105	36,815	-	-	-	-	-	-
Suspension to ensuing year									
<b>Surplus/(deficit) after financing</b>	<b>257,320</b>	<b>199,019</b>	<b>(123,426)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### Details of departmental receipts

R thousand	Outcome			Main Appropriation	Adjusted Appropriation 2009/10	Revised Estimate	Medium-term Estimates		
	Audited 2006/07	Audited 2007/08	Audited 2008/09				2010/11	2011/12	2012/13
Tax receipts	-	-	-	-	-	-	-	-	-
Casino taxes	-	-	-	-	-	-	-	-	-
Horse racing taxes	-	-	-	-	-	-	-	-	-
Liquor licences	-	-	-	-	-	-	-	-	-
Motor vehicle licences	-	-	-	-	-	-	-	-	-
Sale of goods and services other than capital assets	126	119	205	120	120	147	149	164	180
Transfers received	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	-	-	-	-	-	-	-	-	-
Interest, dividends and rent on land	169,453	156,402	14,509	20,000	20,000	5,009	4,584	5,042	5,546
Sale of capital assets	-	-	-	-	-	-	-	-	-
Transactions in financial assets and liabilities	282	400	843	-	-	2,037	2,235	2,459	2,705
<b>Total departmental receipts</b>	<b>169,861</b>	<b>156,921</b>	<b>15,557</b>	<b>20,120</b>	<b>20,120</b>	<b>7,193</b>	<b>6,968</b>	<b>7,665</b>	<b>8,431</b>

## **PART B: PROGRAMME AND SUB-PROGRAMME PLANS**

### **1. PROGRAMME 1: ADMINISTRATION**

#### **Programme 1:**

<b>1.1</b>	<b>Sub-Programme:</b>	<b>Office of the MEC</b>
<b>1.2</b>	<b>Sub-Programme:</b>	<b>Office of the HOD</b>
<b>1.3</b>	<b>Sub-Programme:</b>	<b>Chief Financial Office</b>
<b>1.4</b>	<b>Sub-Programme:</b>	<b>Human Resource Management</b>
<b>1.5</b>	<b>Sub-Programme:</b>	<b>Corporate Services</b>
<b>1.6</b>	<b>Sub-Programme:</b>	<b>Supporting and Inter-Linked Financial Systems</b>

#### **1.1 Sub-Programme: Office of the MEC.**

##### **Specified Policies and Priorities**

The purpose of the Office of the MEC is to enable the Member of Executive Authority to provide Provincial Treasury with strategic administrative and political leadership in order to ensure effective and efficient service-delivery as mandated by Government and to provide guidance to all provincial departments on the finances of the province and municipalities as per MFMA

The Office of the MEC is able to achieve the above through the following activities:

- The MEC is statutorily tasked with meeting the public and fulfilling various engagements on a continuous basis. This requires extensive co-ordination and planning in order to ensure effectiveness and efficiency of all programmes undertaken;
- Provision of evidence-based advice according to research done on pertinent issues needing the MEC's attention;
- Provision of relevant effective and efficient ministerial support which is of an administrative nature, parliamentary liaison, public relations etc.;
- The building and maintenance of a positive image of the department through internal and external publications as well as communication media being used effectively both internally and externally.
- The provision of a safe and secure environment to departmental employees and the MEC.

The Office of the MEC's mandates is derived from the Constitution of the Republic of South Africa, 1996, various pieces of legislation, policies and directives. These include legislation relating to the delivery of the core business of the Provincial Treasury.

##### **The Strategic Objectives are:**

To provide strategic administrative and political leadership, in order to ensure effective and efficient service delivery as mandated by government.

**Strategic objective annual targets: 2010/11**

SUB-PROGRAMME 1.1		Office of the MEC						
Strategic objective	Strategic plan target	Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets		
		2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
To provide strategic administrative and political leadership, in order to ensure effective and efficient service delivery as mandated by government.	To attend 95% of scheduled Budget Council Meetings- National (Total 5 in year)	N/A	N/A	N/A	4	4	4	4
	To attend 90% of Provincial Cabinet and Legislature meetings scheduled (Total of 40)	N/A	N/A	N/A	40	40	40	40
	No. of Publications issued	N/A	6	3	4	4	4	4
	Free publicity(news bulletins and articles):	N/A	20	90	90	90	90	90
	Media briefings on service delivery	N/A	3	11	4	4	4	4

**Programme performance indicators and annual targets: 2010/11**

SUB-PROGRAMME 1.1		Office of the MEC					
Performance Indicator	Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets		
	2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
95% attendance of scheduled Budget Council Meetings- National (Total 5 in year)	N/A	N/A	N/A	4	4	4	4
90% attendance of Provincial Cabinet and Legislature meetings scheduled (Total of 40)	N/A	N/A	N/A	40	40	40	40
No. of Publications	N/A	6	3	4	4	4	4
Free publicity(news bulletins and articles):	N/A	20	90	90	90	90	90
Media briefings on service delivery	N/A	3	11	4	4	4	4

**Quarterly targets 2010/11**

SUB-PROGRAMME 1.1:		Office of the MEC				
Programme performance Indicators	Reporting period	Annual target 2010/11	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
90% of all meetings scheduled, attended (40 meetings per annum)	Monthly	90%	1	1	1	1
90% of all meetings scheduled, attended. (40 meetings per annum)	Monthly	90%	90%	90%	90%	90%
No. of Publications	Monthly	4	1	1	1	1
Free publicity(news bulletins and articles):	Monthly	15	4	4	3	4
Media briefings on service delivery	Monthly	4	1	1	1	1

## 1.2 Sub-Programme: Office of the Head of Department

### Specified Policies and Priorities

The overall purpose of this sub-programme is to enable the HOD to provide the department with strategic leadership and to fulfill all statutory requirements pertaining to the functioning of the department.

### The Strategic Objectives are:

To provide strategic financial leadership support, effective financial management, human resources, corporate services, and information systems services to the department.

### Progress Analysis

During the year under review the Office of the Head of Department sustained itself considerably well, and at times under extreme pressure. All the capacity strengthening that was done previously in the Office of the HOD ensured the effective support to the Head of Department in fulfilling his commitments to various interdepartmental and intergovernmental fora.

### Analysis of constraints and measures planned to overcome them

The increasing demands on the HOD's time and the unpredictability of the HOD's schedule and programme have made it difficult at times to cope and perform efficiently. The management of cash flow within the provincial departments posed a major challenge for the HOD as the provincial government projected a huge over expenditure. In this regard, there is a continued effort by the Provincial Treasury team working together with the departments to come up with a good Provincial Recovery Plan.

### Description of planned quality improvement measures

As in the previous year, corrective measures by the HOD and the Provincial Treasury team are being explored in trying to improve efficiencies in the financial management processes within the provincial departments these include the implementation of stringent cost cutting measures.

### Strategic objective annual targets: 2010/11

SUB-PROGRAMME 1.2:	Office of the Head of Department								
	Strategic Objective	Strategic Plan Target	Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets		
			2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
To ensure effective leadership, management and technical support to the Provincial Treasury through continuous refinement of organisational strategy and structure in compliance with appropriate legislation and best practice	Quarterly Budget performance report to Cabinet	New	New	New	New	4 Quarterly Budget performance report to Cabinet	4 Quarterly Budget performance report to Cabinet	4 Quarterly Budget performance report to Cabinet	
	To represent the province on the national budget council (5 Meetings per financial year)	New	New	New	New	5 meetings per financial year	5 meetings per financial year	5 meetings per financial year	
	Table MTEF Adj Estimate budget statement ito applicable prescripts at the Legislature	New	New	New	New	3	3	3	
	Render IGR support services to the MEC and Department	New	New	New	12	12 Cabinet Economic and Technical Cluster meetings and reports	12 Cabinet Economic and Technical Cluster meetings and reports	12 Cabinet Economic and Technical Cluster meetings and reports	

## Strategic objective annual targets: 2010/11

	Render Economic support services to the MEC and Department	New	New	New	4	4 Provincial Economic reports per financial year	4 Provincial Economic reports per financial year	4 Provincial Economic reports per financial year
	Render Special Project support services to the MEC and Department	New	New	New	4	4 Special Project reports per financial year	4 Special Project reports per financial year	4 Special Project reports per financial year
	Render External Monitor and Evaluation support services to the MEC and Department	New	New	New	New	4 Monitor and Evaluation reports per financial year	4 Monitor and Evaluation reports per financial year	4 Monitor and Evaluation reports per financial year

## Programme performance indicators and annual targets: 2010/11

SUB PROGRAMME 1.2	Office of the Head of Department						
	Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets		
	2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
Cabinet memoranda on budget performance approved by the MEC and tabled at Cabinet per quarter	New	New	New	New	4 Quarterly Budget performance report to Cabinet	4 Quarterly Budget performance report to Cabinet	4 Quarterly Budget performance report to Cabinet
Attendance of all Budget Council and Lekgotla meetings schedules	New	New	New	New	5 meetings per financial year	5 meetings per financial year	5 meetings per financial year
Table MTEF Adj Estimate budget statement its applicable prescripts at the Legislature	New	New	New	New	3	3	3
Render IGR support services to the MEC and Department	New	New	New	12	12 Cabinet Economic and Technical Cluster meetings and reports	12 Cabinet Economic and Technical Cluster meetings and reports	12 Cabinet Economic and Technical Cluster meetings and reports
Render Economic support services to the MEC and Department	New	New	New	4	4 Provincial Economic reports per financial year	4 Provincial Economic reports per financial year	4 Provincial Economic reports per financial year
Render Special Project support services to the MEC and Department	New	New	New	4	4 Special Project reports per financial year	4 Special Project reports per financial year	4 Special Project reports per financial year
Render External Monitor and Evaluation support services to the MEC and Department	New	New	New	New	4 Monitor and Evaluation reports per financial year	4 Monitor and Evaluation reports per financial year	4 Monitor and Evaluation reports per financial year

## Quarterly Targets 2010/11

SUB-PROGRAMME 1.2	Office of the Head of Department					
	Reporting period	Annual target 2010/11	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
Cabinet memoranda on budget performance approved by the MEC and tabled at Cabinet per quarter	Quarterly	4 Quarterly Budget performance report to Cabinet	1 Quarterly Budget performance report to Cabinet	1 Quarterly Budget performance report to Cabinet	1 Quarterly Budget performance report to Cabinet	1 Quarterly Budget performance report to Cabinet
Attendance of all Budget Council and Lekgotla meetings schedules	Quarterly	5 meetings per financial year	1 meeting per quarter	1 meeting per quarter	1 meeting per quarter	2 meetings per quarter
As per Treasury guidelines	Quarterly	3	N/A	1	1	1
Render IGR support services to the MEC and Department	Quarterly	12 Economic Cabinet and Technical	3 Economic Cabinet and Technical Cluster meetings and reports	3 Cabinet Economic and Technical Cluster meetings and reports	3 Cabinet Economic and Technical Cluster meetings and reports	3 Cabinet Economic and Technical Cluster meetings and reports

## Quarterly Targets 2010/11

		Cluster meetings and reports				
Render Economic support services to the MEC and Department	Quarterly	4 Provincial Economic reports	1 Provincial Economic report			
Render Special Project support services to the MEC and Department	Quarterly	4 Special Project reports per financial year	1 Special Project report			
Render External Monitor and Evaluation support services to the MEC and Department	Quarterly	4 Monitor and Evaluation reports per financial year	1 Monitor and Evaluation report			

### 1.3 Sub-Programme: Chief Financial Office

#### Specified Policies and Priorities

The Chief Financial Office is responsible for providing ongoing, effective and efficient support services to internal and external customers. The main services provided by the Chief Financial Office are financial, supply chain and asset management as well as advisory services on internal control systems. The Office has so far developed a number of policies and procedures to guide and support the rendering of its services to ensure an achievement of strategic objectives in line with the Public Financial Management Act of 1999.

#### The Strategic Objective is:

To ensure effective management of the Department's financial resources in line with the statutory requirements.

#### Progress Analysis

The office of the Chief Financial Officer developed performance information policy as it was highlighted on the Auditor General's report. This was part of the audit readiness preparation project for the year 2009/10 as auditors are moving towards expressing opinion on performance information. The office facilitated the process of preparing for the next five year strategic plan document. The department had to revisit its budget with cabinet directive to cut down its goods and services budget by 7.5% and later a request pledge a saving as a contribution towards provincial cash recovery plan.

#### Analysis of constraints and measures planned to overcome them

The above budget reduction placed a strain on the department to deliver as planned on its operational plan. The department had to cut down on various non value adding activities like food catering, promotional items etc. The discontinuation to procure the above items allowed the department to stretch allocated budget to core services only.

#### Description of planned quality improvement measures

To improve our operational effectiveness the implementation of costs saving measures as indicated on the Provincial accountant's circular for costs cutting measures will be a priority going forward.

## Strategic objective annual targets: 2010/11

SUB-PROGRAMME 1.3		Chief Financial Office						
Strategic objective	Strategic plan target	Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets		
		2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
To provide strategic financial leadership support, effective financial management, human resources, corporate services, and information systems services to the department.	Finance meetings with RMs and PMs to enhance good governance	N/A	9	9	10	9	9	9
	Compile MTEF & Strategic planning documents ( Budget statement & APP)	100%	100%	4	4	4	4	4
	Provide legislative financial reports (IYM X 12, AFS X 1, QPR X 4)	100%	100%	N/A	N/A	18	18	18
	SCM Compliance reports	100%	100%	N/A	12	12	12	12
	Updated asset register	100%	100%	N/A	2	2	2	2

## Programme performance indicators and annual targets: 2010/11

SUB-PROGRAMME 1.3		Chief Financial Office					
Performance Indicators	Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets		
	2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
Number of Finance meetings held with RMs, PMs.	N/A	9	9	10	9	9	9
Compile MTEF & Strategic planning documents ( Budget statement, & APP)	100%	100%	4	4	4	4	4
Provide legislative financial reports (IYM X 12, AFS X 1, QPR, annual report X 4)	100%	100%	18	18	18	18	18
No. of SCM Compliance reports generated	100%	100%	new	12	12	12	12
Number of asset verification exercises	N/A	100%	new	2	2	2	2

## Quarterly Targets 2010/11

SUB-PROGRAMME 1.3		Chief Financial Office				
Programme performance Indicators	Reporting period	Annual target 2009/10	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
Number of Finance meetings held with RMs, PMs.	Monthly	10	1	3	2	3
Compile MTEF & Strategic planning documents (Budget statement & APP)	Annually	4	N/A	1	1	2
Provide legislative financial reports (IYM X 12, AFS X 1, QPR X 4)	Annually	18	5	5	4	4
No. of SCM Compliance reports generated	Monthly	12	3	3	3	3
Number of asset verification exercises	Biannually	2	N/A	1	N/A	1

## 1.4 Sub-programme: Human Resource Management and Development

### Specified Policies and Priorities

The purpose of the sub-programme is to provide strategic human resources management support services to the Department and to ensure compliance with relevant National and Provincial legislative mandates.

### **The Strategic Objectives are:**

- To provide HR services (To provide advisory and consultancy support throughout the department to help achieve organizational improvement.
- To ensure that the Department fulfils its statutory and audit requirements in managing HR processes and procedures. This would be achieved in part of assisting in ensuring that the staff is appropriately skilled to be able to provide high quality services to the communities serviced.
- To create a healthy workforce through the provision of EAP services enabling staff to contribute to the objectives of the Department to the best of their ability.

### **Progress analysis**

- The sub-program has established a wellness clinic to ensure that employees are aware of their health risks and deal with it before they are incapacitated.
- The number of employees enrolled on EWP program has increased due to ongoing awareness.
- The sub-program is the first unit in the Province to develop a comprehensive HR Plan that responds to external environmental factors in order to mitigate risks as directed by the DPSA.
- The number of employees informed on HR issues has increased due to the implementation of business unit specific information seminars.
- The sub-program has contributed to increased participation and awareness of the Departmental Service Excellence Awards scheme.
- The ongoing implementation of its commitment charter has earned the sub-program recognition at the Provincial level, as the second best HRM unit in the Province.
- Has increased the number of officials trained on the code of conduct in order to eradicate corruption and fraud.
- The provision of ongoing support to line managers on EPMDS has resulted in 100% compliance to the EPMDS policy.
- Structural reviews done were 100% compliant to the DPSA's requirements which have accorded the sub-program accolade from National level.
- Is the first Department in the Province that has a policy on the acceptance of gifts and sponsorships.

### **Analysis of constraints and measures planned to overcome them**

- Achievement of numerical targets for women in SMS and People with Disabilities remains a challenge – Intake for 2010 interns will focus on people with disabilities and succession planning has been implemented to deal with women empowerment.
- High staff turn- over is still a challenge – continue to implement retention strategy and has realize that our workforce demographics is a major contributor to this, which we do not have control over.
- Rapid change from the DPSA on HR function and limited resources – to conduct readiness and capacity assessments.

### **Description of planned quality improvement measures**

- Ongoing implementation of service delivery improvement initiatives that will contribute to optimum organizational performance.
- Implementation of change management programs.
- Enhance compliance with prescribed HRM & D policy directives and determinations.

## Strategic objective annual targets: 2010/11

SUB-PROGRAMME 1.4		Human Resource Management and Development						
Strategic objectives	Strategic Plan Target	Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets		
		2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
To provide strategic financial leadership support, effective financial management, human resources, corporate services, and information systems services to the department.	% of HR services completed as per HR Charter	90%	100%	100%	100%	100%	100%	100%
	Number of HR Seminars	8 sessions	8 sessions	8 sessions	8 sessions	8 sessions	12 sessions	12 sessions
	Number of EWP seminars	4 information seminars	12 information seminars	4 information seminars	4 information seminars	4 information seminars	4 information seminars	4 information seminars
	Number of policies developed and seminars conducted	8 policies and 8 seminars	12 policies and 8 seminars	8 policies and 8 seminars	8 policies and 8 seminars	8 policies and 8 seminars	8 policies and 8 seminars	8 policies and 8 seminars
	% achieved from the Human resource plan, and workplace skills plan	100%	100%	100%	100%	100%	100%	100%

## Programme performance indicators and annual targets: 2010/11

SUB-PROGRAMME 1.4		Human Resource Management and Development					
Performance Indicators	Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets		
	2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
% of HR services completed as per HR Charter	90%	100%	100%	100%	100%	100%	100%
Number of HR Seminars	8 sessions	8 sessions	8 sessions	8 sessions	8 sessions	12 sessions	12 sessions
Number of EWP seminars	4 information seminars	12 information seminars	4 information seminars	4 information seminars	4 information seminars	4 information seminars	4 information seminars
Number of policies developed and seminars conducted	policies and 8 seminars	12 policies and 8 seminars	8 policies and 8 seminars	8 policies and 8 seminars	8 policies and 8 seminars	8 policies and 8 seminars	8 policies and 8 seminars
% achieved from the Human resource plan, and workplace skills plan	100%	100%	100%	100%	100%	100%	100%

## Quarterly Targets 2010/11

SUB-PROGRAMME 1.4		Human Resource Management and Development				
Programme performance Indicators	Reporting period	Annual target 2010/11	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
% OF HR services completed as per HR Charter	Quarterly	100%	100%	100%	100%	100%
Number of HR seminars	Quarterly	8	2	2	2	2
Number of EWP seminars	Quarterly	4	1	1	1	1
Number of policies developed and seminars conducted	Quarterly	8 & 8	2 & 2	2 & 2	2 & 2	2 & 2
% achieved from the Human resource plan, and workplace skills plan	Quarterly	100%	100%	100%	100%	100%

## 1.5 Sub-Programme: Corporate Services

### Specified Policies and Priorities

The overall purpose of this sub-programme is to provide the department with Corporate Support to ensure that line function components are able to fulfil statutory requirements.

### **The Strategic Objectives are:**

- The provision of suitable accommodation through proper needs assessment, planning, consultation, acquisition, physical re-location, safety considerations
- Optimal utilization of transport fleet (official and sub-vehicles)
- Provide professional Legal Services to Provincial Treasury
- To ensure that Information is made available to all stakeholders in line with the requirements of the Promotion of Access to information Act.

### **Progress Analysis**

- Identify needs assessment as per individual staff member
- Filling of the vacant post of the Transport control officer
- Improvement of security system in the building
- To continue providing the required Registry Services to all officials in the Department as the tracing of all correspondence is of the utmost importance and officials rely on the Departmental Registry Services
- Provide suitable, safe and secure space for all documents to be archived at all times and ensure all documents due for destruction dates are destroyed according to the National Archives Act of SA – Act No 43 of 1996
- The continued correct utilization of all the equipment will be monitored monthly and a fault report will be maintained and made available to each Directorate's Manager for action
- Identify and understand information requirements of the Treasury clients and the general public
- To ensure daily updates of intranet and website
- To ensure that the departmental library policy is fully implemented and monitored to ensure full compliance to all library users and ensure that library services comply with the weekly system or stock registry
- To ensure that contact centre respond to customers queries timely

### **Analysis of constraints and measures planned to overcome them**

- To acquire additional office accommodation e.g. Nomalanga building
- Implementation of Occupational Health and Safety Act in the workplace with fire marshals
- Proper execution of work due to additional personnel in transport section
- Additional security personnel in Treasury House and Nomalanga building
- Conduct customer survey to identify all problem areas and address them without delay. The approved filing index utilization will be introduced to proper filing system in place
- The Archives Act needs to be adhered to by all officials in the Department and the key register to archives closely monitored to ensure any irregularities (unfiled/misfiled) with documents reported and corrected immediately. Space allocated for archiving should be closely monitored. Up-to-date records of all documents destroyed to be available at all times for investigation
- To ensure that both Treasury staff and stakeholders adhere to Promotion of Access to information Act
- To ensure that all library users adhere to library policy.



## **Description of planned quality improvement measures**

- To provide adequate office accommodation
- Assemble emergency evacuation procedures
- Conducting inspections for fleet and subsidized vehicles
- Searching of staff and vehicles in the building for compliance
- To implement an impact assessment service delivery questionnaire to be issued to all directorates in the department on stationery supplied. Monthly reports of quality, effective and economical services on supplies (stationery) would be made available to all directorates to ensure corrective action is taken timeously.
- With the filling of the vacant post in Registry all functions can be completed and service improvement would be increased and maintained at all times and departmental officials will be given the opportunity to comment on performance in Registry.
- The Records Management Services archives in Treasury House building and Natalia building would be monitored closely to ensure all prescripts of the National Archives Act is adhered to.
- All users of the new office automation equipment would be trained in the correct usage of the machines to ensure optimal performance and reduce risk of destruction and damage to the equipment. A fault report would be made available to the Manager of each Directorate for action to be taken to prevent major problems.
- To create a document management solution for the Provincial Treasury.
- The call centre agents will monitor the Treasury stakeholders information need closely and ensure that they adhere to PAIA. Thus ensuring timely response to customer queries.
- To ensure that all books and material kept in the library must be bar-coded.

## **1.6 Sub-programme: Supporting and Inter-Linked Financial Systems**

### **Specified Policies and Priorities**

The purpose of the sub-programme is to source, implement and provide support for Financial Systems to Provincial Departments and provide internal IT services to the KZN Treasury.

### **The Strategic Objective is:**

- To align ICT initiatives with the strategic direction of the department through the provision of IT support, training of users and the acquisition and development of relevant information system solutions as an enabler of business processes.



## **Progress Analysis**

To date the Biometric Access Control System (BACS) project is 91% complete. There have been some technical and operational challenges that resulted in an extension to the completion date. Among these, was the inability of the BAS users at Chief Albert Luthuli Hospital to access the BACS system due to them operating in an independent computer network and the high dependency on National Treasury for some of the development work. The project has concurrently moved into the maintenance phase.

The current Supplier's Database has severe limitations and does not adequately meet the business requirements. A new system is being developed and the User Requirements Specification document has been completed. The development of the system is scheduled for completion by the end of this financial year and to be operational in the new financial year.

The performance and functioning of the IT network at Treasury House has been deteriorating due to obsolete technology and inadequate infrastructure. The network is being upgraded and is scheduled for completion by the end of 2009.

The IT unit has been restructured to improve service delivery and its core focus of being an effective enabler of business processes. The Departmental IT Steering Committee has been established to provide a decision-making forum for key strategic challenges with regards to the planning and management of IT investments and IT policies.

## **Analysis of constraints and measures planned to overcome them**

The technical skill level of some of the resources with the IT unit is inadequate. Three interventions are being put in place :a program to ensure the transfer of key skills and expertise from external specialists to internal staff., a progressive and formal training program that is both specialized and aggressive, and internal training and development workshops

### **Description of planned quality improvement measures**

IT Governance sub-component of the IT Unit will conduct regular risk assessments and policy and procedure compliance reviews to identify control weaknesses and make recommendations for improvement in controls. User surveys will help the IT unit to obtain regular feedback from the departmental users to identify weakness and poor performance and ways to improve.

The IT unit is currently in the process of developing a cohesive and efficient IT control framework. This will allow us to further manage controls and introduce new controls where necessary. The aim is to improve the departments IT governance function.

The lack of key skills at SITA has hampered service delivery. In order to effectively manage this risk, the IT unit regularly engages SITA through formal meetings and informal communications. All Service Level Agreements will include key performance indicators in order to effectively monitor and manage SITA 's performance.

## Strategic objective annual targets: 2010/11

SUB-PROGRAMME 1.6 :		Supporting and Inter-Linked Financial Systems						
Strategic Objective	Strategic Plan Target	Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets		
		2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
Develop and implement systems	Number of initiatives implemented	New	New	New	As per MSP	As per MSP	As per MSP	As per MSP
Develop and review, implement and monitor departmental supporting information technology enabler policies and procedures	18	New	New	New	8	8	8	8
To ensure business continuity through the management of the IT network infrastructure, desktop and LAN support and network security	8 Hour MTTR 99% network uptime 100% license compliance	New	New	New	8 hours 99% 100%	8 99% 100%	8 99% 100%	8 99% 100%
Provide technical support for transversal systems	8-24 hr MTTR	New	New	New	8-24 hr MTTR	8-24 hr MTTR	8-24 hr MTTR	8-24 hr MTTR

## Programme performance indicators and annual targets: 2010/11

SUB-PROGRAMME 1.6		Supporting and Inter-Linked Financial Systems						
Performance Indicators	Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets			
	2006/07	2007/08	2008/09		2010/11	2011/12	2012/13	
Number of initiatives implemented	New	New	new	As per MSP	As per MSP	As per MSP	As per MSP	
Number of policy reviews completed	New	New	New	8	8	8	8	
Number of compliance reports completed	New	New	New	2	2	2	2	
Number of information sessions conducted	New	New	New	8	8	8	8	
Mean time to resolve (MTTR)-Treasury	New	New	8 hours	8 hours	8 hours	8 hours	8 hours	
Percentage network uptime	New	New	New	99%	99%	99%	99%	
Percentage compliance with software licencing requirements	New	New	New	100%	100%	100%	100%	
Percentage user satisfaction	New	New	new	80%	80%	82%	85%	
Mean time to resolve (transversal systems)	New	New	new	8-24 hr MTTR	8-24 hr MTTR	8-24 hr MTTR	8-24 hr MTTR	

## Quarterly Targets 2010/11

SUB-PROGRAMME 1.6:		Supporting and Inter-Linked Financial Systems					
Programme performance Indicators	Reporting period	Annual target 2010/11	Quarterly targets				
			Quarter 1	Quarter 2	Quarter 3	Quarter 4	
Number of initiatives/projects implemented	Annually	As per MSP (10)	(1) Network monitoring tool	(4) Suppliers database; Email archiving; Business Process Mapping; IT Control Framework	(3) IT Standards document; Encryption tool; DRP for BACS	(2) Integrating Municipal Finance data into Cognos; Review MSP	
Number of policy reviews completed	Annually	8	2	2	2	2	
Number of compliance reports completed	Annually	2		1		1	
Number of information sessions conducted	Annually	8	2	2	2	2	
Mean time to resolve (MTTR)	Annually	8 hours	8 hours	8 hours	8 hours	8 hours	
Percentage network uptime	Annually	99%	99%	99%	99%	99%	

## 1.7 Reconciliation of budget with plan

### Summary of payments and estimates - Programme 1: Administration

R thousand	Outcome			Main Appropriation	Adjusted Appropriation 2009/10	Revised Estimate	Medium-term Estimates		
	Audited 2006/07	Audited 2007/08	Audited 2008/09				2010/11	2011/12	2012/13
Office of the MEC	28,523	29,803	31,375	31,978	27,267	27,273	29,176	31,145	32,697
Head of the Department	6,209	5,750	6,350	6,579	7,429	6,462	7,392	7,814	8,202
Chief Financial Office	7,870	11,122	11,192	11,335	13,084	9,737	19,067	19,956	20,777
Human Resource Management	6,049	6,226	8,383	11,193	11,193	9,805	12,078	12,688	13,321
Corporate Services	20,821	16,913	18,646	20,725	23,175	23,344	24,879	26,174	27,329
Supporting & Interlinked Financial Systems	71,154	95,577	106,929	93,280	93,272	97,998	101,248	107,170	112,379
<b>Total</b>	<b>140,626</b>	<b>165,391</b>	<b>182,875</b>	<b>175,090</b>	<b>175,420</b>	<b>174,619</b>	<b>193,840</b>	<b>204,947</b>	<b>214,705</b>

### Summary of payments and estimates by economic classification - Programme 1: Administration

R thousand	Outcome			Main Appropriation	Adjusted Appropriation 2009/10	Revised Estimate	Medium-term Estimates		
	Audited 2006/07	Audited 2007/08	Audited 2008/09				2010/11	2011/12	2012/13
<b>Current payments</b>	<b>133,734</b>	<b>148,599</b>	<b>172,743</b>	<b>168,462</b>	<b>168,600</b>	<b>167,739</b>	<b>191,417</b>	<b>202,304</b>	<b>211,735</b>
Compensation of employees	24,422	28,330	33,926	40,723	37,921	34,010	43,529	45,626	47,750
Goods and services	109,310	120,269	138,817	127,739	130,679	133,729	147,888	156,678	163,985
Interest and rent on land	2	-	-	-	-	-	-	-	-
<b>Transfers and subsidies to:</b>	<b>151</b>	<b>291</b>	<b>1,769</b>	<b>32</b>	<b>1,887</b>	<b>1,855</b>	<b>391</b>	<b>391</b>	<b>395</b>
Provinces and municipalities	18	-	-	-	-	-	-	-	-
Departmental agencies and accounts	-	45	-	32	32	32	41	41	45
Universities and technikons	-	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Non-profit institutions	-	-	3	-	-	-	-	-	-
Households	133	246	1,766	-	1,855	1,823	350	350	350
<b>Payments for capital assets</b>	<b>5,863</b>	<b>15,712</b>	<b>8,363</b>	<b>6,596</b>	<b>4,933</b>	<b>5,025</b>	<b>2,032</b>	<b>2,252</b>	<b>2,575</b>
Buildings and other fixed structures	-	-	-	-	-	-	-	-	-
Machinery and equipment	4,610	6,682	8,342	2,478	4,478	4,942	2,032	2,252	2,575
Heritage assets	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Land and sub-soil assets	-	-	-	-	-	-	-	-	-
Software and other intangible assets	1,253	9,030	21	4,118	455	83	-	-	-
<b>Payments for financial assets</b>	<b>878</b>	<b>789</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>140,626</b>	<b>165,391</b>	<b>182,875</b>	<b>175,090</b>	<b>175,420</b>	<b>174,619</b>	<b>193,840</b>	<b>204,947</b>	<b>214,705</b>

## 2. PROGRAMME 2: FISCAL RESOURCE MANAGEMENT

2.1	Sub-programme:	Programme Support
2.2.1	Sub-programme:	Economic Analysis
2.2.2	Sub-programme:	Infrastructure
2.3	Sub-Programme:	Public Finance
2.4	Sub-Programme:	Municipal Finance

### The purpose of Programme 2:

Fiscal Resource Management is to effectively manage and monitor the provincial and local government fiscal resources.

### 2.1 Sub-Programme: Programme Support

#### Progress Analysis

The sub-program has produced several provincial fiscal frameworks in the past three years and finalised the provincial budget annually. A comprehensive research project was undertaken on the education sector to strengthen the quality of education outcomes.

- The literature review of best practice in education has been finalised and submitted.
- All interviews with educators and principals have been conducted and the results are being analysed.

The unit has also embarked on strengthening research capacity for policy development, which includes a province-wide sector review of the health system.

#### Analysis of constraints and measures planned to overcome them

The constraints have revolved around the tightness of the fiscal resource envelop to accommodate provincial spending pressures, which limits the research we can do.

#### Description of planned quality improvement measures

The comprehensive research project will help the province develop a set of targeted policy interventions that will enhance the performance of the Health sector in terms of health service delivery and value for money.

#### Strategic objective annual targets: 2010/11

SUB-PROGRAMME 2.1 :		Programme Support						
Strategic Objective	Strategic Plan Target	Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets		
		2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
Provide strategic leadership to the Fiscal Resource Management Division	N/A	N/A	N/A	One research paper partly completed – Education sector	Continuation of research in education sector, One research paper Health sector – project deferred to 2010	One research paper – Health sector	Nil	Nil

#### Programme performance indicators and annual targets: 2010/11

SUB-PROGRAMME 2.1:		Programme Support						
Performance Indicator	Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets			
	2006/07	2007/08	2008/09		2010/11	2011/12	2012/13	
Approved and Implementable policy interventions in the health sector based on the robustness of the research	N/A	N/A	One research paper partly completed – Education sector	Continuation of research in education sector, One research paper Health sector – project deferred to 2010	One research paper – Health sector	Nil	Nil	

## Quarterly Targets 2010/11

SUB-PROGRAMME 2.1:	Programme Support					
Programme performance Indicators	Reporting period	Annual target 2010/11	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
Approved and Implementable policy interventions in the health sector based on the robustness of the research	Quarterly	One research paper – Health sector	Approved Terms of reference for research	Approved methodology	Actual research	Complete research report with findings and recommendation for tabling at cabinet

### 2.2.1 Sub-Programme: Macro Economic Analysis

#### Progress Analysis

The main focus of the unit is to ensure that the KwaZulu-Natal Budget addresses the socio-economic challenges confronted by the province.

The major achievements the unit hopes to attain in 2009/10 are as follows:

Compilation of research papers:

1. Grasping reality: Where Will KwaZulu-Natal Be in 2014 – Are the PSEDS Targets Achievable?
2. The KwaZulu-Natal Untapped Resources: Case study – Mkhambathini Local Municipality
3. An Economic Assessment of the Impact of KZN Department of Education, Health and Social Welfare and Development on Poverty Reduction

#### Description of planned quality improvement measures

Collaboration with other district government departments is planned to share information/data.

Various quality training providers are approached to provide an ongoing training for the existing officials to ensure their up-to-date competence

#### Strategic objective annual targets: 2010/11

SUB-PROGRAMME 2.2.1	Economic Analysis							
Strategic Objective	Strategic Plan Target	Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets		
		2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
To determine and evaluate economic parameters and socio-economic imperatives to inform provincial and local resource allocation	11 district municipality economic profile	Report on service delivery at DC levels	Report on service delivery at DC levels	Economic Review of 11 district municipalities	Review of socio economic outlook for all eleven district municipalities	Capacitate municipalities and develop socio economic profile	Monitor progress	Monitor progress
	Input into Overview of Provincial Expenditure (OPE) previously Budget Statement 1 on time for tabling	Input into Overview of Provincial Expenditure (OPE) previously Budget Statement 1 on time for tabling	Input into Overview of Provincial Expenditure (OPE) previously Budget Statement 1 on time for tabling	Input into Overview of Provincial Expenditure (OPE) previously Budget Statement 1 on time for tabling	Input into Overview of Provincial Expenditure on time for tabling	Input into Overview of Provincial Expenditure on time for tabling	Input into Overview of Provincial Expenditure on time for tabling	Input into Overview of Provincial Expenditure on time for tabling
Provide a platform to enhance regional economic growth and development through quality research	3 papers to be presented.	More than 75% of research was done	Publications at Natal witness (local newspaper)	Research papers were produced.	Presenting the research findings.	Publication of research papers	Publication of research papers	Publication of research papers
	Sources of data to three	Global Insight was maintained	Data updated as new statistics become available	Maintained Global Insight database	Various sources of data have been established: Namely: interdepartmental and parastatals. Global insight is being maintained.	Acquire one more source of data	Acquire more sources of data	Acquire more sources of data

## Programme performance indicators and annual targets: 2010/11

SUB-PROGRAMME 2.2.1	Economic analysis						
	Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets		
	2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
To provide a comprehensive economic analysis for the province	Report on service delivery at DC levels	Report on service delivery at DC levels	Economic Review of 11 district municipalities	Review of socio economic outlook for all eleven district municipalities	Capacitate municipalities with knowledge of developing socio economic profile	Monitor progress	Monitor progress
To provide input to the Overview of Provincial Expenditure	Input into Overview of Provincial Expenditure (OPE) on time for tabling	Input into Overview of Provincial Expenditure (OPE) on time for tabling	Input into Overview of Provincial Expenditure (OPE) on time for tabling	Input into Overview of Provincial Expenditure (OPE) on time for tabling	Input into Overview of Provincial Expenditure (OPE) on time for tabling	Input into Overview of Provincial Expenditure (OPE) on time for tabling	Input into Overview of Provincial Expenditure (OPE) on time for tabling
To provide quality research for regional policy analysis.	Publications	Publications at Natal witness (local newspaper)	Research papers produced.	Present the research findings.	Publication of research papers	Publication of research papers	Publication of research papers
To update and maintain the KZN statistic database.	User-friendly based on users and feedback and accuracy	Data updated as new statistics become available	Global Insight database maintained	Various sources of data have been established: Namely: interdepartmental and parastatal. Global insight maintained.	Acquire one more source of data	Acquire one more source of data	Acquire one more source of data

### Quarterly Targets 2010/11

SUB-PROGRAMME 2.2.1	Economic Analysis					
	Reporting period	Annual target 2010/11	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
To provide a comprehensive economic analysis for the province	Quarterly	Review of socio economic outlook for eleven district municipalities	At least three (3) chapters	At least three (3) chapters	At least three (3) chapters	At least two (2) chapters
To provide input to the Overview of Provincial Expenditure (OPE)	Annual	On time for tabling	N/A	N/A	N/A	1
To provide quality research for regional policy analysis.	Annual	3 papers to be submitted	N/A	N/A	N/A	3 research papers per annum
To update and maintain the KZN statistic database.	Annual	One source	Ongoing process	Ongoing process	Ongoing process	Ongoing process

## 2.2.2 Sub-Programme: Infrastructure

### Specified Policies and Priorities

The function of the Infrastructure component within Provincial Treasury is to maximize the impact of infrastructure investment by provincial departments. The Unit supports the departments in planning for infrastructure and implementation thereof. The function of the Unit is process driven and is influenced by statutory deadlines as stipulated in the PFMA and DoRA. Monthly, quarterly and annual reporting is required on both the provincial expenditure budgets, and based on the In-Year Monitoring of these, proposals are made which might contribute to the provincial Adjustments Estimate.

## Progress Analysis

- Improvement on infrastructure planning, delivery and expenditure by departments.
- Creation of various levels of Infrastructure capacity, in terms of personnel, within most provincial departments.

## Analysis of constraints and measures planned to overcome them

- Coordination of planning of infrastructure is still elusive for the province.
- Staff turnover within the main delivery department.
- Harmony of infrastructure related legislature e.g. CIDB Act, PPPFA and the SCM regulations.
- Quality of reports submitted by departments.

## Description of planned quality improvement measures

- Better interaction within the infrastructure delivery value chain.
- Institutionalisation of infrastructure best practice methods in planning, estimation of time and cost, within departments.

### Strategic objective annual targets: 2010/11

SUB-PROGRAMME 2.2.2	Infrastructure unit							
Strategic Objective	Strategic Plan Target	Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets		
		2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
Ensure efficient infrastructure planning and management in the province	To co-ordinate and manage infrastructure planning in the province	PIP submitted by 20 April 2006	PIP submitted by 30 April 2007	PIP submitted by 30 April 2008	Submit PIP to NT by 28 <sup>th</sup> February 2009	Submit PIP to NT by 28 February 2010	Submit PIP to NT by 28 February 2011	Submit PIP to NT by 28 February 2012
	PSIN ongoing in Transport	National Education Information Management System (NEIMS) issued. National Transport Master plan (NATMAP) being prepared.	National Education Information Management System (NEIMS) refined. National Transport Master plan (NATMAP) being finalized.	Preparation of PISN continues to other departments	Preparation of PISN continues to other departments	Preparation of PISN continues to other departments	Preparation of PISN continues to other departments	
	Facilitate the implementation of infrastructure delivery improvement programme (IDIP) in the departments	IDIP TA's based at Public Works	IDIP TA's placed at Works, Education and Health	IDIP TA's placed at Works, Education & Health	IDIP processes introduced at Housing, Sport & Recreation, Art and Culture	IDIP to continue in Education, Works and Health. IDIP introduced at Housing, Arts & Recreation, Sport & Recreation	IDIP to continue in Education, Works and Health. IDIP introduced at Housing, Arts & Recreation, Sport & Recreation	IDIP to continue in Education, Works and Health. IDIP introduced at Housing, Arts & Recreation, Sport & Recreation
	Monitoring Infrastructure expenditure and delivery in the Province	Received all reports due	Received all reports due.	Quarterly Reports	Quarterly Reports	Quarterly Reports	Quarterly Reports	Received all reports due.
	Input into Estimates of Provincial Expenditure (EPE) previously Main Budget Statement on time for tabling	Conducted ad hoc site visits	Conducted 50 site visits.	Conducted 144 site visits.	Conduct 144 site visits	Conduct 144 site visits.	Conduct 144 site visits.	Conducted ad hoc site visits
Input into EPE (Main Budget Statement) on time for tabling	Input into EPE (Main Budget Statement) on time for tabling	Input into EPE (Main Budget Statement) on time for tabling	Input into EPE (Main Budget Statement) on time for tabling	Input into EPE on time for tabling	Input into EPE on time for tabling	Input into EPE on time for tabling	Input into EPE on time for tabling	

**Programme performance indicators and annual targets: 2010/11**

SUB-PROGRAMME 2.2.2	Infrastructure unit							
	Performance Indicator	Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets		
		2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
Timely completion of Provincial Infrastructure Plan (PIP)	PIP submitted by 20 April 2006	PIP submitted by 30 April 2007	PIP submitted by 30 April 2008	Submit PIP to NT by 28 <sup>th</sup> February 2009	Submit PIP to NT by 28 <sup>th</sup> February 2010	Submit PIP to NT by 28 <sup>th</sup> February 2011	Submit PIP to NT by 28 <sup>th</sup> February 2012	
No. of Provincial Infrastructure Statement of Needs (PISN) Report	PSIN completed in Transport	National Education Information Management System (NEIMS) issued. National Transport Master plan (NATMAP) being prepared.	National Education Information Management System (NEIMS) refined. National Transport Master plan (NATMAP) being finalized.	Preparation of PISN continues to other departments	Preparation of PISN continues to other departments	Preparation of PISN continues to other departments	Preparation of PISN continues to other departments	
No. of departments of implementation of the IDIP in the Province	IDIP TA's based at Public Works	IDIP TA's placed at Works, Education and Health	IDIP TA's placed at Works, Education & Health IDIP processes introduced at Housing, Sport & Recreation, Art and Culture	IDIP to continue in Education, Works and Health. IDIP processes introduced at Housing, Sport & Recreation, Art and Culture	IDIP to continue in Education, Works and Health. IDIP introduced at Housing, Sport & Recreation, Art and Culture	IDIP to continue in Education, Works and Health. IDIP introduced at Housing, Sport & Recreation, Art and Culture	IDIP to continue in Education, Works and Health. IDIP introduced at Housing, Sport & Recreation, Art and Culture	
Compliance with infrastructure budget and delivery plans	All quarterly report received.	Received all reports due.	Received all reports due.	Quarterly Reports	Quarterly Reports.	Quarterly Reports	Quarterly Reports	
	Conducted spot site visits	Conducted ad hoc site visits	Conduct 144 site visits.	Conduct 144 site visits.	Conduct 144 site visits.	Conduct 144 site visits.	Conduct 144 site visits.	
Conduct quarterly assessments on infrastructure delivery in the province	All quarterly report received	Received all reports due	Received all reports due.	Quarterly Reports	Quarterly Reports.	Quarterly Reports	Quarterly Reports	
Estimates of Provincial Expenditure (EPE) previously Main Budget Statement	Input into EPE (Main Budget Statement) on time for tabling	Input into EPE (Main Budget Statement) on time for tabling	Input into EPE (Main Budget Statement) on time for tabling	Input into EPE on time for tabling	Input into EPE on time for tabling	Inputs into EPE on time for tabling	Inputs into EPE on time for tabling	

**Quarterly Targets 2010/11**

SUB-PROGRAMME 2.2.2	Infrastructure unit						
	Programme performance Indicators	Reporting period	Annual target 2010/11	Quarterly targets			
				Quarter 1	Quarter 2	Quarter 3	Quarter 4
Timely completion of Provincial Infrastructure Plan (PIP)	Annual	1	N/A	1	N/A	N/A	
No. of Provincial Infrastructure Statement of Needs (PISN) Report	Quarterly	1	N/A	1	N/A	N/A	
No. of departments of implementation of the IDIP in the Province	Bi-Annually	2	N/A	1	N/A	N/A	
Compliance with infrastructure budget and delivery plans	Monthly	12	3	3	3	3	
Conduct quarterly assessments on infrastructure delivery in the province	Annual	144	36	36	36	36	
Estimates of Provincial Expenditure (EPE) previously Main Budget Statement	Annual	1	N/A	N/A	N/A	N/A	

## 2.3 Sub-Programme: Public Finance

### Specified Policies and Priorities

The Public Finance unit has three components that are structured to perform specific tasks in the Fiscal Resource Management Division:

*Provincial Budget Management* is responsible for the preparation and the implementation of the provincial budget. This unit's responsibility is to provide support to all provincial departments in preparation of credible budgets. This involves ensuring that budget allocations are made in line with determined national and provincial government priorities and that resources are utilised in line with those priorities.

The other important role of the unit is that of monitoring the implementation of the budget. As such, the component conducts monthly analyses of the financial data, reflecting expenditure to date, as well as forward projections. The component has to determine and ensure that such reports are credible and therefore verify them independently using systems such as Vulindlela, BAS or Persal. The In Year Monitoring (IYM) report is used to monitor departments' revenue collection and spending patterns. In this regard, this component has the responsibility to ensure and maintain the integrity of financial reporting on budget performance by all KZN departments.

It is thus quite apparent that most of the functions of the Provincial Budget Management unit are process driven and are largely determined by statutory deadlines as stipulated in the PFMA. These include the tabling of Main and Adjustment Appropriations, within set regulated periods, as well as monthly, quarterly and annual reporting.

*Provincial Own Revenue* is responsible for improvement of revenue generated by the province, to augment transfers from National Treasury. Its mandate includes conducting continuous assessments of revenue generation and collection capacity of all KZN departments, researching and proposing ways that own revenue may be enhanced.

The other important role of the unit is that of monitoring of the revenue budgets of the departments. As such, the unit conducts monthly analyses of the financial data reflecting revenue to date, as well as forward projections. The unit established the Provincial Revenue Forum, where all the revenue sections of the different departments gather, on a quarterly basis, to discuss, analyse and resolve issues as they arise. The unit is in the process of finalising a new tax proposal which will be tabled at Cabinet shortly.

It is thus quite apparent that most of the functions of Provincial Own Revenue are process driven, such as aiding departments in tabling relevant legislation, e.g. Gaming and Liquor legislation.

*Special Advisory Support Services* provides economic and other fundamental analysis in the unit. Among other things, it engages in the research and articulation of KZN Treasury's policy stances on various fiscal and socio-economic matters related to public finance. This includes formulation of policy positions on the review of the equitable share formula, intergovernmental fiscal relations, formulations for incorporation into the annual Division of Revenue Bills, and any other additional work that may require specialised advisory support services.

## **Progress Analysis**

The 2009/10 financial year saw a continuation of high spending by departments, continuing a pattern which had commenced in 2007/08. The Department of Health's high level of over-expenditure continued to have an impact on the provincial fiscus, as well as the bank overdraft of the province.

As a result, the province had to implement a stringent cut of 7.5 per cent of the value of departments' *Goods and services* budgets, to endeavour to start repaying the provincial overdraft. In addition, this became the first year that the province implemented Section 34(2) of the PFMA whereby the over-expenditure from the prior year became a first charge against the respective departments' votes in 2009/10. All of this, with the aim of reducing the provincial overdraft.

The 2009/10 again saw many challenges, such as the under-funding of the higher than anticipated wage agreement, as well as under-funding of various Occupation Specific Dispensations in the Education and Health sectors. This therefore required firm action from the provincial Cabinet, whereby agreement was reached that all departments had to cut back their spending levels, for the greater good of the province. Included in this was the implementation of a list of stringent cost cutting measures which departments have to adhere to, in order to control spending and the effect this spending has on the provincial overdraft.

The revenue for the province also had to be downward adjusted in view of the fact that the interest earned on positive cash balances could not be realised in the current financial year, due to the provincial overdraft. The unit has been tasked with the duty of actively identifying and pursuing new revenue sources for the province, as well as maximising the revenue sources which have already been identified.

The KZN Treasury continued to be an active participant in discussions relating to the review of the equitable share. Meaningful inputs were also provided into the annual Division of Revenue Bill.

## **Analysis of constraints and measures planned to overcome them**

The current recession that the world finds itself in, has had an impact on South Africa and the availability of financial resources for government to spend on priority areas. 2009/10 was a particularly challenging year for KZN, as the provincial equitable allocation was reduced by National Treasury due to less income collected at a national level than expected, largely due to the recession. In addition, the province had commenced a pattern of over-spending since 2007/08, which came to a head in 2008/09. The provincial bank went into overdraft and this required firm action from the province, in order to finance this. A decision was taken to cut back all provincial departments' budgets by the value of 7.5 per cent of their *Goods and services* budget. Furthermore, this was the first year that the province implemented Section 34(2) of the PFMA which states that overspending from one year becomes the first charge against a department's vote in the next or ensuing years. Needless to say, these cut-backs in budget have resulted in a greater monitoring role being undertaken by the Provincial Budget Management unit.

The province, and specifically the Provincial Budget Management unit, continues to monitor departments' spending on a monthly basis, ensuring that this analysis is submitted to Cabinet monthly as well. In this way,



the province can respond timeously to any issues that require urgent intervention. This became apparent in 2009/10, where such monthly submissions resulted in urgent discussions at Cabinet, and a resultant instruction to departments to cut their spending back in order to fund the provincial projected over-expenditure. Cabinet also implemented stringent cost-cutting measures and the Provincial Budget Management unit ensured that all relevant stakeholders were informed of this.

The province continues to be plagued by “unfunded mandates”, as well as a shortfall in funding being provided by National Treasury for the higher than anticipated wage agreements and the respective Occupation Specific Dispersions. The province is expected to source this from within the existing baselines. All these factors make monitoring of spending by departments quite a challenging task.

The issues raised above have placed more pressure on the Public Finance unit, and more specifically, the *Provincial Own Revenue* unit to ensure that the Provincial Own Revenue sources be maximised and even expanded, to assist in financing priority areas.

The *Specialised Advisory Services* unit has the difficult task of influencing the equitable share discussions and the provincial inputs into the annual Division of Revenue in such a manner that the areas of budget pressure start being listened to, and addressed by our national counterparts.

### **Description of planned quality improvement measures**

The Public Finance unit continues to focus on improving its monitoring of provincial budgets. The unit currently prepares the annual Estimates of Provincial Expenditure (Budget Statement), the Adjusted Estimates of Provincial Expenditure (Adjustments Estimate), 4 quarterly reports (2 of which are also presented to the Finance Portfolio Committee), 12 monthly In Year Monitoring Reports as well as at least 12 Cabinet memoranda per annum. The *Provincial Budget Management* unit will continue to engage with its stakeholders to maximise the value of the documents and the information contained therein. An example of this is the inclusion of new tables in the Estimates of Provincial Expenditure which will give more information on conditional grant spending, whereas in the past, the Estimates of Provincial Expenditure focused mainly on the amount received for conditional grants, rather than the amounts spent. Similarly, a new table has been included which provides detail of all transfers and subsidies made by each department.

The *Provincial Own Revenue* unit has commenced with the Provincial Revenue Forum, which provides a platform to discuss matters relating to revenue enhancement with the various departments. It will also be looking into developing a tariff register to enable better monitoring of current tariffs being charged, as well as the frequency with which these tariffs are updated. The unit has also been tasked with the responsibility of finding new revenue sources for the province, so that these sources can be used to address the unfunded mandates spoken about earlier, any shortfall in funding for things such as the higher than anticipated wage agreements and Occupation Specific Dispensation, and finally, to assist in funding province specific priorities.

The *Specialised Advisory Support Services* unit will be undertaking an analysis of public entities which report to provincial departments, with a view of streamlining and regulating financial and non-financial reporting. Added



to this will be a study of surpluses collected by these entities, with a view of having these returned to the provincial fiscus. The next section identifies priorities set by the Public Finance Unit over the medium term.

**Strategic objective annual targets: 2010/11**

SUB-PROGRAMME 2.3:		Public Finance: Provincial Budget Management						
Strategic Objective	Strategic Plan Target	Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets		
		2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
Promote effective and optimal financial resource allocation for provincial government	Compile annual Treasury Budget Preparation guideline circular	Completed in June 2006	Completed in June 2007	Completed in June 2008	Completed by July 2009	Complete by July 2010	Complete by July 2011	Complete by July 2012
	Compile the annual budget proposal	16 chapters completed 1 day before MTEC	16 chapters completed 1 day before MTEC	16 chapters completed 1 day before MTEC	16 chapters completed 1 day before MTEC	16 chapters completed 1 day before MTEC	16 chapters to be completed 1 day before MTEC	16 chapters to be completed 1 day before MTEC
		Completed as per budget process timetable	Completed as per budget process timetable	Completed as per budget process timetable	Completed as per budget process timetable	Complete as per budget process timetable	Complete as per budget process timetable	Complete as per budget process timetable
		16	16	16	16	16	16	16
	Co-ordinate the preparation and publication of Provincial budget documentations	Estimates of Provincial Expenditure (EPE) previously Main Budget Statement on time for tabling	EPE previously Main Budget Statement on time for tabling	EPE previously Main Budget Statement on time for tabling	EPE on time for tabling	EPE on time for tabling	EPE on time for tabling	EPE on time for tabling
		Adjusted Estimates of Provincial Expenditure (AEPE) previously Adjusted Budget on time for tabling	AEPE previously Adjusted Budget Statement on time for tabling	AEPE previously Adjusted Budget Statement on time for tabling	AEPE on time for tabling	AEPE on time for tabling	AEPE on time for tabling	AEPE on time for tabling
		Main Budget Speech on time for tabling	Main Budget Speech on time for tabling	Main Budget Speech on time for tabling	Main Speech on time for tabling	Main Budget Speech on time for tabling	Main Budget Speech on time for tabling	Main Budget Speech on time for tabling
		Adjusted Budget Speech on time for tabling	Adjusted Budget Speech on time for tabling	Adjusted Budget Speech on time for tabling	Adjusted Budget Speech on time for tabling	Adjusted Budget Speech on time for tabling	Adjusted Budget Speech on time for tabling	Adjusted Budget Speech on time for tabling
		Main Appropriation Bill on time for tabling	Main Appropriation Bill on time for tabling	Main Appropriation Bill on time for tabling	Main Appropriation Bill on time for tabling	Main Appropriation Bill on time for tabling	Main Appropriation Bill on time for tabling	Main Appropriation Bill on time for tabling
		Adjusted Appropriation Bill on time for tabling	Adjusted Appropriation Bill on time for tabling	Adjusted Appropriation Bill on time for tabling	Adjusted Appropriation Bill on time for tabling	Adjusted Appropriation Bill on time for tabling	Adjusted Appropriation Bill on time for tabling	Adjusted Appropriation Bill on time for tabling
Unauthorised Expenditure Authorisation Bill on time for tabling		Unauthorised Expenditure Authorisation Bill on time for tabling	Unauthorised Expenditure Authorisation Bill on time for tabling	Unauthorised Expenditure Authorisation Bill on time for tabling	Unauthorised Expenditure Authorisation Bill on time for tabling	Unauthorised Expenditure Authorisation Bill on time for tabling	Unauthorised Expenditure Authorisation Bill on time for tabling	
12 IYM reports submitted to NT by the 22 <sup>nd</sup> of each month		12 IYM reports submitted to NT by the 22 <sup>nd</sup> of each month	12 IYM reports submitted to NT by the 22 <sup>nd</sup> of each month	12 IYM reports to be submitted to NT by the 22 <sup>nd</sup> of each month	12 IYM reports to be submitted to NT by the 22 <sup>nd</sup> of each month	12 IYM reports to be submitted to NT by the 22 <sup>nd</sup> of each month	12 IYM reports to be submitted to NT by the 22 <sup>nd</sup> of each month	
Quarterly budget performance reports - One month after end of each quarter	Quarterly budget performance reports - One month after end of each quarter	Quarterly budget performance reports - One month after end of each quarter	Quarterly budget performance reports - One month after end of each quarter	Quarterly budget performance reports - One month after end of each quarter	Quarterly budget performance reports - One month after end of each quarter	Quarterly budget performance reports - One month after end of each quarter		
Ensure efficient budget and expenditure management and accurate financial reporting for provincial government (including public entities)	Monitor and evaluate provincial government budget performance	12 IYM reports submitted to NT by the 22 <sup>nd</sup> of each month	12 IYM reports submitted to NT by the 22 <sup>nd</sup> of each month	12 IYM reports submitted to NT by the 22 <sup>nd</sup> of each month	12 IYM reports to be submitted to NT by the 22 <sup>nd</sup> of each month	12 IYM reports to be submitted to NT by the 22 <sup>nd</sup> of each month	12 IYM reports to be submitted to NT by the 22 <sup>nd</sup> of each month	

## Strategic objective annual targets: 2010/11

		Cabinet memoranda- 4 reports	Cabinet memoranda- 4 reports	Cabinet memoranda - 4 reports	Cabinet memoranda - 12 reports			
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## Programme performance indicators and annual targets: 2010/11

SUB-PROGRAMME 2.3: Performance Indicators	Public Finance: Provincial Budget Management						
	Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets		
	2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
Treasury guidelines document on budget preparation	Completed in June 2006	Completed in July 2007	Completed in June 2008	Completed by July 2009	Complete by July 2010	Complete by July 2011	Complete by July 2012
No. of chapters in MTEC report	16 chapters completed 1 day before MTEC	16 chapters completed 1 day before MTEC	16 chapters completed 1 day before MTEC				
MTEF budget proposal document	Completed as per budget process timetable	Complete as per budget process timetable	Complete as per budget process timetable	Complete as per budget process timetable			
No. of allocation letters	16	16	16	16	16	16	16
Estimates of Provincial Expenditure (EPE) previously Main Budget Statement	EPE (Main Budget Statement) on time for tabling	EPE (Main Budget Statement) on time for tabling	EPE (Main Budget Statement) on time for tabling	EPE on time for tabling	EPE on time for tabling	EPE on time for tabling	EPE on time for tabling
Adjusted Estimates of Provincial Expenditure (AEPE) previously Adjusted Budget Statement	AEPE (Adjusted Budget) on time for tabling	AEPE (Adjusted Budget) on time for tabling	AEPE (Adjusted Budget) on time for tabling	AEPE on time for tabling	AEPE on time for tabling	AEPE on time for tabling	AEPE on time for tabling
Main Budget Speech	Main Budget Speech on time for tabling	Main Budget Speech on time for tabling	Main Budget Speech on time for tabling	Main Speech completed on time for tabling	Main Budget Speech on time for tabling	Main Budget Speech on time for tabling	Main Budget Speech on time for tabling
Adjusted Budget Speech	Adjusted Budget Speech on time for tabling	Adjusted Budget Speech on time for tabling	Adjusted Budget Speech on time for tabling				
Main Appropriation Bill	Main Appropriation Bill on time for tabling	Main Appropriation Bill on time for tabling	Main Appropriation Bill on time for tabling				
Adjusted Appropriation Bill	Adjusted Appropriation Bill on time for tabling	Adjusted Appropriation Bill on time for tabling	Adjusted Appropriation Bill on time for tabling				
Unauthorised Expenditure Authorisation Bill	Unauthorised Expenditure Authorisation Bill on time for tabling	Unauthorised Expenditure Authorisation Bill on time for tabling	Unauthorised Expenditure Authorisation Bill on time for tabling	Unauthorised Expenditure Authorisation Bill on time for tabling	Unauthorised Expenditure Authorisation Bill on time for tabling	Unauthorised Expenditure Authorisation Bill on time for tabling	Unauthorised Expenditure Authorisation Bill on time for tabling
Section 32 report (Monthly provincial IYM report)	12 reports submitted to NT by the 22 <sup>nd</sup> of each month	12 reports submitted to NT by the 22 <sup>nd</sup> of each month	12 reports submitted to NT by the 22 <sup>nd</sup> of each month	12 reports submitted to NT by the 22 <sup>nd</sup> of each month	12 reports to be submitted to NT by the 22 <sup>nd</sup> of each month	12 reports submitted to NT by the 22 <sup>nd</sup> of each month	12 reports submitted to NT by the 22 <sup>nd</sup> of each month
Quarterly budget performance report for provincial departments	One month after end of each quarter	One month after end of each quarter	One month after end of each quarter				
Cabinet Memoranda on Budget Performance	4 reports	4 reports	4 reports	12 reports	12 reports	12 reports	12 reports

## Quarterly Targets 2010/11

SUB-PROGRAMME 2.3	Public Finance: Provincial Budget Management					
Programme performance Indicators	Reporting period	Annual target 2010/11	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
Treasury guidelines document on budget preparation	Annual	1	N/A	1	N/A	N/A
No. of chapters in MTEC reports	Quarterly	16	N/A	16	N/A	N/A
MTEF budget proposal document	Annual	1	N/A	N/A	1	N/A
No. of allocation letters	Annual	16	N/A	N/A	16	N/A
Estimates of Provincial Expenditure (EPE) previously Main Budget Statement	Annual	1	N/A	N/A	N/A	1
Adjusted Estimates of Provincial Expenditure (AEPE) previously Adjusted Budget Statement	Annual	1	N/A	N/A	1	N/A
Main Budget Speech	Annual	1	N/A	N/A	N/A	1
Adjusted Budget Speech	Annual	1	N/A	N/A	1	N/A
Main Appropriation Bill	Annual	1	N/A	N/A	N/A	1
Adjusted Appropriation Bill	Annual	1	N/A	N/A	1	N/A
Unauthorized Expenditure Authorisation Bill	Annual	1	N/A	N/A	N/A	1
Section 32 report (Monthly provincial IYM report)	Monthly	12	3	3	3	3
Quarterly budget performance report for provincial departments	Quarterly	4	1	1	1	1
Cabinet Memoranda on Budget Performance	Monthly	12	3	3	3	3

## Strategic objective annual targets: 2010/11

SUB-PROGRAMME 2.3:	Public Finance: Provincial Own Revenue							
Strategic Objective	Strategic Plan Target	Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets		
		2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
Promote optimal and sustainable revenue generation and collection by provincial departments and public entities	Revenue input into the annual Treasury Budget Preparation guideline (Circular)	Completed in June 2006	Completed in June 2007	Completed in June 2008	Completed by July 2009	Complete by July 2010	Complete by July 2011	Complete by July 2012
	Conduct and co ordinate the quarterly Provincial Revenue Forums	N/A	N/A	N/A	Establish and conduct 4 quarterly meetings of the PRF	Conduct quarterly meetings of the PRF	Conduct quarterly meetings of the PRF	Conduct quarterly meetings of the PRF
Revenue input into annual budget proposal		16 chapters completed 1 day before MTEC	16 chapters to be completed 1 day before MTEC	16 chapters to be completed 1 day before MTEC	16 chapters to be completed 1 day before MTEC			
		Completed as per budget process timetable	Complete as per budget process timetable	Complete as per budget process timetable	Complete as per budget process timetable			
		16	16	16	16	16	16	16

### Strategic objective annual targets: 2010/11

	Revenue input into the publication of Provincial budget documentations	Revenue input into Estimates of Provincial Expenditure (Main Budget Statement) on time for tabling	Revenue input into Estimates of Provincial Expenditure (Main Budget Statement) on time for tabling	Revenue input into Estimates of Provincial Expenditure (Main Budget Statement) on time for tabling	Revenue input into Estimates of Provincial Expenditure (Main Budget Statement) on time for tabling	Revenue input into Estimates of Provincial Expenditure on time for tabling	Revenue input into Estimates of Provincial Expenditure on time for tabling	Revenue input into Estimates of Provincial Expenditure on time for tabling
	Establish provincial tariff register	N/A	N/A	N/A	N/A	Establish register	Maintain and update annually	Maintain and update annually
Explore new provincial own revenue sources	Compile research papers on revenue enhancement	N/A	N/A	Research on new provincial tax	Complete research	Public participation process and seek MEC approval for newtax	Complete process as outlined in the Provincial Tax Regulation Process act.	Implementation of new provincial tax

### Programme performance indicators and annual targets: 2010/11

SUB-PROGRAMME 2.3:	Public Finance: Provincial Own Revenue						
	Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets		
	2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
Revenue input into Treasury guideline document on budget preparation	Completed in June 2006	Completed in July 2007	Completed in July 2008	Completed in July 2009	Complete by July 2010	Complete by July 2011	Complete by July 2012
Revenue input for MTEC reports	16 chapters completed 1 day before MTEC	16 chapters completed 1 day before MTEC	16 chapters completed 1 day before MTEC	16 chapters completed 1 day before MTEC			
Revenue input into Estimates of Provincial Expenditure (EPE) previously Main Budget Statement	Revenue input into EPE (Main Budget Statement) on time for tabling	Revenue input into EPE (Main Budget Statement) on time for tabling	Revenue input into EPE (Main Budget Statement) on time for tabling	Revenue input into EPE (Main Budget Statement) on time for tabling	Revenue input into EPE on time for tabling	Revenue input into EPE on time for tabling	Revenue input into EPE on time for tabling
Establish provincial tariff register	N/A	N/A	N/A	N/A	Establish register	Maintain and update annually	Maintain and update annually
Revenue input into Overview of Provincial Expenditure (OPE)	Revenue input into OPE time on for tabling	Revenue input into OPE time on time for tabling	Revenue input into OPE on time for tabling	Revenue input into OPE on time for tabling	Revenue input into OPE on time for tabling	Revenue input into OPE on time for tabling	Revenue input into OPE on time for tabling
Revenue input into budget performance reports	N/A	N/A	N/A	6 inputs submitted by the 22 <sup>nd</sup> of each month	6 inputs submitted by the 22 <sup>nd</sup> of each month	6 inputs by the 22 <sup>nd</sup> of each month	6 inputs by the 22 <sup>nd</sup> of each month
Research paper on new provincial tax	N/A	N/A	Research on new provincial tax	Complete research and seek approval for new provincial tax	Public participation process	Complete process as outlined in the Provincial tax Regulation	Implementation of new provincial tax

### Quarterly Targets 2010/11

SUB-PROGRAMME 2.3	Public Finance: Provincial Own Revenue					
	Reporting period	Annual target 2010/11	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
Revenue input into Treasury guideline document on budget preparation	Annual	1	N/A	1	N/A	N/A
Revenue input into quarterly reports	Quarterly	16	N/A	16	N/A	N/A
Revenue input into Estimates of Provincial Expenditure (EPE) previously Main Budget	Annual	1	N/A	N/A	N/A	1

Statement						
Revenue input into Overview of Provincial Expenditure (OPE)	Annual	1	N/A	N/A	N/A	1
Establish provincial tariff register	Annual	1	N/A	N/A	N/A	1
Budget performance reports	Quarterly	12	3	3	3	3
Research paper on new provincial tax	Annually	1	N/A	N/A	N/A	1

### Strategic objective annual targets: 2010/11

<b>SUB-PROGRAMME 2.3:</b>		<b>Public Finance: Special Advisory Support Services</b>						
Strategic Objective	Strategic Plan Target	Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets		
		2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
Provide input into the DOR Bill	Input submitted by due date	Input submitted by due date	Input submitted by due date	Input submitted by due date	Input submitted by due date	Input to be submitted by due date	Input to be submitted by due date	Input to be submitted by due date
Develop and implement framework for the monitoring of budget, expenditure and performance of provincial public entities	Implement monitoring tool and report quarterly	N/A	N/A	N/A	N/A	Develop framework	Implement monitoring tool and report quarterly for 9 public entities	Implement monitoring tool and report quarterly for 9 public entities

### Programme performance indicators and annual targets: 2010/11

<b>SUB-PROGRAMME 2.3</b>		<b>Public Finance: Special Advisory Support Services</b>					
Performance Indicators	Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets		
	2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
Input into the revision and maintenance of DORA	Input submitted by due date	Input submitted by due date	Input submitted by due date	Input submitted by due date	Input to be submitted by due date	Input to be submitted by due date	Input to be submitted by due date
Institutionalise framework for the monitoring of provincial public entities	N/A	N/A	N/A	N/A	Develop framework	Implement monitoring tool and report quarterly for 9 public entities	Implement monitoring tool and report quarterly for 9 public entities

### Quarterly Targets 2010/11

<b>SUB-PROGRAMME 2.3:</b>		<b>Public Finance: Special Advisory Support Services</b>					
Programme performance Indicators	Reporting period	Annual target 2010/11	Quarterly targets				
			Quarter 1	Quarter 2	Quarter 3	Quarter 4	
Input into the revision and maintenance of DORA	Annual	1	N/A	N/A	N/A	1	
Institutionalise framework for the monitoring of provincial public entities	Annual	1	N/A	N/A	N/A	1	

## 2.4 Sub-Programme: Municipal Finance

The purpose of the Municipal Finance Unit is inter-alia to monitor the budgets of municipalities in order to establish whether they promote sound fiscal management and to monitor and provide technical support to municipalities that are in financial distress.

The primary focus of concentration of the Municipal Finance Unit is to engage all delegated municipalities to ensure that the standards of performance that are envisaged in terms of the MFMA are achieved. It is from this perspective that capacity building and the development of a knowledge environment on the MFMA need to be defined, implemented and managed in constructive engagement with all municipalities.

The function of the Municipal Finance Unit is process driven and is largely determined by statutory deadlines as stipulated in the MFMA. Monthly, quarterly and annual reporting is required on the municipal budgets.

### Progress Analysis

In terms of Section 135 of the MFMA, the primary responsibility to avoid, identify and resolve financial problems in a municipality rests with the municipality and if a municipality encounters financial problems or anticipates problems in meeting its financial commitments, it must immediately seek solutions for the problems.

Of the 58 delegated municipalities in KZN, 36 or 62% are categorised as low capacity municipalities. The predominance of low capacity municipalities places additional pressure on Provincial Treasury in having to provide even basic financial management support.

KwaZulu-Natal Provincial Treasury has a Municipal Support Programme (MSP) that was launched in November 2007. The project stemmed from the fact that the MEC for Finance at the time received requests from several municipalities to intervene and assist with financial problems encountered. As a result, Provincial Treasury was tasked to support the municipalities where necessary and institute financial improvement measures that would assist in resolving the financial management issues encountered by these municipalities.

The aim of the project is to assist the municipality in securing their ability to meet their obligations to provide basic services and meet their financial commitments. The project seeks to identify the cause of financial problems experienced by the municipalities and to implement measures through a financial recovery plan that will place the municipalities in a sound and sustainable financial position.

A graphic illustration of the steps in the MSP is illustrated in Figure 1.

**Figure 1: The Municipal Support Program**



The program first identifies municipalities that require assistance through a desktop analysis which analyses the financial statements of the municipality. An on-site assessment is then undertaken by the team to identify the nature and extent of support required. The findings identified during the assessment are used to formulate a plan of action with the municipality. The plan of action is then implemented to assist the municipality in

resolving the issues identified during the on-site assessment. Upon completion of the implementation stage, the support team hands over to the municipality a “handover pack” which is a toolbox of templates and checklists that are required to be completed by the municipality to maintain the financial reforms instituted by the MSP. Thereafter, monthly monitoring continues by the monitoring team to ensure that the financial reforms instituted by the MSP are maintained and that the municipality does not revert to the financial position prior to the support program. In the event that the monitoring team is not satisfied with the progress of the municipality during the monitoring phase, their concern is escalated to the Municipal Manager, Mayor and the Council.

Some of the common problem areas of financial management identified by MSP are:

- Significant lack of financial control;
- Poor record keeping (partly due to inadequate systems);
- Lack of effective policies, procedures and appropriate delegation of authority;
- Inadequate billing systems;
- No processes for in-year-reporting; and
- Financial staff not adequately skilled.

Enhancing the sustainability of municipalities is of paramount importance to ensure service delivery to the community is continued at acceptable levels. The program, currently conducted in association with the DBSA *Siyenza Manje* Program is addressing some of the issues faced by municipalities. To be more effective, the methodology of support was reviewed to include the deployment of several transversal teams, in addition to resources based at the municipality, to assist and support municipalities in specific areas as detailed above. This will ensure a focused intervention in areas which will have the biggest impact on the management of the municipalities' financial affairs.

### **Focus areas of the Municipal Support Program**

#### *Reducing the high levels of expenditure*

The situation encountered by the Provincial Treasury on arriving at municipalities required drastic and immediate action in bringing stability to the deteriorating financial position and control environment. Of immediate concern were the high levels of expenditure which far exceeded the levels of revenue being generated. These unsustainable high levels of expenditure needed to be brought under control by instituting expenditure review committees to scale down costs to essential “must have” items. This has led to introducing disciplines in cash flow management, by preparing projections of anticipated inflows and outflows.

#### *Inappropriate use of conditional grants*

It was also established that conditional grant funds were being utilised to fund operating expenditure. Thus, certain projects, for which grant funding was received, were not being implemented or completed. It therefore became essential that any unspent portion of conditional grants be cash backed. This ensured that monies received for specific purposes were directed to those areas accordingly. Where there was cash available, separate investment accounts were setup to isolate these funds from cash set aside for operating expenses.

### *Lack of credibility of financial information*

One of the impediments to preparing accurate financial statements is the unavailability of credible financial information. This shortcoming was treated with the urgency it required and, in the process, credibility was restored to the financial records of the municipalities. Much still remains to be done in the areas of instituting proper internal control measures and audit trails with supporting documentation.

### *VAT returns*

The poor state of financial records results in a municipality being unable to submit adequate supporting documentation for VAT returns and many outstanding queries from SARS. The updating of financial records enabled the submission of accurate VAT returns and resolution of long outstanding queries. This, in some instances, results in the municipalities receiving refunds from SARS, thus enhancing their cash flows.

### *Ineffective supply chain practices*

Whilst 'lip service' has been paid to the introduction of supply chain management processes in municipalities, the reality is that implementation has been far from satisfactory. The MSP team has been actively working with municipalities in assisting them in integrating the proper processes into their daily operations. In addition, the team has helped municipalities to restructure their processes in accordance with the Supply Chain Management Regulations, as issued by National Treasury.

## **New Initiatives**

The national and provincial Government are directing their focus towards obtaining clean audit reports in municipalities. This is a clear indication that the government is concerned about the poor financial records and management in municipalities and the need to address the shortcomings. It is also recognised that municipalities are the direct service delivery arm of government and are best placed to improve the living conditions of the community. In this regard, sustainability of municipalities is imperative to ensure the continued delivery of services.

The MSP within the Municipal Finance Unit has had a positive impact on the financial management of municipalities and has now extended its support services to other municipalities that are in need. Consequently, Provincial Treasury is proposing the introduction of new initiatives, in addition to those implemented in the current program, to enhance and improve the standard of municipalities' performances.

The vision for this program is to enable the sustainability of municipalities in the province. The requirements vary with each municipality and it is crucial to address those needs urgently and comprehensively.

Merely providing assistance in updating records, addressing cash flow problems and getting clean audit reports will not ensure the sustainability of municipalities. Provincial Treasury, therefore, has initiated other projects that will lead to improving compliance with the MFMA, thereby enhancing their operating standards.

In December 2005, the Minister of Finance approved Generally Recognised Accounting Practice Standards (GRAP) for implementation by certain public sector entities in terms of Government Gazette No. 26511 of 1 July 2004. Standards of GRAP set out the recognition, measurement, presentation and disclosure requirements for

financial reporting in the public sector in South Africa. Municipalities are required to implement these standards after the expiry of Notice 552 and implementation has been scheduled for 2009 in all municipalities.

A number of initiatives, in addition to the basic Municipal Support Program are proposed. While it is essential to ensure that the fundamentals of a municipality are in place, it is not sufficient to only address the basic issues confronting municipalities. With this in mind, the following programs are proposed to be implemented over the next 3 to 5 years:

- Getting the basics right;
- Conversion to Generally Recognised Accounting Practice (GRAP);
- Audit Committees (Roles & Responsibilities);
- The Internal Audit Function;
- Supply Chain Management;
- Improving the Control Environment;
- Value Added Tax (VAT);
- Focus on Sustainability;
- After Care;
- Debtors Cleansing and
- 16 MFMA Priorities.

#### **Intervention undertaken**

As part of the MSP, it was identified that municipalities need assistance in converting their accounting operations to comply with GRAP. KZN Provincial Treasury was motivated to start a GRAP conversion initiative in response to its legal responsibility in terms of Section 5(3)(c) of the MFMA, but also because it recognised that the risks of not helping municipalities to comply was too high. Provincial Treasury, through its MSP, had gained enough knowledge about the municipalities to know that not all of them had the capacity to undertake the GRAP conversion process in time and at the required quality standard. Below is a summary of the action taken by Provincial Treasury:

- The need and urgency of intervention within the municipalities to facilitate a smooth and successful GRAP conversion process was recognised.
- A workshop on 4 February 2008 was conducted by Provincial Treasury to understand the essential elements of the conversion, any difficulties encountered in its implementation and what steps could be taken by Provincial Treasury to facilitate the process. Leading members of the accounting firms, Ernst and Young, Price Waterhouse Coopers, Deloitte, KPMG and LMD Africa availed themselves for this workshop to contribute their knowledge and experience in implementing conversions from the IMFO method of accounting to GRAP in municipalities. There is limited experience in conducting conversions to GRAP in municipalities. The combined experience of the above major accounting firms in this regard was found to be of immense benefit to Provincial Treasury in enhancing their understanding of the process.
- Using the information gathered at the workshop, a "GRAP Conversion Road Map" was prepared to give direction to assistance that may be provided by Provincial Treasury to municipalities. The Road Map identifies those areas that are considered essential to be addressed for the conversion to be a success.

- Provincial Treasury contributed towards the funding of Phase 1 of the GRAP conversion project, which included five municipalities (listed in Table 1).
- Phase 1 of the GRAP initiative went into implementation stage on 22 April 2009. There are currently five municipalities under this initiative with the longest project period being from April 2009 to November 2010.
- A further five municipalities have been selected for Phase 2 of the GRAP conversion project.

The GRAP conversion project is still ongoing and it is hoped that there will be substantive results after the 2008/09 Annual Financial Statements (AFS) have been prepared and audited by the Auditor General.

Table 1 lists the municipalities that have been supported by the MSP as well as those currently being supported by the program. It also includes those covered under the GRAP conversion project.

**Table 1: Municipalities supported by the Municipal Support Program**

<b>12 Municipalities in Stage 1 &amp; 2 by KZNPT</b>	<b>Stage 3</b>	<b>9 Municipalities in DBSA/KZNPT Siyenza Manje Program</b>	<b>GRAP Conversion (Phase 1)</b>	<b>GRAP Conversion (Phase 2)</b>
Umgungundlovu DM	Nkandla	Umzimkulu	Ezinqolweni	Mpofana
Impendle*	Nquthu	Umkhanyakude DM	Greater Kokstad	iLembe DM
Nongoma*	Mpofana	uMngeni	The Big Five False Bay	Imbabazane
Ubuhlebezwe	Hlabisa	uMuziwabantu	Umtshezi	Richmond
Ingwe		Uthukela DM	Uthukela DM	Vulamehlo
Sisonke DM		Zululand DM		
Mandeni		Emnambithi/Ladysmith		
Greater Kokstad		uThungulu DM		
Ezinqolweni		Newcastle		
Indaka				
Nquthu				
Mpofana				

\* Section 139 Intervention by DCGTA

### **Analysis of constraints and measures planned to overcome the constraints**

With the current budget allocation, the Municipal Finance Unit is compromised and has no other alternative but to limit the engagement of its Municipal Support Program to a few municipalities. In order for Provincial Treasury to provide a more constructive and intensified support, the Municipal Finance Unit requires additional posts to be created. There is therefore a need for an expanded structure that is adequately funded. It remains evidently clear that due to the enormity of the MFMA agenda, only an increase in the budget allocation to fund crucial expenditure will allow the Municipal Finance Unit to achieve the desired results and standards of performance in all delegated municipalities and thus lead to the realisation of its strategic objectives. However, the budget allocation is beyond control and is dependent on the provincial fiscus.

The municipal finance environment is characterised by the following major challenges:

- Credibility of municipal budgets impacting on the sustainability of municipalities;
- Lack of skilled human capital compromising service delivery;
- Lack of accurate reporting impacting on analysis of viability;

- Escalating municipal debt having a direct impact on the sustainability of municipalities;
- Consistent under-expenditure on capital budgets compromising municipal infrastructure; and
- Under-utilisation of conditional grants.

Other internal and external environmental constraints that have an impact on the Municipal Finance Unit to deliver on its mandate are presented in the table together with the measures planned to overcome the constraints:

<b>Constraints</b>	<b>Analysis of constraints/Impact</b>	<b>Measures planned to overcome constraints</b>
Lack of coordinated approach within Provincial Treasury	<p>The current organisational structure within Treasury does not support specialised resources which are fully dedicated to MFMA. This could result in:</p> <ul style="list-style-type: none"> <li>• Core budget monitoring and support being compromised as municipalities require support on all fronts</li> <li>• Inadequate support and monitoring of the cashflows, Annual Financial Statement, Internal Audit and Supply Chain Management (SCM)</li> </ul>	<p>Review organisational structure</p> <p>Integrated approach by Supply Chain Management, Financial Management and Internal Audit to provide specialised and dedicated support</p>
Lack of capacity within Municipal Finance Unit	<p>Capacity constraint within the unit results in:</p> <ul style="list-style-type: none"> <li>• Inadequate number of staff per municipality to adequately support the municipalities</li> <li>• Inadequate technical assistance and support provided to municipalities</li> </ul>	<p>Motivation to management to review and expand the current organisational structure</p> <p>Ongoing training and extension of training programme into analyst post</p>
Poor financial management capacity in Budget and Treasury Offices (BTO) in municipalities	<p>Capacity constraint in the BTO offices of municipalities resulting from:</p> <ul style="list-style-type: none"> <li>• Inadequate number of staff and interns within municipalities</li> <li>• Inadequate financial management skills</li> <li>• Insufficient experience of municipal financial officials</li> </ul>	<p>Internship programme run by National Treasury</p> <p>Ongoing training and support provided by Provincial Treasury's staff and MSP program</p> <p>Minimum competency levels being enforced through regulations by 2013 by National Treasury</p> <p>External support (Professional service providers)</p>
Lack of uniformed financial management systems at municipalities	<p>Different financial systems being use could result in:</p> <ul style="list-style-type: none"> <li>• Delays in submission of financial data,</li> <li>• Credibility and accuracy of data being compromised</li> <li>• Wastage of time (numerous cross-checks)</li> <li>• Wasteful expenditure on service providers</li> </ul>	<p>Engage National Treasury on the progress with regard to a one uniform financial system</p>

## Description of planned quality improvement measures

The engagement of service providers would certainly bolster the knowledge and skill levels within the unit. Incumbent staff would also be assessed for skill gaps and where possible short courses and training would be provided. Analysts will be requested to increase the number of contact visits to municipalities as a way of better understanding the client's business. In addition, analysts will submit reports about the state of municipal finance at their designated municipalities. Rigorous analysis of municipalities' expenditure reports and attempts to address root causes would aid municipalities to enhance service delivery and instill better financial discipline.

### Strategic objective annual targets: 2010/11

SUB-PROGRAMME 2.4:		Municipal Finance						
Strategic Objective	Strategic Plan Target	Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets		
		2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
To ensure efficient budget and expenditure management and accurate financial reporting for the local government	Monitor and evaluate local government budget performance <sup>1</sup>	Target Achieved - Section 71(6) reports completed	Target Achieved - Section 71(6) reports completed	12 Section 71(6) reports completed	12 Section 71(6) reports, 22 working days after end of each month	12 Section 71(6) reports, 22 working days after end of each month	12 Section 71(6) reports, 22 working days after end of each month	12 Section 71(6) reports, 22 working days after end of each month
		Target Achieved - Section 71(7) reports completed	Target Achieved - Section 71(7) reports completed	4 Section 71(7) Quarterly budget performance reports completed	4 Section 71(7) Quarterly budget performance reports, 45 days after end of quarter	4 Section 71(7) Quarterly budget performance reports, 45 days after end of quarter	4 Section 71(7) Quarterly budget performance reports, 45 days after end of quarter	4 Section 71(7) Quarterly budget performance reports, 45 days after end of quarter
To assist and provide technical support to delegated municipalities that are in financial distress	To support delegated municipalities in that are in financial distress through the Municipal Support Program (MSP)	N/A	7 municipalities supported through the MSP	7 municipalities supported through the MSP	4 municipalities to be supported through the MSP and 4 for GRAP conversion	4 municipalities to be supported through the MSP and 8 for GRAP conversion	5 municipalities to be supported through the MSP	5 municipalities to be supported through the MSP

1. Target is dependent on the cut-off date and closure of the NT Igdatabase & some of the audited/actual performance outputs for 2006/07, 2007/08 etc, were re-worded to be in line with 2010/11 performance indicator and targets.

### Programme performance indicators and annual targets: 2010/11

SUB-PROGRAMME 2.4:		Municipal Finance						
Performance Indicator		Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets		
		2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
Section 71(6) report (Monthly municipal IYM report) within the prescribed time frame <sup>1</sup>	Target Achieved - Section 71(6) reports completed	Target Achieved - Section 71(6) reports completed	12 Section 71(6) reports completed	12 Section 71(6) reports, 22 working days after end of each month	12 Section 71(6) reports, 22 working days after end of each month	12 Section 71(6) reports, 22 working days after end of each month	12 Section 71(6) reports, 22 working days after end of each month	
Section 71(7) Quarterly budget performance reports <sup>1</sup>	Target Achieved - Section 71(7) reports completed	Target Achieved - Section 71(7) reports completed	4 Section 71(7) Quarterly budget performance reports completed	4 Section 71(7) Quarterly budget performance reports, 45 days after end of quarter	4 Section 71(7) Quarterly budget performance reports, 45 days after end of quarter	4 Section 71(7) Quarterly budget performance reports, 45 days after end of quarter	4 Section 71(7) Quarterly budget performance reports, 45 days after end of quarter	
No. of municipalities supported by the Municipal Support Program (MSP)	N/A	7 municipalities to be supported through the MSP	7 municipalities to be supported through the MSP	4 municipalities supported through the MSP and 4 for GRAP conversion	4 municipalities to be supported through the MSP and 8 for GRAP conversion	5 municipalities to be supported through the MSP	5 municipalities to be supported through the MSP	

1. Target is dependent on the cut-off date and closure of the NT Igdatabase & some of the audited/actual performance outputs for 2006/07, 2007/08 etc, were re-worded to be in line with 2010/11 performance indicator and targets.

## Quarterly Targets 2010/11

SUB-PROGRAMME 2.4	Municipal Finance						
	Programme performance Indicators	Reporting period	Annual target 2010/11	Quarterly targets			
				Quarter 1	Quarter 2	Quarter 3	Quarter 4
Section 71(6) report (Monthly municipal IYM report) within the prescribed time frame <sup>1</sup>	Monthly	12 Section 71(6) reports, 22 working days after end of each month	3 reports	3 reports	3 reports	3 reports	
Section 71(7) Quarterly budget performance reports <sup>1</sup>	Quarterly	4 Section 71(7) Quarterly budget performance reports, 45 days after end of quarter	1 report	1 report	1 report	1 report	
No. of municipalities supported by the Municipal Support Program (MSP)	Quarterly	4 municipalities to be supported through the MSP and 8 for GRAP conversion	N/A	N/A	2 municipalities for MSP and 8 for GRAP conversion	2 municipalities for MSP	

1. Target is dependent on the cut-off date and closure of the NT Igdatabase

## 2.5 Reconciliation of budget with plan

### Summary of payments and estimates - Programme 2: Fiscal Resource Management

R thousand	Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	Audited 2006/07	Audited 2007/08	Audited 2008/09				2009/10	2010/11	2011/12
Programme Support	1,432	1,917	3,202	2,932	3,515	3,515	3,865	4,209	4,504
Economic Analysis	1,182	2,166	2,701	4,005	4,105	4,104	5,005	5,190	5,454
Public Finance	34,143	49,058	33,579	10,047	16,047	16,049	10,669	11,222	11,772
Municipal Finance	-	-	21,483	34,717	34,034	34,417	46,903	51,000	53,296
<b>Total</b>	<b>36,757</b>	<b>53,141</b>	<b>60,965</b>	<b>51,701</b>	<b>57,701</b>	<b>58,085</b>	<b>66,442</b>	<b>71,621</b>	<b>75,026</b>

### Summary of payments and estimates by economic classification - Programme 2: Fiscal Resource Management

R thousand	Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	Audited 2006/07	Audited 2007/08	Audited 2008/09				2009/10	2010/11	2011/12
<b>Current payments</b>	<b>36,545</b>	<b>52,930</b>	<b>59,993</b>	<b>50,984</b>	<b>56,984</b>	<b>57,815</b>	<b>65,865</b>	<b>71,594</b>	<b>74,684</b>
Compensation of employees	9,180	12,651	14,678	22,099	20,299	19,366	27,596	29,057	30,535
Goods and services	27,365	40,279	45,315	28,885	36,685	38,449	38,269	42,537	44,149
Interest and rent on land	-	-	-	-	-	-	-	-	-
<b>Transfers and subsidies to:</b>	<b>6</b>	<b>32</b>	<b>-</b>	<b>18</b>	<b>18</b>	<b>18</b>	<b>27</b>	<b>27</b>	<b>29</b>
Provinces and municipalities	6	-	-	-	-	-	-	-	-
Departmental agencies and accounts	-	20	-	18	18	18	27	27	29
Universities and technikons	-	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	12	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-	-	-
Households	-	-	-	-	-	-	-	-	-
<b>Payments for capital assets</b>	<b>206</b>	<b>179</b>	<b>972</b>	<b>699</b>	<b>699</b>	<b>252</b>	<b>550</b>	<b>-</b>	<b>313</b>
Buildings and other fixed structures	-	-	-	-	-	-	-	-	-
Machinery and equipment	206	179	443	699	666	219	450	-	313
Heritage assets	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Land and sub-soil assets	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	529	-	33	33	100	-	-
<b>Payments for financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>36,757</b>	<b>53,141</b>	<b>60,965</b>	<b>51,701</b>	<b>57,701</b>	<b>58,085</b>	<b>66,442</b>	<b>71,621</b>	<b>75,026</b>

### 3. Programme 3: Financial Management

3.1	Sub-Programme:	Assets and Liability Management
3.2	Sub-Programme:	Public Private Partnerships (PPPs)
3.3	Sub-Programme:	Supply Chain Management
3.4	Sub-Programme:	Financial Reporting
3.5	Sub-Programme:	Norms and Standards

#### 3.1 Sub-Programme: Assets and Liability Management

##### Specified Policies and Priorities

The priority of the Tax section is to provide efficient support and guidance to the 16 KZN Provincial departments and to increase the knowledge and skills of officials at the departments. The EMP 10 guide issued by SARS is used as a base to perform Risk Analysis in terms of tax compliance and processes.

The Banking division provides an effective support service to all client departments and to ensure that municipalities conform to the reporting requirements in terms of the Municipal Finance Management Act.

The Asset Management section is to improve Asset Management controls and processes through the formulation of policies and practices specific to each department to facilitate the implementation and continued maintenance of asset management in the Province.

*The following are key activities of the unit;*

- Implement an effective Asset Management framework in the province including the implementation and continued maintenance of Asset Registers that meet with reporting requirements by;
- Monitoring Asset Management practices and processes in the Province to ensure the 2008/2009 milestones are achieved according to the third year of the Asset Management Reform process in the Province.
- To keep departments abreast of amendments in tax legislation in respect of payroll tax.
- To provide a quality advisory service in respect of tax functions to departments and perform risk analysis in terms of tax compliance.
- To provide an effective Banking and support service to all client departments and;
- To improve the efficiency of cash management and to minimize the adverse liquidity through effective liabilities management.

##### The Strategic Objectives are:

- To promote sound cash management practices and improve liquidity in the province
- To assist departments and municipalities in the attainment of a clean audit outcome for the Province

## **Progress Analysis**

Departments are informed on an annual basis of any amendments to tax legislation which affect payroll tax. Information Sessions are held annually to address the changes. A risk analysis is performed on a quarterly basis per department, in terms of tax legislation and compliance with tax processes.

Due to support given and regular visits to departments there has been a noteworthy improvement of outstanding transactions being cleared on banking suspense accounts. Due to constant reminders and visits to municipalities there has been an improvement in the timely submission of reports to Treasury.

Asset Management activities have been successfully integrated to accommodate full support and training on Hardcat Asset Management System in order to improve compliance and effectively meet the reporting requirements. In an effort to improve the monitoring and reporting on Asset Management practices and processes, the project plan and Asset Management survey questionnaire have been customized to effectively yield the desired results.

## **Analysis of constraints and measures planned to overcome them**

The ongoing tax training has improved the payroll tax knowledge and skills at departments. The function however requires an in-depth knowledge, and this along with the high rate of staff turnover at departments results in a large volume of training being required. Guidance and support will continue to be provided with the quarterly risk analysis being used to identify areas of non-compliance to tax legislation. The tax section will continue to conduct an annual seminar on tax issues and regulations.

Due to a lack of capacity, certain departments are experiencing difficulties in clearing banking suspense accounts timely. It was brought to the attention of these departments that it will be in their best interest to resolve the capacity problem to enable them to clear the suspense accounts on a monthly basis. Due to the constant staff turnover of Financial Staff at Municipalities, there is a lack of knowledge and experience regarding the responsibilities on financial reporting. Municipalities are therefore visited once a year to address the issue of non compliance regarding the submitting of reports.

Some departments do not have an established and dedicated asset management unit, or there is no approved asset management structure with clear job descriptions, thus the segregation of duties is not implemented and some departments do not have an asset strategy that links to the department's strategic plan. Provincial Treasury has taken an initiative to get departments to commit in achieving these tasks by incorporating them in the project plan and monitoring them on a monthly basis in line with the Financial Maturity Capability Model, in collaboration with Norms and Standards. Some departments are not fully utilizing Hardcat as an asset register, thus consistency is not achieved and reporting requirements not met. Hardcat implementation has been incorporated in the project plan and to improve efficiency and effective recording of assets, initiatives have been established to implement all relevant modules of Hardcat System.

## Description of planned quality improvement measures

The improvement in knowledge and skills within the tax Section will result in a more effective training and support service being provided to each department to ensure that SARS deadlines are met. Information Sessions will cover the practical application of the tax legislation, using examples from the payroll and financial systems, now that a base of tax knowledge has been established at most departments. Where new staff are appointed, one-on-one sessions will be conducted with them to train them on the payroll tax functions.

Treasury will continue to visit departments at least once a month to support and assist with the clearing of banking suspense accounts. Municipalities will once again be reminded of their responsibilities regarding submitting financial reports timely.

An Asset Management survey questionnaire gives a picture of what assistance can be provided by Provincial Treasury and full implementation of Hardcat on all relevant modules will result in improved efficiency and effective recording of assets.

### Strategic objective annual targets: 2010/11

SUB-PROGRAMME 3.1		Assets and liability Management						
Strategic objective	Strategic plan target	Audited/Actual performance			Estimated performance 2009/10	Medium-term targets		
		2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
To promote sound cash management practices and improve liquidity in the province and assist departments and municipalities in the attainment of a clean audit outcome for the Province	Provide guidance and support iro payroll functions to KZN departments	16 depts	16 depts	16 depts	16 depts	16 depts	16 depts	16 depts
	Conduct Tax Information Seminar annually	4	4	4	5	9	9	9
	Risk analysis per department to ensure compliance to tax legislation	N/A	4 sessions					
	Provide quarterly assessment reports to departments on the status of bank related suspense accounts.	N/A	Compliance assessment for 16 depts					
	Produce monthly reconciled bank reconciliations per department.	N/A	Ongoing support to 16 depts					
	Produce quarterly report on withdrawals from municipal bank accounts.	16 depts	16 depts	16 depts	16 depts	16 depts	16 depts	16 depts
Number of quality trainings and workshops conducted.	Enhanced Asset Management Policy Framework and a functional Asset Management System.	New	New	New	New	9	9	9
Management Status reports on effective utilisation of Asset management practices, processes and Asset Management System.	Number of quality trainings and workshops conducted.	New	New	New	New	4	4	4

**Programme performance indicators and annual targets: 2010/11**

SUB-PROGRAMME 3.1 Performance Indicators	Assets and liability Management						
	Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets		
	2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
Provide guidance and support iro payroll functions to KZN departments	New	New	New	16 depts	16 depts	16 depts	16 depts
Conduct Tax Information Seminar annually	New	New	New	4 sessions	4 sessions	4 sessions	4 sessions
Risk analysis per department to ensure compliance to tax legislation	New	New	New	64 reports	64 reports	64 reports	64 reports
Provide quarterly assessment reports to departments on the status of bank related suspense accounts.	New	New	New	64 Assessment Reports	64 Assessment Reports	64 Assessment Reports	64 Assessment Reports
Produce monthly reconciled bank reconciliations per department.	New	New	New	192 Reconciled bank reconciliations			
Produce quarterly report on withdrawals from municipal bank accounts.	New	New	New	4 Reports on withdrawals from municipal bank accounts.	4 Reports on withdrawals from municipal bank accounts.	4 Reports on withdrawals from municipal bank accounts.	4 Reports on withdrawals from municipal bank accounts.
Enhanced Asset Management Policy Framework and a functional Asset Management System.	New	New	New	New	16 Depts.	16 Depts.	16 Depts.
Number of quality trainings and workshops conducted.	New	New	New	New	9	9	9
Management Status reports on effective utilisation of Asset management practices, processes and Asset Management System.	New	New	New	New	4	4	4

**Quarterly Targets 2010/11**

SUB-PROGRAMME 3.1: Programme performance Indicators	Assets and liability Management					
	Reporting period	Annual target 2010/11	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
Provide guidance and support iro payroll functions to KZN departments	Monthly	New	16 depts	16 depts	16 depts	16 depts
Conduct Tax Information Seminar annually	Annually	New	Nil	Nil	4 sessions	Nil
Quarterly risk analysis per department to ensure compliance to tax legislation	Quarterly	New	16 reports	16 reports	16 reports	16 reports
Provide quarterly assessment reports to departments on the status of bank related suspense accounts.	Quarterly	64 Reports	16 Assessment Reports	16 Assessment Reports	16 Assessment Reports	16 Assessment Reports
Produce monthly reconciled bank reconciliations per department.	Monthly	192 Reports	48 Reconciled bank reconciliations			
Produce quarterly report on withdrawals from municipal bank accounts.	Quarterly	4 Reports	1 Report on withdrawals from municipal bank accounts.	1 Report on withdrawals from municipal bank accounts.	1 Report on withdrawals from municipal bank accounts.	1 Report on withdrawals from municipal bank accounts.
Enhanced Asset Management Policy Framework and a functional Asset Management System.	Quarterly	All 16 Departments fully live on Barcoding and Purchasing Module, and all having implemented Asset Management Policy Framework	4 Depts. Implemented enhanced Asset Management Policy Framework And fully implemented Barcoding and Purchasing Module.	4 Depts. Implemented enhanced Asset Management Policy Framework And fully implemented Barcoding and Purchasing Module.	4 Depts. Implemented enhanced Asset Management Policy Framework And fully implemented Barcoding and Purchasing Module.	4 Depts. Implemented enhanced Asset Management Policy Framework And fully implemented Barcoding and Purchasing Module.
Number of quality trainings and workshops conducted.	Quarterly	8 Training Sessions 1 Workshop	2 Hardcat Training	1 Asset Management Workshop 2 Hardcat Training	2 Hardcat Training	2 Hardcat Training

### 3.2 Sub-Programme: Public Private Partnerships (PPPs)

#### Specified Policies and Priorities

The overall purpose of the sub programme is to **oversee, manage** PPP's at a provincial level in line with the PPP Project Cycle.

#### The Strategic Objective is:

- To provide substantial technical, financial and legal advice in support of all provincial PPP projects in line with the PPP Project Cycle as regulated by National Treasury guidelines. To assist departments and municipalities in the attainment of a clean audit outcome for the Province

#### Strategic objective annual targets: 2010/11

3.2 SUB-PROGRAMME	Public Private Partnerships							
Strategic Objective	Strategic Plan target	Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets		
		2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
To Provide substantial technical, financial and legal advice in support of all provincial PPP projects in line with the PPP Project Cycle as regulated by National Treasury guidelines	Seminars/workshops conducted for provincial departments and local spheres of government	New	New	1	1	2	2	2
	Number of seminars/workshops conducted for municipalities and municipal entities	New	New	New	1	2	2	2
	Comments on reports on projects	New	New		1	2	2	2
	Reports on registered projects in progress	New	New	2	2	2	2	2
	Contract management reports on closed deal	New	New	6	6	10	10	10

#### Programme performance indicators and annual targets: 2010/11

SUB-PROGRAMME 3.2 :	Public Private Partnerships						
Performance Indicator	Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets		
	2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
Number of seminars/workshops conducted for provincial departments and public entities.	New	New	1	1	2	2	2
Number of seminars/workshops conducted for municipalities and municipal entities	New	New	New	1	2	2	2
Number of weeks from receipt of reports from institution.	New	New	2	2	2	2	2
Number of reports for Prov. Treasury management and NT PPP unit.	New	New	6	6	10	10	10
Number of reports on closed deal.	New	New		1	4	4	4

## Quarterly Targets 2010/11

SUB-PROGRAMME 3.2	Public Private Partnerships					
Programme performance Indicators	Reporting period	Annual target 2010/11	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
Number of seminars/workshops conducted for provincial departments and public entities.	Bi-annually	2	Nil	1	Nil	1
Number of seminars/workshops conducted for municipalities and municipal entities.	Bi-annually	2	Nil	1	Nil	1
Number of weeks from receipt of reports from institution.	Annually	2	2	2	2	2
Number of reports for Prov. Treasury management and NT PPP unit.	Annually	2	3	3	2	2
Number of reports on closed deal.	Annually	10	1	1	1	1

### 3.3 Sub-Programme: Supply Chain Management

#### Specified Policies and Priorities

The specified priorities for the Supply Chain Management Office is to monitor and evaluate the compliance of Provincial departments, Municipalities and Public entities to SCM and where necessary to offer the necessary support and to develop the required policies and practice notes, that allow for best practice implementation.

#### The Strategic Objectives are:

- Support and monitor adherence of state institutions to SCM prescripts
- Develop cost reduction strategies for Provincial departments

#### Progress Analysis

Progress has been achieved in the following areas:

- Organizational structure pertaining to the new service delivery model has been implemented.
- The supplier database function and staff has been transferred to SCM unit
- Training of internal staff to achieve relevant competency levels is in progress.
- The unit has facilitated workshops on SCM to provincial departments, municipalities and extended the service to public entities as well.
- The unit is in a process of reviewing the SCM Policy Framework for Provincial departments.

#### Analysis of constraints and measures planned to overcome them

The Unit has been faced with the following constraints:

- Lack of adequate resources to become fully visible in both departments and municipalities.
- Unstable Suppliers Database.
- Provision of credible spend reports on achievement of Preferential Procurement Objectives
- Nonalignment of the procurement plan to the budget process
- Staff development on SCM related skills

## Description of planned quality improvement measures

- The process of filling of posts is underway.
- The first phase of identifying user requirements for the data base has been completed and the process of developing a new Provincial supplier data base is in progress.
- National Treasury is in the process of providing accessibility of the information in the PCI tool to Provincial Treasuries. The finalization of the Suppliers database would also assist in providing credible spend analysis reports.
- The unit will continue engaging with resource management to ensure alignment of procurement planning with the budget cycle. The unit is working with HRD to channel staff to relevant training opportunities.

### Strategic objective annual targets: 2010/11

SUB-PROGRAMME 3.3		Supply Chain Management						
Strategic objectives	Strategic plan target	Audited/Actual performance			Estimated performance 2009/10	Medium-term targets		
		2006-07	2007-08	2008-09		2010/11	2011/12	2012/13
Support and monitor adherence of state institutions to SCM prescripts	SCM training sessions and information sessions	Arranged / facilitated SAMDI training sessions for departments/ municipalities and Conducted compliance assessments	Arrange and conduct 12 training sessions for SCM practitioners and Bid Committees and Conducted compliance assessments	No training sessions were conducted due to unavailability of SAMDI but the unit conducted workshops and SCM forums	Conduct SCM workshops for departments, municipalities and public entities  Conduct compliance assessments and investigate complaints	Conduct SCM workshops for state institutions, conduct compliance assessments and investigate complaints	Conduct SCM workshops for state institutions, conduct compliance assessments and investigate complaints	Conduct SCM workshops for state institutions, conduct compliance assessments and investigate complaints
Develop cost reduction strategies for Provincial departments	Decrease in number of appeals lodged	New	New	New	New	Issue a research report in contract management and strategic sourcing systems	Develop new practice notes pertaining to contract management and strategic sourcing systems	Implement contract management and strategic sourcing systems

### Programme performance indicators and annual targets: 2010/11

SUB-PROGRAMME 3.3		Supply Chain Management						
Performance Indicators	Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets			
	2006/07	2007/08	2008/09		2010/11	2011/12	2012/13	
Number of SCM training sessions and information sessions conducted	Arranged and facilitated SAMDI training sessions for departments and municipalities	Arrange and conduct 12 training sessions for SCM practitioners and Bid Committees	No training sessions were conducted due to unavailability of SAMDI but the unit conducted workshops	Training sessions conducted on request				
	Conducted monthly SCM forums for departments	Arrange and conduct 8 SCM Information sessions for SMS members	Information sessions were conducted including municipal and departmental SCM forums	Arrange 8 SCM Information sessions for SCM Heads	Arrange 8 SCM Information sessions for SCM Heads	Arrange 8 SCM Information sessions for SCM Heads	Arrange 8 SCM Information sessions for SCM Heads	
Number of support intervention reports issued	Produced a high level assessment report on the status of SCM in Departments	4 Quarterly and 1 Annual report produced	Report issued for 60 municipalities and 15 departments	Support intervention reports issued for 60 municipalities and 15 departments	Support intervention reports issued for 60 municipalities and 15 departments	Support intervention reports issued for 60 municipalities and 15 departments	Support intervention reports issued for 60 municipalities and 15 departments	

Number of ad hoc and routine assessments undertaken	Conducted routine and ad hoc assessments in Municipalities and departments	12 Monthly, 4 Quarterly and 1 annual Assessment report on compliance	Compliance Assessment Reports issued	Ad hoc reports issued on request and 61 municipalities and 15 departments monitored as per operational plan	Ad hoc assessment reports issued on request and routine compliance assessment reports issued for 61 municipalities and 15 departments	Ad hoc assessment reports issued on request and routine compliance assessment reports issued for 61 municipalities and 15 departments	Ad hoc assessment reports issued on request and routine compliance assessment reports issued for 61 municipalities and 15 departments
Number of Policies and Practice Notes developed/ reviewed and issued	Identifies Practice Notes and policies to be reviewed and obtain feedback from departments	Review and update all issued SCM policies and practice Notes	Review all existing Practice Notes and Policies. Issue four policies and two Practice Notes	Review and update all issued practice Notes and guides	Review and update all issued Practice notes and develop new Practice Notes where required	Review and update all issued Practice notes and develop new Practice Notes where required	Review and update all issued Practice notes and develop new Practice Notes where required
Quarterly and annual spend analysis reports generated	Conducted a high level spend analysis and issued a report	Issue annual spend analysis report for 06/07 and 3 quarterly reports for 07/08	Spend analysis report issued	Issue annual spend analysis report for 08/09 and 3 quarterly reports for 09/10	Issue annual spend analysis report for 09/10 and 3 quarterly reports for 10/11	Issue annual spend analysis report for 10/11 and 3 quarterly reports for 11/12	Issue annual spend analysis report for 11/12 and 3 quarterly reports for 12/13
Develop and monitor policies and procedures for contract management and strategic sourcing for Provincial Departments	New	New	New	New	Issue a research report in contract management and strategic sourcing systems	Develop new practice notes pertaining to contract management and strategic sourcing systems	Implement contract management and strategic sourcing systems

### Quarterly Targets 2010/11

SUB-PROGRAMME 3.3:		Supply Chain Management				
Programme performance Indicators	Reporting period	Annual target 2010/11	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
Number of SCM training sessions and information sessions conducted	Quarterly	Training session on request and 8 information sessions	2 information sessions	2 information sessions	2 information sessions	2 information sessions
Number of support intervention reports issued	Quarterly	Issue support intervention reports to departments and municipalities	Issuing of reports pertaining to 31 municipalities and 5 depts supported as per operational plan	Issuing of reports pertaining to 31 municipalities and 5 departments supported as per operational plan	Issuing of reports pertaining to 20 municipalities and 3 departments supported as per operational plan	Issuing of reports pertaining to 20 municipalities and 3 departments supported as per operational plan
Number of ad hoc and routine assessments undertaken	Quarterly	Ad hoc reports issued on request and 61 municipalities and 15 departments monitored as per operational plan	Undertake compliance assessments for 20 Municipalities and 4 depts	Undertake compliance assessments for 15 Municipalities and 4 departments	Undertake compliance assessments for 11 Municipalities and 3 departments	Undertake compliance assessments for 15 Municipalities and 4 departments
Number of Policies and Practice Notes developed/ reviewed and issued	Quarterly	Review and update all issued Practice notes and develop new Practice Notes where required	Policies and Practice Notes developed and reviewed based on need analysis	Policies and Practice Notes developed and reviewed based on need analysis	Policies and Practice Notes developed and reviewed based on need analysis	Policies and Practice Notes developed and reviewed based on need analysis
Quarterly and annual spend analysis reports generated	Quarterly and annually	Issue annual spend analysis report for 08/09 and 3 quarterly reports for 09/10	Annual report for 08/09 and Quarterly spend analysis report issued	Quarterly spend analysis report issued	Quarterly spend analysis report issued	Quarterly spend analysis report issued and Annual report for 2009/10
Number of policies and procedures developed on contract management and strategic sourcing for Provincial Departments	Quarterly and annually	Issue a research report in contract management and strategic sourcing systems	Study existing models on contract management and strategic sourcing	Identify four pilot departments and analyse their spending trends	Submit report on findings and get buy in from senior management	Publish the findings and align these functions with the existing structure of the unit

### **3.4 Sub-Programme: Financial Reporting**

#### **Specified Policies and Priorities**

The overall purpose of the sub-programme is to analyse financial and audit reports in order to establish and formulate support strategies to address weaknesses in the financial management process.

#### **The Strategic Objectives are:**

To assist departments and municipalities in the attainment of a clean audit outcome for the Province.

The following goals define the strategic initiatives to achieve the vision for future success:

- To analyze province-wide compliance, implementation and maintenance of generally recognized accounting practice and financial systems.
- To analyse financial and audit reports in order to establish and formulate strategies to address weaknesses in the financial management process in departments, public entities and municipalities as envisaged in the Public Finance Management Act and the Municipal Finance Management Act.
- Enable client departments to address fast-paced needs evolving from auditor general reports by generating solutions and support. Provide project management and consulting solutions to departments to expedite financial reporting.
- Facilitate the development of transversal development programmes and projects aimed at improving financial management and accounting practices in provincial departments, public entities and municipalities.
- To impact directly on value for money and service delivery enhancements through business-process re-engineering of key cost drivers

#### **Progress Analysis: Provincial Departmental Support**

##### *1. Consolidation of Annual Financial Statements*

Significant progress was made in the submission of all outstanding consolidated financial statements in Provincial Departments and Public Entities dating from FY2005/2006 to FY2007/2008. Several delays and challenges were encountered, due to the difficulty experienced in reconciling many of the balances in Departments' Annual Financial Statements and the Provincial Revenue Fund. Several measures were instituted to address the backlog and all outstanding consolidated annual financial statements have met the submission deadline extended by the Auditor-General.



## *2. Preparation of Departmental Annual Financial Statements*

Technical hands-on support and training were provided to all departments in the preparation and finalisation of the Annual Financial Statement templates. Standardized working paper files and schedules which covered all audit areas were prepared and issued to departments to ensure audit readiness.

## *3. Analysis of Financial Capability Maturity Model Survey Results*

There is a long-standing concern relating to the weaknesses in public financial management and the persistent adverse comments and opinions of the Auditor-General's reports, which consistently identifies a need for improvement in the management of public finance. To this end, an assessment was undertaken by National Treasury in the Office of the Accountant-General and facilitated by Financial Reporting in collaboration with Norms and Standards within Provincial Treasury to determine the status of financial management, risk management and internal auditing capability of provincial departments within departments in the Province.

The assessment adopted a Financial Management Capability Maturity Model, which provides a uniform framework for a consistent assessment methodology to determine the capability of government institutions to discharge their financial management duties and responsibilities.

An analysis of the assessment has identified gaps which a department can address to correct the imbalances between its requirements and its capabilities, and work toward developing the appropriate level of financial management capability.

The following suggestions were made to the CFOs to address the problems identified above:

- Designing a strategy to address their institutional and capacity difficulties.
- Arrange regular meetings to monitor and evaluate the progress.
- Component managers to meet their opposite numbers in other departments on a regular basis to exchange ideas and share experiences.
- Working closely with the Training Academy in the Office of the Premier that is devoted to training officers in public financial management together with officers' statutory responsibilities.
- Using the established CFO forum to share information, documents, policies and procedures and other templates in order to improve efficiency and effectiveness.

## *4. Personnel Issues*

Personnel from The Systems component have been fully absorbed by the Financial Reporting unit because it has been identified that the expertise in their particular areas of operation could be more effectively and efficiently utilized in the unit.



## Municipal Support

### 1. GRAP Conversion

In compliance with the Accounting Framework as per National Treasury's Government Gazette No. 30013, all municipalities are required to have fully converted to Generally Recognized Accounting Practice (GRAP) by the end of 2009/10 financial year. GRAP training workshops have been conducted in all municipalities within the province to ensure that the GRAP conversion process and the preparation of GRAP compliant Annual Financial Statements is completed as required per the Gazette.

The Financial Reporting Unit in collaboration with The Municipal Finance Component initiated a Municipal Support Programme (MSP), which is in its second phase, to facilitate the GRAP conversion process within eight (8) municipalities. External service providers have been engaged to facilitate the GRAP conversion project and the two business units in collaboration are playing an oversight and monitoring role.

### Analysis of constraints and measures planned to overcome them

A major constraint within the unit is the lack of staff with appropriate technical and financial management skills and experience. A skills development and capacitation programme involving on-the-job training and an internship programme has been initiated to develop and retain the requisite financial management skills and expertise.

### Description of planned quality improvement measures

- Hands-on engagement with departments, public entities and municipalities to enhance their accounting performance;
- Collaboration with the relevant units within Provincial Treasury to obviate functional and operational duplicities;
- Continued implementation of learnerships and staff development programmes to develop and retain the requisite financial management skills and expertise.

### Strategic objective annual targets: 2010/11

SUB-PROGRAMME 3.4	Financial Reporting							
Strategic objective	Strategic plan target	Audited/Actual performance			Estimated performance 2009/10	Medium-term targets		
		2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
To assist departments and municipalities in the attainment of a clean audit outcome for the Province.	DEPARTMENTAL AND PUBLIC ENTITIES SUPPORT  Consolidation of Annual Financial Statements: Departments Revenue Fund Public Entities	N/A	Submission of consolidated AFS for Financial Year 04/05	Submission of consolidated AFS for Financial Year 05/06	Submission of consolidated AFS for: FY06/07 FY07/08 FY08/09	Compile consolidated AFS for: FY09/10 and Revenue Fund for 09/10	Compile consolidated AFS for FY10/11 and Revenue Fund for 10/11	Compile consolidated AFS for FY11/12 and Revenue Fund for 11/12
	AFS support and training to	1 AFS Training Workshop	1 AFS Training Workshop	1 AFS Training Workshop	1 AFS Training Workshop	1 AFS Training	1 AFS Training	1 AFS Training

	Departments	Pre-audit Review in 16 Departments	Pre-audit Review in 16 Departments	Pre-audit Review in 16 Departments	Pre-audit Review in 16 Departments	Workshop	Workshop	Workshop
	Provincial Audit Outcome Analysis	Monitoring 16 Departments Audit Implementation Plans  Summary of Audit Outcome Analysis to Cabinet one month after AG's Audit Report	Monitoring 16 Departments Audit Implementation Plans  Summary of Audit Outcome Analysis to Cabinet one month after AG's Audit Report	Monitoring 16 Departments Audit Implementation Plans  Summary of Audit Outcome Analysis to Cabinet one month after AG's Audit Report	Monitoring 16 Departments Audit Implementation Plans  Summary of Audit Outcome Analysis to Cabinet one month after AG's Audit Report	Monitoring 16 Departments Audit Implementation Plans  Summary of Audit Outcome Analysis to Cabinet one month after AG's Audit Report	Monitoring 16 Departments Audit Implementation Plans  Summary of Audit Outcome Analysis to Cabinet one month after AG's Audit Report	Monitoring 16 Departments Audit Implementation Plans  Summary of Audit Outcome Analysis to Cabinet one month after AG's Audit Report
	Key Account Analysis	Monthly Suspense Account Monitoring Reports in 16 Departments	Monthly Suspense Account Monitoring Reports in 16 Departments	Monthly Suspense Account Monitoring Reports in 16 Departments	Monthly Suspense Account Monitoring Reports in 16 Departments	Monthly Suspense Account Monitoring Reports in 16 Departments	Monthly Suspense Account Monitoring Reports in 16 Departments	Monthly Suspense Account Monitoring Reports in 16 Departments
	MUNICIPAL SUPPORT	Monitoring of 58 municipalities for the timely submission of AFS to Auditor-General and Treasury	Monitoring of 58 municipalities for the timely submission of AFS to Auditor-General and Treasury	Monitoring of 58 municipalities for the timely submission of AFS to Auditor-General and Treasury	Monitoring of 58 municipalities for the timely submission of AFS to Auditor-General and Treasury	Monitoring of 58 municipalities for the timely submission of AFS to Auditor-General and Treasury	Monitoring of 58 municipalities for the timely submission of AFS to Auditor-General and Treasury	Monitoring of 58 municipalities for the timely submission of AFS to Auditor-General and Treasury
	Coordination of submission of Annual Reports	Coordination and monitoring of the submission of annual reports in 58 Municipalities	Coordination and monitoring of the submission of annual report in 58 Municipalities	Coordination and monitoring of the submission of annual reports in 58 Municipalities	Coordination and monitoring of the submission of annual reports in 58 Municipalities	Coordination and monitoring of the submission of annual reports in 58 Municipalities	Coordination and monitoring of the submission of annual reports in 58 Municipalities	Coordination and monitoring of the submission of annual reports in 58 Municipalities
	GRAP Conversion Support	N/A	N/A	N/A	8 municipalities supported in the GRAP Conversion Process  Three GRAP Conversion Workshops facilitated	8 municipalities supported in the GRAP Conversion Process  Three GRAP Conversion Workshops facilitated	8 municipalities supported in the GRAP Conversion Process  Three GRAP Conversion Workshops facilitated	8 municipalities supported in the GRAP Conversion Process  Three GRAP Conversion Workshops facilitated

**Programme performance indicators and annual targets: 2010/11**

SUB-PROGRAMME 3.4	Financial Reporting						
Performance Indicator	Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets		
	2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
<p>DEPARTMENTAL AND PUBLIC ENTITIES SUPPORT</p> <p>Consolidation of Annual Financial Statements:</p> <p>a. Departments</p> <p>b. Revenue Fund</p> <p>c. Public Entities</p>	N/A	Submission of consolidated AFS for FY04/05	Submission of consolidated AFS for FY05/06	Submission of consolidated AFS for: FY06/07 FY07/08 FY08/09	Compile consolidated AFS for: FY09/10 and Revenue Fund for 09/10	Compile consolidated AFS for FY10/11 and Revenue Fund for 10/11	Compile consolidated AFS for FY11/12 and Revenue Fund for 11/12
AFS support and training to Departments	16 Departments supported to ensure timely submission of AFS to Auditor General and Provincial Treasury	16 Departments supported to ensure timely submission of AFS to Auditor General and Provincial Treasury	16 Departments supported to ensure timely submission of AFS to Auditor General and Provincial Treasury	16 Departments supported to ensure timely submission of AFS to Auditor General and Provincial Treasury	16 Departments supported to ensure timely submission of AFS to Auditor General and Provincial Treasury	16 Departments supported to ensure timely submission of AFS to Auditor General and Provincial Treasury	16 Departments supported to ensure timely submission of AFS to Auditor General and Provincial Treasury
Provincial Audit Outcome Analysis	Monitoring 16 Departments Audit Implementation Plans  Summary of Audit Outcome Analysis to Cabinet one month after AG's Audit Report	Monitoring 16 Departments Audit Implementation Plans  Summary of Audit Outcome Analysis to Cabinet one month after AG's Audit Report	Monitoring 16 Departments Audit Implementation Plans  Summary of Audit Outcome Analysis to Cabinet one month after AG's Audit Report	Monitoring 16 Departments Audit Implementation Plans  Summary of Audit Outcome Analysis to Cabinet one month after AG's Audit Report	Monitoring 16 Departments Audit Implementation Plans  Summary of Audit Outcome Analysis to Cabinet one month after AG's Audit Report	Monitoring 16 Departments Audit Implementation Plans  Summary of Audit Outcome Analysis to Cabinet one month after AG's Audit Report	Monitoring 16 Departments Audit Implementation Plans  Summary of Audit Outcome Analysis to Cabinet one month after AG's Audit Report
Key Account Analysis	Monthly Suspense Account Monitoring Reports in 16 Departments	Monthly Suspense Account Monitoring Reports in 16 Departments	Monthly Suspense Account Monitoring Reports in 16 Departments	Monthly Suspense Account Monitoring Reports in 16 Departments	Monthly Suspense Account Monitoring Reports in 16 Departments	Monthly Suspense Account Monitoring Reports in 16 Departments	Monthly Suspense Account Monitoring Reports in 16 Departments
MUNICIPAL SUPPORT  Coordination of submission of AFS	Monitoring of 58 municipalities for the timely submission of AFS to Auditor-General and Treasury	Monitoring of 58 municipalities for the timely submission of AFS to Auditor-General and Treasury	Monitoring of 58 municipalities for the timely submission of AFS to Auditor-General and Treasury	Monitoring of 58 municipalities for the timely submission of AFS to Auditor-General and Treasury	Monitoring of 58 municipalities for the timely submission of AFS to Auditor-General and Treasury	Monitoring of 58 municipalities for the timely submission of AFS to Auditor-General and Treasury	Monitoring of 58 municipalities for the timely submission of AFS to Auditor-General and Treasury
Coordination of submission of Annual Reports	Coordination and monitoring of the submission of annual reports in 58 Municipalities	Coordination and monitoring of the submission of annual reports in 58 Municipalities	Coordination and monitoring of the submission of annual reports in 58 Municipalities	Coordination and monitoring of the submission of annual reports in 58 Municipalities	Coordination and monitoring of the submission of annual reports in 58 Municipalities	Coordination and monitoring of the submission of annual reports in 58 Municipalities	Coordination and monitoring of the submission of annual reports in 58 Municipalities
GRAP Conversion Support	N/A	N/A	N/A	8 municipalities supported in the GRAP Conversion Process  Three GRAP Conversion Workshops facilitated	8 municipalities supported in the GRAP Conversion Process  Three GRAP Conversion Workshops facilitated	8 municipalities supported in the GRAP Conversion Process  Three GRAP Conversion Workshops facilitated	8 municipalities supported in the GRAP Conversion Process  Three GRAP Conversion Workshops facilitated

## Quarterly Targets 2010/11

SUB-PROGRAMME 3.4	Financial Reporting					
Programme performance Indicators	Reporting period	Annual target 2010/11	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
Submission of consolidated AFS to AG by 31 December 2010	Annually	Compile consolidated AFS for: FY09/10 and Revenue Fund for 09/10	N/A	N/A	Consolidated AFS for FY09/10	N/A
No of AFS training workshops facilitated in 16 Departments	Annually	16 Departments supported to ensure timely submission of AFS to Auditor General and Provincial Treasury	1	N/A	N/A	N/A
No of pre-audit reviews conducted in 16 departments	Annually	Pre-audit reviews conducted in 16 departments	1	N/A	N/A	N/A
No. of departments monitored in the clearance of suspense accounts	Monthly	Monthly Suspense Account Monitoring Reports in 16 Departments	16 Departments	16 Departments	16 Departments	16 Departments
Submission of audit outcome summary to Cabinet by 15 September 2010	Annually	Summary of Audit Outcome Analysis to Cabinet one month after AG's Audit Report	N/A	September 2010	N/A	N/A
No of audit implementation plans monitored by 31 December 2010	Annually	Monitoring 16 Departments Audit Implementation Plans	N/A	N/A	16 Departments	N/A
No of municipalities supported in the GRAP conversion process	Annually	8 municipalities supported in the GRAP Conversion Process Three GRAP Conversion Workshops facilitated	8	8	8	8

### 3.5 Sub-Programme: Norms and Standards

#### Specified Policies and Priorities

To facilitate performance-orientated financial management in departments, municipalities and entities as envisaged in the PFMA and the MFMA.

#### The Strategic Objective is:

- The strategic objective of Norms & Standards is to develop, facilitate implementation and monitor compliance with financial norms and standards in provincial departments, municipalities and entities to enhance financial management.

#### Progress Analysis

Gaps in the generic regulatory environment for provincial departments as it relates to the financial management sphere were identified via scrutinisation of assurance provider reports or consultative processes. The remedial measures undertaken to address these deficiencies include the issuing of Provincial Treasury practice notes. To facilitate the implementation of the newly developed normative requirements in departments, training material is developed and training provided to all departments prior to implementation

dates. Key issues that were dealt with during the course of the financial year included the management of suspense accounts by departments and inter-departmental accounts.

Questionnaires, based on various practice notes as it applies to departments, were developed to verify that departments complied with the key provisions of practice notes. Data were collected and analysed whereupon individual reports comprising recommendations were provided and discussed with departments. Process will be ongoing.

Progress was made on various tasks regarding municipalities in the Province, with specific reference to their internal policies and working practices. These included, among others, a survey to determine the extent of assistance required by municipalities, development of various generic policies, and placement of aforementioned and individual policies of municipalities, where available, on the website of Provincial Treasury to assist those municipalities that lack such. A new initiative was launched whereby assistance were provided to certain municipalities that desperately needed support in drafting and submitting to their respective councils the basic set of policies required by municipalities. Municipalities assisted in this regard included Dannhauser Municipality and Ilembe District Municipality. A capacitation programme consisting of on-the-job training and structured training programmes were put in place to develop the skills and abilities of the newly appointed staff and trainees.

#### **Analysis of constraints and measures planned to overcome them**

Various measures will be implemented to fill all vacant posts with appropriate staff such as initiating a headhunting process. A capacitation programme consisting of on-the-job training and structured training programmes are in place to develop the skills and abilities of the newly appointed staff and trainees.

#### **Description of planned quality improvement measures**

A more concerted effort will be made to understand the working practices in municipalities as it relates to their financial management practices. This will allow the identification of best practices for assimilation in those municipalities that require it, whilst areas that need improvement can be similarly addressed. The modus operandi would require the selection of one or more of the better performing municipalities and observing and recording its internal practices.



### Strategic objective annual targets: 2010/11

SUB-PROGRAMME 3.5		Norms & Standards						
Strategic objective	Strategic plan target	Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets		
		2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
To develop, review and monitor compliance with financial management norms and standards in provincial departments.	Policies and Practice Notes developed/ reviewed	5 new practice notes and 26 reviewed practice notes for departments	8 new practice notes and four reviewed practice notes for departments	8 new practice notes and eight reviewed practice notes for departments	2 new practice notes and eight reviewed practice notes for departments	Policies and Practice Notes developed and reviewed based on need analysis	Policies and Practice Notes developed and reviewed based on need analysis	Policies and Practice Notes developed and reviewed based on need analysis
To provide support in the development and to review financial management norms and standards in provincial municipalities.	Provision of support to municipalities in financial management policy related issues	N/A	N/A	N/A	Three municipalities assessed and assisted with financial management policies.	Four municipalities assessed and assisted with financial management policies	Four municipalities assessed and assisted with financial management policies	Four municipalities assessed and assisted with financial management policies

### Programme performance indicators and annual targets: 2010/11

SUB-PROGRAMME 3.5:		Norms & Standards					
Performance Indicator	Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets		
	2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
Number of Policies and Practice Notes developed/ reviewed and issued	5 new practice notes and 26 reviewed practice notes for departments	8 new practice notes and four reviewed practice notes for department	8 new practice notes and eight reviewed practice notes for departments	2 new practice notes and eight reviewed practice notes for departments	Policies and Practice Notes developed and reviewed based on need analysis	Policies and Practice Notes developed and reviewed based on need analysis	Policies and Practice Notes developed and reviewed based on need analysis
Number of municipalities supported and assistance provided in review and addressing of needs relating to their financial management policies.	N/A	N/A	N/A	3	4	4	4

### Quarterly Targets 2010/11

SUB-PROGRAMME 3.5:		Norms & Standards				
Programme performance Indicators	Reporting period	Annual target 2010/11	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
Number of Policies and Practice Notes developed/ reviewed and issued	Quarterly	Policies and Practice Notes developed and reviewed based on need analysis	Policies and Practice Notes developed and reviewed based on need analysis	Policies and Practice Notes developed and reviewed based on need analysis	Policies and Practice Notes developed and reviewed based on need analysis	Policies and Practice Notes developed and reviewed based on need analysis
Number of municipalities supported and assistance provided in review and addressing of needs relating to their financial management policies.	Quarterly	4	1	1	1	1

### 3.6 Reconciliation of budget with plan

#### Summary of payments and estimates - Programme 3: Financial Management

R thousand	Outcome			Main Appropriation	Adjusted Appropriation 2009/10	Revised Estimate	Medium-term Estimates		
	Audited 2006/07	Audited 2007/08	Audited 2008/09				2010/11	2011/12	2012/13
Financial Asset and Liability Management	16,359	12,383	151,257	13,370	14,107	173,894	250,517	251,428	252,249
Public Private Partnerships (PPPs)	936	2,483	4,023	4,297	3,697	3,239	4,931	5,215	5,474
Supply Chain Management	14,086	10,441	8,692	13,260	13,626	10,210	14,235	15,037	15,759
Financial Reporting	2,283	8,719	12,365	7,683	9,230	6,975	10,166	10,679	11,161
Norms and Standards	1,104	1,030	1,737	3,572	3,572	2,701	4,223	4,424	4,630
<b>Total</b>	<b>34,768</b>	<b>35,056</b>	<b>178,074</b>	<b>42,182</b>	<b>44,232</b>	<b>197,019</b>	<b>284,072</b>	<b>286,783</b>	<b>289,273</b>

#### Summary of payments and estimates by economic classification - Programme 3: Financial Management

R thousand	Outcome			Main Appropriation	Adjusted Appropriation 2009/10	Revised Estimate	Medium-term Estimates		
	Audited 2006/07	Audited 2007/08	Audited 2008/09				2010/11	2011/12	2012/13
<b>Current payments</b>	<b>34,179</b>	<b>34,676</b>	<b>177,742</b>	<b>41,706</b>	<b>43,615</b>	<b>196,449</b>	<b>283,625</b>	<b>286,311</b>	<b>288,765</b>
Compensation of employees	15,549	16,585	19,360	28,441	28,550	22,328	33,925	35,661	37,416
Goods and services	18,630	18,091	19,999	13,265	15,065	14,527	14,700	15,650	16,349
Interest and rent on land	-	-	138,383	-	-	159,594	235,000	235,000	235,000
<b>Transfers and subsidies to:</b>	<b>141</b>	<b>83</b>	<b>129</b>	<b>23</b>	<b>164</b>	<b>298</b>	<b>31</b>	<b>33</b>	<b>35</b>
Provinces and municipalities	10	-	-	-	-	-	-	-	-
Departmental agencies and accounts	-	26	-	23	23	23	31	33	35
Universities and technikons	-	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-	-	-
Households	131	57	129	-	141	275	-	-	-
<b>Payments for capital assets</b>	<b>448</b>	<b>297</b>	<b>112</b>	<b>453</b>	<b>453</b>	<b>272</b>	<b>416</b>	<b>439</b>	<b>473</b>
Buildings and other fixed structures	-	-	-	-	-	-	-	-	-
Machinery and equipment	448	297	112	448	448	252	416	439	473
Heritage assets	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Land and sub-soil assets	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	5	5	20	-	-	-
<b>Payments for capital assets</b>	<b>-</b>	<b>-</b>	<b>91</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>34,768</b>	<b>35,056</b>	<b>178,074</b>	<b>42,182</b>	<b>44,232</b>	<b>197,019</b>	<b>284,072</b>	<b>286,783</b>	<b>289,273</b>

## 4. Programme 4: Internal Audit

4.1:	Sub-Programme:	Assurance Services
4.2.1	Sub-Programme:	Advisory Services (Risk Management)
4.2.2	Sub-Programme:	Advisory Services (Forensic Services)

### 4.1 Sub-Programme: Assurance Services

#### Specified Policies and Priorities

Internal Audit Component provide a legislated function which covers an independent objective assurance and consulting services on issues of internal controls, risk management and governance as provided in the PFMA and Standards for the Professional Practice of Internal Auditing and in line with the principles in the King Report and its scope comprehensively defined in chapter 3 of Treasury Regulations. These services are further legislated through the Provincial Internal Audit Act No 2 of 2001.

#### The strategic objectives are:

To provide departments, municipalities and public entities with the following:

- An efficient, effective and economical assurance service.
- Foster solid client relationships.
- Build capacity within and outside the Unit.

#### Progress Analysis

The sub-programme made great strides to improve its effectiveness. Efforts include, amongst others, the following:

- A revised structure was approved in line with the sub-programme's turnaround strategy and is being implemented in a phased-in approach. The revised structure which is aligned to the cabinet cluster set-up includes positions for new specialised audit reviews to expand on the sub-programmes services.
- The sub-programme appointed staff to supervisory positions via the Accelerated Programme, which is aimed at retaining staff within the unit.
- Internal Auditors within the sub-programme are attending the Internal Auditors Technicians (IAT) Training Programme which is a 2 year learnership programme and staff are continuously being assessed for competencies. In addition the staff was enrolled in a management development programme aimed to assist staff operate optimally in the accelerated positions.
- Our efforts to improve the capacity in this sub-programme resulted in a 94 % achievement on the implementation of 2008/09 operational plans.
- In order to improve relationships with clients, the Unit attended Departmental Audit Steering Committee meetings. Strategic Planning Sessions at certain departments and Risk Assessment workshops were also attended.

The Internal Audit and Audit Committee Charters were revised and updated to align the sub-programmes services to current internal audit standards and practices.

- A new internal audit methodology was developed to align the functions of the unit to the *International Standards for the Professional Practice of Internal Audit (ISPPIA)* as well as the turnaround strategy of the unit. This process required the customization of the Internal Audit software to include tracking of audit findings and time management of projects
- The unit prepared Annual Operational and Strategic three year rolling plans for all clients which were acknowledged by the relevant Accounting Offices and approved by the Provincial Audit Committee. Audit projects are executed in accordance with these plans.
- The Quality Improvement Programme has been introduced and is being implemented.
- The unit has developed the Internal Audit Framework aimed at aligning its function and that of Audit Committee in terms of legislation and best practice.
- The unit has re-aligned its internal audit projects in line with the focus areas of the Auditor-General in order to assist the departments audit readiness.

### **Analysis of constraints and measures planned to overcome them**

The demand for skilled internal auditors contributes to a high staff turnover within the unit, which impacts on the achievement of the sub-programmes objectives. This is aggravated by the lack of specialized internal audit skills.

The clients' sluggish responsiveness to internal audits efforts also adversely affects the achievements of the unit's service delivery targets. The delay in providing management actions, as well as not providing other requested information and the non-availability of client management impedes the effectiveness and efficiency of the Internal Audit Unit. Client managements' inability to take meaningful actions on issues raised by the Unit results in continued risk exposures to departments, as well as in them not benefiting from the value services of Internal Audit.

The following measures have been planned to address these constraints:

- The Accelerated Programme is aimed at promoting staff internally which provides development and growth opportunities resulting in staff retention. The IAT programme is also aimed at sustaining staff as it is designed to contractually retain staff for a period of time providing the Unit with trained specialists and providing staff with the required experience in Internal Auditing.
- The new structure for the sub-programme makes provision for directorates focusing on the specialized audit services such as performance reviews on service delivery activities at local government level through implementation of participatory audits; ethical conduct reviews and Information Technology (IT) systems complementing business operations will also be reviewed for adequacy, efficiency and effectiveness.
- The Unit continues to engage with client management to enhance relationships, which include regular meetings with clients, facilitating Road shows to define and clarify our roles and responsibilities, attending

Audit Steering Committee meetings, strategic planning sessions, MTEC hearings and MANCO meetings of departments.

- The Audit Committee is capacitated to access top departmental management structures to ensure that risk exposures are addressed.
- The unit is also implementing a tracking system to monitor the implementation of action plans by departments and aligning the audit findings to the risk registers.

## **Description of planned quality improvement measures**

### *Quality Improvement Programme*

A Quality Improvement Programme is implemented to prepare the Unit for External Quality Assurance Reviews which are a requirement of the *ISSPIA*. The QIP includes the following:

- Peer reviews of internal audit project.
- An assessment of the effectiveness of the Provincial Audit Committee.
- An assessment of the effectiveness of the functioning of the Internal Audit Unit.
- Compliance with all prescripts governing the functioning of the Unit with special emphasis on the International Standards for the Professional Practice of Internal Auditing.

### *Skills Enhancement*

The following interventions will enhance staff skills and development which impacts on the quality of internal audit services rendered:

- IAT programme
- Training programmes for specialised audit services
- Recruitment of specialised skills
- Skills transfer programmes by consultants
- Management Development Programme
- Completion of Quarterly Performance Improvement Plans

### *Re-alignment of Internal Audit Function*

The internal audit function will be realigned to the government clusters as the new structure is implemented which will enhance the effectiveness of reporting and improve on the quality of decision making relevant to each cluster.

### *Maintain a Solid Client Focus and Increase the Units Visibility*

The Unit is now visible in the province departments and will constantly implement more strategies that will increase its visibility throughout the Provincial Government, including other agencies supporting provincial departments and local government. This will be achieved mainly at management levels and at the Audit Committee level where such visibility has not been satisfactory, as well as through municipal support programmes.

More time will be invested in meeting with the clients to gain an understanding of progress made in implementing recommendations and resolutions of the Unit and the Audit Committee; as well as gaining an understanding of the needs of the clients that the Unit.

*Operation Clean Audit Project Programme 2014*

In terms of government's operation clean audit project programme 2014, the unit will focus on the Auditor-General's area of reviews and align its function to assist the departments to achieve unqualified audit opinions and ensure the sustainability of quality financial statements, management information and good governance.

**Strategic objective annual targets: 2010/11**

SUB-PROGRAMME 4.1 :		Assurance Services						
Strategic Objective	Strategic Plan Target	Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets		
		2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
An efficient, effective and economical assurance service.	Performance Audit reports on special projects	18	19	18	20	20	20	20
	Internal Audit reports on Governance	-	0	4	4	8	8	10
	Audit Committee reports to the MEC: Finance	-	1	1	1	1	1	1
	Internal Audit reports	106	247	125	143	150	150	150
	Audit Committee reports	-	4	4	4	4	4	4
	Accounting Officers reports	-	32	48	64	40	40	40
	Internal Audit operational plan and a rolling three year strategic plan.	19	16	20	20	20	20	20
	Internal Audit follow-up reports	26	66	88	86	80	80	80
Fostering Client Relationships	Minutes of the meetings and road shows held	13	12	15	32	32	32	32
	Minutes of meetings between Unit & Clients	36	64	66	80	80	80	80
	Completed client satisfaction surveys	-	247	125	143	50%	55%	60%
Building Capacity within and outside the Unit	Training and Development program	-	22	16	20	15	15	15
	Independent Internal and External QAR Report	-	-	3	2	2	2	2

**Programme performance indicators and annual targets: 2010/11**

Performance Indicator	Assurance Services						
	Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets		
	2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
No. of performance audit assignments completed and reports issued as per operational plan.	18	19	18	20	20	20	20
Number of projects on the design, implementation, and effectiveness of business ethics, related objectives, programs and activities completed.	-	0	4	4	8	8	10
Audit Committee reports on clients' areas of risk management, governance and internal control submitted to MEC: Finance.	-	1	1	1	1	1	1
Number of audit assignments completed and audit reports issued per operational plan.	106	247	125	143	150	150	150
Number of quarterly Audit Committee reports issued.	-	4	4	4	4	4	4
Number of Accounting Officers reports issued to management.	-	32	48	64	40	40	40
Number of IA Annual operational plan and a rolling three year strategic plan developed and approved.	19	16	20	20	20	20	20
Number of meetings held between clients and Audit Committee	13	12	15	32	32	32	32
Number of meetings held between the unit and the clients.	36	64	66	80	80	80	80
Numbers of Client Satisfaction surveys completed/ Percentage of returned client satisfaction surveys	-	247	125	143	50%	55%	60%
Number of follow up audits conducted and follow-up audit reports issued	26	66	88	86	80	80	80
Number of training and development programs attended	-	22	16	20	15	15	15
Number of Independent internal and external quality assurance review conducted	-	-	3	2	2	2	2

**Quarterly Targets 2010/11**

Programme performance Indicators	Assurance Services					
	Reporting period	Annual target 2010/11	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
No. of performance audit assignments completed and reports issued as per operational plan.	Annually	20	0	0	10	10
Number of projects on the design, implementation, and effectiveness of business ethics, related objectives, programs and activities completed.	Annually	8	0	8	0	0
Audit Committee reports on clients' areas of risk management, governance and internal control submitted to MEC: Finance.	Annually	1	1	0	0	0
Number of audit assignments completed and audit reports issued per operational plan.	Annually	150	25	50	50	25
Number of quarterly Audit Committee reports issued.	Annually	4	1	1	1	1
Number of Accounting Officers reports issued to management.	Annually	40	20	0	20	0
Number of IA Annual operational plan and a rolling three year strategic plan developed and approved.	Annually	20	0	0	0	20
Number of meetings held between clients and Audit Committee	Annually	32	16	16	0	0

Number of meetings held between the unit and the clients.	Annually	80	20	20	20	20
Number of follow up audits conducted and follow-up audit reports issued	Annually	80	10	25	25	20
Number of training and development programs attended	Annually	15	5	5	3	2
Number of Independent internal and external quality assurance review conducted	Annually	2	1	0	1	0

#### **4.2.1 Sub-Programme: Advisory Services (Risk Management)**

##### **Specified Policies and Priorities**

The PFMA mandates all departments, public entities and constitutional institutions to have in place effective, efficient and transparent systems of risk management. The Municipal Finance Management Act (MFMA), whilst not as explicit as the PFMA in this respect, nevertheless implies the same requirement in the local government environment. The Provincial Treasury's function of assessing and monitoring compliance with the aforementioned prescripts and building capacity in deficient areas is delegated to the Internal Audit: Risk Management and Advisory Services sub-programme.

##### **The strategic objective is:**

To promote good governance through effective risk management.

##### **Progress Analysis**

The risk management approach and risk profiles for the departments have been developed. The Provincial Risk Management Framework has been presented to the Cabinet Technical Clusters, and has been subsequently approved by them. The Framework is currently awaiting approval by Cabinet.

The Unit has made satisfactory progress in inculcating the culture of effective risk management through established risk management forums, continuous awareness through strategic and operational risk assessments, together with regular risk assessments through the financial and information technology components.

We have also focused on pro-active and preventive strategies of combating IT fraud and corruption. To this end, an IT security assessment was conducted at all KZN Departments and SASSA through the project entitled "Project Unembeza 2008". Specific concerns/vulnerabilities have been highlighted to the Departments through formal Departmental Executive Summary Reports. Since the inception of the project, no fraudulent BAS and PERSAL transactions has been reported.

In order to provide a superior service to our clients, a risk management tool has been procured and implementation thereof started in November 2009.

## Analysis of constraints and measures planned to overcome them

The following details outline some of the challenges that the unit is currently facing. Although significant effort has been made to manage these challenges, some are external to our control.

- The demand for skilled risk management specialists contributes to a high staff turnover, which impacts on the achievement of the programmes' objectives.
- Inadequate response by clients to our efforts adversely affects the achievement of the Unit's service delivery targets and compromises the clients' ability to respond to corporate governance.
- Risk Management concept not yet well understood at local government level and therefore not taken seriously by the executive leadership at that sphere of government.

## Description of planned quality improvement measures

We have appointed three more personnel at management level. This will address the capacity issue in the unit as well as position us to provide more effective and efficient risk and advisory services.

Training on risk management and good governance will be provided to all stakeholders in the provincial administration, municipalities and public entities.

The implementation of the risk management tool (CURA) will result in:

- Creating a better platform for the upliftment/awareness of risk management in the Province
- Efficient, effective and economic use of resources.
- The ability to easier monitor the progress on the status of risk management and implementation of mitigating controls, as well as attempt to create a uniform control environment.
- A knowledge base of risks in the province.
- The continuous updating of the risk database, informed by the results of the audits conducted by the assurance unit.

### Strategic objective annual targets: 2010/11

SUB-PROGRAMME 4.2.1:		Advisory Services (Risk Management)						
Strategic Objective	Strategic plan target	Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets		
		2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
To promote good governance through effective risk management	Departmental Risk assessment CSA conducted	19	20	29	53	68	68	68
	Consolidated Risk profiles Developed	1	1	1	1	1	1	1
	Audit Committee quarterly reports on the clients' areas of risk management/ risk	0	4	4	4	4	4	4

	governance							
	Risk management strategic documents developed	19	20	29	53	68	68	68
	Training sessions on risk management conducted	16	16	8	12	10	10	10
	Risk management forum meetings held	0	3	4	4	4	4	4
	Workshops on good governance conducted	0	4	2	8	5	5	5
	No. of training/development programs attended	0	4	4	6	2	2	2

### Programme performance indicators and annual targets: 2010/11

SUB-PROGRAMME 4.2.1:		Advisory Services (Risk Management)						
Performance Indicator	Strategic plan target	Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets		
		2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
Number of Enterprise wide risk reports issued	20	19	20	29	53	68	68	68
Number of Consolidated Risk profiles Developed	2	1	1	1	1	1	1	1
Audit Committee quarterly reports on the clients' areas of risk management and risk governance	4	0	4	4	4	4	4	4
Number of Risk management strategic documents developed	20	19	20	29	53	68	68	68
Number of training sessions conducted	20	16	16	8	12	10	10	10
Number of risk management forum meetings held	4	0	3	4	4	4	4	4
No of Workshops on good governance conducted	16	0	4	2	8	5	5	5
Number of training and development programs attended	2	0	4	4	6	2	2	2

### Quarterly Targets 2010/11

SUB-PROGRAMME 4.2.1		Advisory Services (Risk Management)				
Programme performance Indicators	Reporting period	Annual target 2010/11	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
No of Enterprise wide risk reports issued	Quarterly	68	17	17	17	17
No. of Consolidated Risk profiles Developed	Quarterly	1	N/A	1	N/A	N/A
Audit Committee quarterly reports on the clients' areas of risk management and risk governance	Quarterly	4	1	1	1	1
Number of training sessions conducted	Quarterly	10	2	3	3	2
No. of risk management forum meetings held	Quarterly	4	1	1	1	1
No of Workshops on good governance conducted	Quarterly	5	2	1	1	1
No. of training and development programs attended	Quarterly	2		1	1	N/A

## 4.2.2 Sub-Programme: Advisory Services (Forensic Services)

### Specified Policies and Priorities

Because of the nature and dynamics of the environment in which the Unit operates and the approach adopted by the unit the strategic objectives are as discussed under the programme cut across the two sub-programmes.

### The strategic objective is:

- Promote a culture of zero tolerance for fraud and corruption.

### Progress Analysis

The unit has investigated 25 reported cases of fraud, corruption, theft, and mismanagement of public funds, maladministration and other irregularities during the 2008/2009. These cases were reported through National Anti Corruption Hotline (NACH), Provincial Departments, some public entities and various Municipalities.

The Unit has identified a case management system which will be implemented in January 2010. In order to make a success of the case management system, Departments are urged to provide information on departmentally investigated cases. Efforts were made to compel the Departments to comply with section 85(1)(a) of the PFMA with no success. Failure to comply with this requirement also impairs on the maintenance of a complete provincial risk profile and the development of fraud prevention strategies which have to be informed by the results of fraud risk assessments.

The Provincial Cabinet approved a Provincial Anti-Fraud/Corruption Strategy for implementation. This strategy is now in place with effect from November 2008.

### Analysis of constraints and measures planned to overcome them

The current skills base in the unit is not aligned to the nature and scope of assignments required to be performed by the forensic team. This is exacerbated by the staff turnover rate due to competition of forensic auditors in the market.

The level of co-operation and input from various stakeholders affect adversely the span and quality of forensic work performed.

The lack of access to investigative IT tools (PERSAL, BAS, NATIS, CIPRO, ITC, inter alia) results in delays of obtaining information from third parties, and hence impacts on the achievements of the unit's outputs.

The Office of the Premier has not participated sufficiently to support this function in its endeavour to curb the scourge of fraud and corruption in the province. The level of their participation as a lead department in anti-fraud and corruption activities is not satisfactory.

The Unit has not been successful in maintaining a complete provincial database of forensic investigations conducted due to lack of co-operation by the provincial departments.

## Description of planned quality improvement measures

We have embarked on a recruitment process for the required skills. A training program has also been identified. Approval to access investigative IT tools (PERSAL, BAS, CIPRO, Deeds registry, NATIS, ITC Background searches, inter alia), is being considered. Efforts are being made to compel the Departments to comply with section 85(1)(a) of the PFMA with minimal success. A Case management tool, which will assist in managing and understanding the case load in an effective, efficient and economic manner, is in the process of being procured.

### Strategic objective annual targets: 2010/11

SUB-PROGRAMME 4.2.1:		Advisory Services (Forensic Audit)						
Strategic Objective	Strategic plan target	Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets		
		2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
To promote a culture of zero tolerance for fraud and corruption	Reviews on the status of fraud management	0	16	4	16	16	16	16
	Fraud risk assessment conducted	0	6	16	16	16	16	16
	Forensic audits performed and investigations	15	25	20	Per client request	Per client request	Per client request	Per client request
	Follow up reports	0	26	20	16	16	16	16

### Programme performance indicators and annual targets: 2010/11

SUB-PROGRAMME 4.2.2		Advisory Services(Forensic Audit)					
Performance Indicator	Audited / Actual Performance			Estimated performance 2009/10	Medium-term targets		
	2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
Number of reviews on the status of fraud management in the departments.	0	16	4	16	16	16	16
Number of Fraud risk assessment conducted.	0	6	16	16	16	16	16
Number of Forensic Audits performed and investigations as per clients requests and referrals from the Assurance team.	15	25	20	Per client request	Per client request	Per client request	Per client request
Number of follow up reports conducted	0	26	20	16	16	16	16

### Quarterly Targets 2010/11

SUB-PROGRAMME 4.2.2		Advisory Services (Forensic Audit)				
Programme performance Indicators	Reporting period	Annual target 2010/11	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
No. of reviews on the status of fraud management in the departments.	16	16	4	4	4	4
No. of Fraud risk assessment conducted	16	16	4	4	4	4
Number of Forensic Audits performed and investigations as per clients requests and referrals from the Assurance team.	Per client request	Per client request	Per client request	Per client request	Per client request	Per client request
Number of follow up reports conducted	16	16	4	4	4	4

### 4.3 Reconciliation of budget with plan

#### Summary of payments and estimates - Programme 4: Internal Audit

R thousand	Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	Audited 2006/07	Audited 2007/08	Audited 2008/09				2009/10	2010/11	2011/12
Assurance Services	20,382	28,833	29,628	42,334	36,943	33,216	44,460	47,262	49,619
Risk Management	13,469	24,301	40,756	35,897	29,897	25,406	38,174	41,037	43,085
<b>Total</b>	<b>33,851</b>	<b>53,134</b>	<b>70,384</b>	<b>78,231</b>	<b>66,840</b>	<b>58,622</b>	<b>82,634</b>	<b>88,299</b>	<b>92,704</b>

#### Summary of payments and estimates by economic classification - Programme 4: Internal Audit

R thousand	Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	Audited 2006/07	Audited 2007/08	Audited 2008/09				2009/10	2010/11	2011/12
<b>Current payments</b>	<b>33,281</b>	<b>52,375</b>	<b>70,180</b>	<b>77,401</b>	<b>65,999</b>	<b>58,059</b>	<b>81,669</b>	<b>87,010</b>	<b>91,390</b>
Compensation of employees	20,217	25,828	26,521	46,303	40,401	32,674	49,814	52,298	54,792
Goods and services	13,064	26,547	43,659	31,098	25,598	25,385	31,855	34,712	36,598
Interest and rent on land	-	-	-	-	-	-	-	-	-
<b>Transfers and subsidies to:</b>	<b>14</b>	<b>231</b>	<b>-</b>	<b>35</b>	<b>46</b>	<b>45</b>	<b>46</b>	<b>49</b>	<b>51</b>
Provinces and municipalities	14	-	-	-	-	-	-	-	-
Departmental agencies and accounts	-	39	-	35	35	35	46	49	51
Universities and technikons	-	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	2	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-	-	-
Households	-	190	-	-	11	10	-	-	-
<b>Payments for capital assets</b>	<b>556</b>	<b>528</b>	<b>197</b>	<b>795</b>	<b>795</b>	<b>518</b>	<b>919</b>	<b>1,240</b>	<b>1,263</b>
Buildings and other fixed structures	-	-	-	-	-	-	-	-	-
Machinery and equipment	556	528	197	795	795	518	919	1,240	1,263
Heritage assets	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Land and sub-soil assets	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-	-
<b>Payments for financial assets</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>33,851</b>	<b>53,134</b>	<b>70,384</b>	<b>78,231</b>	<b>66,840</b>	<b>58,622</b>	<b>82,634</b>	<b>88,299</b>	<b>92,704</b>

## 5. Programme 5: Growth and Development

### 5.1 Sub-Programme: Other Development Initiatives

#### 5.1 Sub-Programme: Other Developmental Initiatives

##### Specified Policies and Priorities

To provide for specific departmental approved events and initiatives not catered for in any other programs which will provide development for the province.

##### Programme performance indicators and annual targets: 2010/11

SUB-PROGRAMME 5.1	Other developmental Initiatives						
Performance Indicators	Audited / Actual Performance			Estimate 2009/10	Medium-term targets		
	2006/07	2007/08	2008/09		2010/11	2011/12	2012/13
Number of events coordinated successfully.	N/A	N/A	7	5	8	5	5

##### Quarterly Reports 2010/11

SUB-PROGRAMME 5.1	Other developmental Initiatives					
Performance Indicators	Reporting period	Annual target 2010/11	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
Number of events coordinated successfully.	Quarterly	8	2	2	2	2



## 5.2 Reconciliation of budget with plan

### Summary of payments and estimates - Programme 5: Growth and Development

R thousand	Outcome			Main Appropriation	Adjusted Appropriation 2009/10	Revised Estimate	Medium-term Estimates		
	Audited 2006/07	Audited 2007/08	Audited 2008/09				2010/11	2011/12	2012/13
Growth Fund	20,000	-	-	-	-	-	-	-	-
SMME Fund	215,000	-	-	-	-	-	-	-	-
Poverty Alleviation Fund	-	-	-	-	-	-	-	-	-
Other Developmental Initiatives	25,000	72,923	201,267	277,719	179,256	180,042	13,649	14,427	15,149
<b>Total</b>	<b>260,000</b>	<b>72,923</b>	<b>201,267</b>	<b>277,719</b>	<b>179,256</b>	<b>180,042</b>	<b>13,649</b>	<b>14,427</b>	<b>15,149</b>

### Summary of payments and estimates by economic classification - Programme 5: Growth and Development

R thousand	Outcome			Main Appropriation	Adjusted Appropriation 2009/10	Revised Estimate	Medium-term Estimates		
	Audited 2006/07	Audited 2007/08	Audited 2008/09				2010/11	2011/12	2012/13
<b>Current payments</b>	<b>25,000</b>	<b>51,360</b>	<b>38,126</b>	<b>127,719</b>	<b>19,610</b>	<b>20,396</b>	<b>13,649</b>	<b>14,427</b>	<b>15,149</b>
Compensation of employees	-	-	-	108,109	-	-	-	-	-
Goods and services	25,000	51,360	38,126	19,610	19,610	20,396	13,649	14,427	15,149
Interest and rent on land	-	-	-	-	-	-	-	-	-
<b>Transfers and subsidies to:</b>	<b>235,000</b>	<b>21,563</b>	<b>158,963</b>	<b>150,000</b>	<b>159,646</b>	<b>159,646</b>	<b>-</b>	<b>-</b>	<b>-</b>
Provinces and municipalities	-	21,563	158,963	150,000	159,646	159,646	-	-	-
Departmental agencies and accounts	-	-	-	-	-	-	-	-	-
Universities and technikons	-	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	235,000	-	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-	-	-
Households	-	-	-	-	-	-	-	-	-
<b>Payments for capital assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Buildings and other fixed structures	-	-	-	-	-	-	-	-	-
Machinery and equipment	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Land and sub-soil assets	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-	-
<b>Payments for financial assets</b>	<b>-</b>	<b>-</b>	<b>4,178</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>260,000</b>	<b>72,923</b>	<b>201,267</b>	<b>277,719</b>	<b>179,256</b>	<b>180,042</b>	<b>13,649</b>	<b>14,427</b>	<b>15,149</b>

## PART C: LINKS TO OTHER PLANS

KwaZulu-Natal Provincial Treasury as a department does not have long term infrastructure or capital plans.

