

KWAZULU-NATAL PROVINCIAL TREASURY



ANNUAL PERFORMANCE PLAN 2011/12



Introduction by the MEC for Finance

Moving towards a more prosperous South Africa underscores all initiatives of the KwaZulu-Natal government. With job creation topping the 2011 agenda, more innovative ways are required to ensure an environment conducive for the creation of more decent and sustainable jobs and poverty eradication.

The KwaZulu-Natal Treasury embraces the vision of reducing poverty by expanding social and economic opportunities for all citizens in the Province through financial education. The KwaZulu-Natal Financial Literacy Association, a joint partnership with the private sector, regulating bodies and sister departments, is coordinated by my Office – an initiative which will empower people to make informed and confident financial decisions.

This intervention and the combination of better employment and quality service delivery that reaches all citizens will certainly enhance our efforts to eradicate poverty. Meeting our targets and deadlines **effectively, economically and efficiently** will further increase confidence among potential investors and the public.

Trust is paramount where public money is involved and the KwaZulu-Natal Treasury has proven its commitment to spend taxpayers' money wisely. Due to effective cash management and elimination of wasteful expenditure, the provincial bank overdraft has been paid off and we are now enjoying a healthy positive bank balance. As pillars of good governance our austerity measures will remain in place. The KZN cost-cutting model is now being implemented by all national departments and other provinces.

This Annual Performance Plan for 2011/12 constitutes our pledge to further improve effective and equitable financial resource allocation for provincial government and to optimize and sustain budget management and accurate financial reporting by provincial departments, local governments and their entities.

The new Supply Chain Database is a substantive intervention to combat fraud and streamline the procurement process, enabling public institutions to spend their budgets fairly, transparently and responsibly. So are the other measures that the Provincial Treasury has put in place to assist in:

- **Spending on budget**
- **Obtaining Clean Audits**
- **Eliminating unnecessary costs**
- **Getting Value for Money: *Doing More With Less***
- **Dealing with corruption & deliberate wrongdoing**

The promotion of accountability and compliance through result-driven monitoring and evaluation is a clear step towards achieving the Provincial Treasury's vision to be ***THE centre of excellence in financial and fiscal management in South Africa.***

Honouring our promises enables our citizens to get their feet on the ladder of development - moving towards a more prosperous South Africa for all.



Ms CM Cronjé

MEC for Finance



Introduction by the Head of Department

The department remains committed to ensuring that public funds are optimally utilised. KZN Provincial Treasury is at the core of service delivery, as the citizens of the province expect that financial resources are adequately allocated and monitored in order to improve their standards of living.

Poverty alleviation is still an area focus for government. The ability of the province to create decent employment opportunities can only be realised if all provincial departments exercise prudent financial management.

The department has intensified programmes aimed at enforcing financial discipline in the province. The results are already visible. The province has improved its cash position, and has been cash positive since May 2010 to date, and indications are that it will remain cash positive for the foreseeable future. In order to sustain this, the department will continue to monitor the spending levels of all provincial departments and alert them whenever actual expenditure on a monthly basis seems to race ahead of the budget.

Treasury will continue its support to delegated municipalities in the province through its Municipal Support Programme (MSP). The number of municipalities that are supported through the MSP initiative has increased from 16 to 25, and this has had a positive effect on their audit outcomes.

As the champion of good governance, the department is clear on its commitment to ensuring that fraud and corruption are eliminated. We have successfully investigated all allegations of fraud and corruption presented to us. We will continuously increase our efforts in fighting fraud and corruption, as this ensures that our limited resources are channeled towards the delivery of services.

The department is well on its way to ensuring meaningful participation of previously disadvantaged individuals in the economy through the implementation of its revamped supplier's database system. Several proposals are also being considered on how to use the supply chain management arrangements to benefit enterprises owned by the previously disadvantaged members of our society.

As a department, we remain focused in ensuring that the departmental objectives and annual priorities respond to the needs of our stakeholders.

This annual plan reflects our commitments to our vision of being "the centre of excellence in financial and fiscal management in the country.



SL Magagula

Head of Department



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PART A: STRATEGIC OVERVIEW FOR THE DEPARTMENT

1. Updated situational analysis

The KwaZulu Provincial Government has a responsibility to provide community services to the people of the Province. Following the liquidity crisis and closure of many firms it meant 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. Creation of decent employment is a primary task of government. In the President's state of the nation address, government departments were urged to seriously consider creation of decent employment.

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. The KZN Treasury, as custodian of provincial fiscus, will work closely with departments that are entrusted with delivering infrastructure projects. This process will focus on identifying bottlenecks in the system – i.e. shortage of necessary skills and competencies in required technical fields, such as engineering and related fields.

The KZN Province is in the recovery process of the adversities of economic crises, therefore cash balances will be closely monitored. This has reference in spending patterns of the departments, municipalities and public entities going forward.

To ensure value for money, 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, and 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 discussions around the equitable share formula. Preparing a budget during unfavourable economic conditions is a difficult task. Although there are signs of economic recovery world-wide, the situation has not improved substantially enough to warrant an expansionary fiscal stance. Also, the South African economy seems to be lagging behind the world-wide recovery trajectory, and this means that revenue collection, which is a function of economic activity, will remain sluggish in the next two to three years, thus affecting the amount available to provinces in the form of equitable share. Also affecting the fiscal envelope in KwaZulu-Natal was the persistent overdraft position due to higher than budgeted expenditure for the past three financial years. It is pleasing to note that the province's various interventions, including the implementation of cost-cutting measures, has brought the province from an overdraft situation to a cash positive situation since May 2010.

It was nonetheless felt that it would be prudent to approach the 2011/12 MTEF with caution, especially with regard to resource allocation, as the final expenditure outcome for 2010/11 is not yet known. The strategy therefore is one of reprioritising the provincial baseline, in order to release money from existing programmes, to finance programmes that show serious budgetary pressures. The strategy has also been to find ways of improving the cash position through internal reprioritization of the existing baseline, implementation of a very



tight cashflow management regime, cost-cutting, as well as budgeting for a "surplus" in the next three years. This surplus is capped at some R948 million per annum over the 2011/12 MTEF (whereas it was set to grow to in excess of R2 billion). The funds released from capping the budget surplus, and from various other provincial reprioritisations, have been directed to funding various provincial priorities, as well as absorbing the negative impact that updates to the data informing the equitable share, as well as changes to the structure of the equitable share formula, have had on the provincial equitable share. The budget surplus is intended to protect the provincial fiscus from any unforeseen fiscal shocks that may occur.

The realisation of the budget surplus will depend on two things, going forward. First, it will depend on whether the public service wage agreement remains within budget in the years ahead. Second, the province needs to strictly adhere to the cost-cutting measures approved by Cabinet, and to internalise these measures as a way of doing business as they are really just elements of good governance. These measures therefore remain in place for the foreseeable future and are listed below:

- Essential training be done in-house (exceptions to be approved by the HOD);
- Overseas trips be rationalised;
- Business class travel only for MECs and HODs (and MPLs, where applicable);
- Car hire bookings – class of vehicle to be lowered;
- Catering for meetings be stopped;
- Kilometer controls be implemented on travelling (1750 kilometers per month per official unless there are exceptional circumstances – the exceptions should be approved by the HOD);
- Officials to travel together unless absolutely unavoidable;
- Only essential trips be undertaken;
- Meetings, strategic planning sessions and workshops to be held in departments' offices instead of private venues. Some departments continue to ignore this restriction, and infringements will be reported to Cabinet;
- Air travel be limited to important meetings with only one representative to attend on behalf of the department, unless otherwise required;
- No team building exercises or year-end/ Christmas functions (only permitted if paid for by the staff themselves);
- Cut down on unnecessary overnight accommodation. Staff to sleep over only if the total distance to and from the destination is more than 500 kilometers;
- Where there are one-day meetings in other provinces, officials must travel there and back on the same day (where possible);
- No promotional items to be purchased (t-shirts, caps, bags, etc). Note that this includes 2010 World Cup items as well as match tickets as set out in Circular PT (14) of 2009/10;
- No leave conversion payments (leave to be taken). Note that this only applies to current leave cycles and does not apply to leave gratuities payable on retirement (including ill-health retirement) and resignation as well as the conversion of leave for long service (20 and 30 years);
- Strict control of overtime;
- Re-evaluate the hosting of provincial events; and
- Re-evaluate cell phone spending (including capping monthly spending per phone).



Municipal Support unit: Lack of credibility of municipal budgets and other financial information supplied by the municipalities to the Municipal Finance Unit and National Treasury compromises the ability of Municipal Finance to provide accurate analysis of municipality's financial state of affairs and thus impact on the relevant and timeous support to be provided to municipalities. This is exacerbated by a lack of financial management capacity at municipalities, manipulation of financial information and lack of integrated financial reporting system. The current budget allocation continues to limit the engagement of the Municipal Support Program to few municipalities and the Municipal Finance Unit itself faces capacity constraints. It is acknowledged that significant strides have been made in addressing capacity issues in the Municipal Finance Unit through the approval of the expanded structure, however, unless all vacant posts are filled and capacity is strengthened, the Municipal Finance Unit will continue to be compromised in providing a more constructive and intensified support to municipalities and thus the realisation of its strategic objectives.

Programme 3: Financial management

Financial management unit is responsible for all financial management issues in provincial departments, municipalities and public entities.

Financial Reporting: A major challenge within the unit is the lack of staff with appropriate technical and financial management skills and experience. To obviate this constraint, three Assistant Manager posts at the level of Trainee Ranks have been advertised to recruit potential candidates with the relevant qualifications but not necessarily the requisite experience. It is anticipated that on-the-job training will alleviate the skills and experience deficit.

Public Private Partnerships: The Launch of the Big Five Hospital PPPs marks a turning point for Public Health in 2010. In the 2010 State of the Nation address, the President announced the implementation of an extensive PPP programme for five public hospitals across the country. The PPP unit is assisting the KwaZulu-Natal Department of Health in providing financial and technical support for King Edward VIII Hospital PPP project in terms of a memorandum of understanding to that effect.

The majority of South African schools are without key modern education inputs such as libraries, laboratories, and computers. Despite increases in education infrastructure spending because of the huge need, large backlogs persist. Recognising the infrastructure procurement and management overload at provincial levels, the KZN Department of Education is investigating the best method of procuring education infrastructure through a PPP in terms of Treasury Regulation 16 to the Public Finance Management Act, 1999 (PFMA). The PPP unit is assisting the department in this endeavour.

The unit has highlighted a need to review the unit's organisational and post establishment structure, as it is experiencing various strategic and operational challenges with the authorised organisational and post establishment structure. Subsequently, the service delivery model was reviewed from a functional to a divisional model. The organisational design report and the post establishment structure were approved for implementation. The PPP unit has already filled two out of five new additional posts that were created and is in the process of filling the remaining three posts.

Supply Chain Management: The implementation of Supply Chain management currently occupies a centre in the context of the ongoing financial management reform process in the public sector. The Provincial Supply Chain Management Unit is strategically required to establish and maintain the link between financial management reforms and procurement processes. In the spirit of transforming the service delivery, the Unit has in the current financial year been focusing on the following projects:



1. Comprehensive compliance assessment for both departments and municipalities

This assessment was aimed at evaluating the level of implementation of supply chain management and the nature of intervention required. A plan of action has been put in place to assist departments and municipalities who are experiencing challenges in meeting the targets.

2. Provincial Supplier's Database

Departments have been experiencing challenges in terms of being able to access suppliers' database and to retrieve accurate information for the allocation of preference points. Furthermore, proper spend analysis for departments could not be retrieved. A new system has been introduced to address the above-mentioned challenges. The new system has been in operation since September 2009.

3. Contract management

It has been established that none of the municipalities and provincial departments in KZN have a contract management system in place, with the exception of one department. As a result of poor contract management, most suppliers are failing to meet their contractual obligations in terms of projects execution, yet they still claim full payments from the government. This unit is in the process of developing a contract database to actively monitor and manage contract performance. This system will assist in ensuring that suppliers of similar services / goods are subject to consistent, standardised and fair performance measures.

4. Bid Appeals Tribunal for Municipalities

It is important to note that many cases of fraud and corruption often go unnoticed due to the fact that there is no mechanism in place that allows for the public to question and these practices. The provincial SCM Unit has already consulted with the management of municipalities in the province regarding the proposed mechanism to deal with objections and complaints.

5. Strategic Sourcing

The ongoing challenge of fraud and corruption through price inflation has necessitated a review on how we procure goods and services. We need to continuously monitor suppliers quoted prices against market prices for different goods and services procured by government departments. In response to the above, Provincial Treasury is entering into a partnership agreement with eThekweni Municipality to assist in the implementation of strategic sourcing. This system/ methodology makes use of market research and value chain analysis to assist in the negotiation of price with suppliers. It is anticipated that the first phase of this project will be completed by 31 March 2011 and the 2nd phase by 30 November 2012.

6. BBBEE Verification Process

During the third quarter of 2010/11, DEDT embarked on a verification process whereby all provincial government departments, organs of state and public entities were to be measured in terms of their economic status as BBBEE contributors. It is of great concern that, though Provincial Treasury has spent a substantial amount in the past financial year on BEE entities, this could not be accounted for in the said verification process. This is due to the fact that the relevant service providers failed to submit their BBBEE certificates and they could not be compelled to do so since there has not been a directive issued for them to do so.

7. Limitations/ Threats

Certain factors still remain an issue or impediment for the unit to properly discharge its mandate, these include amongst other things:

- Non-alignment of SCM legislation, lack of understanding of SCM legislation and procedures by stakeholders hence non-compliance;
- Secondment of SCM Management to other departments is a huge set back to the achievement of SCM targets in terms of operational plan;



- New staff employed will provide relief but there would be more time spent on training or mentoring. Most of the municipalities do not have proper functioning database as required by their SCM policy and this is hindering our efforts in ensuring that the municipalities are fully compliant.

Programme 4: Internal audit

The internal Audit Unit is responsible for providing a shared Internal Audit and advisory function to provincial departments and certain public entities as well as a support function to municipalities in the province. With the increased focus on governance and the elimination of fraud and corruption the Internal Audit unit's focus is to proactively detect and report on these matters.

The following outlines some of the challenges that the unit is currently experiencing.

- There is a high demand for specialised audit, risk management as well as forensic audit skills in the province which has contributed to vacancies in the unit. Although the unit has successfully implemented the accelerated programme, there is still a need for skills in specific specialised areas.
- There is inadequate co-ordination of forensic investigations in KZN which adversely affects the ability of the provincial Audit and Risk Committee to exercise its oversight function. Some departments conduct forensic investigations and the outcome thereof is not communicated to Provincial Treasury.
- Increased reliance on IT without an adequate governance framework could expose the client departments to potential risks associated with business continuity.

1.2 Organisational Environment

Programme 1 (one) - Administration

Programme 1 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, Chief Financial Office and Human Resource Management.

Programme 2 (two) – Fiscal Resource Management

This programme is responsible for providing budgeting and reporting 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 Liability Management, Public Private Partnerships, Supply Chain Management, Financial Reporting, Norms and Standards and Supporting and Interlinked Financial Systems.

Programme 4 (four) – Internal Audit

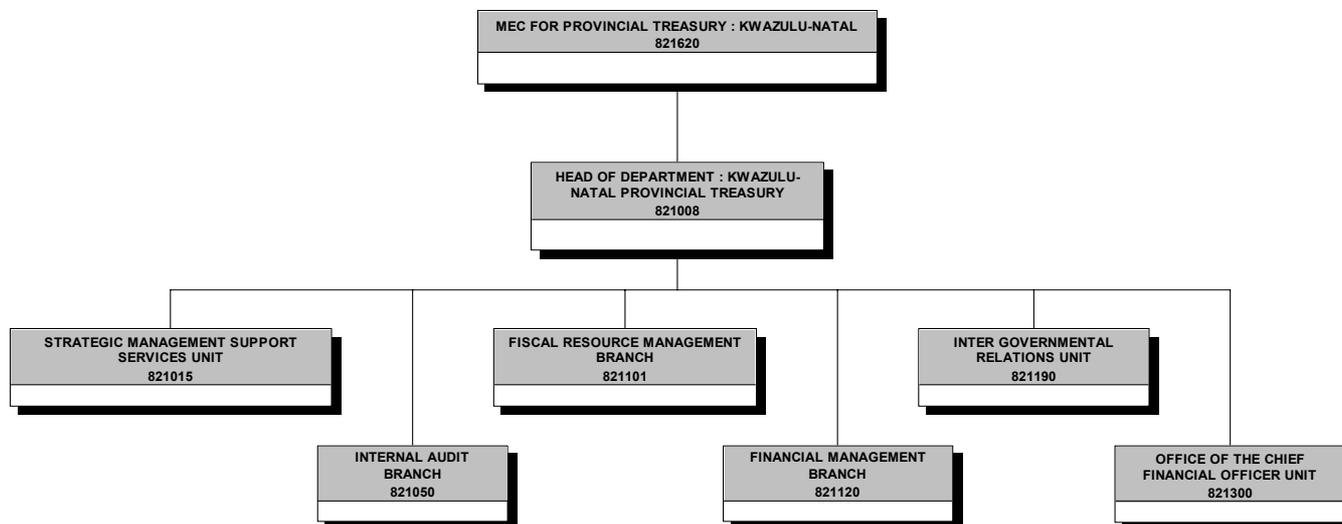
This programme is responsible for providing Internal auditing services in the province. The sub-programmes under this programme are Assurance Services, Risk Management and Forensic Services.

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 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 (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:

- to establish a national treasury,
- to introduce generally recognised accounting practices,
- to introduce uniform treasury norms and standards,
- to prescribe measures to ensure transparency and expenditure control in all spheres of government, and
- 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 are 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:
 - compliance with the MFMA by municipalities and municipal entities in the province;
 - the preparation by municipalities in the province of their budgets;
 - the monthly outcome of those budgets; and
 - the submission of reports by municipalities in KZN 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

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 co-ordination in the implementation of policy and legislation:

- 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 No. 1 of 1999, as amended by Act No. 29 of 1999).



3. Overview of 2011/12 budget and MTEF estimates

3.1 Expenditure estimates

Summary of payments and estimates by programme

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2007/08	2008/09	2009/10				2010/11	2011/12	2012/13
1. Administration	69 814	75 946	74 988	92 592	94 339	73 798	99 861	100 606	105 996
2. Fiscal Resource Management	53 141	60 965	52 394	66 442	68 076	57 141	72 236	75 602	79 732
3. Financial Management	130 633	285 003	238 920	385 320	379 320	161 828	262 595	270 949	279 977
4. Internal Audit	53 134	70 384	68 687	82 634	82 634	82 473	89 270	93 619	98 718
5. Growth and Development	72 923	201 267	178 913	13 649	68 131	68 131	12 524	12 382	26 341
Total	379 645	693 565	613 902	640 637	692 500	443 371	536 486	553 158	590 764

Note: Programme 1 includes MEC remuneration: Salary: R1 491 514

Summary of payments and estimates by economic classification

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2007/08	2008/09	2009/10				2010/11	2011/12	2012/13
Current payments	339 940	518 784	448 045	636 225	636 524	388 507	531 943	548 493	585 678
Compensation of employees	83 394	94 485	102 117	154 864	138 786	118 632	166 702	176 334	185 202
Goods and services	256 546	285 916	243 670	246 361	274 738	254 368	265 241	272 159	300 476
Interest and rent on land	-	138 383	102 258	235 000	223 000	15 507	100 000	100 000	100 000
Transfers and subsidies to:	22 200	160 861	162 566	495	51 974	51 737	1 510	1 600	1 690
Provinces and municipalities	21 563	158 963	159 646	-	50 229	50 229	-	-	-
Departmental agencies and accounts	130	-	-	145	145	-	-	-	-
Universities and technikons	-	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	14	-	-	-	-	-	-	-	-
Non-profit institutions	-	3	-	-	-	-	-	-	-
Households	493	1 895	2 920	350	1 600	1 508	1 510	1 600	1 690
Payments for capital assets	16 716	9 644	3 291	3 917	3 917	3 043	3 033	3 065	3 396
Buildings and other fixed structures	-	-	-	-	-	-	-	-	-
Machinery and equipment	7 686	9 094	3 155	3 817	3 817	3 043	3 033	3 065	3 396
Heritage assets	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Land and sub-soil assets	-	-	-	-	-	-	-	-	-
Software and other intangible assets	9 030	550	136	100	100	-	-	-	-
Payments for financial assets	789	4 276	-	-	85	84	-	-	-
Total	379 645	693 565	613 902	640 637	692 500	443 371	536 486	553 158	590 764

3.2 Reconciling expenditure trends to strategic goals

- The allocation made to Programmes 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	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2007/08	2008/09	2009/10				2010/11	2011/12	2012/13
Provincial allocation	518 279	522 072	626 623	640 637	640 637	640 637	536 486	553 158	590 764
Conditional grants	-	-	-	-	1 634	1 634	-	-	-
<i>Education and Health Infrastructure grants</i>	-	-	-	-	1 634	1 634	-	-	-
Total	518 279	522 072	626 623	640 637	642 271	642 271	536 486	553 158	590 764
Total payments	379 645	693 565	613 902	640 637	692 500	443 371	536 486	553 158	590 764
Surplus/(Deficit) before financing	138 634	(171 493)	12 721	-	(50 229)	198 900	-	-	-
Financing									
<i>of which</i>									
Provincial roll-overs	10 280	11 252	-	-	-	-	-	-	-
Provincial cash resources	50 105	36 815	(103 174)	-	50 229	50 229	-	-	-
Surplus/(deficit) after financing	199 019	(123 426)	(90 453)	-	-	249 129	-	-	-

Details of departmental receipts

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2007/08	2008/09	2009/10				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	119	205	161	149	149	176	177	195	215
Transfers received	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	-	-	-	-	-	-	-	-	-
Interest, dividends and rent on land	156 402	14 509	7 584	4 584	4 584	22 045	6 750	7 425	8 168
Sale of capital assets	-	-	-	-	-	636	-	-	-
Transactions in financial assets and liabilities	400	843	2 136	2 235	2 235	1 707	1 921	2 113	2 324
Total	156 921	15 557	9 881	6 968	6 968	24 564	8 848	9 733	10 707



PART B: PROGRAMME AND SUB-PROGRAMME PLANS

1. PROGRAMME 1: ADMINISTRATION

1.1	Sub-Programme:	Office of the MEC
1.2	Sub-Programme:	Head of Department
1.3	Sub-Programme:	Chief Financial Office
1.4	Sub-Programme:	Human Resource Management

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 leadership and guidance to all provincial departments and municipalities on the finances of the province as enshrined in the relevant prescripts and policies e.g. PFMA and 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. The Office of the MEC engages extensively with various stakeholders in the co-ordination and planning of community based events in order to ensure wide consultation for effectiveness and efficiency of the Provincial Treasury programmes and service delivery;
- Provision of well researched information and data to enhance and add credibility in the speeches and other pertinent issues relevant to the MEC for Finance;
- Provision of relevant effective and efficient ministerial support which is of an administrative nature, parliamentary liaison, public relations, etc.;
- Building and maintenance of a positive image of the department and the MEC through effective internal and external communications; and
- Provision of a safe and secure environment to departmental employees and the MEC.

The Office of the MEC's mandate 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.

Progress Analysis

The Ministry is constrained by the general cost-cutting measures as supported by the following:

- Some posts are vacant, e.g. receptionist, driver, messenger, Deputy Manager: Internal Communications.
- Our communication with public and stakeholders is limited and cannot be as regular and broad as desired. The use of electronic media is expensive, and the department relies more on print media and misses other audiences that could be accessed by electronic media.

- Staff training is also constrained and limited to only in-house, while the nature of the ministry demands for training in specific areas that can best be handled by outside service providers – e.g. protocol, communications web design, events management, etc.

Measures to overcome constraints

- Vacant Posts – Functions are distributed and shared among the existing staff.
- Electronic Media – Occasionally, the MEC and Senior officials are featured in electronic media.
- Partnership with other departments to hire service provider to deliver in-house training to reduce costs.

Description of planned quality improvement measures

Ministry is discussing with management to regard some vacant posts as critical and authority is sought to fill them. To increase the impact in community outreach programmes, the ministry is initiating joint public events with related departments.

Strategic objective annual targets: 2011/12

Sub-programme: 1.1	Office of the MEC							
	Strategic plan target	Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets		
		2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
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	New	New	100%	N/A	4	4	4
	To attend 90% of Provincial Cabinet and Legislature meetings scheduled	New	New	100%	N/A	40	40	40
	No. of publications	6	3	7	6	4	4	4
	Free publicity (news bulletins and articles)	20	90	155	20	90	90	90
	Media briefings on service delivery	3	11	7	3	4	4	4

Programme performance indicators and annual targets: 2011/12

Sub-programme: 1.1	Office of the MEC							
	Performance indicator	Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets		
		2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
95% attendance of scheduled Budget Council Meetings	New	New	100%	4	4	4	4	
90% attendance of Provincial Cabinet and Legislature meetings scheduled	New	New	100%	40	40	40	40	
No. of publications	6	3	7	4	4	4	4	
Free publicity(news bulletins and articles):	20	90	155	90	90	90	90	
Media briefings on service delivery	3	11	7	4	4	4	4	

Quarterly targets: 2011/12

Sub-programme: 1.1	Office of the MEC					
	Reporting period	Annual target 2011/12	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
95% of scheduled Budget Council Meetings – National	Monthly	4	1	1	1	1
90% attendance of Provincial Cabinet and Legislature meetings scheduled	Monthly	40	10	10	10	10
No. of publications	Monthly	4	1	1	1	1
Free publicity (news bulletins and articles)	Monthly	90	20	20	20	30
Media briefings on service delivery	Monthly	4	1	1	1	1

1.2 Sub-Programme: 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 ensure that the department's statutory strategic planning, reporting and performance management processes are in place;
- To ensure that departmental outputs are achieved and to strengthen Treasury's intra- and inter-governmental relations; and
- To represent the province on the national budget council.

Progress Analysis

- The confirmation of the Head of Department and his continuous attendance at all budget council meetings and Lekgotla meetings has ensured the provision of the required strategic direction to KZN Provincial Treasury.
- All vacant positions in the office of the HOD have been filled. This has resulted in the provision of efficient administrative services to the HOD.
- The sub-programme has timeously submitted all budget performance reports to the Cabinet.

Analysis of constraints and measures planned to overcome them

There were no serious constraints which really impacted on the HOD Office's ability to deliver on its mandate. The programme has coped and performed efficiently within its ever demanding environment.

Description of planned quality improvement measures

The IGR unit will develop protocols and policies on the handling of Cabinet memoranda and resolutions. The interaction with various inter-departmental and inter-governmental bodies and institutions will be strengthened. A mechanism will be put in place to monitor the effectiveness of these interactions.

Strategic objective annual targets: 2011/12

Strategic Objective	Strategic Plan Target	Head of Department						
		Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets		
		2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
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	6 Quarterly Budget performance report to Cabinet	4 Quarterly Budget performance report to Cabinet	4 Quarterly Budget performance report to Cabinet	4 Quarterly Budget performance report to Cabinet	4 Quarterly Budget performance report to Cabinet
	To represent KZN on national budget council (5 meetings per year)	New	New	9 meetings per financial year	5 meetings per financial year	5 meetings per financial year	5 meetings per financial year	5 meetings per financial year
	Render IGR support services to the MEC and department	New	New	New	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	12 Cabinet Economic and Technical Cluster meetings and reports

Programme performance indicators and annual targets: 2011/12

Sub-programme: 1.2	Head of Department						
	Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets		
	2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
Cabinet memoranda on budget performance approved by the MEC and tabled at Cabinet per quarter	New	New	6 Quarterly Budget performance report to Cabinet	4 Quarterly Budget performance report to Cabinet	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	9 meetings per financial year	5 meetings per financial year	5 meetings per financial year	5 meetings per financial year	5 meetings per financial year
Render IGR support services to the MEC and Department	New	New	New	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	12 Cabinet Economic and Technical Cluster meetings and reports

Quarterly targets: 2011/12

Sub-programme 1.2	Head of Department					
	Reporting period	Annual target 2011/12	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
Render IGR support services to the MEC and Department	Quarterly	12 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	3 Cabinet Economic and Technical Cluster meetings and reports	3 Cabinet Economic and Technical Cluster meetings and reports

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 statutory requirements.

Progress Analysis

The Chief Financial Office continued to provide financial management support to all programmes within Treasury. The Annual Financial Statements were prepared and submitted to the Office of the Auditor-General for audit within two months of the end of the financial year 2009/10 as prescribed by PFMA. The action plan on audit queries raised in the report was distributed to all affected units within Treasury for implementation. The CFO is continually monitoring the implementation of the recommendations as recommended by the Auditor-General.

The Annual Report was compiled timeously with all required information in line with the PFMA. The office also completed the 5-year strategic plan which was completed and tabled on 8th April 2010. The Chief Financial Office continued to maintain an asset register in respect of all asset acquisitions, and disposals in the form of a cell-phone auction and a motor vehicle auction. The department continues to contribute towards the provincial cash recovery plan. Restructuring resulted in creation of new sections, namely Logistics and Contract Management, Budget Planning and Reporting, Strategic Management Support, Revenue and Systems Control and Internal Control and Risk Management. New posts were created to increase capacity within various sections of the CFO.

Analysis of constraints and measures planned to overcome them

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 the allocated budget to core services only. The shortage of skilled personnel, especially in accounting and financial management, remained a challenge in the year under review.

Description of planned quality improvement measures

The unit is planning to fill vacant posts to ensure its full operational efficiency level is attained. The unit will continue to implement cost-cutting measures as indicated in the cost-cutting circular in the next financial year.

Strategic objective annual targets: 2011/12

Sub-programme 1.3		Chief Financial Office						
Strategic objective	Strategic plan target	Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets		
		2007/08	2008/09	2009/10		2011/12	2011/12	2013/14
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	9	9	9	9	9	9	9
	Compile MTEF and Strategic planning documents (Budget Statement & APP)	New	New	New	4	4	4	4
	Provide legislative financial reports (IYM X 12, AFS X 1, QPR X 4)	New	New	New	18	18	18	18
	SCM compliance reports	New	New	New	12	12	12	12
	Updated asset register – Asset counts	New	New	2	2	2	2	2

Programme performance indicators and annual targets: 2011/12

Sub-programme 1.3	Chief Financial Office						
Performance indicators	Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets		
	2007/08	2008/09	2009/10		2011/12	2011/12	2013/14
Number of Finance meetings held with RMs, PMs.	9	9	9	9	9	9	9
Compile MTEF and Strategic planning documents (Budget statement & APP)	New	New	New	4	4	4	4
Provide legislative financial reports (IYM X 12, AFS X 1, 4 QPR, 1 X annual report)	New	New	New	18	18	18	18
No. of SCM compliance reports generated	New	New	New	12	12	12	12
Number of asset verification exercises	New	New	2	2	2	2	2

Quarterly targets: 2011/12

Sub-programme 1.3	Chief Financial Office					
Programme performance indicators	Reporting period	Annual target 2010/11	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
Number of Finance meetings held with RMs, PMs.	Monthly	9	1	3	2	3
Compile MTEF & Strategic planning documents (Budget statement & APP)	Annually	4	1	1	1	1
Provide legislative financial reports (IYM X 12, AFS X 1, QPR X 4, 1 X Annual Report)	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

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 organisational 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

- Human Resources Management and Development received a clean audit on job evaluation as well as bursary administration from assurance services.
- The sub-programme also managed to create a back up facility for all job evaluation related information.
- All of the departmental information on PERSAL is 100% compliant with NMIR.
- The Provincial Treasury was the first department in the province to fully comply with SARS requirements in terms of all employees having tax numbers and correct personal information – i.e. addresses captured on PERSAL.
- The sub-programme has increased the number of informed employees on all human resource issues through the implementation of business unit specific information seminars.
- It has exceeded the target on the review and development of HR policies.
- The Department of Public Service and Administration has commended this sub-programme for well thought of HR strategies and the implementation of the HR plan.
- It has introduced in-house learning networks as a strategy to deal with training budgetary constraints.
- It has increased in the number of employees who are attending the employee wellness clinic, with a noticeable increase in male employees due to continuous awareness campaigns. The number of employees who undergo total health screening has also increased due to awareness programmes.
- The unit has developed its own database for people with disabilities and had forged partnership with academic institutions in this regard; this has resulted in a slight increase in the employment of people with disabilities.

Analysis of constraints and measures planned to overcome them

- High staff turnover within Internal Audit remains a challenge – restructuring of the internal audit components is expected to mitigate the risk coupled with the implementation and monitoring of the accelerated development programme.
- Ongoing structural reviews resulting in high vacancy rates – non creation of unfunded posts on PERSAL.
- Achievement of employment equity for women in management – establishment of other women empowerment initiatives.

Description of planned quality improvement measures

- Continuous implementation of service commitment charter.
- Use of in-house expertise to create capacity for presiding and investigating officers.
- Enhance compliance with HR prescripts through information seminars.



Strategic objective annual targets: 2011/12

Sub-programme: 1.4		Human Resource Management						
Strategic objectives	Strategic Plan Target	Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets		
		2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
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	100%	100%	99%	100%	100%	100%	100%
	Number of HR Seminars	8 sessions	8 sessions	11 sessions	8 sessions	12 sessions	12 sessions	12 sessions
	Number of EWP seminars	12 information seminars	4 information seminars	7 information seminars	4 information seminars	4 information seminars	4 information seminars	4 information seminars
	Number of policies developed/ Review	12 policies and 8 seminars	8 policies and 8 seminars	15 policies and 10 seminars	8 policies and 8 seminars	8 policies	8 policies	8 policies
	% achieved from the Human resource plan, and workplace skills plan	100%	100%	HR plan 96% Workplace skills plan 98% Employee Equity Plan 92%	100%	100%	100%	100%

Programme performance indicators and annual targets: 2011/12

Sub-programme: 1.4		Human Resource Management						
Performance Indicators	Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets			
	2007/08	2008/09	2009/10		2011/12	2012/13	2013/14	
% of HR services completed as per HR Charter	100%	100%	99%	100%	100%	100%	100%	
Number of HR Seminars	8 sessions	8 sessions	11 sessions	8 sessions	12 sessions	12 sessions	12 sessions	
Number of EWP seminars	12 information seminars	4 information seminars	7 information seminars	4 information seminars	4 information seminars	4 information seminars	4 information seminars	
Number of policies developed/ Review	12 policies and 8 seminars	8 policies and 8 seminars	15 policies and 10 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%	Human resource plan 96% Workplace skills plan 98% Employee Equity Plan 92%	100%	100%	100%	100%	

Quarterly targets: 2011/12

Sub-programme: 1.4		Human Resource Management					
Programme performance Indicators	Reporting period	Annual target 2011/12	Quarterly targets				
			Quarter 1	Quarter 2	Quarter 3	Quarter 4	
% OF HR services as per HR Charter	Quarterly	100%	100%	100%	100%	100%	
Number of HR seminars	Quarterly	8 sessions	2 sessions	2 sessions	2 sessions	2 sessions	
Number of EWP seminars	Quarterly	4 information seminars	1 information seminar	1 information seminar	1 information seminar	1 information seminar	
Number of policies developed/ Review	Quarterly	8 policies and 8 seminars	2 policies and 2 seminars				
% achieved from the Human resource plan, and workplace skills plan	Quarterly	100%	100%	100%	100%	100%	

1.5 Reconciliation of budget with plan

Summary of payments and estimates - Programme 1: Administration

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2007/08	2008/09	2009/10				2010/11	2011/12	2012/13
Office of the MEC	29 803	31 375	26 697	29 176	29 176	22 645	27 585	29 318	30 871
Head of the Department	5 750	6 350	5 716	7 392	7 392	5 811	7 916	8 287	8 738
Chief Financial Office	11 122	11 192	10 313	19 067	19 067	13 189	24 176	20 979	22 125
Human Resource Management	6 226	8 383	8 977	12 078	12 078	9 754	12 786	13 491	14 225
Corporate Services	16 913	18 646	23 285	24 879	26 626	22 399	27 398	28 531	30 037
Total	69 814	75 946	74 988	92 592	94 339	73 798	99 861	100 606	105 996

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

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2007/08	2008/09	2009/10				2010/11	2011/12	2012/13
Current payments	66 455	72 304	72 734	90 673	92 420	72 177	98 076	98 696	103 957
Compensation of employees	23 684	28 849	29 965	39 430	39 430	34 850	42 471	44 837	46 999
Goods and services	42 771	43 455	42 769	51 243	52 990	37 327	55 605	53 859	56 958
Interest and rent on land	-	-	-	-	-	-	-	-	-
Transfers and subsidies to:	130	1 769	1 788	387	387	258	210	230	240
Provinces and municipalities	-	-	-	-	-	-	-	-	-
Departmental agencies and accounts	37	-	-	37	37	-	-	-	-
Universities and technikons	-	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Non-profit institutions	-	3	-	-	-	-	-	-	-
Households	93	1 766	1 788	350	350	258	210	230	240
Payments for capital assets	2 440	1 873	466	1 532	1 532	1 363	1 575	1 680	1 799
Buildings and other fixed structures	-	-	-	-	-	-	-	-	-
Machinery and equipment	2 440	1 860	466	1 532	1 532	1 363	1 575	1 680	1 799
Heritage assets	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Land and sub-soil assets	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	13	-	-	-	-	-	-	-
Payments for financial assets	789	-	-	-	-	-	-	-	-
Total	69 814	75 946	74 988	92 592	94 339	73 798	99 861	100 606	105 996

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 the programme

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

2.1 Sub-Programme: Programme Support

Progress Analysis

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

- The literature review on "What Makes Education Work";
- A synthesis of statistical data and qualitative research on education in the province entitled "The State of Education in KwaZulu-Natal";
- A map of schools in the province, detailing key variables related to teachers, learners, schools and districts; and
- A set of recommendations and costing based on the study, entitled "Policy recommendations: Improving the quality of education in KwaZulu-Natal".

Analysis of constraints and measures planned to overcome them

The project was successful in terms of addressing the deterioration of the quality of education in KZN and interventions that can be implemented to improve the situation, however, the finalisation of the research took longer due to following:

- The prolonged teachers strike;
- The difficulty of obtaining accurate data; and
- The excessive time consumed in obtaining qualitative data by interviewing fifty school principals.

Regardless of the above constraints, three papers were produced from this research entitled:

- What makes education work?
- The State of Education in KwaZulu-Natal.
- Policy recommendations: Improving the quality of Education in KwaZulu-Natal.

The recommendations are listed below:



- **Policy Recommendation 1:** Increased staff resources for improved data quality (EMIS and SA-SAMS).
- **Policy Recommendation 2:** Comprehensive, publicly accessible and up to date information for schools in KwaZulu-Natal.
- **Policy Recommendation 3:** Short course on planning for quality education in KwaZulu-Natal.
- **Policy Recommendation 4:** High level co-ordinating committees on human resource development, with a specific focus on teachers.
- **Policy Recommendation 5:** Prioritise clear and specific job descriptions that respond to the challenges at a district level.
- **Policy Recommendation 6:** Establish research community engaged in researching education in KZN.
- **Policy Recommendation 7:** Language of learning and teaching (LOLT).
- **Policy Recommendation 8:** Research on the effectiveness of consolidating rural schools.
- **Policy Recommendation 9:** Research and evaluation unit on curriculum, pedagogy and assessment.
- **Policy Recommendation 10:** Improve PPN and RAM.

Description of planned quality improvement measures

The unit is also planning a 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: 2011/12

Sub-programme: 2.1	Programme Support							
	Strategic Plan Target	Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets		
		2007/08	2008/09	2009/10		2011/12	2010/13	2013/14
Provide strategic leadership to the Fiscal Resource Management Division	N/A	N/A	One research paper partly completed – Education sector	Preliminary recommendations finalised, being validated through an Econometric model	One research paper – Health sector	One research paper	Nil	Nil

Programme performance indicators and annual targets: 2011/12

Sub-programme: 2.1	Programme Support							
	Performance Indicator	Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets		
		2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
Approved and Implementable policy interventions	N/A	N/A	One research paper partly completed – Education sector	One research paper – Health sector	One research paper	Nil	Nil	Nil

Quarterly targets: 2011/12

Sub-programme: 2.1	Programme Support						
	Programme performance Indicators	Reporting period	Annual target 2011/12	Quarterly targets			
				Quarter 1	Quarter 2	Quarter 3	Quarter 4
Approved and Implementable policy interventions	Quarterly	One research paper	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: Economic Analysis

Progress Analysis

In addressing the challenges, the unit has established a relationship with few local and district municipalities and conducted a survey to find out their economic needs within their municipalities. The unit has visited ILembe District Municipality and Umkhambathini local municipality. The unit has attended several forums and workshops for IDPs and undergone training in connection with the compilation of the municipalities' IDPs. To address provincial challenges, the unit compiled socio-economic profiles for different district municipalities to highlight indicators that need more attention in different district, as well as districts that need more attention in crucial spheres of service delivery. The information about spheres of service delivery has been published in the Overview of Provincial Revenue and Expenditure (OPRE).

The main focus is to ensure that the KwaZulu-Natal budget addresses the economic challenges confronted by the province, to assist the municipalities in the collection, analysis and interpretation of data within the local municipalities, and to be involved in IDPs.

Analysis of constraints and measures planned to overcome them

The major constraints faced by the unit are:

- Shortage of staff.
- Inconsistency of data at local municipality levels.

To overcome these constraints the unit plans to:

- Fill in the vacant posts
- Work with municipalities to assist in collection of data and profiling.

Description of planned quality improvement measures

Collaboration with other government departments has been established to share information on data, research and other major concerns in the field of economics and economic research. Ongoing training for the existing official is done to ensure their up-to-date competence. Collaboration with Department of Economic Development and Tourism will be established to train municipalities in profiling and data analysis.

Strategic objective annual targets: 2011/12

Sub-programme: 2.2.1	Economic Analysis							
	Strategic Plan Target	Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets		
		2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
To determine and evaluate economic parameters and socio-economic imperatives to inform provincial and local resource allocation	11 district municipality economic profile	New	New	New	Capacitate municipalities and develop socio-eco profile	All 11 chapters of comprehensive economic analysis	All 11 chapters of comprehensive economic analysis	All 11 chapters of comprehensive economic analysis
	Input into OPRE (previously Budget Statement 1) on time for tabling	New	New	New	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	New	New	New	Publication of research papers			

Programme performance indicators and annual targets: 2011/12

Sub-programme: 2.2.1	Economic Analysis						
Performance Indicator	Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets		
	2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
To provide a comprehensive economic analysis for the province	New	New	New	Capacitate municipalities and develop socio economic profile	All 11 chapters of comprehensive economic analysis	All 11 chapters of comprehensive economic analysis	All 11 chapters of comprehensive economic analysis
To provide input to the Overview of Provincial Revenue and Expenditure (OPRE)	New	New	New	Input into OPRE on time for tabling	Input into OPRE on time for tabling	Input into OPRE on time for tabling	Input into OPRE on time for tabling
To provide quality research for regional policy analysis	New	New	New	Publication of research papers	Publication of research papers	Publication of research papers	Publication of research papers

Quarterly targets: 2011/12

Sub-programme: 2.2.1	Economic Analysis					
Programme performance Indicators	Reporting period	Annual target 2011/12	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
To provide a comprehensive economic analysis for the province	Quarterly	All 11 chapters of comprehensive economic analysis	3 chapters	3 chapters	3 chapters	2 chapters
To provide input to the OPRE	Annual	Input into OPRE on time for tabling	N/A	N/A	N/A	1
To provide quality research for regional policy analysis	Annual	Publication of research papers	N/A	N/A	N/A	1 research papers per annum

2.2.2 Sub-Programme: Infrastructure

Specified Policies and Priorities

The function of the Infrastructure component within Provincial Treasury is to maximise the impact of infrastructure investment by provincial departments. The unit supports the departments in planning for infrastructure, monitoring and evaluation of the programmes. 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

- Though there are still constraints within departments, improvement on infrastructure planning, delivery and expenditure has been realised.
- With IDIP support, the creation of capacity, in terms of personnel, within most provincial departments has been realised.
- The province has managed to initiate a Provincial Infrastructure Service Delivery Model which will be applicable to the main infrastructure departments.

Analysis of constraints and measures planned to overcome them

- The introduction of the Government Immovable Asset Management Act has brought uncertainty and there are still grey areas that need to be resolved in order for the infrastructure planning to be effective.
- Staff turnover within the main delivery departments.
- Harmony of infrastructure related legislature – e.g. CIDB Act, PPPFA and the SCM regulations.

Description of planned quality improvement measures

- Clarification of issues within GIAMA and implementation of the infrastructure Service Delivery Model.
- Institutionalisation of infrastructure best practice methods in planning, estimation of time and cost, within departments.

Strategic objective annual targets: 2011/12

Sub-programme: 2.2.2	Infrastructure							
Strategic Objective	Strategic Plan Target	Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets		
		2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
Ensure efficient infrastructure planning and management in the province	To co-ordinate and manage infrastructure planning in the province	PIP submitted by 30 April 2007	PIP submitted by 30 April 2008	Final PIP 09/10 submitted. Draft IP 2010/11 submitted	Submit PIP to NT by 28 February 2010	Submit PIP to NT by 28 February 2011	Submit PIP to NT by 28 February 2012	Submit PIP to NT by 28 February 2013
		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 finalised	2 depts – Health and Education	Preparation of PISN continues to other departments			
	Facilitate implementation of infrastructure delivery improvement programme (IDIP) in depts	IDIP TAs placed at Works, Education and Health	IDIP TAs placed at Works, Education & Health IDIP processes introduced at Housing, Arts & Culture, Sport & Recreation	3 depts – Public Works Health and Education	IDIP to continue in Education, Works and Health. IDIP introduced at Housing, Arts & Culture, Sport & Recreation	IDIP to continue in Education, Works and Health. IDIP introduced at Housing, Arts & Culture, Sport & Recreation	IDIP to continue in Education, Works and Health. IDIP introduced at Housing, Arts & Culture, Sport & Recreation	IDIP to continue in Education, Works and Health. IDIP introduced at Housing, Arts & Culture, Sport & Recreation
	Monitoring Infrastructure expenditure and delivery in KZN	Received all reports due	Quarterly Reports	66	Quarterly Reports	Quarterly Reports	Received all reports due	Received all reports due
		Conducted 50 site visits	Conducted 144 site visits	12	Conduct 144 site visits	Conduct 144 site visits	Conducted ad hoc site visits	Conduct 144 site visits
	Input into EPRE (previously Main Budget Statement) on time for tabling	New	New	New	Input into EPRE on time for tabling			

Programme performance indicators and annual targets: 2011/12

Sub-programme: 2.2.2	Infrastructure						
Performance Indicator	Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets		
	2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
Timely completion of Prov. Infrastructure Plan (PIP)	PIP submitted by 30 April 2007	PIP submitted by 30 April 2008	Final PIP 09/10 submitted. Draft IP2010/11 submitted	Submit PIP to NT by 28 th February 2010	Submit PIP to NT by 28 th February 2011	Submit PIP to NT by 28 th February 2012	Submit PIP to NT by 28 th February 2013
No. of Provincial Infrastructure Statement of Needs (PISN) Report	NEIMS issued. National Transport Master plan (NATMAP) being prepared	NEIMS refined. NATMAP being finalized	2 depts – Health and Education	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 KZN	IDIP TAs placed at Works, Education and Health	IDIP TAs placed at Public Works, Education & Health IDIP processes introduced at Housing, Sport & Recreation, Art and Culture	3 depts – Public Works, Health and Education	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 & Culture	IDIP to continue in Education, Works and Health with leadership and co-ordination at Provincial Treasury
Compliance with infrastructure budget and delivery plans	Received all reports due	Received all reports due	66	Quarterly reports	Quarterly reports	Quarterly reports	Quarterly reports
	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 KZN	Received all reports due	Received all reports due	12	Quarterly reports	Quarterly reports	Quarterly reports	Quarterly reports
Estimates of Provincial Revenue and Expenditure (EPRE) previously Main Budget Statement	New	New	New	Input into EPRE on time for tabling	Inputs into EPRE on time for tabling	Inputs into EPRE on time for tabling	Inputs into EPRE on time for tabling

Quarterly targets: 2011/12

Sub-programme: 2.2.2	Infrastructure					
Programme performance Indicators	Reporting period	Annual target 2011/12	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
Timely completion of Provincial Infrastructure Plan (PIP)	Annual	Submit PIP to NT by 28 th February 2011	N/A	1	N/A	N/A
No. of Provincial Infrastructure Statement of Needs (PISN) Report	Annual	Preparation of PISN continues to other departments	N/A	N/A	N/A	1
No. of departments of implementation of the IDIP in the Province	Quarterly	IDIP to continue in Education, Public Works and Health. IDIP introduced at Housing, Sport & Recreation, Arts & Culture	4	4	4	4
Compliance with infrastructure budget and delivery plans	Monthly	Quarterly Reports	3	3	3	3
Conduct quarterly assessments on infrastructure delivery in KZN	Quarterly	Conduct 144 site visits	24	24	24	24
Estimates of Provincial Revenue and Expenditure (EPRE) previously Main Budget Statement	Annual	Quarterly Reports	N/A	N/A	N/A	1

2.3 Sub-Programme: Public Finance

Specified Policies and Priorities

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 these resources are utilised in line with identified priorities. This process culminates in the preparation of the provincial Estimates of Provincial Revenue and Expenditure, which is tabled in the Provincial Legislature on the provincial Budget Day, along with the Appropriation Bill. Similarly, the Adjusted Budget is tabled in November every year, and allows departments to amend their budgets (within the limitations of the PFMA and Treasury Regulations), and is a mechanism to allow for corrective action with regard to the allocation of budgets. The Adjustments Estimate is tabled in the Provincial Legislature, along with the Adjusted Appropriation Bill.

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.

The unit is also responsible for preparing monthly reports of the province's budget performance and to submit these to the provincial Cabinet, on a monthly basis. In addition, the unit interacts frequently with the Finance Portfolio Committee and briefs this Committee on the forthcoming MTEF Budget, mid-year revenue and spending levels of departments, as well as the close-out report of departments for the previous financial year. They also provide technical support to this Committee when the departments are called before the Committee.

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, preparation of an annual Unauthorised Expenditure Authorisation Bill for tabling at the Provincial Legislature, 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, developing and institutionalizing a framework for the monitoring of provincial public entities and any other additional work that may require specialised advisory support services.

Progress Analysis

As mentioned previously in this document, the province has seen substantial above-budget spending over the past three years, which has resulted in the provincial bank account being in overdraft. As a mechanism to control this situation, the province agreed to cut-back all departments' budgets by 7.5 per cent of the value of their *Goods and services* budgets, with this approach commencing in 2009/10. As a result of this, the province is now budgeting for a surplus. If departments spend strictly according to the budget allocation available to them, this budgeted surplus will result in the provincial bank overdraft being paid off over the next few years.

In addition, the province implemented a number of cost-cutting measures which are to be adhered to by all provincial departments. These cost-cutting measures are aimed at reducing unnecessary expenditure by departments and are really elements of good governance. These cost-cutting measures came into effect in the 2009/10 financial year when the province realized that it was once again heading towards substantial over-expenditure. These cost-cutting measures were developed in conjunction with the various Heads of Departments and Chief Financial Officers and were approved by Cabinet. The cost-cutting measures will remain in place for the foreseeable future.

Departments' spending levels are submitted to the provincial Cabinet on a monthly basis, and Cabinet is made aware of any potential over-spending timeously, allowing decisions to be taken at an early stage to allow for corrective action to be taken. These monthly Cabinet memoranda also inform Cabinet of incidences where departments are not adhering to the Cabinet-approved cost-cutting measures, again for corrective action to be taken. The cost-cutting measures can only be successful if uniformly implemented by all departments.

The Revenue component of the Public Finance unit has been tasked with the duty of actively identifying and pursuing new revenue sources for the province, as well as maximizing the existing revenue sources. In line with this, the Provincial Revenue Forum continues to provide a forum for departments to interact on matters relating to revenue. Furthermore, the unit is in the process of developing a tariff register which will ensure better control of the annual review of tariffs, which is a requirement of the PFMA.

Analysis of constraints and measures planned to overcome them

The 2010/11 financial year was quite a difficult one for the province, as although the economy had started to recover from the recession, the effects of the recession continue to be felt in that the largest portion of additional funding received from National Treasury for the province was earmarked for the higher than anticipated wage agreement and the implementation of the Occupation Specific Dispensation (OSD) for health and education. What this meant was that there was very little additional funding available to finance core government programmes.

Added to this is the continued effect that the unfunded mandates have on the provincial fiscus. The province has alerted National Treasury on numerous occasions to the risks to the provincial budget which come about as a result of policy decisions being taken, without sufficient funding being provided for the implementation of such policy decisions. Some of the unfunded mandates currently putting pressure on the provincial budget are the under-funding of the higher than anticipated wage agreement, the various OSD agreements,



the implementation of the Government Immoveable Asset Management Act (GIAMA), the Devolution of Property Rates to provinces, Expansion of Provincial Examinations Administration, the mandatory extension of the medical internship to 2 years for medical interns, to name a few. These unfunded mandates place unbearable pressure on the departments' budgets and make monitoring of spending quite a challenging task.

These issues have placed quite substantial pressure on the Public Finance unit in that it continuously has to raise these matters at various national forums, as well as writing to National Treasury in the hope that some funding will be forthcoming. In addition, the *Provincial Own Revenue* unit is tasked with ensuring that Provincial Own Revenue sources are maximized and even expanded, to assist in financing priority areas.

The *Specialised Advisory Support 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 Revenue and Expenditure (previously known as the Budget Statements), the Adjusted Estimates of Provincial Revenue and Expenditure, 4 quarterly reports (of which 2 are presented to the Finance Portfolio Committee – mid-year report and close-out report), 12 monthly In Year Monitoring reports, as well as 12 monthly Cabinet memoranda per annum. The *Provincial Budget Management* unit will continue to engage with its stakeholders to maximize the value of the documents and the information contained therein.

The *Provincial Own Revenue* component continued to hold its quarterly Provincial Revenue Forum, which provides a platform to discuss matters relating to revenue enhancement with the various departments. It will also continue to develop a tariff register to enable better monitoring of current tariffs being charged, as well as the frequency with which these tariffs are updated. The component continues to bear 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, as well as to assist in funding province specific priorities.

The *Specialised Advisory Support Services* unit will continue to input into national discussions surrounding the equitable share formula to articulate KZN's policy stances on various fiscal and socio-economic matters. These inputs are important as they are a suitable platform for the province to speak about the impact unfunded mandates have on the provincial fiscus, and may result in the plight of budgetary pressures being listened to, and addressed by our national counterparts. The next section identifies priorities set by the Public Finance Unit over the medium term



Strategic objective annual targets: 2011/12

Sub-programme: 2.3	Public Finance: Provincial Budget Management								
Strategic Objective	Strategic Plan Target	Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets			
		2007/08	2008/09	2009/10		2011/12	2011/12	2013/14	
Promote effective and optimal financial resource allocation for provincial government	Compile annual Treasury Budget Preparation guideline circular	Completed in June 2007	Completed in June 2008	Treasury Guidelines workshop held 25 June 2009	Complete by July 2010	Complete 1 guideline document by July 2011	Complete 1 guideline document by July 2012	Complete 1 guideline document by July 2013	
	Compile the annual budget proposal	16 chapters completed 1 day before MTEC	16 chapters completed 1 day before MTEC	MTEC report completed in time for MTEC meetings (held 14-18 Sept '09)	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	
		New	New	New	Complete as per budget process timetable	Complete as per budget process timetable	Complete as per budget process timetable	Complete as per budget process timetable	
		New	New	New	16	16	16	16	
	Co-ordinate the preparation and publication of Provincial budget documentations	EPRE (prev. Main Budget Statement) on time for tabling	EPRE on time for tabling	EPRE tabled on 4 March 2010, as planned	EPRE on time for tabling	EPRE on time for tabling	EPRE on time for tabling	EPRE on time for tabling	
		AEPRE (prev. Adj. Budget Statement) on time for tabling	AEPRE on time for tabling	Adjusted budget statement tabled on 26 Nov., with <4 errors of substance	AEPRE on time for tabling	AEPRE on time for tabling	AEPRE on time for tabling	AEPRE on time for tabling	
		Main Budget Speech on time for tabling	Main Budget Speech on time for tabling	Main Budget Speech tabled on 4 March 2010	Main Budget 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 statement tabled on 26 November 2009	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 Bill tabled on 4 March 2010	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 App. Bill on time for tabling	Adjusted bill tabled on 26 November 2009	Adjusted App. Bill on time for tabling	Adjusted App. Bill on time for tabling	Adjusted App. Bill on time for tabling	Adjusted App. Bill on time for tabling	
		Unauthorised Expenditure Authorisation Bill on time for tabling	Unauth. Expenditure Auth. Bill on time for tabling	Unauthorised Expenditure Authorisation tabled on 26 November 2009	Unauthorised Expenditure Authorisation Bill on time for tabling	Unauth. Expenditure Auth. Bill on time for tabling	Unauth. Expenditure Auth. Bill on time for tabling	Unauth. Expenditure Auth. Bill on time for tabling	
		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 p/a (submitted to NT by 22 nd monthly)	12 IYM reports p/a (submitted to NT by 22 nd monthly)	Section 32 report by 22 nd of each month and with < 2 errors of substance	12 IYM reports p/a (submitted to NT by the 22 nd monthly)	12 IYM reports p/a (submitted to NT by 22 nd monthly)	12 IYM reports p/a (submitted to NT by 22 nd monthly)
	4 quarterly budget performance reports p/a (One month after end of each quarter)			4 quarterly budget perf. reports per annum (One month after end of each quarter)	Summary prepared and presented to Finance Portfolio Committee on 12 February 2010	4 quarterly budget perf. reports per annum (One month after end of each quarter)	4 quarterly budget perf. reports per annum (One month after end of each quarter)	4 quarterly budget perf. reports per annum (One month after end of each quarter)	4 quarterly budget perf. reports per annum (One month after end of each quarter)
	4 Cabinet memoranda per annum			4 Cabinet memoranda per annum	Monthly Cabinet memos submitted to Cabinet on December, January and February Budget Performance	12 Cabinet memoranda per annum	12 Cabinet memoranda per annum	12 Cabinet memoranda per annum	12 Cabinet memoranda per annum

Programme performance indicators and annual targets: 2011/12

Sub-programme: 2.3	Public Finance: Provincial Budget Management						
	Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets		
	2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
Treasury guidelines document on budget preparation	Completed in July 2007	Completed in June 2008	Treasury Guidelines workshop held 25 June 2009	Complete by July 2010	Complete 1 guideline document by July 2011	Complete 1 guideline document by July 2012	Complete 1 guideline document by July 2013
No. of chapters in MTEC report	16 chapters completed 1 day before MTEC	16 chapters completed 1 day before MTEC	MTEC report completed in time for MTEC meetings (held on 14-18 September 2009)	16 chapters completed 1 day before MTEC			
MTEF budget proposal document	New	New	New	Complete as per budget process timetable			
No. of allocation letters	New	New	New	16	16	16	16
Estimates of Provincial Revenue and Expenditure (EPRE) previously Main Budget Statement	EPRE on time for tabling	EPRE on time for tabling	Main Budget Statement tabled on 4 March 2010, as planned	EPRE on time for tabling			
Adjusted Estimates of Provincial Revenue and Expenditure (AEPRE) previously Adjusted Budget Statement	AEPRE on time for tabling	AEPRE on time for tabling	Adjusted budget statement tabled on 26 November, with <4 errors of substance	AEPRE on time for tabling			
Main Budget Speech	Main Budget Speech on time for tabling	Main Budget Speech on time for tabling	Main Budget Speech tabled on 4 March 2010	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 statement tabled on 26 November 2009	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 Bill tabled on 4 March 2010	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 bill tabled on 26 November 2009	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 tabled on 26 November 2009	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 per annum (submitted to NT by the 22 nd of each month)	12 reports per annum (submitted to NT by the 22 nd of each month)	Section 32 report by 22 nd of each month and with < 2 errors of substance	12 reports per annum (submitted to NT by the 22 nd of each month)	12 reports per annum (submitted to NT by the 22 nd of each month)	12 reports per annum (submitted to NT by the 22 nd of each month)	12 reports per annum (submitted to NT by the 22 nd of each month)
Quarterly budget performance report for provincial departments	4 reports per annum (completed one month after end of each quarter)	4 reports per annum (completed one month after end of each quarter)	Summary prepared and presented to Finance Portfolio Committee on 12 February 2010	4 reports per annum (completed one month after end of each quarter)	4 reports per annum (completed one month after end of each quarter)	4 reports per annum (completed one month after end of each quarter)	4 reports per annum (completed one month after end of each quarter)
Cabinet Memoranda on Budget Performance	4 reports	4 reports	Monthly Cabinet memos submitted to Cabinet on December, January and February Budget Performance	12 reports	12 reports	12 reports	12 reports

Quarterly targets: 2011/12

Sub-programme: 2.3	Public Finance: Provincial Budget Management					
Programme performance Indicators	Reporting period	Annual target 2011/12	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
Treasury guidelines document on budget preparation	Annual	Complete by July 2011	N/A	1	N/A	N/A
No. of chapters in MTEC reports	Annual	16 chapters completed 1 day before MTEC	N/A	16	N/A	N/A
MTEF budget proposal document	Annual	Complete as per budget process timetable	N/A	N/A	1	N/A
No. of allocation letters	Annual	16	N/A	N/A	16	N/A
Estimates of Provincial Revenue & Expenditure	Annual	EPRE on time for tabling	N/A	N/A	N/A	1
Adjusted Estimates of Provincial Revenue and Expenditure (AEPRE)	Annual	AEPRE on time for tabling	N/A	N/A	1	N/A
Main Budget Speech	Annual	Main Budget Speech on time for tabling	N/A	N/A	N/A	1
Adjusted Budget Speech	Annual	Adj. Budget Speech on time for tabling	N/A	N/A	1	N/A
Main Appropriation Bill	Annual	Main Appropriation Bill on time for tabling	N/A	N/A	N/A	1
Adjusted Appropriation Bill	Annual	Adjusted Appropriation Bill on time for tabling	N/A	N/A	1	N/A
Unauthorized Expenditure Authorisation Bill	Annual	Unauthorised Expenditure Auth. Bill on time for tabling	N/A	N/A	N/A	1
Section 32 report (Monthly provincial IYM report)	Monthly	12 reports submitted to NT by 22 nd of month	3	3	3	3
Quarterly budget performance report for provincial departments	Quarterly	One month after end of each quarter	1	1	1	1
Cabinet Memoranda on Budget Performance	Monthly	12 reports	3	3	3	3

Strategic objective annual targets: 2011/12

Sub-prog: 2.3	Public Finance: Provincial Budget Management							
Strategic Objective	Strategic Plan Target	Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets		
		2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
Promote optimal and sustainable revenue generation and collection by provincial departments and public entities	Input into annual Treasury Budget Preparation guideline (Circular)	Completed in June 2007	Completed in June 2008	Treasury Guidelines workshop 25 June 2009	Complete by July 2010	Complete by July 2011	Complete by July 2012	Complete by July 2013
	Conduct and co ordinate quarterly Provincial Revenue Forums	N/A	N/A	N/A	Conduct 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	Completed as per budget process timetable 16	Completed as per budget process timetable 16	Completed as per budget process timetable 16	Complete as per budget process timetable 16	Complete as per budget process timetable 16	Complete as per budget process timetable 16	Complete as per budget process timetable 16
	Revenue input into the publication of Provincial budget documentations	New	New	New	Revenue input into EPRE on time for tabling	Revenue input into EPRE on time for tabling	Revenue input into EPRE on time for tabling	Revenue input into EPRE on time for tabling
	Establish provincial tariff register	N/A	N/A	N/A	Establish register	Maintain and update annually	Maintain and update annually	Maintain and update annually
Explore new provincial own revenue sources	Compile research papers on revenue enhancement	New	New	New	Public participation process and seek MEC approval for new tax	Complete process as outlined in the Provincial Tax Regulation Process act.	Implement-ation of new provincial tax	Implement-ation of new provincial tax

Programme performance indicators and annual targets: 2011/12

Sub-programme: 2.3	Public Finance: Provincial Own Revenue						
Performance Indicator	Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets		
	2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
Revenue input into Treasury guideline document on budget preparation	Completed in July 2007	Completed in July 2008	Treasury Guidelines workshop held 25 June 2009	Complete by July 2010	Complete by July 2011	Complete by July 2012	Complete by July 2013
Revenue input for MTEC reports	New	New	Monthly Cabinet memos submitted to Cabinet on Dec, Jan and Feb Budget Performance	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 Revenue and Expenditure (EPRE)	New	New	New	Revenue input into EPRE on time for tabling	Revenue input into EPRE on time for tabling	Revenue input into EPRE on time for tabling	Revenue input into EPRE on time for tabling
Establish provincial tariff register	N/A	N/A	N/A	Establish register	Maintain and update annually	Maintain and update annually	Maintain and update annually
Revenue input into Overview of Provincial Revenue and Expenditure (OPRE)	New	New	New	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	New	New	Section 32 report by 22nd of each month. Provide input a month after end of a quarter with < 2 errors substance	6 inputs submitted by the 22 nd of each month	6 inputs by the 22 nd of each month	6 inputs by the 22 nd of each month	6 inputs by the 22 nd of each month
Research paper on new provincial tax	New	New	New	Public participation process	Complete process as outlined in the Provincial tax Regulation	Implementation of new provincial tax	Implementation of new provincial tax

Quarterly targets: 2011/12

Sub-programme: 2.3	Public Finance: Provincial Own Revenue					
Programme performance Indicators	Reporting period	Annual target 2011/12	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
Revenue input into Treasury guideline document on budget preparation	Annual	Complete by July 2011	N/A	1	N/A	N/A
Revenue input into quarterly reports	Quarterly	16 chapters completed 1 day before MTEC	N/A	16	N/A	N/A
Revenue input into Estimates of Provincial Revenue and Expenditure (EPRE)	Annual	Revenue input into EPRE on time for tabling	N/A	N/A	N/A	1
Revenue input into Overview of Provincial Revenue and Expenditure (OPRE)	Annual	Maintain and update annually	N/A	N/A	N/A	1
Establish provincial tariff register	Annual	Revenue input into OPE on time for tabling	N/A	N/A	N/A	1
Budget performance reports	Quarterly	6 inputs by the 22 nd of each month	3	3	3	3
Research paper on new provincial tax	Annually	Complete process as outlined in the Provincial tax Regulation	N/A	N/A	N/A	1

Strategic objective annual targets: 2011/12

Sub-programme: 2.3	Public Finance: Special Advisory Support Services							
Strategic Objective	Strategic Plan Target	Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets		
		2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
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 to be 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	Develop framework	Implement monitoring tool and report quarterly for 9 public entities	Implement monitoring tool and report quarterly for 9 public entities	Implement monitoring tool and report quarterly for 9 public entities
Provide input into Equitable Share formula reviews	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	Input to be submitted by due date

Programme performance indicators and annual targets: 2011/12

Sub-programme: 2.3	Public Finance: Special Advisory Support Services							
Performance Indicators	Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets			
	2007/08	2008/09	2009/10		2011/12	2012/13	2013/14	
Input into the revision and maintenance of DORA	New	New	New	Input to be 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	Develop framework	Implement monitoring tool and report quarterly for 9 public entities	Implement monitoring tool and report quarterly for 9 public entities	Implement monitoring tool and report quarterly for 9 public entities	
Provide input into Equitable Share formula reviews	N/A	N/A	Equitable share revenue research undertaken	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	

Quarterly targets: 2011/12

Sub-programme: 2.3	Public Finance: Special Advisory Support Services						
Programme performance Indicators	Reporting period	Annual target 2011/12	Quarterly targets				
			Quarter 1	Quarter 2	Quarter 3	Quarter 4	
Input into the revision and maintenance of DORA	Annual	Input to be submitted by due date	N/A	N/A	N/A	1	
Institutionalise framework for the monitoring of provincial public entities	Annual	Implement monitoring tool and report quarterly for 9 public entities	N/A	N/A	N/A	1	

2.4 Sub-Programme: Municipal Finance

National and Provincial Government has a constitutional responsibility to monitor the state of local government financial management and finances, and to provide appropriate support. Where a municipality fails to fulfill its constitutional obligations, there is an obligation on the provincial executive (in the first instance), and then the national executive, to intervene in the municipality to set things in order and protect the interests of the public. The purpose of the Municipal Finance Unit is thus, *inter-alia*, to monitor the budgets of municipalities in order to establish whether they implement sound fiscal management and to monitor and provide technical support to municipalities that are in financial distress. Towards this end, the Municipal Finance Unit constructively engages all delegated municipalities to ensure that the standards of performance that are required in terms of the MFMA are achieved. The functions of the Municipal Finance Unit is process driven and is largely determined by statutory deadlines as stipulated in the MFMA.

Progress Analysis

2010/11 Budget Evaluation Process

In terms of Section 16(2) of the MFMA, municipalities must table their annual budgets at least 90 days before the start of the financial year, which is by 31 March. In addition, Section 22 of the Municipal Finance Management Act (MFMA) states that *"immediately after an annual budget is tabled in a municipal council, the accounting officer of a municipality must submit the annual budget in both printed and electronic formats to the National Treasury and the relevant Provincial Treasury"*. Furthermore, Section 23(1) of the MFMA states that *"the municipal council must consider any views of the National Treasury, the relevant provincial treasury and any provincial or national organs of state or municipalities which made submissions on the budget"*.

The Municipal Budget and Reporting Regulations (Gazette No. 32141 dated 17 April 2009) required all municipalities to prepare their budgets for the 2010/11 financial year in accordance with the new regulations. The purpose of the Municipal Budget and Reporting Regulations is to *"secure sound and sustainable management of the budgeting and reporting practices of municipalities and municipal entities by establishing uniform norms and standards and other requirements for ensuring transparency, accountability and appropriate lines of responsibility in the budgeting and reporting processes"*.

As part of the budget reform process, National Treasury developed a new budget reporting format comprising of 10 main tables (referred to as 'A' tables) and 37 supporting tables (referred to as 'SA' tables). To ensure compliance with the new budget format, the National and Provincial Treasuries conducted four provincial workshops for municipal budget and treasury officials on the implementation of the Municipal Budget and Reporting Regulations, the new Budget Format and the Funding Compliance Model. A total of 161 municipal officials attended the provincial workshops.

In addition, the National and Provincial Treasuries also convened a Municipal Finance Forum in Pietermaritzburg on 3 March 2010 to ensure that all municipalities in the province were fully conversant with the new Budget Format and the Municipal Budget Circular 51 for the 2010/11 MTREF Budget. The forum was attended by 140 municipal officials.

Of the 58 delegated municipalities in the province, 57 submitted their 2010/11 draft budgets to Provincial Treasury. Provincial Treasury conducted compliance checks to ensure that the draft budgets received on the main budget tables (A1 to A10) and supporting tables (SA1-SA37) were complete. Based on the outcome of the verification, none of the delegated municipalities met all the requirements in terms of the new budget format and were requested to submit the outstanding or partially completed budget tables. Provincial Treasury assessed 52 draft budgets, while the draft budgets of six of the delegated municipalities

could not be assessed largely due to insufficient information provided by the municipalities. Provincial Treasury also met with 12 municipalities to discuss budget inputs for consideration in the Final Budget.

To ensure compliance with the Municipal Budget and Reporting Regulation 20(1), the approved annual budget of a municipality must be submitted to the Provincial and National Treasuries within ten working days after the council has approved the annual budget. All 58 delegated municipalities submitted their approved annual budget to Provincial Treasury.

In Year Monitoring of Municipal Budget Performance

In terms of Section 71(6) of the Municipal Finance Management Act, *"the provincial treasury must, within 22 days after the end of each month submit to the National Treasury a consolidated statement in the prescribed format on the state of the municipalities' budgets"*. Section 71(7) of the Municipal Finance Management Act (MFMA), (Act No. 56 of 2003), further states that *"the Provincial Treasury must, within 30 days after the end of each quarter, make public as may be prescribed, a consolidated statement in the prescribed format on the state of municipalities' budgets per municipality and per municipal entity. The MEC for Finance must submit such consolidated statement to the provincial legislature no later than 45 days after the end of each quarter"*.

In compliance with the above, three quarterly reports and one close out report on the financial performance of municipalities in KwaZulu-Natal were tabled in Legislature for the 2009/10 municipal financial year. Further to the analysis of the budget performance per municipality, the close out report also covers municipal support and oversight by other units in Provincial Treasury. Provincial Treasury also submitted 12 monthly reports on the financial performance of the 58 delegated municipalities in KwaZulu-Natal to National Treasury. The data for the analysis used in the reports were extracted from the National Treasury Local Government Budgets and Expenditure Section 71 Report, which is drawn from the local government database and based on the Annual, Monthly and Quarterly MFMA Returns submitted by municipalities. To ensure that the figures published by National Treasury are reliable, each municipality is required to scrutinise, verify and sign-off the verifications schedules on the final figures sent to them by National Treasury on a quarterly basis.

These reports provide an overview of the state of municipal finances and to identify those municipalities whose finances are at risk so that support and interventions can be appropriately targeted.

16 MFMA Implementation Priorities

National and Provincial Government have a mandate to monitor the state of financial management at a local government level and provide appropriate support. Section 5(3) of the MFMA states that *"a provincial treasury must in accordance with a prescribed framework fulfil its responsibilities in terms of the MFMA. Furthermore, as per Section 5(4)(a)(i) of the MFMA, "a provincial treasury must monitor compliance with this Act by municipalities and municipal entities in the province"*.

In light of the above legislative requirements, National Treasury identified 16 MFMA Implementation Priorities to monitor financial management and finances in municipalities and to ensure the financial sustainability of municipalities.

The 16 MFMA Implementation Priorities are shown in Table below:



16 MFMA Implementation priorities

No.	Priorities	Key MFMA / Circulars
1	All municipalities to review and update MFMA implementation plans, establish MFMA Steering Committee to address weaknesses identified in plans	MFMA Circular 7 Of 2004 and Section 4 of Budget Regulations
2	Establish Budget and Treasury Office with appropriately skilled personnel, finalise skills audits	MFMA Section 80
3	Finalise internal municipal delegations and assignment of responsibilities for all duties in MFMA	MFMA Sections 59,79,82
4	Improving preparation and implementation of multi-year budgets according to uniform norms and standards (quality, content, consultation on budgets)	MFMA Sections 21,68,71,75, MFMA Circulars and Budget Regulations
5	Improve quality and timeliness of internal and external reporting on budgets, finances, SDBIP, in-year, annual and oversight reports	All sections of MFMA i.r.o reporting (e.g. Section 70, 71, 72, etc.)
6	Regular update and publication of all information on municipal websites i.t.o section 75 of MFMA	MFMA Section 75
7	Implementing Accounting Reforms - preparation and submission of quality, timely AFS and address audit findings	GRAP and ASB requirements, MFMA Sections 122 to 127,133
8	Implementation & management of the MSCM	MFMA, MSCM Regulations and MFMA Circulars
9	Establishment of functional Internal Audit Units, Audit Committees	MFMA Section 165 and 166
10	Grow graduate internship programme in all municipalities and appointment of skilled personnel	FMG conditions and new DoRA
11	Report and complete skills assessment as required by the MFMA Competency regulations	MFMA Section 83 and Competency Regulations
12	Attend structured and accredited training courses consistent with MFMA competency regulations	MFMA Circulars and Section 83
13	Upgrade and automate systems to deliver reports and improve data quality	MFMA Section 64,65,71,72
14	Assist in the resolution of financial problems in municipalities including preparation of recovery plans	MFMA Section 64,65,70 ,137 and 139
15	Timely publication of national, provincial, district allocations to municipality	MFMA Section 36
16	Assist in facilitating payment for services of all provincial departments to municipalities	MFMA Section 44 and 64

Source: National Treasury

To ensure the effective implementation of these priorities, KwaZulu-Natal Provincial Treasury developed a unique MFMA Implementation Priorities toolkit. The purpose of the toolkit is to assist municipalities to:

- Identify areas of weakness with regard to the implementation of the MFMA reforms; and
- Implement actions plans with specific timeframes to address the weaknesses.

The toolkit was rolled out to municipalities in the province towards the end of 2009. Subsequently, the Provincial Treasury had constructive engagements with a number of the delegated municipalities on the 16 MFMA Implementation Priorities during 2010.

The areas of concern, among others, identified during the last review on the implementation of the 16 MFMA Priorities were as follows:

- Only a few municipalities have placed the documents required in terms of Section 75 of the MFMA on their respective websites;

- A large number of municipalities have not appointed five interns as required in terms of the conditions of the Financial Management Grant (FMG);
- Most of the interns in the Budget and Treasury Offices of municipalities have not completed the MFMA multi-media training programme;
- The majority of municipalities did not conduct skills assessments or have skills development plans in place; and
- Government debt is increasing and forms a significant part of the total municipal debt.

The engagement with municipalities on the 16 MFMA Implementation Priorities is ongoing and Provincial Treasury is constantly following up on the implementation of the action plans to address the identified weaknesses. Progress with regard to the implementation of the 16 MFMA Implementation Priorities is reported to National Treasury on a quarterly basis.

Municipal Support Programme (MSP)

In terms of section 5(4) of the Municipal Finance Management Act (MFMA), Provincial Treasury must monitor the following:

- Compliance with the Act;
- Preparation of budgets;
- Actual results against budgets; and
- Compliance with reporting requirements.

In addition, Provincial Treasury must assist National Treasury *"in enforcing compliance with the measures established in terms of section 216(1) of the Constitution..."*. The National Treasury delegated the oversight and monitoring role of 58 of the 61 municipalities in KwaZulu-Natal to Provincial Treasury.

Section 135 of the MFMA states that *"the primary responsibility to avoid, identify, and resolve financial problems in a municipality rests with the municipality itself. If a municipality encounters financial problems or anticipates problems in meeting its financial commitments, it must immediately seek solutions to the problems."*

Against this background, several municipalities requested assistance from the MEC for Finance to support and assist in resolving their financial problems. As a result, the MEC for Finance requested the Provincial Treasury to support where necessary and institute financial improvement measures that would assist in resolving the financial management issues currently being encountered by these municipalities. Consequently, on 23 November 2007, the Municipal Support Program (MSP) was launched.

The MSP was designed to:

- Assist and support municipalities in need of sound financial management; and
- Contribute to their sustainability and continued delivery of services.

The MSP was thus launched to provide 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. It is based on the principle that it is better to prevent the illness rather than trying to resuscitate a dying patient.

A large number of the 61 municipalities in KwaZulu-Natal are in need of varying degrees of assistance or support. Due to the fact that resources to provide the required assistance are limited, Provincial Treasury has developed a framework to prioritise municipalities to receive this support. To this end, an assessment tool that analyses their financial performance, based on the latest available financial statements was developed.



In this exercise, Provincial Treasury assesses the status of their cash flows, debtors, actual capital expenditure and the overall viability of the municipality. In addition, the audit opinions of the previous 3 financial years are considered to determine any improvements that may have been made by the municipalities. Appropriate scores are attributed to these criteria to assist in prioritising those in most need of assistance.

The methodology adopted by Provincial Treasury in implementing MSP encompasses the following:

- Conducting assessments to determine the state of the financial affairs of the municipality;
- Preparing project plans to address the areas for improvement as identified in the assessment;
- Implementing the plans together with the staff at the municipality; and
- Monitoring the improvement processes that have been implemented.

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

- Significant lack of financial controls;
- Poor recordkeeping (partly due to inadequate systems and training);
- Lack of adequate policies, procedures and appropriate delegations of authority;
- Lack of good governance in Supply Chain Management practices;
- Inappropriate use of conditional grants;
- Inadequate billing systems;
- No process of in-year-reporting; and
- Inadequately skilled and qualified financial staff.

Provincial Treasury has supported a total of 25 municipalities through the MSP initiative since November 2007 encompassing various aspects and levels of support. The support has had a significant impact on the 2008/09 and 2009/10 audit opinions of those municipalities supported by the program.

New Initiatives

National and Provincial Government is 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. A number of initiatives, in addition to the basic Municipal Support Program are proposed during Phase 3 of the MSP. 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, Phase 3 of the MSP will see the following work streams being implemented in addition to the basic level of support offered to municipalities, over the next 3 to 5 years:

- Getting the basics right;
- Clearing of Audit findings by the Auditor-General;
- Ongoing audit support/ co-ordination;
- Improving the quality of financial reporting;
- Sustainability of the Generally Recognised Accounting Practice (GRAP) conversion process;
- Audit Committees (Roles and 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 Implementation Priorities; and
- Governance review and improvement.

Analysis of constraints and measures planned to overcome the constraints

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

- Political interference in financial management of municipalities' impact on the smooth running of municipalities;
- Inability of municipalities to identify new revenue sources and reliance on grants creates dependency problems which impact on the sustainability of municipalities;
- Escalating municipal debt having a direct impact to the sustainability of municipalities;
- Consistent under-expenditure on capital budgets and utilisation of conditional grants to cover operations compromises development of municipal infrastructure; and
- Other internal and external environment constraints that have an impact on the unit to deliver on its mandate are presented in the Table below, together with the measures planned to overcome them:

Measures Planned to Overcome Constraints

Constraints	Analysis of Constraints / Impact	Measures Planned to Overcome Constraints
Ineffective financial management practices in municipalities	<p>Ineffective financial management practices in municipalities is attributable amongst other things to capacity constraints as a result of the following:</p> <ul style="list-style-type: none"> • Inadequate number of staff and interns within municipalities. • Inadequate financial management skills. • Insufficient experience of municipal financial officials. <p>The constraints results in the following:</p> <ul style="list-style-type: none"> • Unreliable and inaccurate information being submitted to the Provincial Treasury. • Incorrect analysis, affecting decision making and support that needs to be given to municipalities, • Delays in reporting, • Wastage of resources 	<p>Internship programme run by National Treasury</p> <p>Ongoing training and support provided by Provincial Treasury's staff and MSP</p> <p>Minimum competency levels being enforced through regulations by 2013 by National Treasury</p> <p>External support (Professional service providers)</p>
Lack of coordinated approach within Provincial Treasury	<p>The current organisational structure within Provincial Treasury does not support specialised resources which are fully dedicated to the MFMA. This could result in:</p> <ul style="list-style-type: none"> • Core budget monitoring and support being compromised as municipalities require support on all fronts • Inadequate support and monitoring of the cash flows, Annual Financial Statement, Internal Audit and Supply Chain Management (SCM) 	<p>Integrated (decentralised) approach by Supply Chain Management, Financial Management, Municipal Finance and Internal Audit to provide specialised and dedicated support</p>



Measures Planned to Overcome Constraints

Constraints	Analysis of Constraints / Impact	Measures Planned to Overcome Constraints
Lack of uniformed financial management systems at municipalities	Different financial systems could result in: <ul style="list-style-type: none"> Delays in submission of financial data Credibility and accuracy of data being compromised Wastage of time (numerous cross – checks) and financial resource 	Engage National Treasury on the progress with regard to one uniform financial system
Inconsistency between old pieces of legislation with current legislation	This impact partly on the quality of technical support and advice to be given to municipalities	To continue engagements with CoGTA on the repeal of old pieces of legislation
Lack of capacity within Municipal Finance Unit	Capacity constraints within the unit results in: <ul style="list-style-type: none"> Inadequate number of staff per municipality to adequately support the municipalities Inadequate technical assistance and support provided to municipalities 	Implement the approved organisational structure Ongoing training and extension of training programme.

Description of planned quality improvement measures

The Municipal Finance Unit will continue to focus on improving the technical support it provides to delegated municipalities in the province on the preparation of multi-year budgets, the monthly outcomes of those budgets, in-year monitoring including statutory returns, the preparation of monthly, quarterly and annual consolidated reports on the state of delegated municipalities' financial performance in terms of the MFMA and the facilitation of Financial Management capacity building training programmes.

In terms of the submission of statutory MFMA Returns by municipalities, a notable improvement was observed for KwaZulu-Natal Municipalities in 2009/10. While increasing the level of compliance remains a priority, the focus will also be on improving the quality of the MFMA Returns submitted by the municipalities.

With regard to the newly introduced 'Budget Regulations' reform, the Municipal Finance Unit will adopt a more proactive approach to ensure that the quality of the budget submissions for the 2011/12 cycle is improved on.

The implementation of a turnaround strategy with regard to financial sustainability in struggling municipalities will continue through the Municipal Support Program. While the program has been successfully implemented in a number of municipalities, even more municipalities would be benefiting from this support in the future.

The engagement of service providers in the short term would certainly bolster the knowledge, capacity and skills levels within the Unit. Incumbent staff would be assessed for skills gaps and where possible short courses and training would be provided. Analysts will be required to increase the number of contact visits to municipalities as a way to better understand the client's business. 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: 2011/12

Sub-programme: 2.4	Municipal Finance								
	Strategic Objective	Strategic Plan Target	Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets		
			2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
To ensure efficient budget and expenditure management and accurate financial reporting for the local government	Monitor and evaluate local government budget performance ¹	Target Achieved - Section 71(6) reports completed	12 Section 71(6) reports completed	11 reports (March report outstanding due to late finalisation of publication figures by NT - KZN got final figures only on 14 May 2010)	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	4 Section 71(7) Quarterly budget performance reports completed	3 reports (Quarter 3 of the municipal financial year outstanding due to late finalisation of publication figures by NT - KZN got final figures only on 14 May 2010)	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 financial distress through MSP	7 munic. supported through the MSP	7 munic. supported through the MSP	6 municipalities supported through the MSP and 11 for GRAP (cumulative)	9 municipalities to be supported through MSP and 11 GRAP conversion	7 municipalities to be supported through the MSP	8 municipalities to be supported through the MSP	8 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 2011/12 performance indicator and targets.

Programme performance indicators and annual targets: 2011/12

Sub-programme: 2.4	Municipal Finance							
	Performance Indicator	Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets		
		2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
Section 71(6) report (Monthly municipal IYM report) within the prescribed time frame ¹	Target Achieved - Section 71(6) reports completed	12 Section 71(6) reports completed	11 reports (March report outstanding due to late finalisation of publication figures by NT - KZN received final figures only on 14 May 2010)	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 ¹	Target Achieved - Section 71(7) reports completed	4 Section 71(7) Quarterly budget performance reports completed	3 reports (Quarter 3 of the municipal financial year outstanding due to late finalisation of publication figures by NT - KZN received final figures only on 14 May 2010)	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 MSP	7 municipalities to supported through the MSP	7 municipalities to supported through the MSP	6 municipalities being supported through the MSP and 11 for GRAP (Cumulative)	9 municipalities to be supported through the MSP and 11 for GRAP conversion	7 municipalities to be supported through the MSP	8 municipalities to be supported through the MSP	8 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 2011/12 performance indicator and targets.

Quarterly targets: 2011/12

Sub-programme: 2.4	Municipal Finance					
Programme performance Indicators	Reporting period	Annual target 2011/12	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
Section 71(6) report (Monthly municipal IYM report) within the prescribed time frame ¹	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 ¹	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	7 municipalities to be supported through the MSP ²	3	7	7	7

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

2. Targets are not cumulative

2.5 Reconciliation of budget with plan

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

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2007/08	2008/09	2009/10	2010/11			2011/12	2012/13	2013/14
Programme Support	1 917	3 202	3 176	3 865	3 865	1 345	4 267	4 554	4 804
Economic Analysis	2 166	2 701	3 486	5 005	6 639	6 045	5 335	5 539	5 839
Public Finance	49 058	33 579	15 434	10 669	10 669	8 262	11 376	11 942	12 590
Municipal Finance	-	21 483	30 298	46 903	46 903	41 489	51 258	53 567	56 499
Total	53 141	60 965	52 394	66 442	68 076	57 141	72 236	75 602	79 732

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

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2007/08	2008/09	2009/10	2010/11			2011/12	2012/13	2013/14
Current payments	52 930	59 993	52 247	65 865	67 499	56 983	71 802	75 327	79 441
Compensation of employees	12 651	14 678	18 193	27 596	26 496	19 603	29 975	31 807	33 501
Goods and services	40 279	45 315	34 054	38 269	41 003	37 380	41 827	43 520	45 940
Interest and rent on land	-	-	-	-	-	-	-	-	-
Transfers and subsidies to:	32	-	-	27	27	-	-	-	-
Provinces and municipalities	-	-	-	-	-	-	-	-	-
Departmental agencies and accounts	20	-	-	27	27	-	-	-	-
Universities and technikons	-	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	12	-	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-	-	-
Households	-	-	-	-	-	-	-	-	-
Payments for capital assets	179	972	147	550	550	158	434	275	291
Buildings and other fixed structures	-	-	-	-	-	-	-	-	-
Machinery and equipment	179	443	114	450	450	158	434	275	291
Heritage assets	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Land and sub-soil assets	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	529	33	100	100	-	-	-	-
Payments for financial assets	-	-	-	-	-	-	-	-	-
Total	53 141	60 965	52 394	66 442	68 076	57 141	72 236	75 602	79 732

3. Programme 3: Financial Management

3.1	Sub-Programme:	Financial Asset 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
3.6	Sub-Programme:	Supporting and Interlinked Financial Systems

3.1 Sub-Programme: Financial Asset 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;
- Monitoring Asset Management practices and processes in the province to ensure the 08/2009 milestones are achieved according to the third year of the Asset Management Reform process in KZN;
- 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; and
- To assist departments and municipalities in the attainment of a clean audit outcome for the province.

Progress Analysis

Asset Management activities have been clearly set, communicated and understood by the departments. Training on the Hardcat system has been successfully conducted and some procedure guides and other Asset Management documents have been developed and some updated.

Information Sessions are held on an annual basis to inform all KZN departments of amendments to tax legislation which impact on payroll tax. In addition, a quarterly Risk Analysis is performed per department to ensure tax compliance and to identify areas where further training and support is required at departments.

Due to support given and liaising with departments on a regular basis, certain departments are able to manage the clearing of the banking suspense accounts before the month end closure.

There has been a noteworthy improvement of the submission of reports to Treasury by municipalities.

Analysis of constraints and measures planned to overcome them

The Asset Management section will be monitoring this on a monthly basis and notify departments in writing, in order for departments to provide detailed reasons and comments on the findings. The majority of departments are still not complying with Provincial Treasury's monthly reporting requirements on the progress and status of their Asset Management progress. The Asset Management team will be visiting departments with a view of collecting and assist to compile a monthly progress report.

In depth payroll tax training has been provided to all 16 departments. A high rate of staff turnover at departments continues, which makes it difficult to ensure an increase in the level of knowledge at certain departments. Guidance and support will continue to be provided and an Annual Information Session will be conducted to keep tax officials at departments abreast of changes in legislation. In addition, the quarterly Risk Analysis will be done to identify any problem areas of non-compliance.

Certain departments still lack the capacity to clear the banking suspense accounts timeously. These departments are aware that the capacity problem must be addressed, to enable the department to clear the banking suspense accounts timeously.

Some municipalities do not submit reports on a regular basis. Treasury will therefore continue to visit municipalities to address the issue of non compliance regarding the submitting of reports.

Description of planned quality improvement measures

An investigation and analysis of the utilisation of the Hardcat system by each department will be conducted through generating Hardcat reports on each department's database by the Asset Management team on a monthly basis, and findings and recommendations will be communicated to departments.

The Provincial Treasury Asset Management team will no longer wait for departments to report on their progress. The team will take an initiative to investigate and collect enough information that will depict the current status of the department on Asset Management activities, and departments will be expected to verify and confirm the findings.

Training and support provided to departments will improve the knowledge and skills in the departments and will assist with compliance and meeting of deadlines set by SARS. Information sessions will ensure that all amendments which affect payroll tax are communicated to departments.

Treasury will continue to support departments regarding the clearing of banking suspense accounts. Visits to municipalities will be ongoing to ensure compliance with the Municipal Finance Management Act.



Strategic objective annual targets: 2011/12

Sub-programme: 3.1		Financial Asset and Liability Management						
Strategic objective	Strategic plan target	Audited/Actual performance			Estimated performance 2010/11	Medium-term targets		
		2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
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 per quarter	16 depts	16 depts	16 depts	16 depts
	Conduct Tax Information Seminar annually	4	4	0	4	4	4	4
	Risk analysis per department to ensure compliance to tax legislation	Compliance assessment for 16 depts	Compliance assessment for 16 depts	16 depts per quarter	Compliance assessment for 16 depts			
	Provide quarterly assessment reports to departments on the status of bank related suspense accounts	Compliance assessment for 16 depts	Compliance assessment for 16 depts	New	Compliance assessment for 16 depts			
	Produce monthly reconciled bank reconciliations per department	Ongoing support to 16 depts	Ongoing support to 16 depts	16 departments per quarter	Ongoing support to 16 depts			
	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
Number of quality trainings and workshops conducted.	Enhanced Asset Management Policy Framework and a functional Asset Management System.	New	New	New	9	9	9	9
Management Status reports on effective utilisation of Asset management practices, processes and Asset Man. System	Number of quality trainings and workshops conducted.	New	New	New	4	4	4	4

Programme performance indicators and annual targets: 2011/12

Sub-programme: 3.1		Financial Asset and Liability Management						
Performance Indicators	Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets			
	2007/08	2008/09	2009/10		2011/12	2012/13	2013/14	
Provide guidance and support iro payroll functions to KZN departments	16 depts	16 depts	16 departments per quarter	16 depts	16 depts	16 depts	16 depts	
Conduct Tax Information Seminar annually	4	4	0	4 sessions	4 sessions	4 sessions	4 sessions	
Risk analysis per department to ensure compliance to tax legislation	Compliance assessment for 16 depts	Compliance assessment for 16 depts	16 departments per quarter	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.	Ongoing support to 16 depts	Ongoing support to 16 depts	16 departments per quarter	192 reconciled bank reconciliations	192 reconciled bank reconciliations	192 reconciled bank reconciliations	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 acc.	4 Reports on withdrawals from municipal bank acc.	4 Reports on withdrawals from municipal bank acc.	
Enhanced Asset Management Policy Framework and functional Asset Management System	New	New	New	16 depts.	16 depts.	16 depts.	16 depts.	
Number of quality trainings and workshops conducted	New	New	New	9	9	9	9	
Management Status reports on effective utilisation of Asset management practices, processes and Asset Man. System	New	New	New	4	4	4	4	

Quarterly targets: 2011/12

Sub-programme: 3.1	Financial Asset and Liability Management					
Programme performance Indicators	Reporting period	Annual target 2011/12	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
Provide guidance and support iro payroll functions to KZN departments	Monthly	16 depts	16 depts	16 depts	16 depts	16 depts
Conduct Tax Information Seminar annually	Annually	4	Nil	4	Nil	Nil
Quarterly risk analysis per department to ensure compliance to tax legislation	Quarterly	Compliance assessment for 16 depts	16 reports	16 reports	16 reports	16 reports
Provide quarterly assessment reports to departments on the status of bank related suspense accounts	Quarterly	64 assessment Reports	16 reports	16 reports	16 reports	16 reports
Produce monthly reconciled bank reconciliations per department	Monthly	192 reconciled bank reconciliations	48 reconciliations	48 reconciliations	48 reconciliations	48 reconciliations
Produce quarterly report on withdrawals from municipal bank accounts	Quarterly	4 reports on withdrawals from municipal bank accounts	1 report on withdrawals	1 report on withdrawals	1 report on withdrawals	1 report on withdrawals
Enhanced Asset Management Policy Framework and a functional Asset Management System	Quarterly	Fully comply with Asset Management Policy Framework & other prescripts and fully utilise existing Asset Register	4 depts. monitored & assisted to comply with Asset Management Policy Framework & prescripts and to fully utilise existing Asset Register	4 depts. monitored & assisted to comply with Asset Management Policy Framework & other prescripts and to fully utilise existing Asset Register	4 depts. monitored & assisted to comply with Asset Management Policy Framework & prescripts and to fully utilise existing Asset Register	4 depts. monitored & assisted to comply with Asset Management Policy Framework & prescripts and to fully utilise existing Asset Register
Number of quality trainings and workshops conducted	Quarterly	4	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 and provide support** at a provincial and municipal 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.

Progress Analysis

Providing substantial technical, financial and legal guidance and advice to support the projects.

Analysis of constraints and measures planned to overcome them

On an ongoing basis, a review of existing policies and legislation in strict collaboration with National Treasury to identify potential constraints to successful implementation of PPPs and recommendations where additional reforms and refinement may be required.

Description of planned quality improvement measures

- Communicating the government's public private partnership strategy clearly and consistently to all spheres of government, potential private investors and other stakeholders.
- Assisting departments, public entities and municipalities to prepare and implement cost-effective and affordable public-private partnership projects.
- Supporting capacity enhancement activities by initiating, managing and as appropriate, executing technical assistance and training activities.

Strategic objective annual targets: 2011/12

Sub-programme: 3.2 Strategic Objective	Public Private Partnerships							
	Strategic Plan target	Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets		
		2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
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 depts. and local spheres of govt.	New	1	0	2	2	2	2
	No. of seminars/workshops for municipalities and municipal entities	New	New	1	2	2	2	2
	Reports on registered projects in progress	New	New	New	2	2	2	2
	Contract management reports on closed deal	New	6	4	10	10	10	10

Programme performance indicators and annual targets: 2011/12

Sub-programme: 3.2 Performance Indicator	Public Private Partnerships						
	Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets		
	2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
No. of seminars/ workshops conducted for provincial departments and public entities	New	1	0	2	2	2	2
No. of seminars/workshops conducted for municipalities and municipal entities	New	New	1	2	2	2	2
No. of reports for Prov. Treasury management and NT PPP unit	New	6	4	10	10	10	10
No. of reports on closed deal	New	New	4	4	4	4	4

Quarterly targets: 2011/12

Sub-programme: 3.2 Programme performance Indicators	Public Private Partnerships					
	Reporting period	Annual target 2011/12	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
No. of seminars/workshops conducted for provincial departments and public entities	Bi-annually	2	Nil	Nil	1	1
No. of seminars/workshops conducted for municipalities and municipal entities	Bi-annually	2	Nil	Nil	1	1
No. of reports for Prov. Treasury management and NT PPP unit	Annually	10	Nil	Nil	5	5
No. of reports on closed deal	Annually	4	Nil	Nil	2	2

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 compliance of Provincial departments, Municipalities and Public entities of SCM prescripts and where necessary to offer support and to develop required policies and practice notes, that allow for best practice implementation.

The Strategic Objectives are:

- Support and monitor adherence of departments, Public Entities and Municipalities to SCM prescripts.
- Develop cost reduction strategies through strategic sourcing and contract management.
- Provide a supplier monitoring mechanism for the Province to ensure that Supplier Information is reliable.

Progress has been achieved in the following areas:

- Participated in Municipal Risk Management and Internal Audit workshops making presentations to Councillors, Audit Committee members and Municipal Senior Management highlighting SCM challenges and support interventions developed.
- Engaged in information sharing sessions with emerging suppliers on all SCM aspects.
- Conducted strategic compliance assessments.
- The review of the SCM Policy Framework is being undertaken.
- The unit continues to facilitate workshops on SCM for departments, municipalities and public entities.
- The new supplier database system has been commissioned and will be fully rolled out by the first quarter of 2011/12.
- Minimal progress has been achieved in contract management due to delays in staff appointment.

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 to clients is still a challenge.
- Provision of credible spends reports on achievement of Preferential Procurement Objectives.
- Secondment of Management to other departments due to required SCM interventions.
- Inaccurate and incomplete information on database registration form is now addressed by the systems control features.
- Non-alignment of PPPFA and its regulations to the BBBEE and observation of previous court decisions and rulings.

Description of planned quality improvement measures

- The process of filling posts is in the finalization stage.
- The second phase of developing the new database system and conducting information sessions on the new system has been completed.
- Access to the Procurement Contract Information (PCI) tool has been provided by National Treasury and this facility has also been extended to municipalities.
- To improve capacity for Suppliers Database, a new staffing structure has been approved and new posts have been created. Also, as an intervention, temporary staff has been employed to speed up the capturing process.



Strategic objective annual targets: 2011/12

Sub-programme: 3.3		Supply Chain Management						
Strategic objectives	Strategic plan target	Audited/Actual performance			Estimated performance 2010/11	Medium-term targets		
		2007-08	2008-09	2009-10		2011/12	2012/13	2013/14
Support and monitor adherence of state institutions to SCM prescripts	SCM training sessions and information sessions	Arrange and conduct 12 training sessions for SCM practitioners and Bid Committees; Conducted compliance assessments	No training sessions due to unavailability of SAMDI but the unit conducted workshops and SCM forums	Conduct SCM workshops for depts, munic. and public entities Conduct compliance assessments & 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	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	Issue research report in contract management and strategic sourcing systems	Develop new practice notes i.r.o. contract management and strategic sourcing systems	Implement contract management and strategic sourcing systems	Implement contract management and strategic sourcing systems

Programme performance indicators and annual targets: 2011/12

Sub-programme: 3.3		Supply Chain Management						
Performance Indicators	Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets			
	2007/08	2008/09	2009/10		2011/12	2012/13	2013/14	
Number of SCM training sessions and information sessions conducted	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	Training sessions conducted on request	Training sessions conducted on request	Training sessions conducted on request	Training sessions conducted on request	
	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	Arrange 8 SCM Information sessions for SCM Heads	
Number of support intervention reports issued	4 Quarterly and 1 Annual report produced	Report issued for 60 municipalities and 15 departments	Support intervention reports issued for 60 municipalities and 15 depts	Support intervention reports issued for 60 municipalities and 15 depts	Support intervention reports issued for 60 municipalities and 15 depts	Support intervention reports issued for 60 municipalities and 15 depts	Support intervention reports issued for 60 municipality and 15 depts	
Number of ad hoc and routine assessments undertaken	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 depts monitored as per operat. plan	Ad hoc assessment reports on request and routine compliance assessment reports issued for 61 munic. and 15 depts	Ad hoc assessment reports on request and routine compliance assessment reports issued for 61 munic. and 15 depts	Ad hoc assessment reports on request and routine compliance assessment reports issued for 61 munic. and 15 depts	Ad hoc assessment reports on request and routine compliance assessment reports for 61 munic. and 15 depts	
Number of Policies and Practice Notes developed/ reviewed and issued	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 ones	Review/ update Practice notes and develop new ones	Review and update Practice notes and develop new ones	
Quarterly and annual spend analysis reports generated	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 q. reports for 12/13	Issue annual spend analysis report for 12/13 and 3 q. reports for 13/14	
Develop and monitor policies and procedures for contract management and strategic sourcing	New	New	New	Issue a research report in contract management and strategic sourcing systems	Develop new practice notes i.r.o. contract management and strategic sourcing sys.	Implement contract management and strategic sourcing systems	Implement contract management and strategic sourcing systems	

Quarterly targets: 2011/12

Sub-programme: 3.3		Supply Chain Management				
Programme performance Indicators	Reporting period	Annual target 2011/12	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
Number of SCM training sessions and information sessions conducted	Quarterly	Training and information sessions conducted on request	2 Information /training sessions			
Number of support intervention reports issued	Quarterly	Support intervention reports issued for 60 municipalities and 15 departments	Support intervention reports for 15 municipalities and any departments based on request	Support intervention reports for 15 municipalities and any departments based on request	Support intervention reports for 15 municipalities and any departments based on request	Support intervention reports for 15 municipalities and any departments based on request
Number of ad hoc and routine assessments undertaken	Quarterly	Ad hoc assessment reports issued on request and routine compliance assessment reports issued for 60 municipalities and 15 departments	Routine assessments on 15 municipalities and 4 departments	Routine assessments on 15 municipalities and 4 departments	Routine assessments on 15 municipalities and 3 departments	Routine assessments on 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 Quarterly	2 reviewed/ updated/ developed polices or practice notes	2 reviewed/ updated/ developed polices or practice notes	2 reviewed/ updated/ developed polices or practice notes	2 reviewed/ updated/ developed polices or practice notes
Quarterly and annual spend analysis reports generated	Quarterly and annually	Issue bi-annual and annual spend analysis reports	Nil	1 six month report	Nil	1 six month report and 1 annual report
Number of policies and procedures developed on contract management and strategic sourcing for Provincial Departments	Quarterly and annually	Training and information sessions conducted on request	2 Information /training sessions	2 Information /training sessions	Issue research report in contract management and strategic sourcing systems	2 Information /training sessions

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, public entities 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 analyse province-wide compliance, implementation and maintenance of generally recognized accounting practice and financial systems to fairly present the consolidated financial position of the province.
- 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 and Public Entity Support*

In 2010/11, significant progress was made in the submission of all outstanding consolidated financial statements in provincial departments and public entities dating from 2006/07 to 2009/10. The target date for the compilation and submission of the consolidated annual financial statements of provincial departments and public entities for 2009/10 was met as per the agreement with the Auditor-General.

Technical support and training workshops were provided to all departments and public entities for both the preparation and finalisation of the annual financial statement templates. Standard working paper files and schedules which covered all audit areas were issued to departments to ensure audit readiness. Financial management assistance was also given to the Department of Royal Household.

Progress Analysis: *Municipal support*

A detailed financial health analysis was conducted in 3 municipalities that requested Provincial Treasury's assistance in evaluating long-term loan applications on their behalf.

The Financial Reporting Unit in collaboration with the Municipal Finance Component facilitated the GRAP conversion process within 8 municipalities under the auspices of the MSP project. Extensive training of municipal staff was facilitated to capacitate municipal officials to bridge the financial management and technical skills gap in the implementation of GRAP standards.

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. To obviate this constraint, three Assistant Manager posts at the level of Trainee Ranks have been advertised to recruit potential candidates with the relevant qualifications but not necessarily the requisite experience. It is anticipated that on-the-job training will alleviate the skills and experience deficit.

Description of planned quality improvement measures

- Regular hands-on engagement and support to provincial departments, public entities and municipalities to enhance their financial accounting and reporting performance.
- Collaboration with the relevant units within Provincial Treasury to obviate functional and operational duplicities to provide support to departments and municipalities in real-time.
- Continued staff development and training programmes to develop and retain the requisite financial management skills and expertise.



Strategic objective annual targets: 2011/12

Sub-programme: 3.4	Financial Reporting							
Strategic objective	Strategic plan target	Audited/Actual performance			Estimated performance 2010/11	Medium-term targets		
		2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
To present fairly the consolidated financial position of the province.	DEPT AND PUBLIC ENTITIES Consolidation of Annual Financial Statements: - Departments - Revenue Fund - Public Entities	Submission of consolidated AFS for financial year 04/05	Submission of consolidated AFS for financial year 05/06	Compiled consolidated AFS for 07/08 and 08/09 and Revenue Fund for 07/08 and 08/09 & submitted to A-G	Compile consolidated AFS for: FY09/10	Compile consolidated AFS for FY10/11	Compile consolidated AFS for FY11/12	Compile consolidated AFS for FY12/13
To provide financial management support to departments, public entities and Municipalities	DEPARTMENTS AFS support and training to departments	New	New	New	1 AFS Training Workshop Pre-audit review in 16 depts	1 AFS Training Workshop Pre-audit review in 16 depts	1 AFS Training Workshop Pre-audit review in 16 depts	1 AFS Training workshop Pre-audit review in 16 depts
	DEPARTMENTS Provincial Audit Outcome Analysis	New	New	New	Summary of Audit Outcomes Analysis one month after AG's Audit Report Monitoring 16 depts Audit Implement. Plans	Summary of Audit Outcome Analysis one month after AG's Audit Report Monitoring 16 depts. Audit Implement. Plans	Summary of Audit Outcomes Analysis one month after AG's Audit Report Monitoring 16 depts. Audit Implement. Plans	Summary of Audit Outcomes Analysis one month after AG's Audit Report Monitoring 16 depts. Audit Implement. Plans
	DEPARTMENTS Key Account Analysis	New	New	New	Monthly Suspense Account Monitoring Reports in 16 depts	Monthly Suspense Account Monitoring Reports in 16 depts	Monthly Suspense Account Monitoring Reports in 16 depts	Monthly Suspense Account Monitoring Reports in 16 depts
	PUBLIC ENTITIES AFS training and support to Public Entities	N/A	N/A	Compiled consolidated AFS for 07/08 and 08/09 and submitted to the Auditor-General	Pre-Audit review of AFS Template in 11 Entities	Pre-Audit review of AFS Template in 11 Entities	Pre-Audit review of AFS Template in 11 Entities	Pre-Audit review of AFS Template in 11 Entities
		N/A	N/A		Summary analysis of Audit Outcomes one month post audit	Summary analysis of Audit Outcomes one month post audit	Summary analysis of Audit Outcomes one month post audit	Summary analysis of Audit Outcomes one month post audit
		N/A	N/A		Monitoring 11 Public Entities Audit Implement. Plans	Monitoring 11 Public Entities Audit Implement. Plans	Monitoring 11 public Entities Audit Implement. Plans	Monitoring 11 Public Entities Audit Implement. Plans
MUNICIPAL SUPPORT: GRAP Conversion Support: Implement-ation Support Post implement-ation support	N/A	N/A	7 municipalities supported in the GRAP conversion process	8 municipalities supported in the GRAP Conversion Process Three GRAP Conversion Workshops facilitated	Post GRAP implementation support in 5 municipalities	Post GRAP implementation support in 5 munic.	NA	

Programme performance indicators and annual targets: 2011/12

Sub-programme: 3.4	Financial Reporting						
	Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets		
	2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
Consolidation of Annual Financial Statements: a. Departments b. Revenue Fund c. Public Entities	Submission of consolidated AFS for FY04/05	Submission of consolidated AFS for FY05/06	Compiled consolidated AFS for 07/08 and 08/09 and Revenue Fund for 07/08 and 08/09 & submitted to the AG	Compile consolidated AFS for: FY09/10	Compile consolidated AFS for FY10/11	Compile consolidated AFS for FY11/12	Compile consolidated AFS for FY12/13
DEPARTMENTAL SUPPORT AFS support and training to departments	New	New	New	1 AFS training workshop Pre-audit review in 16 departments	1 AFS training workshop Pre-audit review in 16 departments	1 AFS training workshop Pre-audit review in 16 departments	1 AFS training workshop Pre-audit review in 16 departments
DEPARTMENTS Provincial Audit Outcomes Analysis	New	New	New	Summary of Audit Outcomes Analysis one month after AG's Audit Report Monitoring 16 depts. Audit Implementation Plans	Summary of Audit Outcome Analysis one month after AG's Audit Report Monitoring 16 depts. Audit Implementation Plans	Summary of Audit Outcomes Analysis one month after AG's Audit Report Monitoring 16 depts. Audit Implementation Plans	Summary of Audit Outcomes Analysis one month after AG's Audit Report Monitoring 16 depts. Audit Implementation Plans
DEPARTMENTS Key Account Analysis	New	New	New	Monthly Suspense Account Monitoring reports in 16 depts.	Monthly Suspense Account Monitoring reports in 16 depts.	Monthly Suspense Account Monitoring reports in 16 depts.	Monthly Suspense Account Monitoring reports in 16 depts.
PUBLIC ENTITIES AFS Training and Support	N/A	N/A	Compiled consolidated AFS for 07/08 and 08/09 and submitted to AG	Pre-Audit review of AFS Template in 11 Entities Summary analysis of Audit Outcomes one month post audit Monitoring 11 Public Entities Audit Implementation Plans	Pre-Audit review of AFS Template in 11 Entities Summary analysis of Audit Outcomes one month post audit Monitoring 11 Public Entities Audit Implementation Plans	Pre-Audit review of AFS Template in 11 Entities Summary analysis of Audit Outcomes one month post audit Monitoring 11 public Entities Audit Implementation Plans	Pre-Audit review of AFS Template in 11 Entities Summary analysis of Audit Outcomes one month post audit Monitoring 11 Public Entities Audit Implementation Plans
MUNICIPAL SUPPORT: GRAP Conversion Support: a) Post GRAP Implementation Support	N/A	N/A	7 Municipalities supported in the GRAP conversion process	8 municipalities supported in the GRAP Conversion Process Three GRAP Conversion Workshops facilitated	Post GRAP implementation support in 5 municipalities	Post GRAP implementation support in 5 municipalities	NA

Quarterly targets: 2011/12

Sub-programme: 3.4	Financial Reporting					
	Reporting period	Annual target 2011/12	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
Consolidation of Annual Financial Statements: a. Departments b. Revenue Fund c. Public Entities	Annually	Compile consolidated AFS for FY10/11	N/A	Compile consolidated AFS for FY10/11	N/A	N/A
DEPARTMENTS: AFS support and training to departments	Annually	1 AFS Training Workshop Pre-audit review in 16 depts	1 AFS Training Workshop Pre-audit review in 16 depts	N/A	N/A	1 AFS Training Workshop
DEPARTMENTS Provincial Audit Outcomes Analysis	Annually	Summary of Audit Outcome Analysis one month after AG's Audit Report Monitoring 16 depts Audit Implementation Plans	N/A	Summary of Audit Outcome Analysis prepared for presentation to Cabinet	N/A	Monitoring 16 depts Audit Implementation Plans
DEPARTMENTS Key Account Analysis	Monthly	Monthly Suspense Account Monitoring Reports in 16 depts	16 depts. monitored	16 depts monitored	16 depts monitored	16 departments monitored
PUBLIC ENTITIES AFS Training and Support	Annually	Pre-Audit review of AFS Template in 11 Entities Summary analysis of Audit Outcomes one month post audit Monitoring 11 Public Entities Audit Implementation Plans	Pre-Audit review of AFS Template in 11 Entities	Summary analysis of Audit Outcomes one month post audit	N/A	Monitoring 11 Public Entities Audit Implementation Plans
MUNICIPAL SUPPORT Post-GRAP implementation support in 5 Municipalities	Annually	Post GRAP implementation support in 5 municipalities	Post GRAP implementation support in 5 municipalities	Post GRAP implementation support in 5 municipalities	Post GRAP implementation support in 5 municipalities	Post GRAP implementation support in 5 municipalities

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 regulatory environment for KwaZulu-Natal municipalities as it related to the financial management sphere were identified via surveys conducted in all municipalities. The remedial measures undertaken to address these deficiencies resulted in the successful provision of policy assistance and development in four municipalities, namely Dannhauser, Ilembe, Big Five False Bay and Umkhanyakude. To facilitate a meaningful and fruitful development/ review of policies, relevant personnel within

municipalities were extensively consulted and provided inputs in customising draft policies to better meet the operational requirements of the municipalities concerned.

Municipalities, in addition to finance policies, requested assistance with the review and development of Human Resources and other policies as they had no capacity. Going forward, however, it was determined that the primary focus will be on five critical financial management policies due to capacity constraints and to be more effective in terms of Treasury's core duties. These policies are listed hereunder:

- a) Credit Control and Debtors Collection Policy
- b) Tariffs Policy
- c) Property Rates Policy
- d) Cash Management, Banking and Investment
- e) Budget Policy

The monitoring compliance and evaluation questionnaires submitted quarterly to departments were analysed and compliance assessment reports issued per department highlighting deviations and providing recommendations to ensure future compliance. Meetings were held on a quarterly basis to discuss non-compliance and the proposed recommendations and to receive feedback on matters outstanding from previous questionnaires. The end result was a significantly measurable decrease in non-compliance with provisions of the relevant practice notes.

A draft KZN Legislature Financial Policies and Procedure Manual was prepared based on the existing manual with amendments in line with current legislation and best practice processes and procedures relative to financial management. This was consulted on and a finalised draft was presented for implementation.

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: 2011/12

Sub-programme: 3.5	Norms & Standards								
	Strategic objective	Strategic plan target	Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets		
			2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
To develop, review and monitor compliance with financial management norms and standards in provincial departments	5 new practice notes and 26 reviewed practice notes for depts	8 new practice notes and four reviewed practice notes for depts	8 new practice notes and eight reviewed practice notes for depts	10 practice notes reviewed	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	
To provide support in the development and to review financial management norms and standards in provincial municipalities	N/a	New	New	New	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	Four municipalities assessed and assisted with financial management policies	

Programme performance indicators and annual targets: 2011/12

Sub-programme: 3.5	Norms & Standards						
	Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets		
	2007/08	2008/09	2009/10		2011/12	2011/12	2013/14
Number of Policies and Practice Notes developed/ reviewed and issued	8 new practice notes and four reviewed practice notes for depts	8 new practice notes and eight reviewed practice notes for depts	10 practice notes reviewed	10 practice notes reviewed	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
No. of municipalities supported and assistance provided in review and addressing of needs relating to financial management policies	New	New	New	New	4	4	4

Quarterly targets: 2011/12

Sub-programme: 3.5	Norms & Standards					
	Reporting period	Annual target 2011/12	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
Programme performance Indicators						
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 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

A network monitoring tool (Foresight) has been implemented to proactively monitor the network. A new Supplier's Database has been developed in line with reporting requirements of the relevant stakeholders. The IT network infrastructure at Treasury House has been upgraded resulting in improved performance.

Analysis of constraints and measures planned to overcome them

There are considerable delays in the SITA procurement process. This has resulted in the IT unit not being able to complete the identified projects as per the Annual Performance Plan targets.

Description of planned quality improvement measures

The issue of the SITA procurement process has been tabled at the Provincial Government IT officer's Council and the matter is now being addressed at the National Office of SITA. SITA developed a turnaround strategy to improve its internal processes. In the event that the does not materialize, the department has the option to implement National Treasury Practice Note 5 of 2009, in order to minimise any delays in the procurement of IT goods and services.

Strategic objective annual targets: 2011/12

Sub-programme: 3.6	Supporting and Interlinked Financial Systems							
	Strategic Plan Target	Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets		
		2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
Develop and implement systems	No. of initiatives implemented	New	New	New	As per MSP	As per MSP	As per MSP	As per MSP
Develop and review, implement and monitor dept.l 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 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: 2011/12

Sub-programme: 3.6	Supporting and Interlinked Financial Systems							
	Performance Indicators	Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets		
		2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
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	8	
Number of information sessions conducted	New	New	New	8	8	8	8	
Mean time to resolve (MTTR)-Treasury	New	New	New	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%	82%	85%	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: 2011/12

Sub-programme: 3.6	Supporting and Interlinked Financial Systems					
Programme performance Indicators	Reporting period	Annual target 2011/12	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
Number of initiatives/projects implemented	Annually	As per MSP	As per MSP	As per MSP	As per MSP	As per MSP
Number of policy reviews completed	Annually	8	2	2	2	2
Number of compliance reports completed	Annually	2	Nil	1	Nil	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%

3.7 Reconciliation of budget with plan

Summary of payments and estimates - Programme 3: Financial Management

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2007/08	2008/09	2009/10				2010/11	2011/12	2012/13
Financial Asset and Liability Management	12 383	151 257	116 597	250 517	238 517	29 764	116 583	117 661	118 561
Public Private Partnerships (PPPs)	2 483	4 023	2 737	4 931	4 931	3 111	6 092	6 465	6 547
Supply Chain Management	10 441	8 692	9 732	14 235	14 235	13 414	17 357	18 348	19 342
Financial Reporting	8 719	12 365	6 804	10 166	16 166	15 119	10 810	11 314	11 929
Norms and Standards	1 030	1 737	2 424	4 223	4 223	3 044	4 499	4 697	4 953
Supporting & Interlinked Financial Systems	95 577	106 929	100 626	101 248	101 248	97 376	107 254	112 464	118 645
Total	130 633	285 003	238 920	385 320	379 320	161 828	262 595	270 949	279 977

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

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2007/08	2008/09	2009/10				2010/11	2011/12	2012/13
Current payments	116 820	278 181	235 606	384 369	377 259	160 001	260 962	269 227	278 156
Compensation of employees	21 231	24 437	24 319	38 024	34 263	28 936	42 917	45 404	47 696
Goods and services	95 589	115 361	109 029	111 345	119 996	115 558	118 045	123 823	130 460
Interest and rent on land	-	138 383	102 258	235 000	223 000	15 507	100 000	100 000	100 000
Transfers and subsidies to:	244	129	1 122	35	1 060	1 025	1 300	1 370	1 450
Provinces and municipalities	-	-	-	-	-	-	-	-	-
Departmental agencies and accounts	34	-	-	35	35	-	-	-	-
Universities and technikons	-	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-	-	-
Households	210	129	1 122	-	1 025	1 025	1 300	1 370	1 450
Payments for capital assets	13 569	6 602	2 192	916	916	718	333	352	371
Buildings and other fixed structures	-	-	-	-	-	-	-	-	-
Machinery and equipment	4 539	6 594	2 089	916	916	718	333	352	371
Heritage assets	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Land and sub-soil assets	-	-	-	-	-	-	-	-	-
Software and other intangible assets	9 030	8	103	-	-	-	-	-	-
Payments for financial assets	-	91	-	-	85	84	-	-	-
Total	130 633	285 003	238 920	385 320	379 320	161 828	262 595	270 949	279 977

4. Programme 4: Internal Audit

4.1:	Sub-Programme:	Assurance Services
4.2.1	Sub-Programme:	Risk Management
4.2.2	Sub-Programme:	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:

- Provide an efficient, effective and economical assurance service.
- Build and maintain solid client relationships through providing value added service.
- Enhance capacity within and outside the Unit.

Progress Analysis

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

- The approved revised structure in line with the sub-programme's turnaround strategy continued to be 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 95 % achievement on the implementation of 2009/10 operational plans.
- In order to improve relationships with clients, the unit attended Departmental Audit Steering Committee meetings. Strategic Planning Sessions and Risk Assessment workshops were also attended.
- 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 Unit embarked on a review of the Quality Improvement Programme to assist in enhancing our service offerings.
- 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 specialised internal audit skills. The clients' slow response 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. The Unit introduced the Cluster Audit and Risk Committees as sub-committees of the Provincial Audit and Risk Committee to improve on its effectiveness and focus on Cluster specific issues. These committees engage with departmental management on a period basis which has facilitated in improved relationships with clients. The unit also continues to attend Audit Steering Committee meetings, strategic planning sessions, MTEC hearings and MANCO meetings of departments.
- 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

The Quality Improvement Programme is being reviewed to ensure a more focused position on quality excellence. The aim of the QIP is to improve on our service offering to our clients and 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 have been initiated and continue to be implemented to enhance staff skills and development which impacts on the quality of internal audit services rendered:

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

Re-alignment of Internal Audit Function

The internal audit function has been realigned to the government clusters which is aimed at enhancing 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 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: 2011/12

Sub-programme: 4.1	Assurance Services								
	Strategic Objective	Strategic Plan Target	Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets		
			2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
An efficient, effective and economical assurance service.	Performance Information Reviews	19	18	21	20	22	22	22	
	Internal Audit reviews on Governance	0	4	18	8	22	22	22	
	Annual Audit Committee report to the MEC: Finance	1	1	1	1	1	1	1	
	Internal Audit reports	247	125	118	150	106	106	106	
	Cluster Audit Committee reports	4	4	4	4	12	12	12	
	Half-yearly Accounting Officers reports	32	48	32	40	44	44	44	
	Internal Audit operational plan and a rolling three year strategic plan.	16	20	20	20	22	22	22	
	Internal Audit follow-up reports	66	88	75	80	88	88	88	
Build and maintain Client Relationships	Cluster Audit Committee Meetings with Clients.	12	15	11	32	64	64	64	
Enhance Capacity within and outside the Unit	Training and Development program	22	16	19	15	10	10	10	
	Internal and/ independent External QAR Report	-	3	0	2	2	2	2	

Programme performance indicators and annual targets: 2011/12

Sub-programme: 4.1	Assurance Services						
Performance Indicator	Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets		
	2007/08	2008/09	2009/10		2011/12	2011/12	2013/14
No. of performance information reviews/ audit assignments completed as per operational plan.	19	18	21	20	22	22	22
Number of projects on the design, implementation, and effectiveness of business ethics, related objectives, programs and activities completed.	0	4	18	8	22	22	22
Annual Audit Committee reports on clients' areas of risk management, governance and internal control submitted to MEC: Finance.	1	1	1	1	1	1	1
Number of audit assignments completed per operational plan.	247	125	118	150	106	106	106
Number of quarterly Cluster Audit Committee reports issued.	4	4	4	4	12	12	12
Number of half-yearly Accounting Officers reports issued to management.	32	48	32	40	44	44	44
Number of IA Annual operational plan and a rolling three year strategic plan developed and approved.	16	20	20	20	22	22	22
Number of meetings held between clients and Audit Committee	12	15	11	32	64	64	64
Number of follow up audits conducted.	66	88	75	80	88	88	88
Number of training and development programs attended	22	16	19	15	10	10	10
Number of internal and/ independent external quality assurance reviews conducted	-	3	0	2	2	2	2

Quarterly targets: 2011/12

Sub-programme: 4.1	Assurance Services					
Programme performance Indicators	Reporting period	Annual target 2011/12	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
No. of performance information reviews/ audit assignments completed as per operational plan.	Annual	22	0	0	22	0
Number of projects on the design, implementation, and effectiveness of business ethics, related objectives, programs and activities completed.	Annual	22	0	0	0	22
Annual Audit Committee reports on clients' areas of risk management, governance and internal control submitted to MEC: Finance.	Annually	1	0	1	0	0
Number of audit assignments completed per operational plan.	Quarterly	106	26	26	27	27
Number of quarterly Cluster Audit Committee reports issued.	Quarterly	12	3	3	3	3
Number of half-yearly Accounting Officers reports issued to management.	Half-yearly	44	22	0	22	0
Number of IA Annual operational plan and a rolling three year strategic plan developed and approved.	Annually	22	22	0	0	0
Number of meetings held between clients and Audit Committee	Quarterly	64	16	16	16	16
Number of follow up audits conducted per operational plans.	Quarterly	88	22	22	22	22
Number of training and development programs attended	Quarterly	10	3	3	2	2
Number of internal and/ independent external quality assurance reviews conducted	Half-yearly	2	0	1	0	1

4.2.1 Sub-Programme: Risk Management

Specified Policies and Priorities

The PFMA and the MFMA requires provincial government departments, public entities and municipalities to establish a system of risk management and internal control, and to ensure that risk assessments are conducted regularly to identify emerging risks of these institutions. Although it is clear that the management of risks within the above-mentioned institutions is the responsibilities of their top management, it is also acknowledged that the concept of risk management is still new.

In light of the above, and as a result of the obligations placed on us by the PFMA, the Internal Audit Unit of the Provincial Treasury has established a dedicated sub-programme, called Risk Management and Advisory Services, to assist the above-mentioned institutions to comply with the required risk management sections of the PFMA and the MFMA and also to assist with building capacity within those institutions.

The strategic objective is:

To promote good governance through assisting provincial departments, public entities and municipalities to practice effective risk management.

Progress Analysis

We have so far managed to achieve the following with regard to risk management:

- The Cura risk management system has been rolled out to departments.
- Developed the provincial risk management framework that will assist departments to comply with section 38 of the PFMA.
- Facilitated various risk assessments at all provincial departments and at over 31 municipalities.
- With regard to Project Unembeza – i.e. IT risk assessments around the vulnerability of BAS and PERSAL systems to possible fraudulent activities – the unit is regularly monitoring progress on how provincial departments are addressing the 2008 findings. While the 2009 IT risk assessments have also been recently completed and reports issued to departments.
- These risk assessments are used by the assurance team as basis for preparing internal audit operational plans.
- Provided risk management training to departments and municipalities.
- Taken risk management issues to the level of MECs.

Analysis of constraints and measures planned to overcome them

The concept of risk management is still new within the KZN provincial government, and as such there is currently a high dependency on the Internal Audit Unit to assist with the facilitation of risk assessments. This dependency places strain on the resources of the unit.

To mitigate the above, the Unit has developed the Provincial Risk Management Framework which, once it is rolled-out to provincial departments, public entities and municipalities, will assist these institutions to address risk management issues on their own.

Description of planned quality improvement measures

Our renewed focus is now on building capacity within provincial departments, public entities and municipalities to enable them to practice effective risk management on their own.

The type of service/assistance that we intend providing to each institution will be informed by the result of a gap analysis that will outline action plans or specific assistance that should be accorded to each institution –

and these action plans/assistance should be formalised in the form of service level agreements to be entered between Provincial Treasury and these institutions. All these will be done to enhance risk management maturity of these institutions.

Other planned improvement measures are as outlined below:

- Streamline risk profiles of departments, public entities and municipalities, and future risk assessments;
- Streamline risk profiles and associated action plans; and
- Customise our risk management interventions through the results of a risk maturity gap analysis.

Strategic objective annual targets: 2011/12

Sub-programme: 4.2.1		Risk Management						
Strategic Objective	Strategic plan target	Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets		
		2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
To promote good governance through effective risk management	Risk assessments facilitated for municipalities and public entities.	20	29	55	68	40	40	40
	Streamlined risk assessments for departments	New	New	New	New	16	16	16
	Follow-up on the implementation of risk mitigation plans for each department.	New	New	New	New	64	64	64
	Consolidated Provincial Risk profile Developed	1	1	1	1	1	1	1
	Risk maturity gap analysis conducted and action plan developed for departments, public entities and municipalities	New	New	New	New	50	50	50
	Audit Committee quarterly reports on 'the clients' areas of risk management/ risk governance	4	4	4	4	4	4	4
	Training/raising awareness on risk management	16	8	40	10	10	10	10
	Risk management forum meetings held	3	4	17	4	4	4	4
	Workshops on good governance conducted	4	2	14	5	5	5	5
	No. of training/ development programs attended	4	4	6	2	2	2	2

Programme performance indicators and annual targets: 2011/12

Sub-programme: 4.2.1	Risk Management						
Performance Indicator	Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets		
	2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
Enterprise wide risk reports issued for municipalities and public entities.	20	29	55	68	40	40	40
Streamlined enterprise wide risk reports issued for each department.	New	New	New	New	16	16	16
Quarterly Risk follow-up reports issued for each department.	New	New	New	New	64	64	64
Number of Consolidated Risk profiles Developed	1	1	1	1	1	1	1
Number of risk management maturity gap analysis reports issued.	New	New	New	New	50	50	50
Audit Committee quarterly reports on the clients' areas of risk management and risk governance	4	4	4	4	4	4	4
Number of training/risk awareness meetings held with departments, public entities and municipalities.	16	8	40	10	10	10	10
Number of risk management forum meetings held	3	4	17	4	4	4	4
No of Workshops on good governance conducted	4	2	14	5	5	5	5
Number of training and development programs attended	4	4	6	2	2	2	2

Quarterly targets: 2011/12

Sub-programme: 4.2.1	Risk Management					
Programme performance Indicators	Reporting period	Annual target 2011/12	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
No of Enterprise wide risk reports issued for municipalities and public entities.	Quarterly	40	10	10	10	10
Streamlined enterprise wide risk reports issued for each department.	Quarterly	16	4	4	4	4
Quarterly Risk follow-up reports issued for each department.	Quarterly	64	16	16	16	16
No. of Consolidated Risk profiles Developed	Quarterly	1	Nil	Nil	1	Nil
Number of risk management maturity gap analysis reports.	Quarterly	50	10	15	15	10
Audit Committee quarterly reports on the clients' areas of risk management and risk governance	Quarterly	4	1	1	1	1
Number of training/risk awareness sessions held.	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	1	2	1	1
No. of training and development programs attended	Quarterly	2	0	1	1	0

4.2.2 Sub-Programme: Forensic Services

Specified Policies and Priorities

Section 85(1) (b), (c) and (d) of the PFMA read in conjunction with Treasury Regulation 4 requires accounting officers to ensure that investigations are conducted against officials that are alleged to have committed financial misconducts.

KZN Treasury, through its Internal Audit Unit, has a dedicated component that assists departments to comply with the above-mentioned requirement. In addition the Internal Audit also uses other sources of information to initiate investigations, these sources include:

- Internal and external(AG) audit findings/reports
- Request by MECs/Cabinet
- Anonymous tip-offs
- Request by the Audit Committee.

The strategic objective is:

Promote a culture of zero tolerance for fraud and corruption in the Province.

Analysis of constraints and measures planned to overcome them

The following represent some of the key challenges being faced by the Unit with regard to forensic investigations:

- Delays in finalising cases. This is caused by inadequate capacity and project management skills within the Forensic Unit. The necessary interventions, which include providing training, are being made to address this situation.
- Lack of a case management system to keep complete record of all cases. The Unit is in the process of finalising the development of the case management system that will assist in the tracking of various investigations.
- Inadequate co-ordination with other law enforcement agencies in successfully prosecuting some of our cases.
- Provincial departments not providing us with information on cases that have not been referred to us.

Description of planned quality improvement measures

To improve on our challenges, the Unit is constantly reviewing the approach to the way that it conducts investigations and will be outlined in the revised Forensic investigation Framework, Section 85 of PFMA.

Strategic objective annual targets: 2011/12

Sub-programme: 4.2.2		Forensic Audit						
Strategic Objective	Strategic plan target	Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets		
		2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
To promote a culture of zero tolerance for fraud and corruption	Reviews on the status of fraud management in provincial departments.	16	4	0	16	16	16	16
	Forensic audits performed and investigations	25	20	25	36	Per client request	Per client request	Per client request
	Compile a register of completed investigations	New	New	New	New	2	2	2
	Follow up on completed investigation reports	26	20	20	16	16	16	16

Programme performance indicators and annual targets: 2011/12

Sub-programme: 4.2.2 Performance Indicator	Forensic Audit						
	Audited / Actual Performance			Estimated performance 2010/11	Medium-term targets		
	2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
Number of reviews on the status of fraud management in the departments.	16	4	0	16	16	16	16
Number of Forensic Audits performed and investigations as per clients requests and referrals from the Assurance team.	25	20	25	36	Per client request	Per client request	Per client request
Updated register of forensic investigations.	New	New	New	New	2	2	2
Number of follow ups conducted per completed investigation.	26	20	20	16	16	16	16

Quarterly targets: 2011/12

Sub-programme: 4.2.2 Programme performance Indicators	Reporting period	Annual target 2011/12	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
			No. of reviews on the status of fraud management in the departments.	Quarterly	16	4
Number of Forensic Audits performed and investigations as per clients requests and referrals from the Assurance team.	Quarterly	Per client request	Per request	Per request	Per request	Per request
Updated register of forensic investigations	Bi-annual	2	0	1	1	0
Number of follow ups on completed investigations.	Quarterly	16	4	4	4	4

4.3 Reconciliation of budget with plan

Summary of payments and estimates - Programme 4: Internal Audit

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2007/08	2008/09	2009/10				2010/11	2011/12	2012/13
Assurance Services	28 833	29 628	33 177	44 460	44 460	41 851	47 916	50 229	52 958
Risk Management	24 301	40 756	35 510	38 174	38 174	40 622	41 354	43 390	45 760
Total	53 134	70 384	68 687	82 634	82 634	82 473	89 270	93 619	98 718

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

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2007/08	2008/09	2009/10				2010/11	2011/12	2012/13
Current payments	52 375	70 180	68 191	81 669	81 444	81 444	88 579	92 861	97 783
Compensation of employees	25 828	26 521	29 640	49 814	38 597	35 243	51 339	54 286	57 006
Goods and services	26 547	43 659	38 551	31 855	42 847	46 201	37 240	38 575	40 777
Interest and rent on land	-	-	-	-	-	-	-	-	-
Transfers and subsidies to:	231	-	10	46	271	225	-	-	-
Provinces and municipalities	-	-	-	-	-	-	-	-	-
Departmental agencies and accounts	39	-	-	46	46	-	-	-	-
Universities and technikons	-	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	2	-	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-	-	-
Households	190	-	10	-	225	225	-	-	-
Payments for capital assets	528	197	486	919	919	804	691	758	935
Buildings and other fixed structures	-	-	-	-	-	-	-	-	-
Machinery and equipment	528	197	486	919	919	804	691	758	935
Heritage assets	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Land and sub-soil assets	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-	-
Payments for financial assets	-	7	-	-	-	-	-	-	-
Total	53 134	70 384	68 687	82 634	82 634	82 473	89 270	93 619	98 718

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 programmes that will provide development for the province.

Programme performance indicators and annual targets: 2011/12

Sub-programme: 5.1	Other Developmental Initiatives						
	Audited / Actual Performance			Estimate 2010/11	Medium-term targets		
	2007/08	2008/09	2009/10		2011/12	2012/13	2013/14
No. of events coordinated successfully	N/A	7	5	8	5	5	5

Quarterly reports: 2011/12

Sub-programme: 5.1	Other Developmental Initiatives					
	Reporting period	Annual target 2011/12	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
No. of events coordinated successfully	Quarterly	5	1	1	1	2

5.2 Reconciliation of budget with plan

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

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation 2010/11	Revised Estimate	Medium-term Estimates		
	2007/08	2008/09	2009/10				2011/12	2012/13	2013/14
Other Developmental Initiatives	72 923	201 267	178 913	13 649	68 131	68 131	12 524	12 382	26 341
Total	72 923	201 267	178 913	13 649	68 131	68 131	12 524	12 382	26 341

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

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation 2010/11	Revised Estimate	Medium-term Estimates		
	2007/08	2008/09	2009/10				2011/12	2012/13	2013/14
Current payments	51 360	38 126	19 267	13 649	17 902	17 902	12 524	12 382	26 341
Compensation of employees	-	-	-	-	-	-	-	-	-
Goods and services	51 360	38 126	19 267	13 649	17 902	17 902	12 524	12 382	26 341
Interest and rent on land	-	-	-	-	-	-	-	-	-
Transfers and subsidies to:	21 563	158 963	159 646	-	50 229	50 229	-	-	-
Provinces and municipalities	21 563	158 963	159 646	-	50 229	50 229	-	-	-
Departmental agencies and accounts	-	-	-	-	-	-	-	-	-
Universities and technikons	-	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-	-	-
Households	-	-	-	-	-	-	-	-	-
Payments for capital assets	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-
Payments for financial assets	-	4 178	-	-	-	-	-	-	-
Total	72 923	201 267	178 913	13 649	68 131	68 131	12 524	12 382	26 341

PART C: LINKS TO OTHER PLANS

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



