

KWAZULU-NATAL PROVINCIAL TREASURY



ANNUAL PERFORMANCE PLAN 2012/13



Introduction by the MEC for Finance

Performance information is important for effective management, planning, budgeting, implementation, reporting, monitoring and evaluation. In line with Government's shift to results based management, we need an approach that integrates strategy, people, resources, processes and measurements to improve decision-making, transparency and accountability. After all is said and done, **a programme should have clear delivery targets and change the lives of our citizens for the better.**

With **job creation** still topping the list of needs in of our citizens, it makes infinite sense that we have programmes that deliver in terms of labour absorption and stimulating economic growth. Therefore investment in infrastructure plays a crucial role as a strategic catalyst in the achievement of the Growth Path objectives and it is paramount that we optimise the impact of infrastructure investment. The measures put in place by Provincial Treasury to **co-ordinate infrastructure investments and deliveries are** essential – not only in provincial departments but also in all public entities.

I am pleased that the Specialised Advisory Support services have now also started to focus on the budgeting and reporting functions of **public entities**, as well as on issues relating to their listing status in terms of the Schedules to the PFMA – an area that has received limited attention in the past. Our support for **local government** remains a cornerstone of our service delivery mandate. The Municipal Finance Unit will continue to focus on improving the technical support it provides to the 58 delegated municipalities in the Province.

Government has the responsibility to ensure *responsible spending*, given the limited public funds at our disposal. Thus the cost of initiatives must be linked to results and the imperatives of sound financial management, namely:

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


We are certainly moving in the right direction with the implementation of **Contract Management; the Bid Appeals Tribunal for Municipalities and Strategic Sourcing** when we procure goods and services. All of these initiatives form part of ensuring sound Supply Chain Management practices.

Leading by example is the only road for Provincial Treasury. We have to meet our targets and deadlines **effectively, economically and efficiently** to increase confidence among potential investors as well as the public, which we serve. A relationship of trust is further cultivated by transparency and accountability.

Public consultation is part of good governance. To this end my Office and the Department have increased our Pre-Budget and Post Budget road shows for 2012/13. This is part of our financial literacy drive. 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 financial literacy initiatives under the umbrella of the KwaZulu-Natal Financial Literacy Association impact positively on our citizens. This enterprise has tremendous potential to help people build assets and create wealth, not only for themselves and their households, but also to grow business and community resources and ultimately for the Province and the country.

With this Annual Performance Plan we pledge to work together in improving the lives of our citizens and enabling them to carve out a better future for themselves.

Ms CM Cronjé
MEC for Finance



Ms CM Cronjé
MEC for Finance



Introduction by the Head of Department

Good governance is the cornerstone to effective service delivery. The past year has seen a marked improvement in good governance in KwaZulu-Natal, both at provincial and local government level.

This is highlighted by the 81 per cent and 85 per cent in unqualified audit opinions at provincial and local government, respectively, in 2010/11. The KwaZulu-Natal Provincial Treasury, through its programmes that are aimed at instilling sound financial management, has been instrumental in this achievement. The department continues to monitor the implementation of the Provincial Recovery Plan which saw the province move from a deficit in 2009/10 to a saving of R3.426 billion in 2010/11.

Infrastructure development has been identified as one of the key focus areas of government for 2012/13. Several programmes within the department are aimed at supporting the planning and implementation of infrastructure projects by departments and municipalities. The Provincial Infrastructure 'Crack Team' has been established to assist with planning, implementation and spending on infrastructure projects.

Contract management has been identified as one challenge leading to poor delivery by service providers. The department has developed the Contract Management Framework which will ensure that service providers of similar goods and services are subject to consistent, standardised and fair performance measures.

The biggest challenge facing enterprises that do business with government is delays in getting payment for goods and services

rendered. This has a debilitating effect on small enterprises which depend on cash flow for their survival. Provincial Treasury prides itself on paying its service providers within 30 days. The department has launched the Pay on Time (Khokha Ngesikhathi) Campaign, aimed at ensuring that service providers within the province are paid within 30 days after effectively delivering a service.

Internal Audit provides an independent objective assurance and consulting services on issues of internal controls, risk management and governance to departments and public entities in the province. As a result of the impact this unit has had on several organisations within the province, there has been an increase in demand for its services.

The human resource is the greatest asset of the organisation.

To ensure optimal delivery on the department's mandate, critical posts have been filled and the vacancy rate has been reduced to 18 per cent. The target is to have all vacant posts filled in the 2012/13 financial year. The Wellness Clinic of the department is in place and is being fully utilised by personnel.

The shortage of skills needed by the Treasury, such as accounting and economics, continues to be a challenge. The department has an initiative with the South African Institute of Chartered Accountants aimed at ensuring that the country produces more chartered accountants. The department is also contributing toward skills development through its internship programme. A total of 36 interns were admitted to the internship programme in 2011/12.

The department is participating in Operation Sukuma Sakhe, a flagship project led by the Office of the Premier aimed at addressing poverty in the province. The HOD oversees the project in the eThekweni Metro, an area experiencing one of the highest urbanisation rates in the world and the concomitant problems of poverty and lack of proper services associated with this rate of urbanisation.

These are some of the programmes that Provincial Treasury delivers and will continue to do so in the medium term.



SL Magagula

Head of Department



TABLE OF CONTENTS

Part A: Strategic overview for the department

1.	Updated situational analysis	5
1.1	Performance delivery environment	5
1.2	Organisational environment	9
2.	Revisions to legislative and other mandates	10
3.	Overview of 2012/13 budget and MTEF estimates	14
3.1	Expenditure estimates	14
3.2	Reconciling expenditure trends to strategic goals	14
3.3	Departmental budgeted receipts	15

Part B: Programme and sub-programme plans **16**

- Strategic objective annual targets:2012/13
- Programme Performance indicators and annual targets:2012/13
- Quarterly targets:2012/13

1.	Programme 1: Administration	16
1.1	Sub-programme 1.1: Office of the MEC	16
1.2	Sub-programme 1.2: Head of Department	18
1.3	Sub-programme 1.3: Chief Financial Office	20
1.4	Sub-programme 1.4: Human Resource Management	22
1.5	Reconciliation of budget with plan	25
2.	Programme 2: Fiscal Resource Management	26
2.1	Sub-programme 2.1: Programme Support	26
2.2.1	Sub-programme 2.2.1: Economic Analysis	26
2.2.2	Sub-programme 2.2.2: Infrastructure	28
2.3	Sub-programme 2.3: Public Finance	31
2.4	Sub-programme 2.4: Municipal Finance	37
2.5	Reconciliation of budget with plan	43
3.	Programme 3: Financial Management	44
3.1	Sub-programme 3.1: Financial Asset and Liability Management	44
3.2	Sub-programme 3.2: Public Private Partnerships (PPPs)	48
3.3	Sub-programme 3.3: Provincial Supply Chain Management	50
3.4	Sub-programme 3.4: Financial Reporting	53
3.5	Sub-programme 3.5: Norms and Standards	56
3.6	Sub-programme 3.6: Supporting and Interlinked Financial Systems	58
3.7	Reconciliation of budget with plan	60
4.	Programme 4: Internal Audit	61
4.1	Sub-programme 4.1: Assurance Services	61
4.2.1	Sub-programme 4.2.1: Risk Management	65
4.2.2	Sub-programme 4.2.2: Forensic Services	68
4.3	Reconciliation of budget with plan	70
5.	Programme 5: Growth and Development	71
5.1	Sub-programme 5.1: Other Developmental Initiatives	71
5.2	Reconciliation of budget with plan	71

Part C: Links to other plans **71**



PART A: STRATEGIC OVERVIEW FOR THE DEPARTMENT

1. Updated situational analysis

Provincial Treasury has managed to guide the province through a very difficult time over the last few financial years. The province had entered into a concerning trend of massive over-expenditure which reached a head in 2009/10. The over-expenditure of previous years resulted in the province going into a substantial overdraft. This prompted the founding of the Provincial Recovery Plan and its associated cost-cutting measures. This was so successful, that the province was able to repay its overdraft in 18 months whereas the plan had been to do so in three years. The province has been cash positive since May 2010 and was able to reign in expenditure to such an extent that it ended the 2010/11 year under-spending against its budget.

The focus in forthcoming years is to view the cost-cutting measures as elements of good governance rather than a once-off intervention. Further, any savings realised from cost-cutting no longer need to go toward repaying the overdraft but should rather be channeled into service delivery spending by the provincial departments. The Provincial Recovery Plan has been applauded by National Treasury who have requested that the other provinces adopt a similar approach in managing their finances.

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.

As mentioned, the provincial overdraft, which came about due to high spending by some departments in previous years, has now been fully repaid. The plan had been for the overdraft to be repaid over a three-year period, but instead the province succeeded to settle it in a mere 18 months. This is entirely attributable to the Provincial Recovery Plan and its associated cost-cutting measures. The cost-cutting measures are now viewed as elements of good governance rather than a once-off initiative to contain costs. The added benefit of the cost-cutting measures is that they allow departments to free up money from non-core spending and allows them to redirect these savings to areas of service delivery.

While the recovery from being in overdraft to being cash positive since May 2010 is very positive, it would be prudent for the province to tread carefully in the next few MTEF periods to ensure that this recovery is not short-lived. As such, while the overdraft has been fully repaid, the province continues to budget for a surplus of some R1 billion per annum over the 2012/13 MTEF to allow for a cushion to protect the province against any fiscal shocks that may occur in-year. Added to this, the Department of Education is showing significant spending pressures in the current year which, if left unmanaged, could threaten the province's turnaround. While Provincial Treasury is engaging with Education to ensure that a plan is devised to manage their spiraling personnel costs, the plan will probably take some time before it has a significant effect on the spending levels of the department. The budgeted surplus therefore also assists the province by cushioning our finances against the effects of Education's significant projected year-end over-expenditure.



Over the 2012/13 MTEF, some additional funding was provided to the province from the national fiscus to fund the carry-through costs of the higher than anticipated 2011 wage agreement. Funding was also provided for a few national priorities such as the universalisation of Grade R, expansion of no-fee schools, improving infrastructure support, etc. The province also benefitted from the data updates that inform the equitable share formula which resulted in KZN's share increasing. Also, the province undertook some internal reprioritisation to allow the province to fund various provincial priorities. These included the youth ambassadors, equipping war rooms in relation to *Operation Sukuma Sakhe*, fencing and irrigation programmes, provincial road maintenance, etc.

After providing for these, the province remains with a budgeted surplus of R1 billion for each year of the 2012/13 MTEF. A decision was also taken to cap the interest on the overdraft provision at R50 million, whereas the budget in the current year for this was R100 million. The reason for this is that the cash situation of the province has improved substantially and this provision makes an allowance for the payment of interest on the overdraft if it is required

Municipal Finance: The 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.

A monthly reporting tool is in the process of being developed which will assist analysts in rigorously interrogating and analysing the expenditure reports of municipalities. This will further enable analysts to identify challenges in the implementation of the municipal budget and improve reporting by municipalities.

The Municipal Support Programme (MSP) within the Municipal Finance Unit has had a positive impact on the financial management of municipalities. 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 the above in mind, Phase 4 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:

- Cashflow management;
- Clearing of Audit findings by the Auditor-General;
- Ongoing audit support/co-ordination;
- Budget reviews to improve credibility;
- The Internal Audit function;
- Supply Chain Management;
- Improving the Control Environment;
- Improving Information Technology general controls;
- Focus on sustainability;
- Performance information measurement, collection and reporting; and
- Governance review and improvement.



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, two Assistant Managers have been appointed to posts at the level of Trainee Ranks. It is anticipated that on-the-job training will alleviate the skills and experience deficit. However, with the increasing demands for on-site support requested by client departments and municipalities, it is becoming imperative that the unit is equipped with additional staff which will necessitate a review of the unit's organisational and post establishment structure to address various strategic and operational challenges posed by the current organisational and post establishment structure.

Public Private Partnerships: The PPP unit is responsible for providing substantial technical, financial and legal guidance and advice to support the project.

With the increased interest in two large potential Public Private Partnerships Projects (KZN Department of Health and KZN Department of Education), the Public Private Partnership (PPP) Unit rendered assistance and offered innovative solutions to challenges faced by both initiatives. The PPP Unit assisted with the drafting of Terms of Reference and procuring of Transaction Advisors for King Edward VIII Hospital. The Transaction Advisors have commenced with the feasibility study investigations for the project.

The Greater Kokstad Municipality (GKM) project has shown a significant progress since it received Treasury Views and Recommendations (TVR) 1, and the project is expected to go out to tender before the end of the current financial year.

Furthermore, in attempt to address the current lack of capacity in the province, the PPP Unit has appointed two more trainees.

Provincial Supply Chain Management: The Provincial Supply Chain Management Unit is required to establish and maintain a strategic link between financial management reforms and procurement processes. To this end, the unit has, in previous years, conceptualised important SCM reforms that are being implemented in the current financial year and will continue into the outer years of the MTEF period. As part of the day to day activities of the Unit, and in order to ensure that the unit provides hands on support to departments and municipalities, the unit continuously undertakes comprehensive compliance assessments.

These assessments are aimed at evaluating the level of implementation of supply chain management policies. In addition to assessments, the unit is assisting departments and municipalities in ensuring compliance with SCM policy prerogatives.

Furthermore, in the spirit of transforming service delivery, the unit is focusing on implementing the following projects in the current year:

1. Contract management

It has been established that, with the exception of one department none of the municipalities and provincial departments in KZN have a contract management system in place. 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 implementing a contract management framework to actively monitor and manage supplier contract performance. This system will assist in ensuring that suppliers of similar services/goods are subjected to



consistent, standardised and fair performance measures. Contract management reforms are currently being implemented in six departments and three municipalities.

2. 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 these practices. The Provincial SCM Unit is currently implementing a system of Municipal Bid Appeals Tribunal. As a result of this project, all bids awarded by municipalities will be subject to appeals.

3. Procurement sourcing tools

The ongoing challenge of fraud and corruption through price inflation has necessitated a review on how we procure goods and services. There is a need for continuous monitoring of suppliers' quoted prices against market prices for different goods and services procured by government departments. Provincial Treasury has started the process of obtaining a procurement tool and setting up of a price index system for the province.

4. Limitations/ Threats

Certain factors still remain an issue or impediment for the unit to properly discharge its mandate. These include the following, among others:

- Although new staff employed would provide relief, there would also be more time spent on training or mentoring. Most municipalities do not have proper functioning databases as required by the SCM policy, and this is hindering the unit's efforts to ensure that municipalities are fully compliant.
- There is always a risk that the implementation of best practice will meet resistance from the intended recipients, therefore this obstacle must be decisively considered in respect of all projects.

Programme 4: Internal audit

The Internal Audit Unit is responsible for providing a shared Internal Audit function to provincial government departments and certain provincial public entities. Risk and Advisory Services, which include forensic investigation services, is also provided by the unit to provincial government departments, provincial public entities and municipalities. The unit also provides administrative support to the shared Provincial Audit and Risk Committee and the Cluster Audit and Risk Committees which are its sub-committees. With the increased focus on governance and the elimination of fraud and corruption, the Internal Audit Unit's focus is to proactively assist these institutions to 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.
- Because of the above-mentioned vacancies, and the delays experienced in the finalisation of a panel of service providers, the unit currently has a major backlog in conducting forensic investigations that has been referred to the unit. In addition, there is also inadequate funding for forensic investigations when compared with the influx of forensic investigation requests.
- There is slow implementation of management action plans on recommendations to remediate control weaknesses identified during audits, thereby resulting in repeat audit findings by internal and external audit.



- There is inadequate co-ordination of forensic investigations in KZN, which adversely affects the ability of the province to mobilise resources to effectively fight against fraud and corruption. Some departments conduct forensic investigations and the outcome thereof is not communicated to Provincial Treasury.
- Low maturity of risk management in provincial government departments, public entities and municipalities is continuing to put increased pressure on the resources of the unit. Most concerning is the fact that most of these institutions have not really started to take their risk management and internal audit responsibilities seriously.
- There is also an increase in the demand for the Internal Audit Unit to support and service additional institutions, such as public entities, which has put further pressure on the available human and financial resources in the unit and necessitates a review of the organisational and resource structure

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

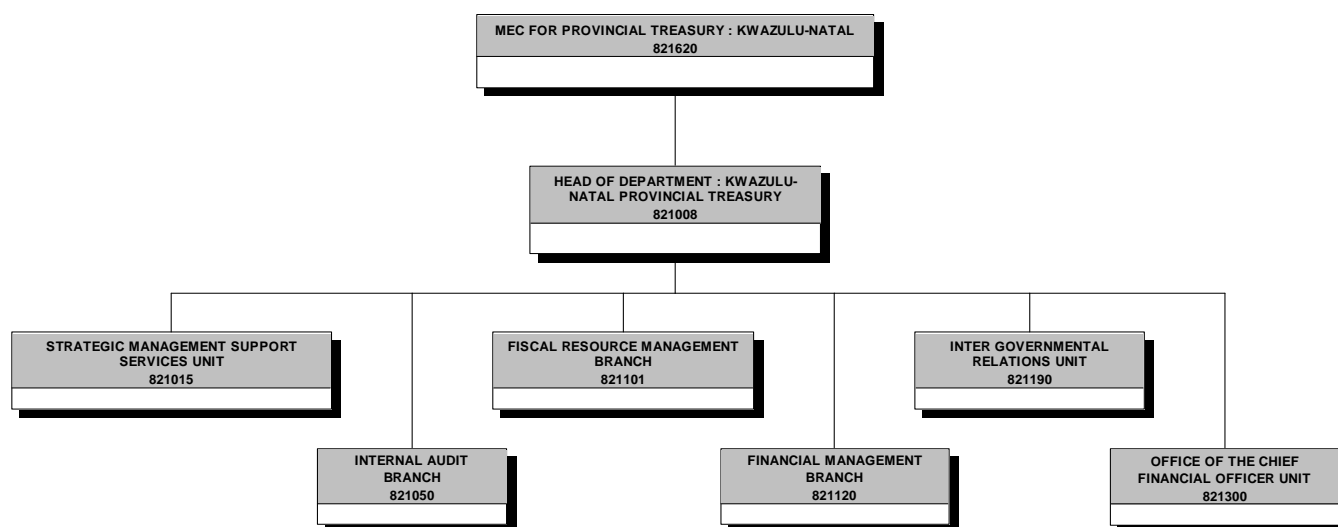
This programme is responsible for providing Internal Auditing services in the province. The sub-programmes under this programme are Assurance Services, Risk Management and Forensic Services.

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 2012/13 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		
	2008/09	2009/10	2010/11	2011/12			2012/13	2013/14	2014/15
1. Administration	75 946	74 988	68 755	99 861	93 861	90 238	100 094	106 192	112 721
2. Fiscal Resource Management	60 965	52 394	53 161	72 236	60 236	51 939	83 807	88 341	93 680
3. Financial Management	285 003	238 920	161 359	262 595	213 595	183 242	238 345	248 107	259 232
4. Internal Audit	70 384	68 687	81 025	89 270	96 270	91 350	93 619	99 227	105 259
5. Growth and Development	201 267	178 913	24 636	12 524	46 062	46 062	88 409	53 482	54 231
Total	693 565	613 902	388 936	536 486	510 024	462 831	604 274	595 349	625 123

Note: Programme 1 includes MEC remuneration: Salary: R1 556 089

Summary of payments and estimates by economic classification

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2008/09	2009/10	2010/11	2011/12			2012/13	2013/14	2014/15
Current payments	518 780	448 037	368 945	531 943	461 957	414 939	559 679	586 114	615 293
Compensation of employees	94 485	102 117	109 901	166 702	143 633	131 916	186 893	199 085	210 128
Goods and services	285 912	243 662	243 536	265 241	289 324	282 017	322 786	337 029	355 165
Interest and rent on land	138 383	102 258	15 508	100 000	29 000	1 006	50 000	50 000	50 000
Transfers and subsidies to:	160 865	162 574	17 033	1 510	40 688	40 688	41 321	5 705	6 099
Provinces and municipalities	158 967	159 654	15 676	-	39 053	39 053	39 329	4 015	4 316
Departmental agencies and accounts	-	-	-	-	-	-	-	-	-
Universities and technikons	-	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Non-profit institutions	3	-	-	-	-	-	-	-	-
Households	1 895	2 920	1 357	1 510	1 635	1 635	1 992	1 690	1 783
Payments for capital assets	9 644	3 291	2 295	3 033	7 158	6 983	3 274	3 530	3 731
Buildings and other fixed structures	-	-	-	-	-	-	-	-	-
Machinery and equipment	9 094	3 155	2 275	3 033	6 633	6 458	3 274	3 530	3 731
Heritage assets	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Land and sub-soil assets	-	-	-	-	-	-	-	-	-
Software and other intangible assets	550	136	20	-	525	525	-	-	-
Payments for financial assets	4 276	-	663	-	221	221	-	-	-
Total	693 565	613 902	388 936	536 486	510 024	462 831	604 274	595 349	625 123

3.2 Reconciling expenditure trends to strategic goals

- The allocation made to Programmes 2 and 3 is mainly contributing toward attainment of 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 is 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 toward 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		
	2008/09	2009/10	2010/11		2011/12		2012/13	2013/14	2014/15
Provincial allocation	522 072	626 623	640 637	536 486	491 486	491 486	568 247	595 349	625 123
Conditional grants	-	-	1 634	-	-	-	-	-	-
Education and Health Infrastructure grants	-	-	1 634	-	-	-	-	-	-
Total receipts	522 072	626 623	642 271	536 486	491 486	491 486	568 247	595 349	625 123
Total payments	693 565	613 902	388 936	536 486	510 024	462 831	604 274	595 349	625 123
Surplus/(Deficit) before financing	(171 493)	12 721	253 335	-	(18 538)	28 655	(36 027)	-	-
Financing									
of which									
Provincial roll-overs	11 252	-	-	-	18 538	18 538	16 027	-	-
Provincial cash resources	36 815	(103 174)	50 229	-	-	-	20 000	-	-
Suspension to ensuing year	-	-	-	-	-	-	-	-	-
Surplus/(deficit) after financing	(123 426)	(90 453)	303 564	-	-	47 193	-	-	-

Details of departmental receipts

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2008/09	2009/10	2010/11		2011/12		2012/13	2013/14	2014/15
Tax receipts	-	-	-	-	-	-	-	-	-
Casino taxes	-	-	-	-	-	-	-	-	-
Horse racing taxes	-	-	-	-	-	-	-	-	-
Liquor licences	-	-	-	-	-	-	-	-	-
Motor vehicle licences	-	-	-	-	-	-	-	-	-
Sale of goods and services other than capital assets	205	161	168	177	177	136	140	154	169
Transfers received	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	-	-	-	-	-	-	-	-	-
Interest, dividends and rent on land	14 505	7 584	29 584	6 750	6 750	269 917	185 003	200 004	215 004
Sale of capital assets	-	-	634	-	-	-	-	-	-
Transactions in financial assets and liabilities	843	2 136	440	1 921	1 921	332	362	398	438
Total	15 553	9 881	30 826	8 848	8 848	270 385	185 505	200 556	215 611



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, and 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:

- 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.
- All vacant posts have been filled, however the receptionist post is filled with a temporary appointment.
- A need has been identified to increase the staff establishment for the Security and Risk Management Unit. A proposed intervention of two additional posts was approved and the process to appoint will unfold in 2012/13.

Measures to overcome constraints

- Receptionist post – Processes in place to permanently appoint a receptionist in the first quarter of 2012/13.
- Security and Risk Management Unit – A proposed intervention of two additional posts was approved and the process to appoint will unfold in 2012/13.
- Electronic media – Occasionally, the MEC and senior officials are featured in electronic media.
- Partnership with other stakeholders and sponsorships.

Description of planned quality improvement measures

All posts have been filled and two additional posts for the Security and Risk Management Unit approved, hence quality improvement is anticipated. Community outreach programmes will be increased to improve service delivery with Pre-Budget Roadshows starting three months before the usual time.

Strategic objective annual targets: 2012/13

Sub-programme: 1.1		Office of the MEC						
Strategic objective	Strategic plan target	Audited / Actual performance			Estimated performance 2011/12	Medium-term targets		
		2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
To provide strategic administrative and political leadership, in order to ensure effective and efficient service delivery as mandated by government.	To attend 75% of scheduled Budget Council Meetings – National	New	100%	100%	4	4	4	4
	To attend 90% of Provincial Cabinet and Legislature meetings scheduled	New	100%	100%	40	40	40	40
	No. of publications	3	7	8	4	4	4	4
	Free publicity (news bulletins and articles)	90	155	34	90	90	90	90
	Media briefings on service delivery	11	7	7	4	4	4	4

Programme performance indicators and annual targets: 2012/13

Sub-programme: 1.1		Office of the MEC					
Performance indicator	Audited / Actual performance			Estimated performance 2011/12	Medium-term targets		
	2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
75% attendance of scheduled Budget Council Meetings	New	100%	100%	4	4	4	4
90% attendance of Provincial Cabinet and Legislature meetings scheduled	New	100%	100%	40	40	40	40
No. of publications	3	7	8	4	4	4	4
Free publicity(news bulletins and articles):	90	155	34	90	90	90	90
Media briefings on service delivery	11	7	7	4	4	4	4



Quarterly targets: 2012/13

Sub-programme: 1.1		Office of the MEC				
Programme performance Indicators	Reporting period	Annual target 2012/13	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
75% of scheduled Budget Council Meetings – National	Quarterly	4	1	1	1	1
90% attendance of Provincial Cabinet and Legislature meetings scheduled	Monthly	40	10	10	10	10
No. of publications	Quarterly	4	1	1	1	1
Free publicity (news bulletins and articles)	Monthly	90	20	20	20	30
Media briefings on service delivery	Quarterly	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 Provincial Treasury's intra- and inter-governmental relations; and
- To represent the province on the national budget council.

Progress analysis

- The Head of Department has been very instrumental in the cost-cutting measures in the province as Treasury has successfully implemented the Provincial Recovery Plan. 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.
- The MTEF and budget adjustment process were undertaken and tabled to Cabinet in accordance with the PFMA.
- The sub-programme has timeously submitted all budget performance reports to the Cabinet.
- There was re-alignment of the structure in the office of the HOD, further restoring the manager IGR post to ensure efficient administrative services to the HOD.

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 has implemented 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 and strengthen the co-ordination of the Cabinet decision matrix to ensure compliance.

Strategic objective annual targets: 2012/13

Sub-programme: 1.2		Head of Department						
Strategic objective	Strategic plan target	Audited/Actual performance			Estimated performance 2011/12	Medium-term targets		
		2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
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	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	4 quarterly budget performance report to Cabinet
	Tabling of MTEF, Adjustment Budget, in terms of PFMA at the Legislature and Cabinet	New	4	2	2	2	2	2
	To represent KZN on national budget council (5 meetings p.a.)	New	9 meetings per financial year	4 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	n/a	New	17 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	12 Cabinet Economic & Technical Cluster meetings and reports

Programme performance indicators and annual targets: 2012/13

Sub-programme: 1.2		Head of Department					
Performance indicator	Audited / Actual performance			Estimated performance 2011/12	Medium-term targets		
	2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
Cabinet memoranda on budget performance approved by the MEC and tabled at Cabinet per quarter	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	4 quarterly budget performance report to Cabinet
Tabling of MTEF, Adjustment Budget, in terms of PFMA at the Legislature and Cabinet	New	4	2	2	2	2	2
Attendance of all Budget Council and Lekgotla meetings schedules	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	5 meetings per financial year
Render IGR support services to the MEC and department	n/a	New	17 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	12 Cabinet Economic and Technical Cluster meetings and reports

Quarterly targets: 2012/13

Sub-programme: 1.2		Head of Department				
Programme performance Indicators	Reporting period	Annual target 2012/13	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	1	1	1
Tabling of MTEF, Adjustment budget, in terms of PFMA at the Legislature and Cabinet	Quarterly	2	N/A	N/A	1	1
Attendance of all Budget Council and Lekgotla meetings schedules	Quarterly	5 meetings per financial year	1	1	1	2
Render IGR support services to the MEC and Department	Quarterly	12 Cabinet Economic and Technical Cluster meetings and reports	3	3	3	3

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 departmental finances resources in line with statutory requirements.

Progress analysis

During the year 2011/12, the Chief Financial Office provided an ongoing support to all units within the department. The quarterly interim financial statements were prepared and submitted timeously. All the audit matters raised in the audit report were resolved as per agreed time frames with auditors, this included finance portfolio committee resolutions that were sent for the attention of the department. The internal control division has not operated at its full capacity for the rest of the year, as the unit had only one contract employee to perform the functions. It is expected that vacant posts within this unit will be filled before the year-end.

Analysis of constraints and measures planned to overcome them

Additional posts within the internal control division have been created within the Chief Financial Office and it is expected that posts will be filled before year-end. This unit will boost the capacity to deal with the internal control matters throughout the department. In addition, the section will be creating more posts in order to provide the efficient support. Full compliance with SCM prescripts is still a challenge in the department which continually poses threat to achieve clean audit outcomes.



Description of planned quality improvement measures

The information session will be held with various units to educate them on SCM. The unit will be embarking on filling all its vacant posts to ensure 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: 2012/13

Sub-programme: 1.3		Chief Financial Office						
Strategic objective	Strategic plan target	Audited / Actual performance			Estimated performance 2011/12	Medium-term targets		
		2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
To provide strategic financial leadership support, effective financial management, human resources, corporate services, and information systems services to the department	Compile Budget submission and Strategic planning documents (EPRE & APP)	New	New	4	4	4	4	4
	Provide legislative financial reports (IYM X 12, AFS X 1, QPR X 4)	New	New	18	18	18	18	18
	SCM compliance reports	New	New	12	12	12	12	12
	Updated asset register – Asset counts	New	2	2	2	2	2	2

Programme performance indicators and annual targets: 2012/13

Sub-programme: 1.3		Chief Financial Office					
Performance indicators	Audited / Actual performance			Estimated performance 2011/12	Medium-term targets		
	2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
Compile Budget submission and Strategic planning documents (EPRE & APP)	New	New	18	18	18	18	18
Provide legislative financial reports (IYM X 12, AFS X 1, 4 QPR, 1 X annual report)	New	New	12	12	12	12	12
No. of SCM compliance reports generated	New	2	2	2	2	2	2
No. of asset verification exercises	New	2	2	2	2	2	2

Quarterly targets: 2012/13

Sub-programme: 1.3		Chief Financial Office				
Programme performance indicators	Reporting period	Annual target 2012/13	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
Compile Budget submission and Strategic planning documents EPRE & APP)	Annually	4	N/A	1	1	2
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
No. of asset verification exercises	Bi-annually	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 fulfills 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, in line with the Premier's State of the Province address on the filling of all vacancies by 31 March 2012, developed a plan of action indicating quarterly targets in respect of the number of posts to be filled in order to meet this directive. Targets are monitored quarterly by the Office of the Premier and for both quarter one and two of the 2011/12 financial year, targets were exceeded. The department reduced its vacancy rate from a 107 posts at the beginning of the initiative, to 73 posts.
- The Provincial Treasury was the first department in the province to fully comply with SARS requirements in terms of all temporary employees, interns, consultants and board and committee members having tax numbers and correct personal information – i.e. addresses captured on PERSAL. To ensure that this is maintained, PERSAL changes have been implemented with the assistance of Provincial PERSAL Control, so that no new appointee can be paid unless the tax number is available for capturing onto the system.
- There has been an increase in the number of informed employees on all human resource issues through the implementation of business unit specific information seminars.
- The unit continues to workshop all newly appointed officials on the entire policy imperatives and requirements around EPMDS during induction, to ensure full compliance to policy directives.
- The unit has exceeded the target on the review and development of HR policies, as well as HR information seminars.
- The Wellness Clinic has been a huge success, resulting in the need to have an additional session per month for the services offered to staff within the department, and there has been a significant increase in the number of officials' testing in respect of HIV, glucose levels, cholesterol and blood pressure. This increases awareness in officials and promotes a healthy lifestyle ensuring sustainable productivity in the work place and reduced absenteeism.
- The department is in the process of entering into contracts with the Thuthuka Bursary Fund and National Treasury to partner as an accredited training office with the South African Institute of Chartered Accountants (SAICA), wherein B Com Honours/Certificate in the Theory of Accounting (CTA)



postgraduates enter into contract with the department as trainee accountants, in an attempt to create a pool of chartered accountants with the aim of reducing the scarcity of recruits in this area.

- The unit has developed fully achievable strategies to ensure the successful implementation of the HOD's 8 - Principle Plan of Action for Women Empowerment, and has ensured that all policies are aligned to gender mainstreaming initiatives.
- The unit constantly meets targets and continues to strive to exceed targets as contained within the Service Commitment Charter for the delivery of HR services.
- The unit received a provincial accolade from the Premier, Dr. Z.L. Mkhize, at the 2011 HR Convention in the form of a Gold Award for the best serving Human Resources within the province.
- With regard to the awarding of external bursaries, the department has identified impoverished districts through Municipal Finance and has partnered with the district municipalities to attract applications from deserving students. This is in line with government's priorities to alleviate poverty and create job opportunities.

Analysis of constraints and measures planned to overcome them

- Achievement of employment equity for women in management, and People with Disabilities (PWDs) continues to be problematic – to mitigate this all SMS posts now advertised targeting only women and PWDs. More networking initiatives have been created with tertiary institutions, with the intention of increasing the pool in respect of PWDs. PWDs are being targeted for external bursaries through tertiary institutions to increase the pool of people with disabilities within the department. Cost-cutting measures in respect of attendance of training in the form of workshops and seminars result in the inability to meet WSP planned activities. Priority training is the main focus, and every attempt is made to meet targets through training provided by the Provincial Public Service Training Academy.
- Lack of capacity in EWP and Labour Relations – Aligned HR structure to DPSA's repositioning of HR model to ensure capacity in these areas.

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 continuous information sharing strategies, seminars being one of them.

Strategic objective annual targets: 2012/13

Sub-programme: 1.4		Human Resource Management						
Strategic objectives	Strategic plan target	Audited / Actual performance			Estimated performance 2011/12	Medium-term targets		
		2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
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%	99%	100%	100%	100%	100%	100%
	No. of HR seminars	8 sessions	11 sessions	8 sessions	8 sessions	8 sessions	8 sessions	8 sessions
	No. of EWP seminars	4 information seminars	7 information seminars	4 information seminars	4 information seminars	4 information seminars	4 information seminars	4 information seminars
	No. of policies developed/ reviewed and	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	8 policies and 8 seminars



	seminars conducted							
	% achieved from the Human resource plan, and workplace skills plan	100%	HR plan 96% Workplace skills plan 98% Employee Equity Plan 92%	100%	100%	100%	100%	100%

Programme performance indicators and annual targets: 2012/13

Sub-programme: 1.4		Human Resource Management					
Performance indicators	Audited / Actual performance			Estimated performance 2011/12	Medium-term targets		
	2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
% of HR services completed as per HR Charter	100%	99%	100%	100%	100%	100%	100%
No. of HR seminars	8 sessions	11 sessions	8 sessions	8 sessions	8 sessions	8 sessions	8 sessions
No. of EWP seminars	4 information seminars	7 information seminars	4 information seminars	4 information seminars	4 information seminars	4 information seminars	4 information seminars
No. of policies developed/ Reviewed and seminars conducted	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	8 policies and 8 seminars
% achieved from the Human resource plan, and workplace skills plan	100%	Human resource plan 96% Workplace skills plan 98% Employee Equity Plan 92%	100%	100%	100%	100%	100%

Quarterly targets: 2012/13

Sub-programme: 1.4		Human Resource Management				
Programme performance indicators	Reporting period	Annual target 2012/13	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
% OF HR services as per HR Charter	Quarterly	100%	100%	100%	100%	100%
No. of HR seminars	Quarterly	8 sessions	2 sessions	2 sessions	2 sessions	2 sessions
No. of EWP seminars	Quarterly	4 information seminars	1 session	1 session	1 session	1 session
No. of policies developed/ Reviewed and seminars conducted	Quarterly	8 policies and 8 seminars	2 policies and 2 seminars	2 policies and 2 seminars	2 policies and 2 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		
	2008/09	2009/10	2010/11				2012/13	2013/14	2014/15
Office of the MEC	31 375	26 697	14 403	27 585	22 185	20 655	29 318	30 871	32 723
Head of the Department	6 350	5 716	5 110	7 916	7 016	6 036	8 317	8 771	9 292
Chief Financial Office	11 192	10 313	16 859	24 176	22 976	22 751	19 306	21 165	22 319
Human Resource Management	8 383	8 977	9 357	12 786	12 786	11 898	13 635	14 384	15 220
Corporate Services	18 646	23 285	23 026	27 398	28 898	28 898	29 518	31 001	33 167
Total	75 946	74 988	68 755	99 861	93 861	90 238	100 094	106 192	112 721

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

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2008/09	2009/10	2010/11				2012/13	2013/14	2014/15
Current payments	72 300	72 726	67 582	98 076	91 836	88 213	97 688	104 048	110 439
Compensation of employees	28 849	29 965	32 044	42 471	39 946	37 777	45 142	48 130	50 838
Goods and services	43 451	42 761	35 538	55 605	51 890	50 436	52 546	55 918	59 601
Interest and rent on land	-	-	-	-	-	-	-	-	-
Transfers and subsidies to:	1 773	1 796	227	210	350	350	636	255	269
Provinces and municipalities	4	8	12	-	15	15	14	15	16
Departmental agencies and accounts	-	-	-	-	-	-	-	-	-
Universities and technikons	-	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Non-profit institutions	3	-	-	-	-	-	-	-	-
Households	1 766	1 788	215	210	335	335	622	240	253
Payments for capital assets	1 873	466	934	1 575	1 675	1 675	1 770	1 889	2 013
Buildings and other fixed structures	-	-	-	-	-	-	-	-	-
Machinery and equipment	1 860	466	934	1 575	1 675	1 675	1 770	1 889	2 013
Heritage assets	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Land and sub-soil assets	-	-	-	-	-	-	-	-	-
Software and other intangible assets	13	-	-	-	-	-	-	-	-
Payments for financial assets	-	-	12	-	-	-	-	-	-
Total	75 946	74 988	68 755	99 861	93 861	90 238	100 094	106 192	112 721



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

This sub-programme is responsible for providing administrative support service to the senior general manager fiscal resource management.

2.2 Sub-programme: Economic Analysis

Progress analysis

- The main focus is to ensure that the KwaZulu-Natal budget addresses the economic challenges confronted by the province.
- To address the challenges confronted by the province the unit suggested to the data provider to increase the capacity of data it provides by adding household services and tourism data.
- To assist municipalities in reviewing the Intergrated Development Plans (IDPs) and conducting workshops in the municipalities.

Analysis of constraints and measures planned to overcome them

The major constraint faced by the unit is:

- Inconsistency of data at local municipality levels.

To overcome this constraint, the unit plans to:

- Engage in provincial research forums and constantly liaise with the service providers.

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.
- Liaising with other departments to assist in the speeding up of service delivery. Municipality IDP forums will be attended to highlight the needs analysis by the municipalities.



Strategic objective annual targets: 2012/13

Sub-programme: 2.2.1		Economic Analysis						
Strategic objective	Strategic plan target	Audited / Actual performance			Estimated performance 2011/12	Medium-term targets		
		2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
To determine and evaluate economic parameters and socio-economic imperatives to inform provincial and local resource allocation	10 district municipality economic profiles	New	New	Capacitate municipalities and develop socio-eco profile	Analysis of district Socio-economic profiles	Analysis of district Socio-economic profiles	Analysis of district Socio-economic profiles	Analysis of district Socio-economic profiles
	Provincial Economic Review and Outlook (PERO)					PERO	PERO	PERO
	Input to Municipal Finance Close-Out Report					Municipal Finance Close-Out Report	Municipal Finance Close-Out Report	Municipal Finance Close-Out Report
	Input to the Overview of Provincial Revenue and Expenditure (OPRE) on time for tabling	New	New	Input to OPRE on time for tabling	Input to OPRE on time for tabling	Input to OPRE on time for tabling	Input to OPRE on time for tabling	Input to OPRE on time for tabling
Provide a platform to enhance regional economic growth and development through quality research	1 paper to be presented	New	New	Writing of research paper	Writing of research paper	Writing of research paper	Writing of research paper	Writing of research paper
	Maintain sources of data	Global Insight database is maintained	Two more sources of data have been established: Namely: inter-departmental & parastatals. Global insight is being maintained	Three sources of data have been maintained	1 more source of data has been acquired: KZN Barometer. Maintain the existing sources of data	Maintain the existing sources of data	Maintain the existing sources of data	Maintain the existing sources of data

Programme performance indicators and annual targets: 2012/13

Sub-programme: 2.2.1		Economic Analysis					
Performance indicators	Audited / Actual Performance			Estimated performance 2011/12	Medium-term targets		
	2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
To provide an economic analysis for the province	Economic review of 11 district municipalities	Review of socio-economic profiles for all eleven district municipalities	Compilation of 10 district socio-economic profiles	Compilation of 10 district socio-economic profiles	Compilation of 10 district socio-economic profiles	Compilation of 10 district socio-economic profiles	Compilation of 10 district socio-economic profiles
					PERO	PERO	PERO
					Municipal Finance Close-Out Report	Municipal Finance Close-Out Report	Municipal Finance Close-Out Report
To provide input to the Overview of Provincial Revenue and Expenditure (OPRE)	Input into OPRE on time for tabling	Input into OPRE on time for tabling	Input to the OPRE on time for tabling	Input to the OPRE on time for tabling	Input to the OPRE on time for tabling	Input to the OPRE on time for tabling	Input to the OPRE on time for tabling
To provide quality research for regional policy analysis	Research paper produced	Present the research findings	Writing of a research paper	Writing of a research paper	Writing of a research paper	Writing of a research paper	Writing of a research paper
To update and maintain the KZN statistic database	Global Insight database maintained	Two sources of data acquired, Namely: interdepartmental and parastatal. Global insight maintained	One more source of data acquired, Namely: KZN Barometer. Inter-departmental, parastatal and Global Insight is maintained	Maintain existing sources of data obtained	Maintain existing sources of data obtained	Maintain existing sources of data obtained	Maintain existing sources of data obtained



Quarterly targets: 2012/13

Sub-programme: 2.2.1		Economic Analysis				
Programme performance Indicators	Reporting period	Annual target 2012/13	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
To provide an economic analysis for the province	Quarterly	10 district socio-economic profiles PERO	3 socio-economic profiles	3 socio-economic profiles, PERO and input towards Municipal Finance close-out report	3 district socio-economic profiles	1 district socio-economic profiles
To provide input to the Overview of Provincial Revenue Expenditure (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	Writing of research paper	n/a	n/a	n/a	1
To update and maintain the KZN statistic database	Annual	Updating subscription with sources of data	n/a	n/a	n/a	Update Global Insight and KZN Barometer

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 certain departments there have been improvements on infrastructure planning, delivery and expenditure.
- With IDIP support, the creation of capacity, in terms of personnel, within provincial departments has been realised.
- The unit plans to continue monitoring and supporting provincial departments in infrastructure delivery which includes the deployment of the Infrastructure Crack Team to strengthen capacity in departments through skills transfer.

Analysis of constraints and measures planned to overcome them

- Alignment of infrastructure plans with the Provincial Growth and Development Strategy (PGDS), and the Integrated Development Plans (IDPs) of municipalities needs to be improved.
- The introduction of the Government Immovable Asset Management Act has brought uncertainty, as there are still grey areas that need to be resolved in order for the infrastructure planning to be effective.
- Retaining the capacity and skills required to monitor and evaluate infrastructure delivery within the main delivery departments remains a challenge.
- Co-ordination of infrastructure related legislature – e.g. Construction Industry Development Board Act (CIDB), Preferential Procurement Policy Framework Policy Act (PPPFA) and the Supply Chain Management (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.
- Deployment of the 'Crack Team' is intended:
 - To provide necessary expertise and hands-on management of projects that are in various stages of the project cycle.
 - To assist departments to give a full account of progress made with spending on a monthly basis.
 - To track spending on Capital and Maintenance projects.
 - To assist in the development and maintenance of infrastructure projects within the province.

To improve the return on infrastructure investment and to realise value for the money spent, Provincial Treasury appointed a panel of consultants, the Infrastructure 'Crack Team', consisting of built environment professionals to assist in increasing the delivery capacity at project implementation level and identification and removal of bottlenecks that prohibit successful implementation infrastructure projects.

Strategic objective annual targets: 2012/13

Sub-programme: 2.2.2		Infrastructure						
Strategic objective	Strategic plan target	Audited / Actual performance			Estimated performance 2011/12	Medium-term targets		
		2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
Ensure efficient infrastructure planning and management in the province	To co-ordinate and manage infrastructure planning in the province	PIP submitted by 30 April 2008	Final PIP 09/10 submitted. Draft IP 10/11 submitted	Submit PIP to NT by 28 February 2010	Submit the 12/13 PIP to NT by 28 February 2012	Submit the 13/14 PIP to NT by 28 February 2013	Submit the 14/15 PIP to NT by 28 February 2014	Submit the 15/16 PIP to NT by 28 February 2015
	Facilitate implementation of infrastructure delivery improvement programme (IDIP) in depts	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	IDIP to continue in Education, Works and Health. IDIP introduced at Human Settlements, Arts & Culture, Sport & Recreation
	Monitoring Infrastructure expenditure and delivery in KZN	Quarterly Reports	66	Quarterly Reports	Quarterly Reports	Received all reports due	Received all reports due	Received all reports due
		Infrastructure crack team	New	New	Assist CoGTA, Education, Public Works and Agriculture	Continuation in Public Works and identification of need in other departments	Identification of need in other departments	Identification of need in other departments
		Conducted 144 site visits	12	Conduct 144 site visits	Conduct 144 site visits	Conducted ad hoc site visits	Conduct 144 site visits	Conduct 144 site visits
	Input into EPRE	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	Input into OPRE on time for tabling



Programme performance indicators and annual targets: 2012/13

Sub-programme: 2.2.2		Infrastructure					
Performance indicator	Audited / Actual performance			Estimated performance 2011/12	Medium-term targets		
	2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
Timely completion of Prov. Infrastructure Plan (PIP)	PIP submitted by 30 April 2008	Final PIP 09/10 submitted. Draft IP2010/11 submitted	Submit PIP to NT by 28 February 2010	Submit PIP to NT by 28 February 2011	Submit PIP to NT by 28 th February 2012	Submit PIP to NT by 28 February 2013	Submit PIP to NT by 28 February 2014
No. of departments of implementation of the IDIP in KZN	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	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	Quarterly reports Conduct 144 site visits	Quarterly reports Conduct 144 site visits	Quarterly reports	Quarterly reports	Quarterly reports	Quarterly reports
	New	New	New	Project close-out report	Project close-out report	Project close-out report	Project close-out report
	Conduct 144 site visits	Conduct 144 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	Quarterly reports	Quarterly reports	Quarterly reports	Quarterly reports	Quarterly reports	Quarterly reports
Estimates of Provincial Revenue and Expenditure (EPRE)	New	New	Input into EPRE on time for tabling	As per budget process timetable	As per budget process timetable	As per budget process timetable	As per budget process timetable

Quarterly targets: 2012/13

Sub-programme: 2.2.2		Infrastructure				
Programme performance Indicators	Reporting period	Annual target 2012/13	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 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	12 Quarterly reports	3	3	3	3
	Quarterly	4 Project close-out report	1	1	1	1
Conduct quarterly assessments on infrastructure delivery in KZN	Quarterly	Conduct 144 site visits	36	36	36	36
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 (such as the New Growth Path and the Provincial Spatial Economic Development Strategy) and that these resources are utilised in line with identified priorities. This process culminates in the preparation of the Estimates of Provincial Revenue and Expenditure (previously known as Budget Statements), which is tabled in the Provincial Legislature on the provincial Budget Day, along with the Main Appropriation Bill. Similarly, the Adjustments Estimate 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 allocate additional funding during the year and 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 analysis of the financial data of provincial departments, 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. These IYM reports are used monthly as the basis to keep the provincial Executive updated on the Budget Performance of the province. The unit prepares monthly reports of the province's budget performance and submits these to the provincial Cabinet.

The unit also 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.

Another area receiving ever-increasing attention from this unit is the analysis of non-financial data. The unit receives and assesses non-financial data or service delivery data received from departments on a quarterly basis in the form of a Quarterly Performance Reporting (QPR) model. This data is assessed and analysed before being submitted to National Treasury. The QPR information is also included and commented on in the quarterly budget performance reports prepared by the unit. The Auditor-General has increased its focus on this area and has indicated that the auditing of this non-financial information will form part of their scope in forthcoming audits.

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 Adjusted 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.

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 institutionalising a framework for the monitoring of provincial public entities and any other work that may require specialised advisory support services.

Progress analysis

As mentioned previously in this document, the province had seen substantial above-budget spending in recent 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. This approach, along with the strict implementation of the cost-cutting measures, resulted in the provincial bank overdraft being eliminated by the end of 2010/11.

While the province has returned to a cash positive situation, it does not mean that the controls put in place (especially the cost-cutting measures) will be lifted anytime soon. Departments are encouraged to view these as elements of good governance and to channel any savings realised through this into meaningful service delivery expenditure to improve the lives of our people.

Departments' spending levels continue to be 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. It is through this close monitoring that the province was able to eliminate its overdraft in a relatively short space of time.

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 maximising 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 developing a tariff register which will ensure better control of the annual review of tariffs, which is a requirement of the PFMA.

The Specialised Advisory Support services has made good head-way in the past few months in terms of its focus on the budgeting and reporting functions of public entities, as well as issues relating to their listing status in terms of the Schedules to the PFMA. This will continue to be the focus for the foreseeable future as this is an area that has received limited attention in the past.

Analysis of constraints and measures planned to overcome them

The unit felt the effects of the cost-cutting measures in that it decided to freeze a number of its vacancies in an attempt to "lead by example". As such, four vacant posts were not filled in 2010/11, while the duties performed by the unit had to continue. This placed quite a considerable amount of pressure on the members of the unit. Fortunately, the moratorium has now been lifted and the unit has successfully filled all four vacancies.



While the Provincial Recovery Plan has been most successful in turning around the provincial finances, there are some departments that continue to have spending pressures. These spending pressures, if left unabated, threaten the success of the Provincial Recovery Plan. To deal with this, Provincial Treasury has met with the departments that are showing projected over-spending and have requested that the departments concerned devise a plan to ensure that they remain within budget in future years. The implementation of this plan will be monitored on an ongoing basis, to ensure the success thereof.

The province also continues to be plagued by a number of unfunded mandates which have a negative impact on the provincial fiscus. The province has alerted National Treasury on numerous occasions about 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 agreements, the various OSD agreements, expansion of provincial examinations administration, to name a few. These unfunded mandates place pressure on the departments' budgets and make monitoring of spending quite a challenging task. While the province has been able to allocate funding to some of these unfunded mandates through internal reprioritisation, it is the principle that needs to be addressed that, where new functions or activities are assigned to provinces, funds should follow such functions to allow the successful and efficient implementation thereof.

The *Provincial Own Revenue* unit is tasked with ensuring that Provincial Own Revenue sources are maximised 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. Similarly, the unit participates in discussions on the research work conducted by the Financial and Fiscal Commission, in order to influence future research.

The unit has also initiated actions to regularise the listing of public entities in the province. In some instances it may be necessary to make changes to the establishment legislation and/or corporate form of public entities, to suit the public sector mandate better.

Strategic objective annual targets: 2012/13

Sub-programme: 2.3		Public Finance: Provincial Budget Management						
Strategic objective	Strategic plan target	Audited / Actual performance			Estimated performance 2011/12	Medium-term targets		
		2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
Promote effective and optimal financial resource allocation for provincial government	Compile the annual budget proposal	16 chapters completed 1 working day before MTEC	MTEC report completed in time for MTEC meetings (held 14-18 Sept '09)	16 chapters completed 1 working day before MTEC as per budget process timetable	16 chapters completed 1 working day before MTEC as per budget process timetable	16 chapters completed 1 working day before MTEC as per budget process timetable	16 chapters completed 1 working day before MTEC as per budget process timetable	16 chapters completed 1 working day before MTEC as per budget process timetable
		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	EPRE on time for tabling
	Co-ordinate the preparation and publication of Provincial budget documentations	AEPRE on time for tabling	Adjusted budget 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	AEPRE on time for tabling



Strategic objective annual targets: 2012/13

Sub-programme: 2.3		Public Finance: Provincial Budget Management						
Strategic objective	Strategic plan target	Audited / Actual performance			Estimated performance 2011/12	Medium-term targets		
		2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
Ensure efficient budget and expenditure management and accurate financial reporting for provincial government (including public entities)	Monitor and evaluate provincial government financial and non- financial performance	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)	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 perf. reports submitted by deadline as set by National Treasury	4 quarterly perf. reports submitted by deadline as set by National Treasury	4 quarterly perf. reports submitted by deadline as set by National Treasury	4 quarterly perf. reports submitted by deadline as set by National Treasury	4 quarterly perf. reports submitted by deadline as set by National Treasury	4 quarterly perf. reports submitted by deadline as set by National Treasury	4 quarterly perf. reports submitted by deadline as set by National Treasury

Programme performance indicators and annual targets: 2012/13

Sub-programme: 2.3		Public Finance: Provincial Budget Management					
Performance indicators	Audited / Actual performance			Estimated performance 2011/12	Medium-term targets		
	2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
No. of chapters in MTEC report	16 chapters completed 1 working day before MTEC as per budget process timetable	MTEC report completed in time for MTEC meetings (held on 14-18 September 2009)	16 chapters completed 1 working day before MTEC as per budget process timetable	16 chapters completed 1 working day before MTEC as per budget process timetable	16 chapters completed 1 working day before MTEC as per budget process timetable	16 chapters completed 1 working day before MTEC as per budget process timetable	16 chapters completed 1 working day before MTEC as per budget process timetable
Estimates of Provincial Revenue and Expenditure (EPRE) previously Main Budget Statement	EPRE on time for tabling	Main Budget Statement 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	EPRE on time for tabling
Adjusted Estimates of Provincial Revenue and Expenditure (AEPRE) previously Adjusted Budget Statement	AEPRE on time for tabling	Adjusted budget statement tabled on 26 November, 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	AEPRE 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)	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)	12 reports per annum (submitted to NT by the 22 nd of each month)
Quarterly performance reports for provincial departments	4 quarterly perf. reports submitted by deadline as set by National Treasury	4 quarterly perf. reports submitted by deadline as set by National Treasury	4 quarterly perf. reports submitted by deadline as set by National Treasury	4 quarterly perf. reports submitted by deadline as set by National Treasury	4 quarterly perf. reports submitted by deadline as set by National Treasury	4 quarterly perf. reports submitted by deadline as set by National Treasury	4 quarterly perf. reports submitted by deadline as set by National Treasury



Quarterly targets: 2012/13

Sub-programme: 2.3		Public Finance: Provincial Budget Management				
Programme performance indicators	Reporting period	Annual target 2012/13	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
No. of chapters in MTEC reports	Annual	16 chapters completed 1 day before MTEC as per budget process timetable	n/a	16	n/a	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
Section 32 report (Monthly provincial IYM report)	Monthly	12 reports per annum (submitted to NT by the 22 nd of each month)	3	3	3	3
Quarterly performance reports for provincial departments	Quarterly	4 reports per annum (completed one month after end of each quarter)	1	1	1	1

Strategic objective annual targets: 2012/13

Sub-programme: 2.3		Public Finance: Public Finance: Provincial Own Revenue						
Strategic objective	Strategic plan target	Audited / Actual performance			Estimated performance 2011/12	Medium-term targets		
		2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
Promote optimal and sustainable revenue generation and collection by provincial departments and public entities	Conduct and co-ordinate quarterly Provincial Revenue Forums	Conduct and coordinate quarterly Provincial Revenue Forums	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
	Monitoring of departmental revenue collection	Monitoring of departmental revenue collection	New	New	Conduct quarterly	Conduct quarterly	Conduct quarterly	Conduct quarterly
	Revenue input into the publication of Provincial budget documentations	New	New	Revenue input into OPRE and EPRE on time for tabling	Revenue input into OPRE and EPRE on time for tabling	Revenue input into OPRE and EPRE on time for tabling	Revenue input into OPRE and EPRE on time for tabling	Revenue input into OPRE and EPRE on time for tabling

Programme performance indicators and annual targets: 2012/13

Sub-programme: 2.3		Public Finance: Provincial Own Revenue					
Performance indicator	Audited / Actual performance			Estimated performance 2011/12	Medium-term targets		
	2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
Conduct quarterly Provincial Revenue Forums	N/a	N/a	4 forums per year	4 forums per year	4 forums per year	4 forums per year	4 forums per year
Monitoring of departmental revenue collection	Conduct quarterly	Conduct quarterly	Conduct quarterly	Conduct quarterly	Conduct quarterly	Conduct quarterly	Conduct quarterly
Revenue input into Overview of Provincial Revenue and Expenditure (OPRE) and Estimates of Provincial Revenue and Expenditure (EPRE)	New	New	Revenue input into OPRE and EPRE on time for tabling	Revenue input into OPRE and EPRE on time for tabling	Revenue input into OPRE and EPRE on time for tabling	Revenue input into OPRE and EPRE on time for tabling	Revenue input into OPRE and EPRE on time for tabling



Quarterly targets: 2012/13

Sub-programme: 2.3		Public Finance: Provincial Own Revenue				
Programme performance indicators	Reporting period	Annual target 2012/13	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
Conduct quarterly Provincial Revenue Forums	Quarterly	4 forums per year	1	1	1	1
Monitoring of departmental revenue collection	Quarterly	Quarterly report	1	1	1	1
Revenue input into Overview of Provincial Revenue (OPRE) and Estimates of Provincial Revenue and Expenditure (EPRE)	Annual	Revenue input into EPRE on time for tabling	n/a	n/a	n/a	1

Strategic objective annual targets: 2012/13

Sub-programme: 2.3		Public Finance: Specialised Advisory Support Services						
Strategic objective	Strategic plan target	Audited / Actual performance			Estimated performance 2011/12	Medium-term targets		
		2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
Promote effective and optimal financial resource allocation for provincial government (including public entities)	Input into DOR Bill	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	Input to be submitted by due date
	Implement monitoring tool and report bi-annually	n/a	n/a	Develop framework	Implement monitoring tool and report bi-annually for 9 public entities	Implement monitoring tool and report bi-annually for 10 public entities	Implement monitoring tool and report bi-annually for all public entities	Implement monitoring tool and report bi-annually for all public entities

Programme performance indicators and annual targets: 2012/13

Sub-programme: 2.3		Public Finance: Specialised Advisory Support Services					
Performance indicators	Audited / Actual performance			Estimated performance 2011/12	Medium-term targets		
	2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
Input into the revision and maintenance of DORA	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	Input to be submitted by due date
Institutionalise framework for the monitoring of provincial public entities	n/a	n/a	Develop framework	Implement monitoring tool and report quarterly for 10 public entities	Implement monitoring tool and report bi-annually for 10 public entities	Implement monitoring tool and report bi-annually for all listed public entities	Implement monitoring tool and report bi-annually for all listed public entities

Quarterly targets: 2012/13

Sub-programme: 2.3		Public Finance: Specialised Advisory Support Services				
Programme performance indicators	Reporting period	Annual target 2012/13	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	Submit input by due date	n/a	Submit input by due date	Submit input by due date
Institutionalise framework for the monitoring of provincial public entities	Bi-annually	Implement monitoring tool and report bi-annually for 10 public entities	Close-out report one month after end of financial year	n/a	Mid-year report on evaluation of budget submissions	n/a



2.4 Sub-programme: Municipal Finance

Specified policies and priorities

National and Provincial Government has a constitutional mandate to monitor the state of local government financial management and finances, while concurrently promoting good budget and fiscal management by municipalities. In order to achieve this mandate, the Municipal Finance Unit monitors the preparation and performance of municipal budgets in order to establish whether they implement sound fiscal management; and to provide technical support to municipalities that are in financial distress. The Unit endeavors to improve financial governance, budgeting, accountability and performance oriented financial management at all municipalities. Toward 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 are process driven and are largely determined by statutory deadlines as stipulated in the MFMA.

Progress analysis

2011/12 Budget evaluation process

Municipalities are required to submit to Provincial Treasury their draft budget after it has been tabled in council, as per Section 22(b)(i) of the Municipal Finance Management Act (MFMA).

Furthermore, Section 23(1) of the MFMA requires the municipal Council to consider the views of National Treasury and Provincial Treasury on the budget.

Provincial Treasury conducted an assessment during 2010/11 to determine which municipalities required technical support in the preparation of the budget. Of the 58 delegated municipalities, 10 municipalities were supported through on-site technical support during March and April 2011.

54 of the 58 delegated municipalities tabled their budgets in Council by 31 March 2011 as required by Section 16(2) of the MFMA. 4 municipalities did not comply with the above-mentioned section, and the MEC for Finance sent non compliance letters to these municipalities. Subsequently, all municipalities tabled their draft budgets in Council.

All 58 delegated municipalities submitted their 2011/12 draft budgets to Provincial Treasury. It was identified that 17 municipalities did not table their draft budget in Council in the format required in terms of the Budget and Reporting Regulations. 54 of the 58 draft budgets received were assessed by Provincial Treasury. The remaining 4 draft budgets could not be assessed due to late submissions as well as failure to provide the majority of the required information. Provincial Treasury conducted compliance checks on the 54 draft budgets. Based on the outcome of the verifications, all 54 draft budgets did not provide the required information and the respective municipalities were requested via written correspondence to submit the outstanding information. Provincial Treasury was also invited by four municipalities to discuss the comments on the draft budget.

In Year Monitoring of Municipal Budget Performance

Provincial Treasury is required, within 22 days after the end of each month, to submit to National Treasury a consolidated statement on the state of municipalities' budgets as per Section 71(6) of the MFMA. Furthermore, in terms of Section 71(1) of the MFMA, Provincial Treasury must, within 30 days after the end of each quarter, make public a consolidated statement on the state of municipalities' budgets per municipality.



In compliance with the above, four quarterly reports on the financial performance of municipalities in KwaZulu-Natal were submitted to the MEC for Finance in the province. Further to the analysis of the budget performance per municipality, the close-out report for the fourth quarter also covers municipal support and oversight by other units in Provincial Treasury and this report was tabled in Provincial Legislature. Provincial Treasury also submitted 12 monthly reports on the financial performance of the 58 delegated municipalities in KwaZulu-Natal to National Treasury.

16 MFMA Implementation Priorities

In light of Provincial Treasury's mandate to monitor the implementation of the MFMA, National Treasury identified 16 MFMA Implementation Priorities to monitor financial management and finances in municipalities, and ensure the financial sustainability of municipalities. Provincial Treasury held constructive engagements with the delegated municipalities on the 16 MFMA Implementation Priorities in May and June 2010/11.

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

- A number of municipalities have not set-up MFMA Budget Steering Committees, while some municipalities have MFMA Budget Steering Committees which are not functioning properly.
- Although most municipalities have internal delegations in place, these delegations did not comply with the requirements of the MFMA.
- Six delegated municipalities in KwaZulu-Natal adopted their 2011/12 budget in a format that was not in accordance with the prescribed Schedule A format. In addition, Provincial Treasury is concerned about the reliability of budget figures in the Schedule A format as many discrepancies were noted in the past.
- Not all municipalities have a municipal website in place; and only a few municipalities place the documents required in terms of Section 75 of the MFMA on their respective websites.
- A few municipalities have not appointed five interns, as required in terms of the Financial Management Grant (FMG) conditions published in the 2010 DoRA. Furthermore, a number of the interns have not registered for the MFMA multi-media training programme.
- Numerous municipalities did not have skills development plans in place for municipal staff.
- A number of municipalities do not categorise their debtors in terms of customer groups.

Provincial Treasury will continue to engage municipalities on the implementation of the MFMA and will develop strategies to assist municipalities in resolving challenges encountered in implementation the MFMA.

30 MFMA Monitoring Indicators

The 30 MFMA monitoring indicators tool is a questionnaire based model developed by National Treasury that measures the level of municipal compliance with the provisions and requirements of the MFMA. Various areas of financial management are assessed, including Revenue Management, Expenditure Management, Planning and Budgeting, Liability Management, Accounting and Reporting, Internal Audit and Risk Management, Asset Management and Supply Chain Management. Other areas monitored are Transparency, Municipal Capacity, Financial Misconduct and Compliance with Annual Reporting requirements.

The tool was piloted in 2009/10 and rolled out to the delegated municipalities in KwaZulu-Natal in May and June 2011. Provincial Treasury will engage municipalities on the results of the assessment and will identify areas of support required to ensure that optimal compliance with the MFMA is achieved.



Municipal Support Programme (MSP)

Provincial Treasury commenced the Municipal Support Program (MSP) in November 2007 to support municipalities in improving 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.

30 municipalities have been assisted in various workstreams through the MSP since its inception in November 2007. Consequent to the success achieved by its implementation, it has been decided to extend the support to more municipalities over the next three years.

A large number of the 61 municipalities in KZN 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 assess the status of the 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. 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.

The methodology adopted by Provincial Treasury in implementing the 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.

The support has had a significant impact on the 2008/09 and 2009/10 audit opinions of those municipalities supported by the programme.

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. 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 the above in mind, Phase 4 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:

- Cashflow management;
- Clearing of audit findings by the Auditor-General;
- Ongoing audit support/co-ordination;
- Budget reviews to improve credibility;
- The Internal Audit function;
- Supply Chain Management;
- Improving the Control Environment;
- Improving Information Technology general controls;
- Focus on sustainability;
- Performance Information measurement, collection and reporting; and
- Governance review and improvement.

Analysis of constraints and measures planned to overcome the constraints

The municipal finance environment is characterised by a number of challenges which negatively impact on Municipal Finance Unit to provide a more constructive and intensified support to municipalities; and thus the realisation of its strategic objectives. The fundamental challenge affecting the unit is the deteriorating state of affairs of municipalities, as a result of some of the following contributing factors:

- Lack of good leadership and governance at municipalities;
- Poor financial viability and sustainability of municipalities; and
- Fraud and corruption.

The table below shows some of the internal and external environment constraints that negatively impact on the unit's ability to deliver on its mandate, together with measures planned to overcome them:

Table 1: Measures planned to overcome constraints

Constraints	Analysis of constraints / impact	Measures planned to overcome constraints
Poor financial management practices, lack of capacity and standardised financial reporting systems at municipalities.	<p>The constraints results in the following:</p> <ul style="list-style-type: none"> • Unreliable and inaccurate information being submitted to the Provincial Treasury. • Resulting in incorrect analysis, affecting decision making and support that needs to be given to municipalities, • Delays in reporting and wastage of resources 	<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>Engage National Treasury on the progress with regard to one uniform financial system.</p>



Constraints	Analysis of constraints / impact	Measures planned to overcome constraints
Lack of co-ordinated approach within Provincial Treasury.	Lack of co-ordinated approach within Provincial Treasury results in: <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) 	Sign and Implement Internal MFMA Delegations and Work-plan Implement Municipal Steering Committee Meetings
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 2010/11. Increasing the level of compliance remains a priority and the focus will also be on improving the quality of the MFMA returns submitted by the municipalities.

2012/13 financial year will be the third year that all municipalities will be required to prepare their annual budget in accordance with the Municipal Budget and Reporting Regulations. The Municipal Finance Unit will adopt a proactive approach in supporting municipalities in the preparation of their budgets with the aim of achieving significant improvement in the completeness, and quality of the budget submissions for the 2012/13 cycle.

The Municipal Finance Unit will continue to engage municipalities on the 16 MFMA Implementation Priorities, and will provide support on the implementation of action plans to address the identified weaknesses.

A monthly reporting tool is in the process of being developed which will assist the analyst in rigorously interrogating and analysing the expenditure reports of municipalities. This will further enable analysts to identify challenges in the implementation of the municipal budget and improve reporting by municipalities.

Municipal Finance is also in the process of filling vacant posts. Once the unit has been fully capacitated, it will augment the knowledge 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 increase the number of contact visits to municipalities as a way to better understand the client's business. Provincial Treasury is committed to supporting and assisting municipalities in KZN and in improving their level of financial



management, augmenting the skills available to them through capacity building and in the process, enabling the sustainability of their operations.

Strategic objective annual targets: 2012/13

Sub-programme: 2.4		Municipal Finance						
Strategic objective	Strategic plan target	Audited / Actual performance			Estimated performance 2011/12	Medium-term targets		
		2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
To ensure efficient budget and expenditure management and accurate financial reporting for the local govt.	Monitor and evaluate local govt. budget performance ¹	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	12 Section 71(6) reports, 22 working days after end of each month	12 Section 71(6) reports completed
		3 reports (Qr 3 of municipal f.y. 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	4 Section 71(7) Quarterly budget performance reports, 45 days after end of quarter	4 Section 71(7) Quarterly budget performance reports completed
To assist and provide technical support to delegated municipalities in financial distress	To support delegated municipalities in financial distress through 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	10 municipalities to be supported through the MSP	10 municipalities to be supported through the MSP	15 municipalities to be supported through the MSP	7 municipalities supported through the MSP

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

2. Targets are not cumulative

Programme performance indicators and annual targets: 2012/13

Sub-programme: 2.4		Municipal Finance						
Performance indicators		Audited / Actual performance			Estimated performance 2011/12	Medium-term targets		
		2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
Section 71(6) report (Monthly municipal IYM report) within the prescribed time frame ¹	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	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	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	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 ²	7 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	10 municipalities to be supported through the MSP	10 municipalities to be supported through the MSP	15 municipalities to be supported through the MSP	15 municipalities to be supported through the MSP

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

2. Targets are not cumulative

Quarterly targets: 2012/13

Sub-programme: 2.4		Municipal Finance				
Programme performance indicators	Reporting period	Annual target 2012/13	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 Programme (MSP) ²	Quarterly	10 municipalities to be supported through the MSP	10 municipalities	6 municipalities	6 municipalities	6 municipalities

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		
	2008/09	2009/10	2010/11	2011/12			2012/13	2013/14	2014/15
Programme Support	3 202	3 176	928	4 267	3 467	587	4 554	4 804	5 129
Economic Analysis	2 701	3 486	5 345	5 335	8 235	7 944	13 615	14 305	15 098
Public Finance	33 579	15 434	7 794	11 376	10 276	10 276	12 071	12 733	13 564
Municipal Finance	21 483	30 298	39 094	51 258	38 258	33 132	53 567	56 499	59 889
Total	60 965	52 394	53 161	72 236	60 236	51 939	83 807	88 341	93 680

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		
	2008/09	2009/10	2010/11	2011/12			2012/13	2013/14	2014/15
Current payments	59 993	52 247	52 947	71 802	59 573	51 276	83 492	88 010	93 400
Compensation of employees	14 678	18 193	17 371	29 975	25 546	22 014	38 085	40 632	42 984
Goods and services	45 315	34 054	35 576	41 827	34 027	29 262	45 407	47 378	50 416
Interest and rent on land	-	-	-	-	-	-	-	-	-
Transfers and subsidies to:	-	-	-	-	-	-	-	-	-
Provinces and municipalities	-	-	-	-	-	-	-	-	-
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	972	147	208	434	534	534	315	331	280
Buildings and other fixed structures	-	-	-	-	-	-	-	-	-
Machinery and equipment	443	114	188	434	534	534	315	331	280
Heritage assets	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Land and sub-soil assets	-	-	-	-	-	-	-	-	-
Software and other intangible assets	529	33	20	-	-	-	-	-	-
Payments for financial assets	-	-	6	-	129	129	-	-	-
Total	60 965	52 394	53 161	72 236	60 236	51 939	83 807	88 341	93 680

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:	Provincial 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:

- To implement an effective Asset Management framework in the province including the implementation and continued maintenance of asset registers that meet with reporting requirements;
- To facilitate, monitor support and training interventions with regard to Asset Management prescripts and asset registers within the province;
- To keep departments abreast of amendments in tax legislation in respect of payroll tax;
- To provide a quality advisory service in respect of tax functions to departments and perform risk analysis in terms of tax compliance;
- To provide an effective banking and support service to all client departments; and
- To improve the efficiency of cash management and to minimise the adverse liquidity through effective liabilities management

The strategic objectives are:

- To ensure the provision of an effective and efficient transversal advice ,guidance and support as well as monitoring compliance to Asset Management prescripts in all provincial departments.
- 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.



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;
- To facilitate, monitor support and training interventions with regards to Asset Management prescripts and asset registers within the province;
- To keep departments abreast of amendments in tax legislation in respect of payroll tax;
- To provide a quality advisory service in respect of tax functions to departments and perform risk analysis in terms of tax compliance;
- To provide an effective banking and support service to all client departments; and
- To improve the efficiency of cash management and to minimise the adverse liquidity through effective liabilities management.

The strategic objectives are:

- To ensure the provision of an effective and efficient transversal advice ,guidance and support as well as monitoring compliance to Asset Management prescripts in all provincial departments.
- 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 has been enhanced through training and support interventions in the province and there has been a continued maintenance and compliance with Asset Management prescripts and as well as effective and efficient asset register. 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 ongoing support given to departments and regular visits, the majority of departments were able to clear the banking suspense accounts at the close of the financial year.

The timely submission of reports to Provincial Treasury by municipalities has improved considerably.



Analysis of constraints and measures planned to overcome them

Non-compliance with monthly reporting requirements by provincial departments and as well as other technical problems associated with the asset register. Reporting and monitoring will be enhanced and strengthened to ensure compliance; and further engagements and interventions will be made with provincial departments and all other stake holders to eliminate all identified challenges and constraints.

In depth payroll tax training has been provided to all 16 departments to ensure an increase in the level of knowledge at 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, which will be communicated to the CFO of the relevant department

The lack of capacity to clear the banking suspense accounts timely still exist in certain departments and therefore banking staff will assist departments with capacity problems to clear certain suspense accounts.

Some municipalities do not submit reports on a regular basis in terms of the Municipal Finance Management Act. Treasury will continue to liaise with municipalities to address the issue of non-compliance regarding the submitting of reports.

Description of planned quality improvement measures

Training and support interventions will be improved, workshops and other relevant forums will be conducted to discuss issues of concern; and reporting and monitoring will be enhanced to identify, address issues of no-compliance and ensure effective use of asset register and compliance with Asset Management prescripts.

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 continue to support departments regarding the clearing of banking suspense accounts and treasury staff will in future be more involved in the clearing of certain suspense accounts. Treasury will continue to visits municipalities to ensure compliance with the Municipal Finance Management Act.

Strategic objective annual targets: 2012/13

Sub-programme: 3.1		Financial Asset and Liability Management						
Strategic objective	Strategic plan target	Audited/Actual performance			Estimated performance 2011/12	Medium-term targets		
		2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
To promote sound cash management practices and improve liquidity in the province and assist depts and municipalities in the attainment of a clean audit outcome for the province	Provide guidance and support iro Tax payroll functions to KZN depts	16 depts per quarter	16 depts per quarter	16 depts per quarter	16 depts per quarter	16 depts per quarter	16 depts per quarter	16 depts per quarter
	Conduct Tax Information Seminar annually	4	0	4	4	4	4	2
	Risk analysis per dept. to ensure compliance to tax legislation	Compliance assessment for 16 depts	16 depts per quarter	Compliance assessment for 16 depts	Compliance assessment for 16 depts	Compliance assessment for 16 depts	Compliance assessment for 16 depts	Compliance assessment for 16 depts
	Provide quarterly assessment reports to depts on the status of bank related suspense	Compliance assessment for 16 depts	New	Compliance assessment for 16 depts	Compliance assessment for 16 depts	Compliance assessment for 16 depts	Compliance assessment for 16 depts	Compliance assessment for 16 depts



Strategic objective annual targets: 2012/13

Sub-programme: 3.1		Financial Asset and Liability Management						
Strategic objective	Strategic plan target	Audited/Actual performance			Estimated performance 2011/12	Medium-term targets		
		2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
	accounts							
	Review monthly bank reconciliations per dept.	Ongoing support to 16 depts	16 departments per quarter	Ongoing support to 16 depts	Ongoing support to 16 depts	Ongoing support to 16 depts	Ongoing support to 16 depts	Ongoing support to 16 depts
	Produce quarterly report on withdrawals from municipal bank accounts	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	4 reports on withdrawals from municipal bank accounts
No. of trainings and workshops conducted	Enhanced Asset Management Policy Framework and a functional Asset Management System	new	new	9	9	9	9	9
Management Status reports on effective utilisation of Asset management practices, processes and Asset Man. System	No. of trainings and workshops conducted	new	new	4	4	4	4	4

Programme performance indicators and annual targets: 2012/13

Sub-programme: 3.1		Financial Asset and Liability Management					
Performance indicators	Audited / Actual performance			Estimated performance 2011/12	Medium-term targets		
	2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
Provide guidance and support iro payroll functions to KZN depts.	16 depts per quarter	16 depts per quarter	16 depts per quarter	16 depts per quarter	16 depts per quarter	16 depts per quarter	16 depts per quarter
Conduct Tax Information Seminar annually	4	0	4 sessions	4 sessions	4 sessions	4 sessions	2 sessions
Risk analysis per dept to ensure compliance to tax legislation	Compliance assessment for 16 depts	16 depts per quarter	64 reports	64 reports	64 reports	64 reports	64 reports
Provide quarterly assessment reports to depts on the status of bank related suspense accounts	New	New	64 assessment reports	64 assessment reports	64 assessment reports	64 assessment reports	64 assessment reports
Produce monthly reconciled bank reconciliations per dept	Ongoing support to 16 depts	16 depts per quarter	192 reconciled bank reconciliations	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	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	4 Reports on withdrawals from municipal bank accounts
Enhanced Asset Management Policy Framework and functional Asset Management System	new	new	16 depts.	16 depts.	16 depts.	16 depts.	16 Depts.
No. of quality trainings and workshops conducted	new	new	9	9	7	9	9
Management Status reports on effective utilisation of Asset management practices, processes and Asset Man. System	new	new	4	4	4	4	4



Quarterly targets: 2012/13

Sub-programme: 3.1		Financial Asset and Liability Management				
Programme performance indicators	Reporting period	Annual target 2012/13	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
Provide guidance and support iro tax payroll functions to KZN depts	Monthly	16 depts per quarter	16 depts	16 depts	16 depts	16 depts
Conduct Tax Information Seminar annually	Annually	2 sessions	Nil	2 sessions	Nil	Nil
Quarterly risk analysis per dept to ensure compliance to tax legislation	Quarterly	64 reports	16 reports	16 reports	16 reports	16 reports
Provide quarterly assessment reports to depts on the status of bank related suspense accounts	Quarterly	64 assessment reports	16 reports on status of suspense accounts	16 reports on status of suspense accounts	16 reports on status of suspense accounts	16 reports on status of suspense accounts
Produce monthly reconciled bank reconciliations per dept	Monthly	192 reconciled bank reconciliations	48 bank reconciliation	48 bank reconciliation	48 bank reconciliation	48 bank reconciliation
Produce quarterly report on withdrawals from municipal bank accounts	Quarterly	4 reports on withdrawals from municipal bank acc.	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	16 depts.	4 depts. implemented enhanced Asset Management Policy Framework and fully implemented Barcoding and Purchasing Module	4 depts. implemented enhanced Asset Management Policy Framework and fully implemented Barcoding and Purchasing Module	4 depts. implemented enhanced Asset Management Policy Framework and fully implemented Barcoding and Purchasing Module	4 depts. implemented enhanced Asset Management Policy Framework and fully implemented Barcoding and Purchasing Module
No. of quality trainings and workshops conducted	Quarterly	7	2 Hardcat training	1 Asset Management workshop 2 Hardcat training	2 Hardcat training	2 Hardcat training
Management status reports on effective utilisation of Asset Management practices, processes and Asset Management System	Quarterly	4 reports	1	1	1	1

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

The PPP unit continues to support municipalities to deliver critical services through partnerships with the private sector. PPPs are more valuable to municipalities because municipalities are charged with some of the most important levels of service delivery, such as the provision of clean drinking water, waste water treatment and solid waste disposal.



The unit also play an increasing role to the Department of Health in the roll-out of PPPs for the revitalisation of tertiary hospital and associated medical facilities, the King Edward VIII Hospital.

The unit is working with the Department of Education in eradicating school infrastructure backlogs and establishing a framework for a PPP in financing, designing, construction and operating suitable school facilities, including office accommodation for the delivery of education services to the population of KZN.

With regard to promoting and enhancing good governance, the PPP unit, through the PPP contract management framework, is continuing to provide technical support to Ilembe District Municipality. The review of the concession contract in 2009/10 has resulted in renegotiation or amendment of the contract, and the unit managed to influence the municipality to manage the contract effectively throughout the remaining concession period.

The PPP unit initiated a process of developing an exit strategy for the Inkosi Albert Luthuli Hospital concession contract which only has six years remaining. This is one of the complex PPPs in South Africa.

Analysis of constraints and measures planned to overcome them

The financial crisis had a profound impact on PPP markets. Illiquidity and the erosion in lending capacity within the banking sector, the principal funding source for PPPs globally, culminated in a marked increase in the cost of debt. This has been compounded by the contraction in risk appetite across the investment community. Bond issuance remains problematic for PPP deals detracting from their appeal within the global investment markets. A number of projects have had to be put on hold due to the inability of private sector partners to secure the necessary financial commitments.

On an ongoing basis, the unit reviews 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: 2012/13

Sub-programme: 3.2		Public Private Partnerships						
Strategic objective	Strategic plan target	Audited/Actual performance			Estimated performance 2011/12	Medium-term targets		
		2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
To provide substantial technical, financial and legal advice in support of all provincial PPP projects in line with PPP Project Cycle as regulated by National Treasury guidelines	Seminars/workshops conducted for prov. depts. and local spheres of govt.	1	0	2	2	2	2	2
	No. of seminars/ workshops for municipalities and municipal entities	New	1	2	2	2	2	2
	Reports on registered projects in progress	New	New	2	2	2	2	2
	Contract management reports on closed deal	6	4	10	10	10	10	10



Programme performance indicators and annual targets: 2012/13

Sub-programme: 3.2		Public Private Partnerships					
Performance indicator	Audited / Actual performance			Estimated performance 2011/12	Medium-term targets		
	2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
No. of seminars/ workshops conducted for provincial depts and public entities	1	0	2	2	2	2	2
No. of seminars/ workshops conducted for municipalities and municipal entities	New	1	2	2	2	2	2
No. of reports for Prov. Treasury management and NT PPP unit	6	4	10	10	10	10	10
No. of reports on closed deal	New	4	4	4	4	4	4

Quarterly targets: 2012/13

Sub-programme: 3.2		Public Private Partnerships				
Programme performance indicators	Reporting period	Annual target 2012/13	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
No. of seminars/workshops conducted for provincial depts 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	3	3	2	2
No. of reports on closed deal	Annually	4	1	1	1	1

3.3 Sub-programme: Provincial Supply Chain Management

Specified policies and priorities

The specified priorities for the Provincial Supply Chain Management Office is to monitor and evaluate compliance by provincial departments, municipalities and public entities to 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 for provincial departments and municipalities.
- Provide a supplier monitoring mechanism for the province to ensure that supplier information is reliable.

Progress has been achieved in the following areas:

- The unit regularly conducts assessments on the implementation of SCM in the province. Informed by these assessments, the unit has provided advisory procurement support to provincial departments that put in



place enhanced internal controls in the SCM environment which resulted in the realisation of significant financial savings.

- The unit continued to offer SCM related workshops to a number of provincial departments and municipalities as part of its support initiatives. These training workshops did not only serve as capacitating interventions, but they are also instrumental in enhancing professionalism and decreasing the cases of fraud in procurement.
- The process of reviewing the KZN SCM Policy Framework is in its final stages, and this has taken into account not only the views of the provincial stakeholders, but also bringing it in line with current National Treasury Instruction notes.
- The first phase of the Strategic Sourcing Project has been completed, providing a valuable strategic analysis of the prevailing SCM situation in the province. The unit will proceed with the process of implementing a procurement system and Price List for the province.
- The new supplier database system has now been fully commissioned and access to the old one has been terminated. This revised version has a number of control features that are designed to ensure that suppliers meet the required listing standards.
- Five service providers were appointed and commissioned to work on the contract management pilot project in the 2011/12 financial year. This project will ensure that a proper contract management framework is in place in the province to minimise irregular expenditure.
- The project designed to establish the Municipal Bid Appeals Tribunal has also started in the 2011/12 financial year. This project is expected to be completed in the current financial year. This will ensure that there is an appeal avenue for municipal bids as required by Regulations 49 and 50 of the MFMA for all municipalities in the province.

Analysis of constraints and measures planned to overcome them

The Unit has identified the following constraints:

- There is a lack of co-ordinated approach within Provincial Treasury, resulting in duplication of efforts in the service of clients. An integrated approach by the Provincial Treasury support functions will ensure that clients are provided with holistic solutions to their challenges.
- There is a lack of appropriately staffed SCM units in municipalities, resulting in the performance of incompatible functions. There needs to be an increased training effort for interns so that they can make a better contribution to the SCM process.
- Lack of capacity within the SCM unit. This will be addressed by sending staff for training in SCM related matters to accredited training institutions.

Description of planned quality improvement measures

- All the vacant posts in the SCM structure will be filled.
- The training of SCM staff will be a priority so that a technically improved service can be provided to clients.
- Ensure that all National Treasury notes are implemented.



Strategic objective annual targets: 2012/13

Sub-programme: 3.3		Provincial Supply Chain Management						
Strategic objectives	Strategic plan target	Audited/Actual performance			Estimated performance 2011/12	Medium-term targets		
		2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
Support and monitor adherence of state institutions to SCM prescripts	SCM training sessions and information sessions	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	Conduct SCM workshops for state institutions, conduct compliance assessments and investigate complaints

Programme performance indicators and annual targets: 2012/13

Sub-programme: 3.3		Provincial Supply Chain Management					
Performance indicators	Audited / Actual performance			Estimated performance 2011/12	Medium-term targets		
	2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
No. of SCM training sessions and information sessions conducted	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	4 training sessions/ workshops	4 training sessions/ workshops	4 training sessions/ workshops	4 training sessions/ workshops
	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	4 SCM forums for departments & municipalities	4 SCM forums for departments & municipalities	4 SCM forums for departments & municipalities	4 SCM forums for departments & municipalities
No. of assessments	Compliance assessment reports issued	Municipalities and depts. monitored	60 compliance assessment reports issued for all munic and depts	60 compliance assessment reports issued for all munic and depts	60 compliance assessment reports issued for all munic and depts	60 compliance assessment reports issued for all munic and depts	60 compliance assessment reports issued for all munic and depts
No. of policies and practice notes reviewed and issued	Review all existing practice notes and policies. Issue 4 policies and two practice notes	Review and update all issued practice notes / guides	Review 4 practice notes	Review 4 practice notes	Review 4 practice notes	Review 4 practice notes	Review 4 practice notes

Quarterly targets: 2012/13

Sub-programme: 3.3		Provincial Supply Chain Management				
Programme performance Indicators	Reporting period	Annual target 2012/13	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
No. of SCM training sessions and information sessions conducted	Quarterly	4 training sessions/ workshops	1	1	1	1
	Quarterly	4 SCM forums for depts. & municipalities	1	1	1	1
No. of assessments	Quarterly	60 routine compliance assessment reports issued for all munic and depts	15	15	15	15
No. of policies and practice notes reviewed and issued	Quarterly	Review 4 practice notes	1	1	1	1



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 recognised accounting practice and financial systems to fairly present the consolidated financial position of KZN.
- 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.
- To enable client departments to address fast-paced needs evolving from auditor general reports by generating solutions and support. To provide project management and consulting solutions to departments to expedite financial reporting.
- To 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*

The Financial Reporting Unit engaged with the Department of Social Development in a joint project to resolve asset management issues that led to audit qualifications in prior years. It was pleasing to note that the department obtained an unqualified audit report for the 2010/11 financial year, as a direct result of the intervention by Provincial Treasury.

The Financial Reporting Unit continued to provide support to the Department of Social Development in the area of asset management during the 2011/12 financial year, to enable the department to develop sufficient capacity in asset management.

The provincial consolidated annual financial statements for 2010/11 have been tabled in the Legislature.

Progress analysis: *Municipal support*

The unit engaged with Umdoni and Impendle Municipalities in a capacity enhancing exercise, aimed at improving the quality of annual financial statements and the underlying internal financial controls. It is worth noting that Umdoni Municipality received a clean audit and Impendle Municipality received an unqualified audit opinion for the 2010/11 financial year.

The unit implemented an electronic monthly reconciliation tracking tool in 20 municipalities, to monitor routine accounting processes and an electronic working paper file management system for year-end financial processes. The primary objective of this support intervention was to address the fundamental accounting processes at an operational level and develop a robust document management system.



Analysis of constraints and measures planned to overcome them

A major constraint is the lack of staff with appropriate technical and financial management skills and experience. To obviate this constraint, two assistant managers have been appointed to posts at the level of trainee ranks. 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: 2012/13

Sub-programme: 3.4		Financial Reporting						
Strategic objective	Strategic plan target	Audited/Actual performance			Estimated performance 2011/12	Medium-term targets		
		2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
To present fairly the consolidated financial position of the province	Depts and public entities Consolidation of AFS: - Depts - Revenue Fund - Public entities	Submission of consolidated AFS for 05/06	Compiled consolidated AFS: 07/08 & 08/09 and Revenue Fund: 07/08 & 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	Compile consolidated AFS for FY13/14
To provide financial management support to departments, public entities and municipalities	Depts	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	1 AFS training workshop Pre-audit review in 16 depts
	Depts Provincial Audit Outcome Analysis	new	new	Summary of Audit Outcome Analysis 1 mth after AG's Audit Report Monitoring 16 depts Audit Imp. Plans	Summary of Audit Outcome Analysis 1 mth after AG's Audit Report Monitoring 16 depts. Audit Imp. Plans	Summary of Audit Outcome Analysis 1 mth after AG's Audit Report Monitoring 16 depts. Audit Imp. Plans	Summary of Audit Outcome Analysis 1 mth after AG's Audit Report Monitoring 16 depts. Audit Imp. Plans	Summary of Audit Outcome Analysis 1 mth after AG's Audit Report Monitoring 16 depts. Audit Imp. Plans
	Municipal Support: GRAP Conversion Support:	new	7 municipalities supported in GRAP conversion process	8 municipalities supported in GRAP conversion process 3 GRAP conversion workshops facilitated	n/a	n/a	n/a	n/a
	Post implementation support	n/a	n/a	Post GRAP implement. support in 5 municipalities	n/a	n/a	n/a	n/a
	Imp. of monthly reconciliation monitoring and tracking tools and working paper file management system General financial management support to municipalities	n/a	n/a	n/a	Implementation in 3 districts Support provided to 2 municipalities	12 municipalities Support to 2 municipalities	12 municipalities Support to 3 municipalities	12 municipalities Support to 4 municipalities



Programme performance indicators and annual targets: 2012/13

Sub-programme: 3.4		Financial Reporting					
Performance indicator	Audited / Actual performance			Estimated performance 2011/12	Medium-term targets		
	2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
Consolidation of Annual Financial Statements: a. Departments b. Revenue Fund c. Public Entities	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 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	Compile consolidated AFS for FY13/14
a) Post GRAP Implementation Support	n/a	7 municipalities supported in GRAP conversion process	8 municipalities supported in GRAP conversion process	n/a	n/a	n/a	n/a
b) Implementation of monthly reconciliation monitoring and tracking tools	n/a	n/a	Post GRAP implementation support in 5 municipalities	Implementation support of Tracking Tool Implementation in 3 districts	12 municipalities	12 municipalities	12 municipalities
c) General Financial Management Support to Municipalities	new	new	new	2 municipalities	2 municipalities	3 municipalities	4 municipalities

Quarterly targets: 2012/13

Sub-programme: 3.4		Financial Reporting				
Programme performance indicators	Reporting period	Annual target 2012/13	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 FY11/12	n/a	Compile consolidated AFS for FY 11/12	n/a	n/a
Departments: AFS support and training to departments	Bi-Annually	2 AFS training workshop Pre-audit review in 16 departments	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 one month after AG's Audit Report	Monitoring 16 depts. Audit Implementation Plans	n/a
Municipal Support Implementation Support of Monthly Reconciliation monitoring and tracking tools General Financial Management Support to Municipalities	Quarterly	Implementation support in 12 municipalities 2 municipalities Per quarter	3 municipalities 2 municipalities	3 municipalities 2 municipalities	3 municipalities 2 municipalities	3 municipalities 2 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 and 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 they 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 three municipalities, namely the KwaDukuza, Umdoni, Mandeni municipalities, and one municipal entity, the Enterprise Ilembe. 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. In addition, *ad hoc* assistance was provided to numerous municipalities upon request. Assistance focused primarily on the critical finance-related policies as outlined in the MFMA.

In pursuance of Presidential Outcome 12, the unit undertook a review of the financial management delegations in all municipalities in the Province. Feedback was provided to all municipalities and further assistance was rendered, including the development of a draft MFMA delegations template, to ensure that municipalities had a sound MFMA System of Delegations in place.

The unit successfully led the Government Arrears Debt Recovery project as it pertained to section 21 schools debt for municipal services.

A needs analysis on transversal matters in departments was conducted where, among others, a practice note on Cash Management was prioritised for development and training to all departments prior to implementation.

Questionnaires, based on various practice notes applicable to departments, were developed to provide the basis for a consistent assessment methodology to determine department's compliance with key provisions of the practice notes. Data collected was analysed and recommendations provided to address non-compliance and follow-ups conducted to ensure that recommendations were implemented. A consolidated monitoring, compliance and evaluation assessment report was compiled detailing the initial outcomes achieved and identified financial management improvement. As part of the ongoing monitoring and evaluation process, quarterly reports provide feedback regarding compliance deviations and the outcomes achieved subsequent to the implementation of proposed recommendations.

Analysis of constraints and measures planned to overcome them

Ad hoc work and projects particularly from an MFMA perspective are frequent and threatens to impact on the unit's ability to execute tasks in a timely and satisfactory manner. The unit will utilise the services of a panel of service providers to augment its capacity requirements on an as and when required basis. An evaluation of the functions and confirmation of its alignment to the unit's organisational structure may be required in the future



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: 2012/13

Sub-programmes: 3.5		Norms and Standards						
Strategic objective	Strategic plan target	Audited/Actual performance			Estimated performance 2011/12	Medium-term targets		
		2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
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 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	16 policies and practice notes developed and reviewed based on need analysis	16 policies and practice notes developed and reviewed based on need analysis	16 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	4 municipalities assessed and assisted with financial management policies	4 municipalities assessed and assisted with financial management policies	4 municipalities assessed and assisted with financial management policies	4 municipalities assessed and assisted with financial management policies	4 municipalities assessed and assisted with financial management policies

Programme performance indicators and annual targets: 2012/13

Sub-programme: 3.5		Norms and standards					
Performance indicator	Audited / Actual performance			Estimated performance 2011/12	Medium-term targets		
	2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
No. of policies and practice notes developed/ reviewed and issued	8 new practice notes and 8 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	Policies and practice notes developed and reviewed based on need analysis
No. of municipalities supported and assistance given in review and addressing of needs iro financial management policies	new	new	new	4	4	4	4

Quarterly targets: 2012/13

Sub-programme: 3.5		Norms and Standards				
Programme performance indicators	Reporting period	Annual target 2012/13	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
No. of policies and practice notes developed/ reviewed and issued	Quarterly	Policies and practice notes developed and reviewed based on need analysis	4 policies and practice notes developed and reviewed based on need analysis	4 policies and practice notes developed and reviewed based on need analysis	4 policies and practice notes developed and reviewed based on need analysis	4 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 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

The department has seen a significant improvement in its IT maturity level as a result of the development and implementation of a comprehensive IT Governance Framework, the upgrading of the IT infrastructure and increased bandwidth capacity in terms of the approved departmental IT Strategic Plan.

Treasury has also completed the implementation of a new provincial Supplier's Database system to address the inadequacies of the previous system. A network monitoring tool has been implemented to identify and address vulnerabilities on the IT network. The security of our Financial Systems (BAS and PERSAL) has been considerably enhanced by the completion of the Biometric Access Control System across all departments in the province. Further security controls have been enforced through the deployment of Zenworks Configuration and End Point Security Management at Provincial Treasury.

The department has also commenced with the implementation of an Enterprise Content Management system (ECM) that is compliant with the National Archives and Records Service (NARS) Act of 1996. In addition to complying with legal requirements, the ECM system will enable efficient indexing, storing, search and retrieval of departmental documents. This also includes the mandatory archiving of all emails.

Analysis of constraints and measures planned to overcome them

There are currently inefficient legacy systems like Loss Control System that have impacted negatively on production. Such systems are under review in order to identify short and long term solutions. The HardCat Asset Management system has moved from simply an asset management system to a transactional system. This increases the risk of fraud. In order to address this risk the use of Biometric Access Control System will be widened to include fingerprint authentication to the HardCat System.

The implementation plan for the IFMS by National Treasury and implications thereof has not yet been communicated to Provincial Treasury. This is impacting on the department's ability to plan for the roll out. This further impacts other projects that are planned by Provincial Treasury. For example, considerable expenditure is being incurred on integrating HardCat and Biometrics Systems. The implementation of IFMS, which includes an Asset management module has a direct impact on this integration project. Provincial Treasury has commenced with these discussions with National Treasury.

The implementation of the IFMS will result in changes to the Biometric System. This will have significant financial implications for Provincial Treasury. In the absence of relevant IFMS project information, it is extremely difficult to budget accordingly.



Description of planned quality improvement measures

The weakness in the Loss Control System will be investigated. These weaknesses will be addressed through identified enhancements. A project to use Biometrics to authenticate to the HardCat system has been scheduled for the 2011/12 financial year.

In the event of the IFMS being implemented, the IT priorities may have to be reviewed and/or additional funding may be required. The ECM system will be extended to all business units of the department to improve the electronic indexing, storage, search and retrieval of documents.

Strategic objective annual targets: 2012/13

Sub-programme: 3.6		Supporting and Interlinked Financial Systems						
Strategic objective	Strategic plan target	Audited / Actual performance			Estimated performance 2011/12	Medium-term targets		
		2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
Develop, review, implement and monitor dept. supporting information technology enabler policies & procedures	16 per annum	New	New	8	8	16	16	16
To ensure business continuity through the management of the IT network infrastructure, desktop and LAN support and network security	8 hr MTTR 99% network uptime 100% licence compliance	New	New	8 99% 100%	8 99% 100%	8 99% 100%	8 99% 100%	8 99% 100%
Provide technical support for transversal systems	8-24 hr MTTR	New	New	8-24 hr MTTR	8-24 hr MTTR	8-24 hr MTTR	8-24 hr MTTR	8-24 hr MTTR

Programme performance indicators and annual targets: 2012/13

Sub-programme: 3.6		Supporting and Interlinked Financial Systems					
Performance indicators	Audited / Actual performance			Estimated performance 2011/12	Medium-term targets		
	2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
No. of policy reviews completed	New	New	8	8	4	4	4
No. of compliance reports completed	New	New	2	2	12	12	12
No. of information sessions conducted	New	New	8	8	8	8	8
Mean time to resolve (MTTR) - Treasury	New	New	8 hrs per quarter	8 hours	8 hours	8 hours	8 hours
Percentage network uptime	New	New	99%	99%	99%	99%	99%
Percentage compliance with software licensing requirements	New	New	100%	100%	100%	100%	100%
Mean time to resolve (transversal systems)	New	New	8-24 hr MTTR	8-24 hr MTTR	8-24 hr MTTR	8-24 hr MTTR	8-24 hr MTTR

Quarterly targets: 2012/13

Sub-programme: 3.6		Supporting and Interlinked Financial Systems				
Programme performance Indicators	Reporting period	Annual target 2012/13	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
No. of policy reviews completed	Quarterly	4	1	1	1	1
No. of compliance reports completed	Quarterly	12	3	3	3	3
No. of information sessions conducted	Quarterly	8	2	2	2	2
Mean time to resolve (MTTR)	Quarterly	8 hrs per quarter	8 hours	8 hours	8 hours	8 hours
Percentage network uptime	Quarterly	99% per quarter	99%	99%	99%	99%
Percentage compliance with software licensing requirements	Quarterly	100% per quarter	100%	100%	100%	100%
Mean time to resolve (transversal systems)	Quarterly	8-24 hr MTTR	8-24 hr MTTR	8-24 hr MTTR	8-24 hr MTTR	8-24 hr MTTR



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		
	2008/09	2009/10	2010/11	2011/12			2012/13	2013/14	2014/15
Financial Asset and Liability Management	151 257	116 597	28 956	116 583	45 583	16 494	67 750	68 659	69 790
Public Private Partnerships (PPPs)	4 023	2 737	2 594	6 092	4 092	3 175	6 677	7 176	7 710
Supply Chain Management	8 692	9 732	13 560	17 357	29 157	29 157	35 206	36 483	37 752
Financial Reporting	12 365	6 804	12 400	10 810	23 010	23 010	11 426	12 053	12 800
Norms and Standards	1 737	2 424	2 765	4 499	4 499	4 152	4 754	5 016	5 327
Supporting & Interlinked Financial Systems	106 929	100 626	101 084	107 254	107 254	107 254	112 532	118 720	125 853
Total	285 003	238 920	161 359	262 595	213 595	183 242	238 345	248 107	259 232

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		
	2008/09	2009/10	2010/11	2011/12			2012/13	2013/14	2014/15
Current payments	278 181	235 606	159 520	260 962	207 945	177 592	236 544	246 202	257 219
Compensation of employees	24 437	24 319	27 132	42 917	38 802	36 615	47 082	50 063	52 766
Goods and services	115 361	109 029	116 880	118 045	140 143	139 971	139 462	146 139	154 453
Interest and rent on land	138 383	102 258	15 508	100 000	29 000	1 006	50 000	50 000	50 000
Transfers and subsidies to:	129	1 122	917	1 300	1 300	1 300	1 370	1 450	1 530
Provinces and municipalities	-	-	-	-	-	-	-	-	-
Departmental agencies and accounts	-	-	-	-	-	-	-	-	-
Universities and technikons	-	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-	-	-
Households	129	1 122	917	1 300	1 300	1 300	1 370	1 450	1 530
Payments for capital assets	6 602	2 192	830	333	4 258	4 258	431	455	483
Buildings and other fixed structures	-	-	-	-	-	-	-	-	-
Machinery and equipment	6 594	2 089	830	333	3 733	3 733	431	455	483
Heritage assets	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Land and sub-soil assets	-	-	-	-	-	-	-	-	-
Software and other intangible assets	8	103	-	-	525	525	-	-	-
Payments for financial assets	91	-	92	-	92	92	-	-	-
Total	285 003	238 920	161 359	262 595	213 595	183 242	238 345	248 107	259 232



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 aligned to the cabinet cluster set-up, which is in line with the sub-programme's turnaround strategy continued to be implemented in a phased-in approach. The revised structure includes positions for new specialised audit reviews to expand on the sub-programmes services and add value to client departments.
- The sub-programme appointed staff to supervisory positions via the Accelerated Programme, which is aimed at retaining staff within the unit.
- The Internal Audit Learnership programme continued during the period with an additional intake of new learners. The Internal Audit Learners attended the Internal Auditors Technicians (IAT) Training Programme, which is a two-year learnership programme, and are continuously being assessed for competencies.
- The sub-programme continued to effectively achieve its Annual Operational Plan which resulted in a 90% completion rate for the 2010/11 financial year.
- In order to improve relationships with clients, the unit attended departmental Audit Steering Committee meetings, strategic planning sessions and risk assessment workshops.
- The unit prepared risk based Annual Operational and Strategic three-year rolling plans for all clients which were acknowledged by the relevant Accounting Officers and approved by the Provincial Audit and Risk 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. An independent External Quality Assurance Review was conducted by the unit as part of the Quality Improvement Programme.
- The unit reviewed and updated the Internal Audit Charter, as well as the Provincial Audit and Risk Committee Charter and aligned these to the principals of the King III report on good governance.
- The unit has re-aligned its internal audit projects in line with the focus areas of the Auditor-General in order to assist departments for audit readiness and clean audits.

Analysis of constraints and measures planned to overcome them

The demand for specialised skilled internal auditors contributes to a high staff turnover within the unit, which impacts on the optimal achievement of the sub-programme's objectives. 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 prompt implementation of agreed action plans by client departments will assist them in addressing control deficiencies, and thereby significantly improving the audit results of the Auditor-General.

The following measures have been planned to address these constraints:

- The Accelerated Programme continues to promote 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. These will also be reviewed for adequacy, efficiency and effectiveness.
- The current components focusing on financial reporting and key financial controls will be expanded and capacitated to assist departments mitigate risks within these areas.
- 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 periodic basis, which has facilitated in improved relationships with clients.
- The unit as well as members of the Provincial Audit and Risk Committee continues to attend Audit Steering Committee meetings with client departments and the Auditor-General.
- The Unit attends 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 from both Internal Audit reports as well as from the Auditor-General, and aligning the audit findings to the risk registers.



Description of planned quality improvement measures

Quality Improvement Programme

The Quality Improvement Programme (QIP) is continuously being reviewed to ensure a more focused position on quality excellence. The aim of QIP is to improve on our service offering to our clients and is a requirement of the ISSPIA. The QIP includes the following:

- Peer reviews of internal audit project.
- Independent External Quality Assurance Reviews.
- An assessment of the effectiveness of the Provincial Audit and Risk 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.

As part of QIP, the unit conducted an independent external Quality Assurance Review during the 2010/11 financial year. Recommendations for improvement were noted and are being implemented to ensure that the best services are delivered to our clients.

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.
- Monthly Internal Technical Workshops.

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 provincial 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 and Risk 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 the recommendations and resolutions of the unit and the Audit and Risk 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: 2012/13

Sub-programme: 4.1		Assurance Services						
Strategic objective	Strategic plan target	Audited / Actual performance			Estimated performance 2011/12	Medium-term targets		
		2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
An efficient, effective and economical assurance service	Audit on predetermined objectives	18	21	20	22	20	20	20
	Internal Audit reviews on governance	4	18	8	22	20	20	20
	Annual Audit Committee report to the MEC: Finance	1	1	1	1	1	1	1
	Internal Audit reports	125	118	150	106	123	123	123
	Half-yearly Accounting Officers' reports	48	32	40	44	40	40	40
	Internal Audit operational plan and a rolling three-year strategic plan	20	20	20	22	20	20	20
	Internal Audit follow-up reports	88	75	80	88	80	80	80
Build & maintain client relationships	Cluster Audit Committee meetings with clients	15	11	32	64	60	60	60
Enhance capacity within and outside the unit	Training and development programme	16	19	15	10	12	12	12
	Internal and/ independent external QAR report	3	0	2	2	2	2	2

Programme performance indicators and annual targets: 2012/13

Sub-programme: 4.1			Assurance Services				
Performance indicator	Audited / Actual performance			Estimated performance 2011/12	Medium-term targets		
	2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
No. of audit assignments completed on predetermined objectives as per operational plans	18	21	20	22	20	20	20
No. of projects completed on the design, implementation, and/or effectiveness of business ethics, related objectives, programmes and activities	4	18	8	22	20	20	20
Annual Audit Committee report on clients' areas of risk management, governance and internal control submitted to MEC: Finance	1	1	1	1	1	1	1
No. of risk based audit assignments completed per operational plan	125	118	150	106	123	123	123
No. of half-yearly Accounting Officers reports issued to management	48	32	40	44	40	40	40
No. of IA Annual operational plans and a rolling three year strategic plan developed and approved	20	20	20	22	20	20	20
No. of meetings held between clients and Audit Committee	15	11	32	64	60	60	60
No. of follow up audits conducted	88	75	80	88	80	80	80
No. of training and development programmes attended	16	19	15	10	12	12	12
No. of internal and/ independent external quality assurance reviews conducted	3	0	2	2	2	2	2



Quarterly targets: 2012/13

Sub-programme: 4.1		Assurance Services				
Programme performance indicators	Reporting period	Annual target 2012/13	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
No. of audits on predetermined objectives completed as per operational plan	Annual	20	0	0	0	20
No. of projects completed on the design, implementation, and/or effectiveness of business ethics, related objectives, programmes and activities	Annual	20	0	0	20	0
Annual Audit Committee report on clients' areas of risk management, governance and internal control submitted to MEC: Finance	Annually	1	0	1	0	0
No. of risk based audit assignments completed per operational plans	Quarterly	123	30	30	31	32
No. of half-yearly Accounting Officers reports issued to management	Half-yearly	40	20	0	20	0
No. of IA Annual operational plans and a rolling three year strategic plans developed and approved	Annually	20	20	0	0	0
No. of meetings held between clients and Audit Committee	Quarterly	60	15	15	15	15
No. of follow up audits conducted per operational plans	Quarterly	80	5	20	25	30
No. of training and development programmes attended	Quarterly	12	3	3	3	3
No. 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

To date we have achieved the following with regard to risk management:



- Continued to provide various risk assessments to provincial departments, some public entities and municipalities, and this assistance included following-up on the implementation of risk mitigating strategies by these institutions.
- Most importantly, the Unit also developed and tabled, on behalf of the provincial government departments, various risk reports to the Provincial Audit and Risk Committee.
- The unit also continued to provide much needed risk management training to provincial departments and municipalities, with particular attention being given to providing training on the Cura Risk Management System to provincial government departments.
- On the Municipal Support Programme, the unit has started with the project of rolling-out the Municipal Risk Management Framework to municipalities. The aim is for municipalities to customise this framework to their own environment.
- Lastly, the unit has also developed Risk Management Support Plans for provincial departments and some public entities, outlining initiatives that the unit will be embarking on to assist these institutions to enhance their risk management maturity.

Analysis of constraints and measures planned to overcome them

To overcome the above-mentioned constraint, the unit has started with the recruitment process to fill critical posts, and a special dispensation has recently been obtained from the Head of Department to urgently appoint service providers to ease the backlog on forensic investigations that have been referred to the unit.

- Low levels of risk management maturity within the institutions being supported continue to put a strain on our resources. Most concerning is the lack of willingness by these institutions to take their risk management responsibilities seriously – this lack of willingness is evidenced by poor follow-ups and implementation of risk mitigation strategies arising from the various risk assessments conducted and facilitated by the unit.
- To overcome the above, the unit is currently rolling-out the Municipal Risk Management Framework to municipalities to raise awareness and equip these municipalities to enhance their risk management responsibilities. While on the provincial departments' side, the unit is in the process of streamlining various pockets of risk assessments to develop consolidated risk profiles that will be handed-over to departments for own maintenance. The unit will also be embarking on the project of assisting departments with the customisation of the provincial risk management framework.

Description of planned quality improvement measures

Our focus now is on assisting the departments, public entities and municipalities in terms of developing risk management structures, customising risk management framework and implementing risk management policies and procedures.

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
- Implement an exit strategy to facilitate the proper handover of risk facilitation process to departments.



Strategic objective annual targets: 2012/13

Sub-programme: 4.2.1		Risk Management						
Strategic objective	Strategic plan target	Audited / Actual performance			Estimated performance 2011/12	Medium-term targets		
		2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
An efficient, effective and economical assurance service	Risk assessments facilitated for municipalities	29	55	68	40	40	40	37
	Follow up on the implementation of action plans by each municipality/public entity	New	New	New	40	0	0	0
	Updated risk assessments for departments and public entities	New	New	New	16	22	21	21
	Follow-up on implementation of risk mitigation plans for each dept	New	New	New	32	60	60	60
	Consolidated Provincial Risk profile developed	1	1	1	1	1	1	1
	Conduct risk maturity gap analysis and develop action plans for depts. & public entities	New	New	New	21	0	0	0
	Conduct ERM compliance review for municipalities	New	New	New	40	40	40	40
	Follow up on maturity risk improvement plans depts. and public entities	New	New	New	0	21	21	21
	Audit Committee quarterly reports on the clients' areas of risk management/ risk governance	4	4	4	4	4	4	4
	Training/raising awareness on governance and risk management	8	40	10	10	15	15	15
	Risk management forum meetings held	4	4	4	4	4	4	4

Programme performance indicators and annual targets: 2012/13

Sub-programme: 4.2.1		Risk Management					
Performance indicators	Audited / Actual performance			Estimated performance 2011/12	Medium-term targets		
	2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
Risk reports issued for municipalities	29	29	55	68	40	40	40
Updated risk reports issued for departments and public entities	New	New	New	16	22	21	21
Quarterly risk follow-up reports issued for each department	New	New	New	32	60	60	60
No. of Consolidated Risk profiles developed	1	1	1	1	1	1	1
Follow up reports on risk maturity gap analysis	New	New	New	0	21	21	0
ERM compliance reports for municipalities	New	New	New	40	40	40	40
No. of risk maturity gap analysis reports issued	New	New	New	21	0	0	0
Audit Committee quarterly reports on the clients' areas of risk management and risk governance	4	4	4	4	4	4	4
Training /raising awareness on governance and risk management	8	8	40	10	10	15	15
No. of risk management forum meetings held	4	4	17	4	4	4	4



Quarterly targets: 2012/13

Sub-programme: 4.2.1		Risk Management				
Programme performance indicators	Reporting period	Annual target 2012/13	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
Risk reports issued for municipalities	Quarterly	40	10	10	10	10
Updated risk reports issued for depts. and public entities	Quarterly	22	5	6	6	5
Quarterly Risk follow-up reports issued to clients	Quarterly	64	16	16	16	16
No. of Consolidated Risk profiles developed	Quarterly	1	0	0	1	0
No. of risk management maturity gap analysis reports	Quarterly	0	0	0	0	0
No. of follow ups on risk maturity gap analysis departments and public entities	Quarterly	21	6	5	5	5
No. of ERM compliance reviews/follow up for municipalities	Quarterly	40	10	10	10	10
Audit Committee quarterly reports on the clients' areas of risk management and risk governance	Quarterly	4	1	1	1	1
No. of training/risk awareness on governance and risk management sessions	Quarterly	15	4	4	4	3
No. of risk management forum meetings held	Quarterly	4	1	1	1	1

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 Forensic Investigation Division is currently undergoing a restructuring process which includes the recruitment of experienced and senior staff members.
- 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 undertaking the following:

- All vacant posts have been advertised and now filled, and these staff is in the process of being trained.
- The Forensic Investigation Division is currently being restructured to accommodate for the hire of a General Manager and further two Managers to be placed in the division. It is envisaged that the Forensic Investigation Division will be a standalone division. There is a three-year plan to hire further resources within the division so that the division becomes a fully fledged, efficient and functional.
- Meetings have been held with law enforcement agencies and relationships have been forged to ensure co-operation.

Strategic objective annual targets: 2012/13

Sub-programme: 4.2.2		Forensic Audit						
Strategic objective	Strategic plan target	Audited / Actual Performance			Estimated performance 2011/12	Medium-term targets		
		2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
To promote a culture of zero tolerance for fraud and corruption	Reviews on the status of fraud management in provincial depts	4	0	16	16	16	16	16
	Forensic audits performed and investigations	20	25	36	Per client request	Per client request	Per client request	Per client request
	Compile and update a register of completed investigations	New	New	New	2	2	2	2
	Follow up on completed investigation reports	20	20	16	16	16	16	16

Programme performance indicators and annual targets: 2012/13

Sub-programme: 4.2.2		Forensic Audit						
Performance indicator		Audited / Actual performance			Estimated performance 2011/12	Medium-term targets		
		2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
No. of reviews on the status of fraud management in the departments		4	0	16	16	16	16	16
No. of Forensic Audits performed and investigations as per clients requests and referrals from the Assurance team		20	25	36	Per client request	Per client request	Per client request	Per client request
Updated register of forensic investigations		New	New	New	2	2	2	2
No. of follow ups conducted per completed investigation		20	20	16	16	16	16	16



Quarterly targets: 2012/13

Sub-programme: 4.2.2		Forensic Audit				
Programme performance Indicators	Reporting period	Annual target 2012/13	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
No. of reviews on the status of fraud management in the departments.	Quarterly	16	0	8	0	8
Number of Forensic Audits performed and investigations as per clients requests and referrals from the Assurance team.	Quarterly	Per client request	Per client request	Per client request	Per client request	Per client request
Updated register of forensic investigations	Bi-annual	2	1	0	1	0
Number of follow ups on completed investigations.	Quarterly	16	0	8	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		
	2008/09	2009/10	2010/11	2011/12			2012/13	2013/14	2014/15
Assurance Services	29 628	33 177	38 917	47 916	48 916	45 843	50 229	53 467	56 753
Risk Management	40 756	35 510	42 108	41 354	47 354	45 507	43 390	45 760	48 506
Total	70 384	68 687	81 025	89 270	96 270	91 350	93 619	99 227	105 259

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		
	2008/09	2009/10	2010/11	2011/12			2012/13	2013/14	2014/15
Current payments	70 180	68 191	80 474	88 579	95 579	90 834	92 861	98 372	104 304
Compensation of employees	26 521	29 640	33 354	51 339	39 339	35 510	56 584	60 260	63 540
Goods and services	43 659	38 551	47 120	37 240	56 240	55 324	36 277	38 112	40 764
Interest and rent on land	-	-	-	-	-	-	-	-	-
Transfers and subsidies to:	-	10	225	-	-	-	-	-	-
Provinces and municipalities	-	-	-	-	-	-	-	-	-
Departmental agencies and accounts	-	-	-	-	-	-	-	-	-
Universities and technikons	-	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-	-	-
Households	-	10	225	-	-	-	-	-	-
Payments for capital assets	197	486	323	691	691	516	758	855	955
Buildings and other fixed structures	-	-	-	-	-	-	-	-	-
Machinery and equipment	197	486	323	691	691	516	758	855	955
Heritage assets	-	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-
Land and sub-soil assets	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-	-
Payments for financial assets	7	-	3	-	-	-	-	-	-
Total	70 384	68 687	81 025	89 270	96 270	91 350	93 619	99 227	105 259

5. Programme 5: Growth and Development

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: 2012/13

Sub-programme: 5.1		Other Developmental Initiatives					
Performance indicators	Audited / Actual performance			Estimated performance 2011/12	Medium-term targets		
	2008/09	2009/10	2010/11		2012/13	2013/14	2014/15
No. of events co-ordinated successfully	7	5	8	5	5	5	5

Quarterly targets: 2012/13

Sub-programme: 5.1		Other Developmental Initiatives				
Programme performance indicators	Reporting period	Annual target 2012/13	Quarterly targets			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
No. of events co-ordinated successfully	Quarterly	5	1	0	1	3

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	Revised Estimate	Medium-term Estimates		
	2008/09	2009/10	2010/11	2011/12			2012/13	2013/14	2014/15
Budget Communication	15 660	5 205	3 190	6 754	7 024	7 024	7 094	7 482	7 931
Special Infrastructure Projects	150 000	150 000	5 436	-	39 038	39 038	39 315	4 000	4 300
Strategic Cabinet Initiatives	35 607	23 708	16 010	5 770	-	-	40 000	40 000	40 000
Air Shows	-	-	-	-	-	-	2 000	2 000	2 000
Total	201 267	178 913	24 636	12 524	46 062	46 062	88 409	53 482	54 231

PART C: LINKS TO OTHER PLANS

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



ISBN: 0-086967-423-4

Title of Publication: Kwazulu-Natal Provincial Treasury, Annual Performance Plan 2012/13

To obtain further copies of this document, please contact:

Provincial Treasury
Ground Floor- Library
Treasury House (NBS) Building
145 Chief Albert Luthuli Road, 3201

Po Box 3613
Pietermaritzburg
3200
Tel +27 (0)33 897 4582
Tel +27 (0)33 897 4316

