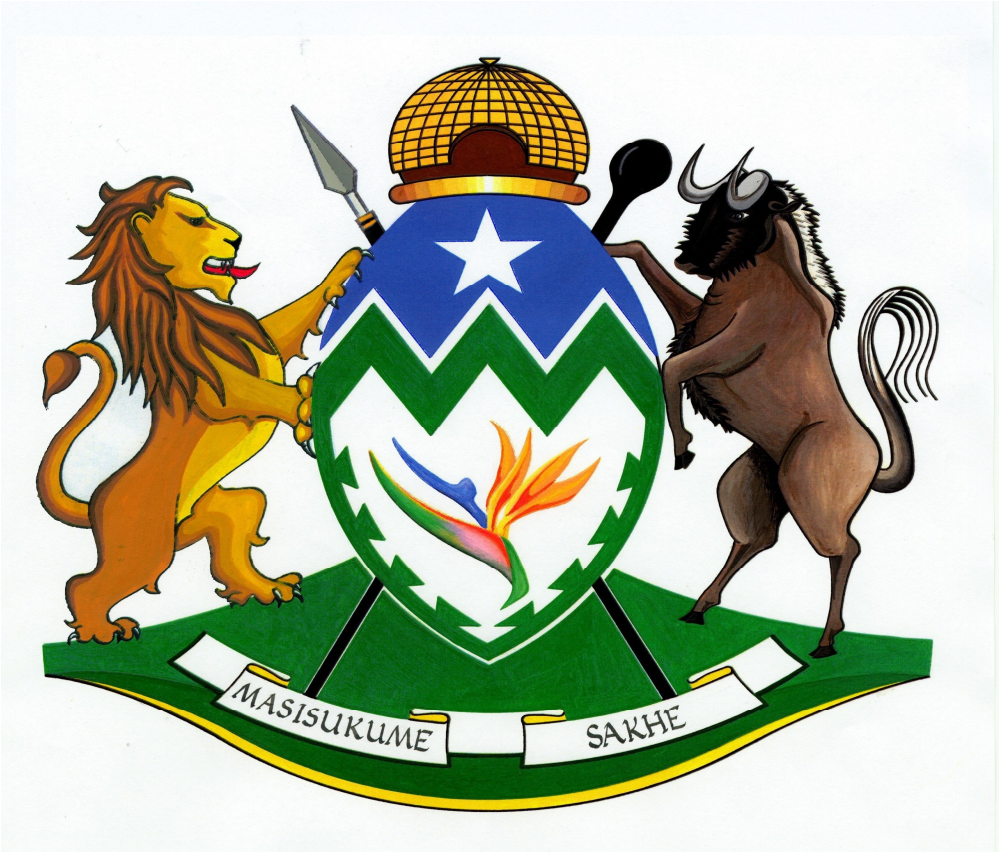


KWAZULU-NATAL PROVINCIAL TREASURY

Five year Strategic Plan

**For the
fiscal years
2009 – 2015**

Date of tabling: APRIL 2010



FOREWORD BY THE MEC

Successful people universally understand the need to acquire and retain talented staff members. However, the critical difference between achieving our goals and failing to meet them is always **good planning**. Without a guiding strategic plan it is easy to become entangled in unnecessary activities and red tape, wasting valuable financial and human resources in the process. Management expert Peter Drucker said, *“There is nothing so useless as doing efficiently that which should not be done at all.”*

The Provincial Treasury’s strategic plan for 2009 - 2014 is in line with the 12 Measurable Outcomes spelled out by President Jacob Zuma in his State of the Nation Address in February 2010.

Poverty remains our biggest threat. Therefore every single action we take should be geared towards **faster economic growth, higher employment and reduced levels of poverty**. While the recession may have slowed down our pace, it certainly has not changed our direction.

The drop in revenue has forced us to spend our scarce resources more effectively, efficiently and economically. We have to **DO MORE WITH LESS**. Value for money is paramount and funds will only be allocated to projects of a developmental nature which contribute to economic growth and the realisation of the 12 outcomes.

The Provincial Treasury plays a critical role in assisting departments and municipalities to practice sound financial and fiscal management and good governance. There is a direct correlation between effective and efficient cash management and delivery of services to the citizens of KwaZulu-Natal. Ten provincial departments were reported to be in overdraft on 1 April 2009 – this is unacceptably high. The situation has improved since then, but we need to remain vigilant. The promotion of sound cash management practices is crucial to improve liquidity in the Province, and is a key element of good governance.

Improved internal controls will minimise risk exposure and ensure that service delivery objectives of government are met. The introduction of a Case Management Tool kit will assist in managing the case load in an effective, efficient and economic manner. Furthermore, the envisaged recruitment and training programme will help to fill some much needed audit specialist posts.

It is imperative that the Provincial Treasury foster solid client relationships and build capacity not only within Treasury but also in sister departments, municipalities and public entities.

Our strategic objective of promoting a culture of zero tolerance on fraud and corruption requires us to lend the necessary support to our clients to help them manage their risks more effectively. We cannot afford to lose our scarce resources through criminal activities.

With the recent loss of some 220 000 jobs in KwaZulu-Natal as a result of the global recession, job creation has become even more crucial. Therefore the Provincial Treasury envisages creating more jobs in partnership with provincial departments through procurement targeting, e.g. by transferring funds to skills development programmes. A further focal point is our growth strategy broad-based BEE: through effective Supply Chain Management policies we will continue to target the South African economy's weakest point, namely inequality.

The route for the next five years has been mapped. Our mission, vision, ethos and values are clear. It is now up to every manager to communicate and consistently reinforce this mission and vision and to inspire each and every Treasury official to live the values and ethos of good governance, honesty and integrity.

With good planning, implementation and dedication we WILL be able to overcome poverty and inequality in our province and our country. Let us tackle this together – for the sake of those whom we serve.

FOREWORD BY THE HEAD OF DEPARTMENT

When fiscal and administrative challenges experienced in public administration are taken into consideration, it is becoming more important that public administrations carry out their activities in a planned way. Within the framework of public financial management, ensuring fiscal discipline in expenditure, allocating public resources according to strategic priorities, monitoring whether these resources are utilized effectively or not, promoting accountability and achieving value for money are pre-requisites of a well-functioning administrative arm of government.

The strategic planning process followed by the Provincial Treasury has been guided by the framework and templates issued by National Treasury as well as the sector specific guidelines received from National Treasury. The 5-year Strategic Plan reflect strategic goals and objectives as identified during the strategic planning process have been assigned/linked to the appropriate Programme structures as dictated by the baseline allocation of the Medium Term Expenditure Framework.

Within this framework, strategic planning is considered as a main tool for proper service delivery, policy formulation, aligning the determined policies on concrete work schedules and budgets, effective monitoring and evaluation of the implementation. It is considered that, while introducing effectiveness to public financial management, strategic planning also boosts improvement and enhancement of organizational performance.

This 5 year strategic plan depicts the direction and action of the Department over the next five years in implementing the policies, programmes and plans which will give effect to the electoral mandate. However, as it is envisaged that the enactment, review and/or repeal of various pieces of legislation and policies will direct and/or change the scope and extent of the roles fulfilled by the Department, these plans are therefore not static and will be evaluated and reviewed periodically.

The Provincial Treasury's strategic objectives for the next five years are focused intensely on ensuring fiscal discipline in the province; and providing a strategic and operational support functions that are results-driven, transparent, efficient and customer focused.

Mr SL Magagula

Head of Department

OFFICIAL SIGN-OFF

It is hereby certified that this Strategic Plan:

- Was developed by the management of the KwaZulu - Natal Provincial Treasury under the guidance of **Ms CM Cronjé, MEC for Finance**
- Takes into account all the relevant policies, legislation and other mandates for which the KwaZulu - Natal Provincial Treasury is responsible
- Accurately reflects the strategic goals and objectives which the Provincial Treasury will endeavour to achieve over the five-year period covered by the plan.

Mr I T Ndlovu
Chief Financial Officer

Mr HAW Conradie
Acting Accounting Officer

Mr SL Magagula
Head of Department

Ms CM Cronjé
MEC for Finance

CONTENTS

- PART A: STRATEGIC OVERVIEW 1**
- 1. Vision 1**
- 2. Mission 1**
- 3. Values 1**
- 4. Legislative and other mandates..... 1**
 - 4.1 CONSTITUTIONAL MANDATES 2
 - 4.2 LEGISLATIVE MANDATES 2
 - 4.3 POLICY MANDATES 6
 - 4.4 RELEVANT COURT RULINGS 6
 - 4.5 PLANNED POLICY INITIATIVES 6
- 5. Situational analysis 7**
 - 5.1 SERVICE-DELIVERY ENVIRONMENT 7
 - 5.2 ORGANISATIONAL ENVIRONMENT 9
 - 5.3 DESCRIPTION OF THE STRATEGIC PLANNING PROCESS 11
- 6. Strategic goals of the department/public entity 12**

- PART B: STRATEGIC OBJECTIVES 15**
- 7. Programme 1: Administration 15**
 - 7.1 STRATEGIC OBJECTIVES 15
 - 7.2 RESOURCE CONSIDERATIONS 15
 - 7.3 RISK MANAGEMENT 16
 - 7.4 TECHNICAL INDICATOR DESCRIPTION 16
- 8. Programme 2: Fiscal Resource Management..... 17**
 - 8.1 STRATEGIC OBJECTIVES 17
 - 8.2 RESOURCE CONSIDERATIONS..... 23
 - 8.3 RISK MANAGEMENT 27
 - 8.4 TECHNICAL INDICATOR DESCRIPTION 29
- 9. Programme 3: Financial Management 35**
 - 9.1 STRATEGIC OBJECTIVES 35
 - 9.2 RESOURCE CONSIDERATIONS 36
 - 9.3 RISK MANAGEMENT 36
 - 9.4 TECHNICAL INDICATOR DESCRIPTION 37

10. Programme 4: Internal Audit	39
10.1 STRATEGIC OBJECTIVES	39
10.2 RESOURCE CONSIDERATIONS	41
10.3 RISK MANAGEMENT	43
10.4 TECHNICAL INDICATOR DESCRIPTION.....	43
PART C: LINKS TO OTHER PLANS	47
11. Links to the long-term infrastructure and other capital plans.....	74
12. Conditional grants.....	47
13. Public entities.....	47
14. Public-private partnerships.....	47



PART A: STRATEGIC OVERVIEW

1. Vision

Be the centre of excellence in financial and fiscal management in the country.

2. Mission

To ensure equitable resource allocations for the Province of KwaZulu-Natal, analyse and monitor government (provincial and local, including their public entities) revenue and expenditure, and instil prudent financial management and good governance.

Through robust public policy research, the Provincial Treasury will contribute to the realisation of government policy priorities by ensuring that government interventions in the economy are targeted, efficient, sustainable, and empower our people.

3. Values

The core values of the department are as follows;

- Responsibility
- Efficiency
- Service Excellence
- Financial Discipline
- Professionalism
- Integrity
- Respect
- Loyalty

4. Legislative and other mandates

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

- The Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996)
- Public Finance Management Act (Act No. 1 of 1999, as amended).



KZN Provincial Treasury Five Year Strategic Plan

- 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 Act (Act No. 2 of 2009)
- Provincial Internal Audit Act (KZN Act No. 2 of 2001)
- Preferential Procurement Policy Framework Act (Act No. 5 of 2000)
- Intergovernmental Relations Framework Act (Act No. 13 of 2005)
- Borrowing Powers of Provincial Governments Act (Act No. 48 of 1996)
- Government Immovable Asset Management Act (Act No. 19 of 2007)
- Public Audit Act (Act No. 25 of 2004)
- Provincial Tax Regulation Process Act (Act No. 53 of 2001)

4.1 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.

4.2 Legislative mandates

The following pieces of legislation that give mandate and outline the key responsibilities on the department are as follows:



4.2.1 Public Finance Management Act (Act 1 of 1999, as amended) and its regulations

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

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

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

4.2.2 Municipal Finance Management Act (Act No. 56 of 2003)

Chapter 2 of MFMA outlines the 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 the 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 the MFMA, a provincial treasury:-

- a) *must monitor :-*
 - i. *compliance with the MFMA by municipalities and municipal entities in the province;*
 - ii. *the preparation by municipalities in the province of their budgets;*
 - iii. *the monthly outcome of those budgets; and*
 - iv. *the submission of reports by municipalities in the province as required in terms of the MFMA;*
- b) *may assist municipalities in the province in the preparation of their budgets;*
- c) *may exercise any powers and perform any duties delegated to it by the National Treasury in terms of the MFMA; and*
- d) *may take appropriate steps if a municipality or municipal entity in the province commits a breach of the MFMA.*



4.2.3 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.

4.2.4 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; and
- e) It promotes accountability by ensuring that all allocations are reflected on the budgets of receiving provinces and municipalities.

4.2.5 Provincial Appropriation Act (Act No. 2 of 2009)

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

4.2.6 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.



4.2.7 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.

4.2.8 Intergovernmental Relations Framework Act (Act No. 13 of 2005)

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

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

4.2.9 Provincial Borrowing Powers 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.

4.2.10 Government Immovable Asset Management Act (Act 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.

4.2.11 Public Audit Act (Act No. 25 of 2004)

The department has a responsibility to comply with all applicable provisions of the Public Audit Act as an auditee.



4.2.12 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.

4.3 Policy mandates

The following policies outline the key responsibilities for the department

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

4.4 Relevant court rulings

No relevant court rulings applicable to the department.

4.5 Planned policy initiatives

No planned policy initiatives applicable to the department.



5. Situational analysis

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

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

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

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

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

5.1 Service Delivery Environment

Programme 2: Fiscal Resource management

The Public Finance unit is responsible for the preparation and the implementation of the provincial budget, the enhancement of own revenue collection and the participation in discussion around the Equitable Share formula. Crafting a budget in times of a world-wide economic downturn is a daunting task. It is daunting largely because the economic slowdown means less revenue for national government in general. Less revenue at a national level means less



KZN Provincial Treasury Five Year Strategic Plan

revenue for other sub-national spending agencies. The provincial fiscal framework has also been negatively affected by the inadequacy of resources in the national *fiscus* to fully finance the expenditure. The resource constraints have necessitated that the province approaches the MTEF differently.

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

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

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

The municipal finance unit within the Provincial Treasury was established to ensure efficient budget management and financial reporting by municipalities. This is impacted by:

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



KZN Provincial Treasury Five Year Strategic Plan

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

Programme 3: Financial management

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

Programme 4: Internal Audit

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

- The demand for skilled internal auditors and risk management specialists contributes to a high staff turnover, which impacts on the achievement of the programmes' objectives.
- Inadequate response by clients to Internal Audit efforts adversely affects the achievement of the Unit's service delivery targets and compromises the clients' ability to respond to corporate governance. The clients' also prioritise the Auditor-General's activities over Internal Audit.
- The Auditor-General does not place full reliance on the Internal Audit Unit's work.

5.2 Organisational environment

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



Programme 1 (one): Administration

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, Office of the Chief Financial Officer, Human Resources, Corporate Services and Support and Interlinked Financial Systems.

Programme 2 (two): Fiscal Resource Management

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

Programme 3 (three): Financial Management

This programme is responsible for providing financial management support to the provincial departments. The sub programmes under this programme are Financial Asset and Liabilities, Public Private Partnerships, Supply Chain Management, Financial Reporting, and Norms and Standards.

Programme 4 (four): Internal Audit

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

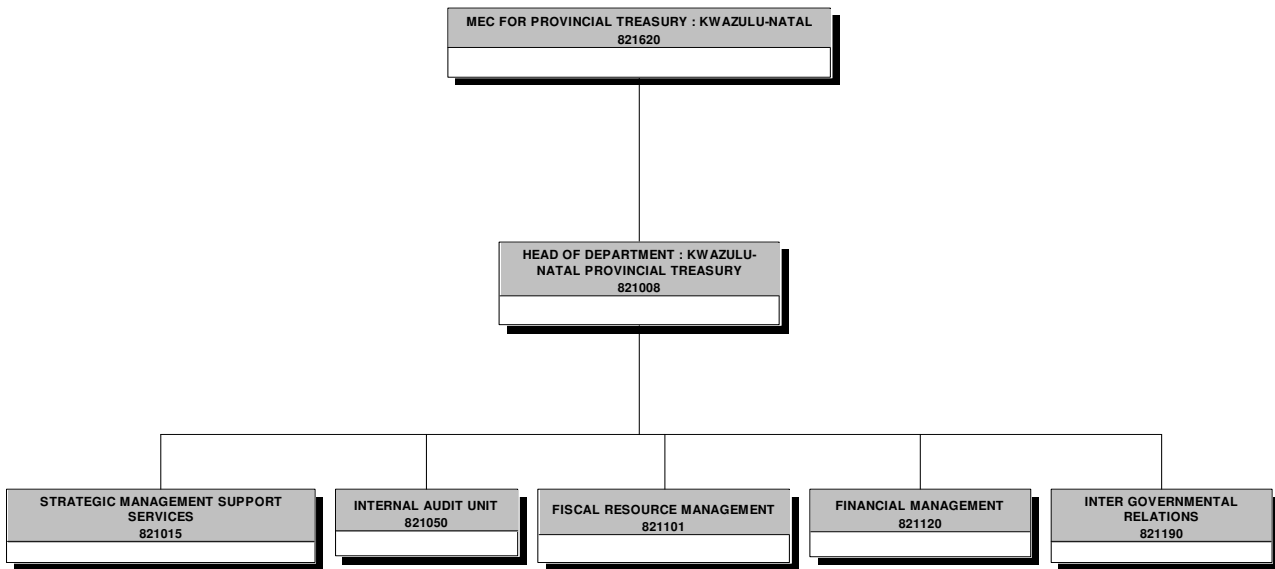
Programme 5 (five): Growth and development

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



KZN Provincial Treasury Five Year Strategic Plan

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



5.3 Description of the strategic planning process

The process followed in developing the strategic plan of the department started by hosting a session with all senior management officials of the department. At this session the requirements of strategic planning framework were discussed. The executive authority participated in this process. The mandate, vision, mission and goals of the department were revisited to ensure the correct alignment with core activities of the department.

After this process, group specific discussions were held with different programmes. Specific issues that relate to individual programmes were discussed and confirmed with the strategic management unit. The principles of inclusiveness, participatory democracy and consultation were applied during this process. Provincial Treasury has embraced these principles. This helps us to link the strategy with the intended results. We will use the strategic plan to explain our business and to consult on the chosen processes to ensure the attainment of results.

The vision, mission and high level strategic objectives for the department were developed and agreed to by all key role players.



6. Strategic goals of the department

The strategic goals of the Provincial Treasury are as follows:

- To promote sound financial and fiscal management and good governance.
- To place strong emphasis on fighting poverty and creating jobs in partnership with provincial departments through procurement targeting.
- To focus on the enhancement of broad-based BEE through effective Supply Chain Management policies.
- To implement a policy on zero tolerance on fraud and corruption.
- To ensure good financial management with the elimination of over-expenditure and the reduction of rollovers.
- To target government investment in service delivery.
- To promote sound cash management practices and improve liquidity in the province.

Strategic Goal 1	To promote sound financial, fiscal management and good governance.
Goal statement	To provide strategic leadership in promoting optimal resource allocation, effective financial management and promote good governance.
Justification	Promote accountability and good governance and perform the Provincial Treasury's oversight role
Links	This objective will contribute to the strategic goal of Provincial government and Local Government to ensure financial discipline and accountability.



Strategic Goal 2	To place strong emphasis on fighting poverty and creating jobs in partnership with communities through the mobilization and funding of Co-operatives and effective procurement targeting.
Goal statement	To contribute towards creation of sustainable employment and fighting poverty through in the province.
Justification	Promote accountability and good governance and perform the Provincial Treasury's oversight role
Links	To improve quality of life through job creation and poverty alleviation in line with other government programmes.

Strategic Goal 3	To focus on the enhancement of broad-based BEE through effective Supply Chain Management policies.
Goal statement	To enhance systems of supply chain management through developing and monitoring the implementation of relevant prescripts.
Justification	To promote transparent, economical and efficient systems of supply chain management and perform the Provincial Treasury's oversight role
Links	To improve quality of life through job creation and poverty alleviation in line with other government programmes

Strategic Goal 4	Implementing a policy on zero tolerance on fraud and corruption.
Goal statement	To fight fraud and corruption throughout the provincial government and promote the culture of whistle blowing.
Justification	To promote the environment that is free from fraud and corruption
Links	This will link to the goals of the provincial and national government of zero tolerance to fraud and corruption.



Strategic Goal 5	To promote sound cash management practices and improve liquidity in the province
Goal statement	To promote good cash management and maintain favourable provincial cash position. To promote a culture of managing cash in line with allocated budget.
Justification	Promote accountability and good governance and perform the Provincial Treasury's oversight role.
Links	This objective will contribute to the strategic goal of Provincial government and Local Government to ensure financial discipline and accountability.



PART B: STRATEGIC OBJECTIVES

7. PROGRAMME 1: Administration

7.1 Strategic objectives

To provide strategic support services in terms of departmental financial management, corporate services, and Information systems services.

Strategic objective	To provide strategic financial leadership support, effective financial management, human resources, corporate services and information systems services to the department
Objective statement	To ensure provision of efficient departmental financial management, corporate services, and Information systems services in order to support the core function in executing their duties in accordance with the mandate of the department.
Baseline	Provision of efficient support services in line with relevant prescripts.
Justification	There is a direct correlation between effective and efficient delivery of support services and support service that the department renders to the provincial department
Links	This objective will contribute to the strategic goal of Provincial Treasury

7.2 Resource Consideration

The department will continue to strive towards attracting competent personnel with necessary skills in order to ensure high quality of service delivery.



7.3 Risk management

Risks	Measures planned to mitigate risks
Vacancy rate and high staff turnover especial the key staff.	Enhancement of retention strategies that will contribute towards the reduction of the staff turnover rate to the manageable level.
Talent Management, sustained leadership and skills development.	Development and implementation of HRD strategy to ensure that skills shortage and sustained leadership is managed.
Optimum organisational performance.	Enhance service delivery improvement initiatives that will contribute optimum organisational performance.

7.4 Technical indicator description

Indicator title	Strategic support services
Short definition	Provision of efficient strategic support services in line with relevant prescripts
Purpose/importance	To ensure provision of efficient departmental financial management, corporate services, and information systems services in order to support the core function in executing their duties in accordance with the mandate of the department.
Source/collection of data	Collate and compilation of monthly and quarterly reports
Method of calculation	It consists of cumulative and non cumulative information.
Data limitations	No specific limitation
Type of indicator	Output
Calculation type	Cumulative on a quarterly basis (3 reports for each quarter (1 per month))
Reporting cycle	Monthly, Quarterly and Annually (Reports completed monthly but reported quarterly in terms of the Quarterly Performance Reporting)
New indicator	No
Desired performance	The aim is for the department to achieve a clean audit outcome.
Indicator responsibility	Accounting Officer



8. PROGRAMME 2: Fiscal Resource Management

8.1 Strategic objectives

The strategic objectives are:

- To provide strategic leadership in promoting optimal and effective resource allocation (including providing inputs into the provincial equitable share formula and annual Division of Revenue Bill), revenue generation and financial reporting for provincial departments (including public entities);
- To provide a platform to enhance regional economic growth and development through quality research;
- To ensure efficient planning and management of infrastructure in the province;
- To ensure efficient budget and expenditure management and accurate financial reporting for the delegated municipalities in the province; and
- To assist and provide technical support to delegated municipalities that are in financial distress in the province.

Strategic objective 1.1	Promote effective and optimal financial resource allocation, efficient budget and expenditure management and accurate financial reporting
Objective statement	To provide strategic leadership in promoting optimal and effective resource allocation (including providing inputs into the provincial equitable share formula and annual Division of Revenue Bill), and revenue generation for the provincial departments (including public entities)
Baseline	Monitor 16 departmental returns providing advice in line with the PFMA, and evaluate economic parameters and socio economic imperatives
Justification	Promote accountability and good governance and perform the Provincial Treasury's oversight role
Links	This objective will contribute to the strategic goal of Provincial Treasury of ensuring fiscal discipline within provincial and local government



KZN Provincial Treasury Five Year Strategic Plan

Strategic objective 1.2	Enhancing Economic Growth and Development
Objective statement	To provide a platform to enhance regional economic growth and development through quality research
Baseline	Research papers
Justification	To improve quality of life through job creation and poverty alleviation.
Links	Increase economic growth Halve poverty and unemployment by 2014 Improve the standard of living of the people. This objective will contribute to the strategic objective of Provincial Treasury to analyse government expenditure, improve planning and performance.

Strategic objective 1.3	Ensure efficient Infrastructure planning and management in KZN
Objective statement	To ensure efficient support to departments in planning for infrastructure and implementation
Baseline	Monitoring of 16 departmental returns on infrastructure and providing advice in line with the PFMA and DoRA
Justification	To promote accountability and governance and conduct the Provincial Treasury's oversight role.
Links	This objective will contribute to the strategic objective of Provincial Treasury of ensuring fiscal discipline

Strategic objective 1.4	Efficient budget and expenditure management and accurate financial reporting for provincial and local government
Objective statement	To ensure efficient budget and expenditure management and accurate financial reporting for provincial and local government (including public entities)
Baseline	12 monthly expenditure reports and 4 quarterly expenditure reports in terms of Sections 71 and 72 of the MFMA are compiled on the finances of the 58 delegated municipalities.



	<p>12 monthly expenditure reports and four quarterly expenditure reports in terms of Section 32 of the PFMA.</p> <p>These are submitted to National Treasury and tabled in the Provincial Legislature. The monthly reports (Section 32) are also tabled at Cabinet</p>
Justification	To promote accountability and good governance and perform the Provincial Treasury's oversight role.
Links	<p>This objective will contribute to Provincial Treasury's strategic goals of:</p> <ul style="list-style-type: none"> - Promoting sound financial and fiscal management and good governance; - Good financial management with the elimination of over-expenditure and the reduction of roll-overs; and - Promoting sound cash management practices.

Strategic objective 1.5	Assist and provide technical support to municipalities
Objective statement	To assist and provide technical support to delegated municipalities that are in financial distress in the province
Baseline	Poor financial performance of municipalities. In terms of Section 135 of the MFMA, the primary responsibility to avoid, identify and resolve financial problems in a municipality rests with the municipality and, if a municipality encounters financial problems or anticipates problems in meeting its financial commitments, it must immediately seek solutions for the problems.
Justification	Treasury's response to the poor financial performance of municipalities was the establishment of a Municipal Support Program (MSP) in November 2007. The main objective of this program is to identify the cause of financial problems experienced by the municipalities, support the municipalities where their financial sustainability is threatened and implement turnaround strategies that will ensure that the municipalities remain financially viable.
Links	<p>This objective will contribute to Provincial Treasury's strategic goals of:</p> <ul style="list-style-type: none"> - Promoting sound financial and fiscal management and good governance; and - Promoting sound cash management practices.

**Sub-programme 2.1: Programme Support**

The purpose of this sub-programme is to provide strategic leadership as well as logistical support to the Fiscal Resource Management Division. A comprehensive research project was undertaken on the education sector to strengthen the quality of education outcomes. The unit has also embarked on strengthening research capacity for policy development, which includes a province-wide sector review of the health system.

Sub-programme 2.2.1: Economic Analysis

The main focus of the Economic Analysis unit is mainly the determination and evaluation of economic parameters and socio-economic imperatives to be used to inform provincial and local resource allocation. One of the major constraints facing the unit is the lack of sources of appropriate data, internal capacity (shortage of staff) and quality training providers.

In order to address the challenge of data sources, the unit has opted to maintain its current subscription with Global Insight. In 2010/11, the unit will embark on collaborating with other parastatals, government departments and private sectors to acquire more information on data, and it also aims at strengthening collaboration with local municipalities by training them on data collection and research. This exercise will ensure that data received and used is reliable. The unit intends to use this data in writing research papers to be published in accredited journals.

The cost-cutting measures implemented in 2009/10 directly impacted the filling of two economic advisor posts within the unit, this hindered performance in some projects and will have to be reconsidered. Nevertheless, the unit has filled in two internship posts which will be effective 1 April 2010. The sourcing of quality training providers will be addressed by negotiating with Trade and Industrial Policy Strategies (TIPS) to assist in providing training of Computable General Equilibrium (CGE) and Input Output (IO) modelling.

Resource consideration

The mandate of the Economic Analysis unit is mainly to determine and evaluate the economic parameters and socio-economic imperatives in order to inform provincial and local resource allocations. In pursuing this noble objective, the unit plans to do things differently in the 2010/11 MTEF. Its main focus over this MTEF among other things (which includes the core functions of



KZN Provincial Treasury Five Year Strategic Plan

the unit) is to provide technical support to municipalities. In terms of research and socio-economic profiling, the unit plans to engage with all relevant provincial departments mandated to provide support to municipalities in terms of research and socio-economic profiling. This exercise will ensure the alignment and proper co-ordination of support provided to municipalities, well researched and crafted socio-economic profiles are crucial in informing sound decision-making and equitable resource allocations. Of the 61 municipalities, 36 are categorized as low-capacity municipalities; therefore the issue of proper and effective resource allocations becomes critical to these municipalities and a motive for the unit to provide technical support to these municipalities. To this end, additional resources will be required to enable the unit to carry this objective successfully.

Personnel

The unit currently has two vacant economic advisors posts, anticipated to be filled in the 2010/11 financial year. The filled positions comprise of one manager, one economic advisor and one research assistant.

Risk Management

Sub-programme: Economic Analysis

Risk	Measures planned to mitigate risks
High staff turnover	To put a staff retention strategy in place
Shortage of staff in the unit resulting in lack of capacity to produce sufficient and quality research	To fill vacant posts
Lack of availability of quality data	Ongoing discussions with STATSSA and provincial government departments
Level of remuneration is not commensurate with the skill required by the position e.g. remuneration for economic advisors	To engage management on the re- evaluation of job descriptions



Sub-programme 2.2.2: Infrastructure Unit

The focus of the Infrastructure unit is to maximize the impact of infrastructure investment by provincial departments. The unit supports departments in planning for infrastructure and implementation thereof. The function is therefore 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.

The unit aims to maximize the impact of the infrastructure investment by provincial departments, but this is impacted by the following:

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

Sub-programme 2.3: Public Finance

The purpose of the Public Finance unit is, inter-alia, to monitor the budget and expenditure of provincial departments, including the annual preparation of the budget for the province. Thus, it provides support to all the provincial departments in preparation of credible budgets, ensures that budget allocations are made in line with determined national and provincial priorities and that resources are utilised in line with these priorities.

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



KZN Provincial Treasury Five Year Strategic Plan

The unit is also responsible for improvement of the 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 generated and collected.

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

Sub-programme 2.4: Municipal Finance

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

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

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

8.2 Resource considerations

Public Finance unit

The Public Finance unit exists to ensure that the provincial budget is properly prepared, that these budgets are credible and are aligned to national and provincial priorities. Furthermore, the implementation of this budget is monitored through various reporting mechanisms. The unit also



KZN Provincial Treasury Five Year Strategic Plan

exists to enhance and expand own revenue collection by the province. Furthermore, the unit provides inputs into policy positions on the review of the equitable share formula, intergovernmental fiscal relations, and formulations for incorporation into the annual Division of Revenue Bills.

Personnel

The Public Finance unit currently has a number of vacancies. The filled posts consist of General Manager, 3 Managers and 8 analyst posts. The Provincial Budget Management unit within Public Finance interacts with 16 provincial departments on a daily basis, which includes attending various forums at the Provincial Legislature, such as the Standing Committee on Public Accounts, Finance Portfolio Committee and sector specific portfolio committees. In addition, the analysts attend sector specific CFO forums and 10 x 10 forums at National Treasury. The analysts also prepare monthly In Year Monitoring reports, Quarterly Budget Performance Reports, annual Estimates of Provincial Expenditure (EPE), previously the Budget Statements and Adjustments Estimate for the province. Added to this is nearly daily advice and guidance to departments on fiscal matters, including the PFMA, Treasury Regulations and the Division of Revenue.

The Provincial Own Revenue unit interacts with departments in the Provincial Revenue Forums with the aim of enhancing own revenue collection and in the preparation of monthly revenue reports.

The Specialised Advisory Support Services unit interacts with National Treasury and the FFC around discussions relating to the equitable share formula.

The Public Finance unit's posts are not all filled and this is exerting pressure on the staff, especially during peak times when there are many conflicting deadlines. Posts have been frozen to assist in reducing the provincial projected over-expenditure and, as such, this is a reality that the unit will have to deal with. With this reality though, comes the consequence that the Provincial Budget Management component will be unable to expand its analysis to beyond what it is currently undertaking.



KZN Provincial Treasury Five Year Strategic Plan

Budget and Expenditure Trends

The unit was allocated R10.047 million, R11.059 million and R11.619 million over the 2009/10 MTEF. As mentioned above, the non-filling of a number of key vacancies will impact on the amount spent and will result in a saving for the province. This undertaking was made in line with a Cabinet resolution in this regard. As such, 4 vacant posts will be frozen for the foreseeable future and will impact on the unit's ability to expand its analysis of departments' spending.

Municipal Finance unit

The Municipal Finance unit's mandate is to ensure optimal results and standards of performance are achieved with regards to its responsibility of monitoring and oversight. To achieve this, the unit must be adequately resourced with the appropriate skills. In light of the decline in municipal performance, it is envisaged that additional funding over the base line will need to be considered and approved as the number of municipalities in need of assistance is increasing.

Personnel

The responsibility of monitoring compliance of 58 municipalities in KwaZulu-Natal has been delegated by National Treasury to the Provincial Treasury in KwaZulu-Natal. The number of municipalities delegated increased from 53 to 58 on 1 July 2007. Of these 58, 36 municipalities are categorised as being "Low" capacity municipalities. The consequence is that these municipalities experience difficulties not only in delivering services but also in administering their finance. This is a challenge for the Municipal Finance unit that monitors their performance.

The current strength of the Municipal Finance unit is 18, comprising of 2 Managers, 3 Co-ordinators, 4 Budget Analysts and 6 Trainee Analysts led by a General Manager supported by 2 Personal Assistants. This means that approximately 5 to 6 municipalities are being supported by each Analyst and Trainee with assistance from the Co-ordinators and Managers. This is considered to be very excessive and will not enable the Analyst/Trainee to provide a sufficiently focused support service to the municipality.

While the personnel employed by Municipal Finance unit has suitable academic qualifications, their practical experience in providing technically competent support services is yet to be developed to a satisfactory level. The regular monitoring of compliance by municipalities is



conducted by the Co-ordinators, Budget Analysts and Trainees. However, their current experience needs to be increased to enable them to offer value added services.

Thus, there is a need for an expanded structure that is adequately funded. To achieve the unit's responsibility to effectively and efficiently support municipalities, it is extremely important for the expanded structure to be designed and supported by the right human, technical and other resources.

Budget and Expenditure Trends

The Municipal Finance unit was allocated amounts of R34.7 million, R25.4 million and R27 million over the 2009/10 MTEF. In light of the magnitude of the reforms and the results and standards of performance that must be achieved, the aforementioned budget allocations remain insufficient to make a meaningful impact on municipalities. It must be stated that, due to the budgetary constraints, the Municipal Finance unit is compromised and has no other alternative but to limit the engagement of its Municipal Support Program (MSP) to a fewer municipalities.

The Municipal Finance unit is committed to assisting and supporting municipalities in KZN to resuscitate their operations and ensure their sustainability. In this regard, the MSP was set up within the Fiscal Resource Management component and external expertise in the form of chartered accountants and other suitable personnel was sourced to assist in its implementation and to provide focused, informed and technical solutions. The Co-ordinators, Budget Analysts and Trainees are expected to be part of the teams of external experts and reap the benefits of their experience and knowledge.

It remains evidently clear that, due to the enormity of the MFMA agenda, only an increase in the budget allocation over the next five years will enable the Municipal Finance unit to achieve the desired results and standards of performance in all delegated municipalities and thus lead to the realisation of its strategic objectives.



8.3 Risk management

Sub-programme: Public Finance

Risks	Measures planned to mitigate risks
Credibility of financial data submitted by departments	The Public Finance unit will continue to engage with the departments, especially with regard to the reasonableness of projections. A more detailed monitoring tool has also been implemented, both for monitoring expenditure and own revenue on a monthly basis.
“Unfunded mandates” and shortfall in funding from National Treasury on the wage agreements	These continue to impact on the provincial fiscus and will do so until sufficient funding is received from National Treasury each time a policy is agreed upon or a wage agreement is signed. The matters of under-funding are continuously being raised at National Treasury.
Poor financial management capacity in departments due to: <ul style="list-style-type: none"> • Inadequate number of staff • Inadequate financial management skills • Insufficient experience of budget staff 	The staff from the Public Finance unit conduct workshops on the Budget Guidelines annually. They also provide hands-on support in completing IYMs (where necessary) as well as any other templates. They also provide hands-on support and guidance on all budget related matters.
High levels of spending by some departments continue to be a threat to the province’s availability of funds	The Public Finance unit monitors spending monthly and has developed a separate template to monitor spending at a very detailed level. In addition, monthly reports are sent to Cabinet so that urgent matters can be dealt with immediately.



Sub-programme: Municipal finance unit

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



Diversity and large number of unsustainable municipalities resulting in poor service delivery	Measures to be discussed at a political level
Political interference in financial management and procurement operations of municipalities which are inconsistent with good governance; and compromise the sustainability of their municipalities' finances.	SCM unit to conduct more frequent site visits and provide training on role and responsibilities of stakeholders.

8.4 Technical indicator descriptions

Sub-programme: Public Finance

Indicator title	Tabling of Estimates of Provincial Expenditure within two weeks of tabling of the Estimates of National Expenditure
Short definition	Compilation of the Treasury Budget Preparation Guideline, followed by MTEC process which culminates in the tabling of the EPE, previously the Main Budget (including the Adjustments Estimate)
Purpose/importance	To allow the MEC for Finance to table the annual budget for the financial year as required by the PFMA.
Source/collection of data	Treasury Guideline document including the Budget process timetable, 16 chapters of the MTEC report, the EPE, Adjustments Estimate and the relevant Appropriation Bills.
Method of calculation	Treasury Guideline document including the Budget process timetable to be completed by June, 16 chapters of the MTEC report one day before MTEC, the EPE and Adjustments Estimate and the relevant Appropriation Bills on time for tabling
Data limitations	No specific limitations
Type of indicator	Output
Calculation type	Cumulative as required by the Budget Process timetable
Reporting cycle	Quarterly and Annually
New indicator	No
Desired performance	Higher performance in order to comply with legislative requirements of the PFMA for the on-time tabling of the EPE
Indicator responsibility	General Manager: Public Finance



Sub-programme: Public Finance

Indicator title	Section 32 report (Monthly IYM report) within the prescribed time frame and quarterly budget performance reports
Short definition	Number of Section 32 monthly reports and quarterly budget performance reports completed during the reporting period
Purpose/importance	Completing the monthly provincial Section 32 reports and forwarding inputs to National Treasury. Completing the quarterly reports and tabling in Provincial Legislature for the purpose of ensuring efficient budget and expenditure management and accurate financial reporting for the provincial departments
Source/collection of data	Monthly compilation and submission of the provincial Section 32 reports to National Treasury and quarterly reports to the Provincial Legislature
Method of calculation	1 Section 32 report, 22 working days after end of each month (3 reports for each quarter (1 per month) and 1 consolidated report, 45 days after end of each quarter
Data limitations	No specific limitation
Type of indicator	Output
Calculation type	Cumulative on a quarterly basis (3 reports for each quarter (1 per month) and non-cumulative on quarterly basis (1 per quarter)
Reporting cycle	Monthly (Reports completed monthly but published quarterly by National Treasury in terms of Section 32 of the PFMA and quarterly for the Budget Performance reports)
New indicator	No
Desired performance	As an early warning system, to identify variances, gaps and corrective action in spending and revenue collections
Indicator responsibility	General Manager: Public Finance



Macro Economics Technical indicator description

Indicator	Enhancing economic growth and development through quality research
Short definition	Number of research papers produced in the reporting period
Purpose/importance	Give direction to policy makers through research material
Source/collection of data	Global Insight, Stats SA, governmental departments, Cipro
Method of calculation	Use statistical tools to conduct research with credible output. Tools used are Eviews, STATA
Data limitations	Accuracy of data cannot be guaranteed.
Type of indicator	The indicator is measuring the impact in the economy of the province.
Calculation type	Cumulative for the year
Reporting cycle	Yearly
New indicator	No
Desired performance	The indicator is for guiding policy formulation
Indicator responsibility	Manager
Indicator	Equitable allocation of resources
Short definition	Allocation of resources to different government departments.
Purpose/importance	Tracks the equity in the allocation of resources
Source/collection of data	Stats SA, Cipro, Quantec, Global Insight, HSRC, Special reports, Government departments.
Method of calculation	Comparative and performance analysis of socio-economic parameters
Data limitations	Accuracy of data cannot be guaranteed.
Type of indicator	It measures equity
Calculation type	Cumulative-for the year
Reporting cycle	Quarterly
New indicator	No
Desired performance	The indicator is for monitoring the equity allocation of resources in the budget process.
Indicator responsibility	Manager



Sub-programme: Infrastructure

Indicator title	Quarterly Infrastructure performance reports (IRM)
Short definition	Number of quarterly reports completed during the reporting period
Purpose/importance	Tracks the planning for infrastructure by departments. It also tracks the implementation of infrastructure in the provincial departments.
Source/collection of data	Infrastructure reports submitted by departments
Method of calculation	21 days after the end of each quarter
Data limitations	The accuracy of data depends on completion by the departments
Type of indicator	Output
Calculation type	Non-Cumulative – for the year
Reporting cycle	Quarterly
New indicator	No
Desired performance	Legislation : The indicator is for monitoring the bottlenecks in delivery of infrastructure.
Indicator responsibility	Programme manager

Sub-programme: Municipal Finance

Indicator title	Section 71(6) report (Monthly municipal IYM report) within the prescribed time frame
Short definition	Number of Section 71 (6) monthly reports completed during the reporting period
Purpose/importance	Completing the monthly Section 71 (6) reports and forwarding them to National Treasury for the purpose of ensuring efficient budget and expenditure management and accurate financial reporting for the delegated municipalities in the province
Source/collection of data	Compilation and submission of the Section 71 (6) monthly reports to National Treasury
Method of calculation	1 Section 71(6) report, 22 working days after end of each month (3 reports for each quarter (1 per month)
Data limitations	No specific limitation



Type of indicator	Output
Calculation type	Cumulative on a quarterly basis (3 reports for each quarter (1 per month))
Reporting cycle	Quarterly (Reports completed monthly but reported quarterly in terms of the Quarterly Performance Reporting)
New indicator	No
Desired performance	As an early warning system, to identify variances and gaps in spending and revenue collections
Indicator responsibility	General Manager: Municipal Finance

Sub-programme: Municipal Finance

Indicator title	Section 71(7) quarterly budget performance reports
Short definition	Number of Section 71 (7) quarterly reports completed during the reporting period
Purpose/importance	Completing the Section 71 (7) reports and tabling them in Provincial Legislature for the purpose of ensuring efficient budget and expenditure management and accurate financial reporting for the delegated municipalities in the province
Source/collection of data	Compilation and submission the Section 71 (7) quarterly performance reports to the Provincial Legislature
Method of calculation	1 Section 71(7) report, 45 days after end of each quarter
Data limitations	No specific limitation
Type of indicator	Output
Calculation type	Non-cumulative on a quarterly basis (1 per quarter)
Reporting cycle	Quarterly
New indicator	No
Desired performance	As an early warning system, to identify variances and gaps in spending and revenue collections
Indicator responsibility	General Manager: Municipal Finance



Indicator title	Support provided by MSP to municipalities
Short definition	Number of municipalities supported by the Municipal Support Program (MSP) during the reporting period
Purpose/importance	Tracks the number of municipalities supported through the MSP for the purpose of providing assistance and technical support to municipalities where their financial sustainability is threatened and implement turnaround strategies that would ensure the municipalities remain financially viable.
Source/collection of data	Actual number of municipalities supported
Method of calculation	Confirmation of the number of municipalities the MSP team has supported
Data limitations	No specific limitation
Type of indicator	Output
Calculation type	Non-cumulative on a quarterly basis (Number to be supported varies per quarter)
Reporting cycle	Quarterly
New indicator	No
Desired performance	To provide the Municipal Support Program to as many municipalities as possible and to see an improvement in their financial management performance
Indicator responsibility	General Manager: Municipal Finance



9. PROGRAMME 3: FINANCIAL MANAGEMENT

9.1 Strategic objectives

The main purpose of this programme is to enhance financial management in the Province by taking the necessary steps to assist and support departments and municipalities in obtaining clean audit reports on an annual basis.

Strategic Objective	To assist departments and municipalities in the attainment of a clean audit outcome for the Province.
Objective statement	To enhance financial management in the Province by taking the necessary steps to assist and support departments and municipalities in the spheres of Financial Reporting, Asset Management, Supply Chain Management and Financial Management Norms & Standards in obtaining clean audit reports on an annual basis.
Baseline	The number of qualified audit opinions in the Province for 2008/09: Departments had four qualified reports. Municipalities for 2007/08: one adverse, nine disclaimers and thirteen qualified reports.
Justification	There is a direct correlation between effective and efficient delivery of services to the citizens of the Province and the ability of government at the provincial and local level to achieve clean financial audits.
Links	Weak financial management resulting in adverse and qualified audit opinions stymies the broader developmental agenda of the Province and seriously affects government service delivery plans and corporate governance.
Strategic Objective	To assist departments in improving cash management
Objective statement	To enhance cash management in the Province by taking the necessary steps to assist and support departments in reducing cost in respect of overdraft facilities.
Baseline	The number of departments in overdraft on 1 April 2009 in the Province. 10 Departments in overdraft as at 1 April 2009.
Justification	There is a direct justification between effective and efficient cash management and delivery of services to the citizens of the Province.
Links	Weak cash management seriously affects government service delivery plans.



9.2 Resource considerations

Resource considerations for the programme revolve primarily around the support and assistance that needs to be provided to municipalities. Treasury's mandate in respect of the MFMA requires a certain level of resources to be able to effectively give support to municipalities. Given that the programme is still functioning on the pre-MFMA organogram, these levels are yet to be determined so as to quantify the additional human and other resources needed.

9.3 Risk management

The availability of appropriately skilled and experienced staff is crucial to the programme fulfilling its mandate. Concerns entail issues surrounding staff retention, the difficulty in attracting the right staff, skilled staff being in short supply in a fairly new field such as public private partnerships and the general shortage of skilled accounting staff.

Measures to mitigate the risk include the initiation of trainee programmes to train undergraduates in specific scarce areas, on-the-job training and structured training programmes.

Risks	Measures to mitigate risks
Non-availability of appropriately skilled and experienced staff	Trainee programmes to train undergraduates in specific scarce areas. Structured training programmes and on-the-job training for officials.
Lack of understanding of Public Private Partnership (PPP) process in provincial and local government.	Implementation of PPP strategy by PPP unit to promote a culture conducive for PPPs in provincial and local government.
Unreliability of information from departments pertaining to SCM.	Assessment of current systems used by departments to generate SCM information to determine appropriate response.
Inadequate or lack of response / inputs on draft municipal documentation for municipalities resulting in poor customisation of documents.	Cultivate closer working relationship with relevant municipal officials. Consult guidelines such as those developed by IMFO and SALGA.



<p>Lack of Financial Management Capability</p>	<p>Assessment of financial management capability with the objective of:</p> <ul style="list-style-type: none"> • Designing a strategy to address institutional and capacity difficulties • Collaboration with the CFO forum on a regular basis to exchange best financial management practice • Works closely with the Training Academy in the Office of the Premier devoted to training financial officers in public financial management
--	---

9.4 Technical indicator descriptions

Indicator Title	Clean audit outcome for the Province.
Short definition	To endeavour to facilitate the attainment of a clean audit outcome for the Province.
Purpose / importance	Unqualified audit opinion indicative of good financial management and has a positive effect on government's ability to deliver services.
Source / collection of data	Reports of the Auditor-General, Internal Audit and information obtained through departments and municipalities.
Method of calculation	The opinion of the Auditor-General is provided in his report in a clear manner.
Data limitations	In order to provide the necessary assistance, the available information is sometimes incomplete or requires clarification or further interpretation.
Type of indicator	Output
Calculation type	Non-cumulative
Reporting Cycle	Annual
New indicator	Yes



Desired performance	The aim is for the Province to achieve a clean audit outcome for all departments and municipalities.
Indicator responsibility	The heads of the Treasury units responsible for Financial Reporting, Asset Management, Supply Chain Management and Financial Management Norms & Standards.

Indicator Title	Improved cash management in for the Province.
Short definition	To facilitate the improvement of cash management in the Province.
Purpose / importance	Positive cash balances are indicative of good cash management and have a positive effect on government's ability to service deliver.
Source / collection of data	Reports of the Auditor-General, Internal Audit and information obtained through departments and bank balances.
Method of calculation	The opinion of the Auditor-General is provided in his report in a clear manner.
Data limitations	In order to provide the necessary assistance, the available information is sometimes incomplete or requires clarification or further interpretation.
Type of indicator	Output
Calculation type	Non-cumulative
Reporting Cycle	Annual
New indicator	Yes
Desired performance	The aim is for the Province to achieve positive bank balances for all departments.
Indicator responsibility	The heads of the Treasury units responsible for Financial Reporting, Asset Management, Supply Chain Management and Financial Management Norms & Standards.



10. Programme 4: Internal Audit

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

10.1 Strategic objectives

- An efficient, effective and economical assurance service.
- Foster solid client relationships.
- Build capacity within and outside the Unit.
- Promote good governance through effective risk management.
- Promote a culture of zero tolerance for fraud and corruption.

Strategic Objective 1.1	To provide an efficient, effective and economical assurance service
Objective statement	To extend internal audit support services to provincial departments, municipalities and public entities.
Baseline	Making good progress as per the approved operational and strategic plan.
Justification	To promote good governance through the provision of assurance services to client departments, municipalities and public entities and recommending internal control system improvements where is necessary.
Links	Improved internal controls will minimise risk exposure and ensure that service delivery objectives of government are met.



Strategic Objective 1.2	Foster solid clients relationships
Objective statement	To obtain the Clients' buy-in into the audit process, improve response time to audit reports
Baseline	Making good progress as per approved operational and strategic plan
Justification	Improved co-operation and commitment to the audit process, improved control environment to ensure achievement of strategic objectives
Links	Will improve the general performance of the departments, municipalities and public entities through timeous response to recommendations and implementation of agreed action plans

Strategic Objective 1.3	Building capacity inside and outside the Unit
Objective statement	To create a pool of excellence within the Unit and create job opportunities for potential auditors within the province
Baseline	Meeting targets as per training schedules and improve quality of work
Justification	To improve the effectiveness of the internal audit Unit
Links	Improved internal controls will minimise risk exposure and ensure that service delivery objectives of government are met.

Strategic Objective 1.4	Promote good governance through effective risk management
Objective statement	To promote good governance through effective risk management via risk assessments, governance framework, effective internal controls, monitoring and evaluation
Baseline	Awareness created, audits, risk assessments conducted, governance training, application of King III code of good governance and reports issued – Being satisfactorily managed with current resources
Justification	Risk Management is the cornerstone of sound corporate governance
Links	Will help strengthen the control environment – linked to departmental strategic goal : To promote good governance in all provincial government departments, public entities and municipalities



Strategic Objective 1.5	Promote a culture of zero tolerance for fraud and corruption
Objective statement	To promote a culture of zero tolerance for fraud and corruption through effective risk and fraud risk assessments, forensic audits/investigation, fraud plan reviews
Baseline	Awareness created, audits/investigations conducted, reports issued – Being satisfactorily managed with current resources
Justification	Fraud and corruption has been identified as an area of concern, it is Provincial priority, and the financial and IT systems, together with controls of government are vulnerable
Links	Will help curb fraud and corruption – linked to departmental strategic goal : To promote good governance in all provincial government departments, public entities and municipalities

10.2 Resource considerations: Sub-programme: Assurance Services

Expenditure trends	High expenditure is expected in year 1 and 2 due to implementation of the revised structure including the appointment of learners and the roll out of the acceleration programme. In addition, the unit will engage consultants to undertake specialized audit assignments
Trends in the number of key staff	<p>The demand for skilled internal auditors (specialists) makes the environment vulnerable to loss of staff</p> <p>The Accelerated Programme is aimed at promoting staff internally which provides development and growth opportunities resulting in staff retention. The IAT programme is also aimed at sustaining staff as it is designed to contractually retain staff for a period of time providing the Unit with trained specialists and providing staff with the required experience in Internal Auditing.</p> <p>The new structure makes provision for directorates focusing on the specialized audit services such as performance reviews on service delivery activities at local government level through implementation of participatory audits; ethical conduct reviews and Information Technology (IT) systems complementing business operations will also be reviewed for adequacy, efficiency and effectiveness.</p>



Trends in the supply of key inputs	In years 1 and 2 there will be a high demand for skilled internal audit specialists to complement the roll out of the revised structure. This is anticipated to reduce in the outer years
---	---

Sub-programme: Risk Management unit

Expenditure trends	High expenditure expected in year 1 and 2 due to obtaining of system (case management system) and training on risk management, corporate governance and CURA (risk management software)), thereafter costs should reduce due to an oversight role being performed on risk management and advisory services.
Trends in the number of key staff	The changes in key staff members should be static.
Trends in the supply of key inputs	High volume of key inputs from years 1 and 2, thereafter these should reduce due to the expected role out of CURA to Departments, Municipalities and Public Entities

We have embarked on a recruitment process for the required skills. A training program has also been identified and will be rolled out during January 2010.

Approval to access investigative IT tools (PERSAL, BAS, CIPRO, Deeds registry, NATIS, ITC Background searches, inter alia), is being considered.

Efforts are being made to compel the Departments to comply with section 85(1)(a) of the PFMA with minimal success.

A Case management tool, which will assist in managing and understanding the case load in an effective, efficient and economic manner, is in the process of being procured.



10.3 Risk Management

Risk	Mitigating Strategy
Inability to retain critical and specialized skills within the Unit will hamper achievement of objectives.	The unit has introduced the accelerated development programme to retain staff.
The clients' sluggish responsiveness to internal audits efforts also adversely affects the achievements of the unit's service delivery targets.	The Unit continues to engage with client management to enhance relationships, which include regular meetings with clients, facilitating Road shows to define and clarify our roles and responsibilities, attending Audit Steering Committee meetings, strategic planning sessions, MTEC hearings and MANCO meetings of departments.
<p>Our inability to grow and build client confidence will hamper our ability:</p> <ul style="list-style-type: none"> ○ to sustain internal audit services, ○ to meet service delivery targets, ○ to improve the control environment such that good governance is promoted 	<ul style="list-style-type: none"> • Road shows and risk management forums are being held. • Risk management training and workshops are being conducted such that there is a proactive approach to promote good governance.

10.4 Technical indicator descriptions

Sub-programme: Assurance Services

Indicator title	Good governance
Short definition	Improvement on the control environment
Purpose/importance	To review the adequacy and effectiveness of the systems of internal control environment in order to identify improvements to be implemented
Source/collection of data	Risk assessment reports, management reports, AG reports, policies, plans and procedures, management information systems



KZN Provincial Treasury Five Year Strategic Plan

Method of calculation	Each report is counted when the it is finalized with management comments and action plans
Data limitations	Lack of timeous response to audit reports and implementation of actions plans by line management
Type of indicator	Output
Calculation type	Cumulative – for the year
Reporting cycle	Quarterly
New indicator	No
Desired performance	Improvement on the governance processes
Indicator responsibility	Programme Manager

Indicator title	Participation in the audit process
Short definition	Improve client co-operation
Purpose/importance	To ensure that clients utilize internal audit as a management tool that can add value into their operations.
Source/collection of data	Risk assessment reports, management reports, AG reports, policies, plans and procedures, management information systems
Method of calculation	Number of meetings held with the clients
Data limitations	Postponement of scheduled meetings and non availability of targeted audience/attendants
Type of indicator	Output
Calculation type	Cumulative – for the year
Reporting cycle	Quarterly
New indicator	No
Desired performance	Improved co-operation and commitment towards the improvement of the control environment
Indicator responsibility	Programme Manager



Indicator title	Realistic number of skilled internal auditors available to undertake audit engagements
Short definition	Maintain a pool of audit excellence
Purpose/importance	To ensure that there is a value add to our clients operations
Source/collection of data	Risk assessment reports, management reports, AG reports, policies, plans and procedures, management information systems
Method of calculation	Number of auditors trained on identified training programmes
Data limitations	Budget restrictions/cuts fostering reprioritization of programmes
Type of indicator	Output
Calculation type	Cumulative – for the year
Reporting cycle	Quarterly
New indicator	No
Desired performance	Critical positions filled with well capacitated audit specialists
Indicator responsibility	Programme Manager

Sub-programme: Risk Management unit

Indicator title	Good governance
Short definition	Proactive approach to risk management
Purpose/importance	To conduct risk assessments with the aim of identifying risks that could prevent the attainment of strategic objectives and service delivery
Source/collection of data	Risk assessment, management reports, AG reports, policies, strategic and annual performance plans, management information systems
Method of calculation	Each report is included in actual outputs when it is issued to a client
Data limitations	System glitches, Lack of timeous response by client management
Type of indicator	Output
Calculation type	Cumulative – for the year
Reporting cycle	Quarterly
New indicator	No
Desired performance	Improvement on the governance processes
Indicator responsibility	Programme Manager



Sub-programme: Forensic Audit unit

Indicator title	Zero tolerance to Fraud
Short definition	Promote a culture of zero tolerance to fraud and corruption
Purpose/importance	To promote a culture of zero tolerance for fraud and corruption through effective risk and fraud risk assessments, forensic audits/investigation, fraud prevention plan reviews
Source/collection of data	Internal audit reports, National Anti Corruption Hot Line, Fraud risk assessment reports, Client requests, Anonymous tip-offs
Method of calculation	Each report is included in actual targets when it is issued to the client
Data limitations	Lack of timeous response by client management, lack of a case management software, investigative tools (eg. Company searches), lack of access to CIPRO and Home Affairs
Type of indicator	Output
Calculation type	Cumulative – for the year
Reporting cycle	Quarterly
New indicator	No
Desired performance	Improvement on the governance processes
Indicator responsibility	Programme Manager



PART C: LINKS TO OTHER PLANS

11. Links to the long-term infrastructure and other capital plans

The department does not have long term infrastructure plans and other capital plans.

12. Conditional grants

The department does not have conditional grants transactions.

13. Public entities

The department does not have public entities under its control.

14. Public-private partnerships

The department does not have public-private partnerships transactions that are directly or indirectly managed under its control.