



KWAZULU-NATAL PROVINCE

TREASURY
REPUBLIC OF SOUTH AFRICA

ANNUAL REPORT

2020/21 FINANCIAL YEAR

Making the Rand Go An Extra Mile

GROWING KWAZULU-NATAL TOGETHER



KWAZULU-NATAL PROVINCE

TREASURY
REPUBLIC OF SOUTH AFRICA

Title of Publications:

Kwazulu-Natal Provincial Treasury Annual Report 2020/2021

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KWAZULU-NATAL PROVINCIAL TREASURY VOTE: 6

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Programme 1: Administration



Accounting Officer
Mr. S Moodley



Chief Financial Officer
Mr. IT Ndlovu



Head of Ministry
Ms N. Mbodla



Chief Director:
Corporate Service
Ms I.N.N. Zwane-Dlomo



Director:
Special Projects
Mr M. Phakathi



Director:
ITM
Mr C. Rajha



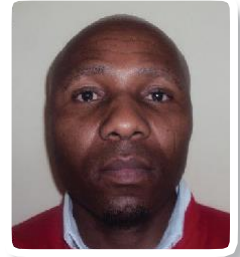
Director:
HRM
Ms K. Chetty



Director:
Legal Services
Mr N. Nkomo



Director:
Auxiliary Services
Mr E.V.N. Xulu



Director:
Corporate Communications
Mr M. Cebisa



Director:
IGR
Ms R. Smith-Peterson



Director:
Financial Management
Ms R Gwala



Director:
SCM, Assets Management
& Loss Control
Ms A. Zondo



Director:
Security
Ms N. Zulu

Programme 2: Fiscal Resources Management



DDG:
Fiscal Resource
Management
Ms. N. Shezi



Chief Director:
Public Finance
Ms T. Stielau



Director:
Provincial Budget
Management
Ms N. Mjuzza



Director:
Special Advisory
Support Services
Ms. L. Curtis



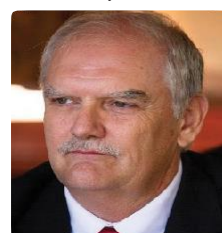
Director:
Provincial Own Revenue



CD: Economic Analysis and
Infrastructure Management
VACANT



Chief Director:
IDMS Technical Advisers
(Acting CD)



Chief Director:
IDMS Technical Adviser
Mr T Madgwick



Chief Director:
IDMS Technical Adviser
Mr R Kempen



Director:
Infrastructure
Management
Ms F. Mkhize



Programme 3: Financial Governance



CD:
Accounting Practices
Ms. A Singh



Partnership
Ms. T Kankqu



Director:
Supply Chain Management
Ms. L Naidoo



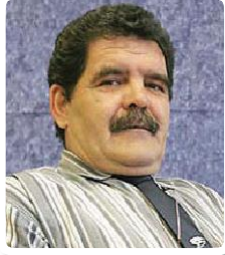
Director:
SCM (Governance
and Admin Cluster)
Mr. N Sphengane



Director:
SCM Policy Development
and Contract Management
Ms N. Kubheka



Director:
Support an Interlink
Financial Systems
Mr. K. Mqadi



Director:
Cash Management
and Liabilities
Mr. F Pretorius



Standards
Mr. N Price



Management:
SCM
Ms R Madhan



Director:
SCM Social Cluster
Ms T. Mlawu



Director:
PPP Specialist Advisor
Mr K.V Bezuidenhout



Director:
SCM Specialized Support
Ms Z. Zwane

Programme 4: Internal Audit



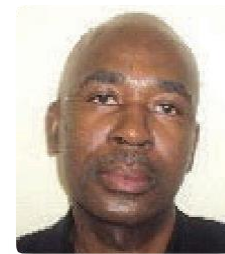
DDG:
Internal Audit
Ms M Radebe



CD:
Assurance Services
Ms. M Bhaw
CA(SA), IIA (SA)



CD:
Forensic Services
Ms. J Naidoo
CA (SA), MBA, ICFP



CD:
Risk Management
Mr N Ndandza



Director:
Performance Audit
Mr. K Lamola



Programme 4: Internal Audit (continue)



Director:
Strategy Development and
Management
Mr. T Madlala



Director:
Financial Management
and Reporting
Mr. J Ramharak



Director:
Assurance Services
(Economic Cluster)
Ms L Japi



Director:
Assurance Services
(Governance and
Administration Cluster)
Ms L Xaba



Director:
Municipal Support
Mr. P Moloi



Director:
Information Technology
Mr. K Malapane



Director:
Forensic Services
Mr. M Mollo



Director:
Financial Audits
Ms L. Pillay



Director:
IT Audits
Mr N. Khuzwayo

Programme 5: Municipal Finance Management



Director:
Municipal Finance
Mr. A Soopal



CD:
Municipal Finance
Mr. F Cassimjee



Director:
Municipal Finance
Mr M Ndumo



Director:
Municipal Finance
Ms. S Balgobind



Director;
Municipal Finance
Ms K Mare



Director:
Municipal Finance
Mr. W Donnelly



Director:
Municipal Finance
Mr. N Radebe



Director:
Municipal Finance
Ms. R Bhagwandeem



Director:
Municipal Finance
Ms K Pillay



PART A: GENERAL INFORMATION

2.3.1 DEPARTMENT GENERAL INFORMATION

PHYSICAL ADDRESS: 145 Chief Albert Luthuli Street
Pietermaritzburg
3201

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TELEPHONE NUMBER/S: 033 897 4200 / 071 687 8777

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WEBSITE ADDRESS: www.kzntreasury.gov.za

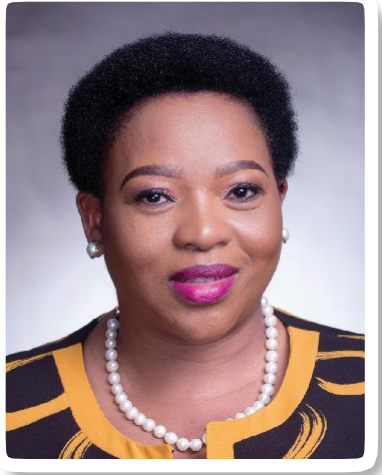


2.3.2 LIST OF ABBREVIATIONS/ACRONYMS

AEPRE	Adjustments Estimate of Provincial Revenue and Expenditure
AFS	Annual Financial Statements
AGSA	Auditor General of South Africa
AG	Auditor - General
AO	Accounting Officer
BBBEE	Broad Based Black Economic Empowerment
CARC	Cluster Audit and Risk Committees
CD	Chief Director
CFO	Chief Financial Officer
CSD	Central Supplier Database
DDG	Deputy Director General
EH&W	Employee Health and Wellness
EPRE	Estimate of Provincial Revenue and Expenditure
EU	European Union
FLP	Financial Literacy Programme
FMCMM	Financial Management Capability Maturity Model
GDP	Gross Domestic Product
GRAP	Generally Recognised Accounting Practice
HOD	Head of Department
HRP	Human Resource Plan
IDMS	Infrastructure Delivery Management System
IDP	Integrated Development Plans
IGCC	Inter-Governmental Cash Co-ordination
IMF	International Monetary Fund
IPMP	Infrastructure Programme Management Plan
IRM	Infrastructure Reporting Model
KZNFLA	KwaZulu-Natal Financial Literacy Association
KZNPG	KwaZulu-Natal Provincial Government
LED	Local Economic Development
MBAT	Municipal Bid Appeals Tribunals
MBRR	Municipal Budget and Reporting Regulations
MEC	Member of the Executive Committee
MFMA	Municipal Finance Management Act
MPAT	Monitoring Performance Assessment Tool
MSP	Municipal Support Programme
MTEF	Medium Term Expenditure Framework
MTREF	Medium Term Revenue and Expenditure Framework
OES	Organisational Efficiency Services
OSD	Occupation Specific Dispensation
PARC	Provincial Audit Risk Committee
PERO	Provincial Economic Review and Outlook
PFMA	Public Finance Management Act
PGDP	Provincial Growth and Development Plan
PMG	Pay Master-General
PPP	Public Private Partnerships
SAICA	South African Institute of Chartered Accountants
SCM	Supply Chain Management
SCOPA	Standing Committee on Public Accounts
SDIP	Service Delivery Improvement Plan
SERO	Social-Economic Review and Outlook
SCM	Supply Chain Management
SMME	Small Medium and Micro Enterprises
SLA	Service Level Agreement
SITA	State Information Technology Agency
U-AMPs	User Asset Management Plans
WSP	Workplace Skills Plan



2.3.3 Foreword by the MEC of Finance



**Ms Nomusa Dube-Ncube, MPL
KwaZulu-Natal MEC for Finance**

When we opened a new chapter of government in May 2019 and ushered the new Sixth Administration in the 2019/2020 financial year, a lot was at stake in as far as the mandate given to us was concerned, nothing could have prepared us for what actually laid ahead as no sooner than we had finished our first financial year in office the biggest pandemic of our time struck.

If anything, this is the very moment in history that this Sixth Administration will be judged with and upon. Every challenge has become a yardstick with which to measure how to mitigate the health and socio-economic impact of COVID-19.

The prevailing health and socio-economic COVID-19 conditions on the ground have continued to exert enormous pressure on our efforts to bring back the situation to normalcy.

There is no denying that the Provincial purse is under strain and is buckling under pressure of keeping up with this mandate of service delivery while delivering on the pledge to keep the health of citizens in good shape. Covid-19 pandemic had a significant and unprecedented impact on the global economy, especially in the first half of 2020. This resulted in a worse economic

downturn than that of the Great Depression that started in 1929 and lasted until the late 1930s.

South Africa has the most diversified and industrialised economy in Africa, but has also suffered several years of low growth attributable to such factors as low prices of commodity exports, weak investor confidence and policy issues. Covid-19 has sharply intensified the already formidable economic and health challenges. This further exposed the fault lines of socio-economic challenges which compounded high rates of poverty, social inequality and unemployment.

Noting that this came in the backdrop of South as it was already experiencing economic downturn, ours is no easy task, by any stretch. This is because this Department is mandated with a huge responsibility of promoting sound financial management practices and fiscal management to achieve good governance. We are further required to promote sound processes, controls and improved capabilities in Departments, Municipalities and Public Entities. The seamless functionality of our Municipalities, Departments and Public Entities will be the core of our survival. The audit reports have not painted a good picture on how public finances are managed. It is for this reason that all of the members of the Executive Council led by the Premier committed to change this situation. KZN Treasury (has been hard at work) /will work in support of this programme.

In our mission statement as Provincial Treasury we state that we seek to enhance the KwaZulu-Natal Provincial Government service delivery by responding to the expectations of all stakeholders in the value chain. We aim to achieve this by optimum allocation of financial resources and enhanced revenue generation, while ensuring that all financial transactions adhere to applicable legislation and corporate governance principles.

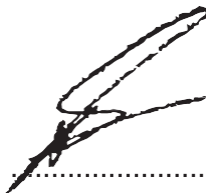


We are guided throughout by what we have pledged in our Strategic Plan and the Annual Performance Plan. We are also always mindful that our competent employees are our biggest assets and that they ensure we are always at the centre of ensuring best value to our stakeholders. To add to this value to our stakeholders we have five programme as KZN Treasury to ensure efficiency, namely; Administration. The programme provides strategic leadership support to the department in the area of Financial Management and Corporate Services (Human Resources Management and Information Technology Management).

It is followed by Sustainable Fiscal Resources Management which manages, maintains and monitors the fiscal sustainability of the province while supporting improved and sustainable infrastructure delivery. Our third programme of Financial Governance provides audit readiness support to provincial departments and public entities with the objective of improving audit outcomes in the province. It speaks directly to our fourth programme; Internal Audit (Provincial Internal Audit Services) which seeks to promote good governance by performing Audit and Risk Advisory services at Public Sector Institutions. Perhaps our most critical fifth programme is Municipal Finance Management whose purposes is to provide oversight, technical support and guidance to delegated municipalities many of which have borne the brunt of instability leading to social unrests as a result of financial upheavals.

As many have observed, the recent outbreak of protests - is likely fueled by the desperate plight of unemployed South Africans, frustrated by months of lockdown. In the 2019-2020 period, KwaZulu-Natal experienced the most crowd-related incidents with 3 053 incidents taking place according to the information sourced from the SAPS. We will continue to use the public purse to devise new ways of bettering the lives of all the people of this beautiful province. Provincial Treasury has the ability, means and resources to enact a meaningful and sustained impact to our people.

This we need to ensure that using our fiscal muscle we achieve the economies of scale. The provincial Government has set itself to ensure that we utilize the procurement mechanism, as per our policy mandates, as a catalyst for change and transformation of many of the communities who have never participated in government provincial spend.



.....
Ms Nomusa Dube-Ncube, MPL
KwaZulu-Natal MEC for Finance



2.3.4 INTRODUCTION BY THE HEAD OF DEPARTMENT



Ms Nelisiwe Shezi
Head: Provincial Treasury (Acting)

The year under review presented new challenges in respect of the management of the fiscal resources in the KwaZulu-Natal Provincial Government and this ultimately impacted on the work that had to be carried out by the administration.

Despite suffering incessant budget cuts from National Treasury due to the shrinking national fiscus, with the outbreak of the coronavirus (COVID-19) pandemic, the province also had to commit lots of financial resources to fight the spread of this virus – reprioritising mainly from within the baseline.

This pandemic put a spanner in the work of government in general and also forced many businesses to shut down, resulting in increased unemployment; economic decline; the rise of poverty levels thus putting immense pressure on the health as well social services.

The disappointing contraction of the economy that perpetuated the on-going technical recession at the beginning of 2020 was to a large extent due to the coronavirus pandemic. This virus continues to shut down economic activities in advanced

economies and across the globe. It then became business unusual.

Despite the challenges, Provincial Treasury continued to follow principles of good governance and ensured quality service to its clientele.

The continued implementation of cost-containment measures and strong internal controls have helped to weather the storm. We managed to build a reputation that earned the Department another clean audit report, making it a total of eleven clean audit reports consecutively. This was a team effort and for this my sincere gratitude and appreciation goes to each and every official within Provincial Treasury.

Provincial Treasury remains committed to fiscal prudence and has therefore put measures in place to reduce risks which may arise from Covid-19 emergency procurement. Part of the work performed by KZN Treasury during the 2020/2021 financial, after the outbreak of the pandemic, was to ensure oversight over all covid-19 related procurement and KZN Treasury will play its role to ensure that the province navigates this storm successfully.

Our responsibility, however, is broad. We are required to promote sound processes, controls and improved capabilities in Departments, Municipalities and Public Entities. This is not an easy task, particularly as it is aimed at reducing unauthorised, irregular, fruitless and wasteful expenditure thereby improving audit outcomes. KZN Treasury is committed to continuously apply the best financial protocols as dictated by the Public Finance Management Act, Municipal Finance Management Act and Treasury Regulations.

The operating environment that characterised the year under review changed drastically with most activities having to be conducted virtually. KZN Treasury will continue to work with government institutions to help them become innovative, participatory and have a good deal of sound policy formulation, open-mindedness, and distinct citizen orientation. It is this mental posture in us that will help us to grow KwaZulu-Natal together.

We are proud to say that we ended the financial year under review with the bank balance of the province remaining cash positive as it has been since May 2010.

The task at hand is to implement government programmes and enforce rules while delivering on our constitutional mandate.

The areas governed by the Public Finance Management Act, including supply chain management processes, and internal controls remain critical if we are to achieve our goals.

Working together, and pulling to the same direction will enable us to provide solutions to challenges this province is facing. This will also help us to build an insurmountable force that will deliver the people of this province from unemployment and abject poverty.



.....
Ms Nelisiwe Shezi
Head: Provincial Treasury (Acting)



2.3.5 Report of the Accounting Officer

2.3.5.1 Overview of the operations of the department

Provincial Treasury (PT) received an allocation of R718, 763 million in the 2020/21 financial year. During the 2020/21 adjustments this allocation was adjusted to R558, 294 million. The adjustments were largely due to COVID-19 and COE budget cuts. The Vote 6 budget was further cut by R13 million during last quarter of the financial year to assist the Department of Education with their spending pressures.

The Sustainable Resource Management Programme was able to evaluate and monitor economic trends and performance supporting policy formulation. District municipality profiling was undertaken and economic presentations were made. Informative analysis of the provincial Socio-economic Review and Outlook was provided and municipalities Integrated Development Plans (IDPs) and Local Economic Development (LED) forums were contributed to.

Support was provided on infrastructure reporting using the Infrastructure Reporting Model (IRM), Infrastructure Delivery Management System (IDMS) and the KZN Infrastructure Master Plan ((KZN-IMP) for all provincial infrastructure projects. Reports on IDMS Oversight Monitoring and Performance Assessment at Provincial Departments were produced. The deployment of the Infrastructure Crack Team continued to be a priority even though projects were affected by the COVID-19 pandemic.

The spending and revenue collection of departments and public entities against budget was monitored during the financial year. The Provincial budgets were prepared, as is the norm every year, but the Covid-19 pandemic meant that the province also had to table a special AEPRE (Adjustments Estimates of Provincial Revenue and Expenditure) to provide the budget for the provincial Covid-19 response. The department was also tasked to report weekly initially, and later monthly, on the provincial response with these reports submitted to National Treasury. Provincial Own Revenue enhancement efforts were hampered by the impact that the Covid-19 pandemic had on the economy.

Technical and legal advice in support of all provincial PPP's continued to be provided as regulated by the National Treasury Guidelines. The lockdown regulations had a negative impact on the timing of the planned training session that were going to be conducted to capacitate the various stakeholders on the implementation of PPP Process. The training was conducted at a later stage.

The Financial Governance Programme was able to offer support service to departments in respect of payroll tax and banking functions and risk analysis was conducted to identify any non-compliance with tax and banking legislation. Telephonic support was increased due to officials working from home or restrictions on visits to offices during Covid-19

The Supply Chain Management Unit continued to conduct compliance assessments in Departments, Municipalities and Public Entities to ensure compliance with relevant SCM prescripts and to enhance the level of compliance, governance and accountability in the province. The Provincial Bid Appeals Tribunal facilitated a number of cases relating to the appeals against bids that were awarded by the Departments in the Province and the Municipal Bid Appeals Tribunals (MBAT) provided active support for the hearing of MBAT matters in municipalities.



Financial management support was provided to provincial departments and public entities during the 2020/21 financial year in order to reduce the qualified audit opinions. The Accounting Services unit also continued to embark on the Operation Clean Audit campaign although there were delays in some projects due to the impact of COVID-19. The unit has further provided significant support to municipalities and their entities in implementation of the mSCOA Regulation. The condonation of Irregular Expenditure project was also conducted during the financial year.

Financial management standard operating procedures were developed as guidelines for implementation within departments and support relating to policy development and review was also provided to entities.

The Disaster Recovery Plan (DRP) was approved, implemented and finalised in December 2021. The planned roll out of LOGIS within the province could not be started due to suspension of trainings at National Treasury due to Covid-19. Support on BAS and HardCat functionality within the province was continued even though there were Covid-19 challenges.

A final decision around the decentralisation of the Internal Audit Function within the province has not yet been made.

Risk based audits were conducted across all Provincial Departments. The Assurance Services unit revised their Annual Internal Audit Operational Plans with the approval of the Provincial Audit & Risk Committee to take into account the implications of the various lockdown levels as well as budget cuts. Specific focus was given to COVID 19 expenditure with audits being conducted in the majority of the Departments. These audits focused on compliance relating to procurement and spending; as well as reviewing the control environment relating to the management and control of PPE and other COVID related items procured. In addition, the unit focused on reviewing their audit improvement strategies, conducting AG follow up assessments and providing reviews on interim financial statements, in order to assist Departments, prepare for the AG audits. Other focus areas covered by the Internal Audit Unit included IT audit reviews, performance information, SCM; as well as following up on previous audit findings to determine how Departments were faring in addressing previous control weaknesses.

Departments were monitored for compliance with the minimum risk management standards, with non-compliance escalated to the Provincial Audit and Risk Committee and the respective Executive Authorities. The revised Provincial Risk Management Framework and the Combined Assurance Framework were developed and presented to the relevant parties. Risk assessments and risk management training continued to be provided to municipalities. Due to the Covid-19 related challenges, the roll-out of the Risk Management Framework and the Combined Assurance Framework was postponed to 2021/22.

The Forensic Unit Services sub-programme was shifted to Vote 1: OTP with effect from 1 August 2020 in line with Provincial Executive Council Resolution.

The Municipal Finance programme continued to provide technical support to delegated municipalities and the preparation of both the tabled and approved budgets was monitored, as well as the performance of municipal budgets, which included evaluating mid-year budget and performance assessment reports. Assessments were conducted on municipalities' Special Adjustments Budgets, as a result of Covid-19, to determine whether budgets were funded or unfunded. The 2019/20 Close-out Report was also prepared in respect of all the delegated municipalities.



Technical reviews of the 2019/20 annual financial statements were conducted at various municipalities and the Fixed asset management support was provided by a Municipal Finance Improvement Programme (MFIP) advisor who was appointed by National Treasury.

Municipal Support Programme: The Municipal Support Programme (MSP) projects were revised to provide municipalities with the most effective support while adhering to the Covid-19 regulations. Various municipalities were assisted with pre-audit assessments in preparation for the 2019/20 external audit.

The implementation of the Revenue and Debt Management sub-programme was postponed to 2021/22, as the full budget allocation for the 2020/21 financial year was surrendered toward the provincial Covid-19 response.



2.3.5.2 Overview of the financial results of the department

The table below shows the revenue budget and collected for Provincial Treasury for the year-ending 2020/21.

Departmental receipts

Departmental receipts	2020/21			2019/20		
	Estimate	Actual Amount Collected	Over/ (Under) Collection	Estimate	Actual Amount Collected	Over/ (Under) Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Tax Receipts	R0	R0	R0	R0	R0	R0
Sale of goods and services other than capital assets	R232	R310	R74	R228	R303	R75
Transfers received	R0	R0	R0	R0	R0	R0
Fines, penalties and forfeits	R0	R0	R0	R0	R0	R0
Interest, dividends and rent on land	R 487, 998	R 387, 692	(R 100, 303)	R 365, 000	R 599, 025	R 234, 025
Sale of capital assets	R210	R113	(R97)	R204	R1,434	R1,230
Financial transactions in assets and liabilities	R422	R1,196	R774	R410	R2,194	R 1, 784
Total	R 488, 862	R 389, 310	(R 99, 552)	R 365, 842	R 602, 957	R 237, 115

The actual revenue collected in the 2020/21 financial year was R389, 310 million against a budget of R488 862 million, resulting in an under-collection collection at year end of R99, 552 million. The under collection is explained per economic classification as follows:

- **Sale of goods and services other than capital assets** - The revenue collected under this category relates to parking fees, gaming licenses, commission received on PERSAL deductions and sale of tender documents. The over collection is mainly from sale of old departmental cellular phones.
- **Fines, penalties and Forfeits** – There were no fines or penalties collected under this category.
- **Interest, dividends and rent on land** – Revenue collected against this category is from interest earned on the Inter-Governmental Cash Co-ordination (IGCC) and the Pay Master-General (PMG) accounts. The enormity of the interest earned by these accounts is related to the amount of cash on hand and interest rate volatility, as the IGCC account has been cash positive due to the implementation of cost-cutting measures and tight cash flow management by provincial departments. The under collection on this category was due to a major drop on interest rates during the Covid-19 pandemic.
- **Sale of capital assets** - The under-collection against this item was due to the delays in the process of auctioning old departmental vehicles.
- **Transactions in financial assets and liabilities** - Revenue generated against this category is mainly attributed to recovery of debts from previous financial years. The over-collection was due to the recovery of previous years' legal costs paid to PKX. The legal firm successfully won the legal cases which were instituted against department (Gaming and Betting) hence a refund was received.



Programme Expenditure

Programme Name	2020/21			2019/20		
	Final Appropriation	Actual Expenditure	(Over)/ Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/ Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	R 175, 386	R 164, 057	R 11, 329	R 237, 636	R 204, 269	R 33, 367
Sustainable Resource Management	R 38, 640	R 36, 645	R 1, 995	R 44, 641	R 40, 980	R 3, 661
Financial Governance	R 187, 571	R 185, 250	R 2, 321	R 210, 917	R 205, 764	R 5, 153
Internal Audit	R 101, 461	R 99, 984	R 1, 477	R 174, 595	R 162, 584	R 12, 011
Municipal Finance Management	R 55, 236	R 54, 431	R805	R 59, 865	R 58, 418	R 1, 447
Total	R 558, 294	R 540, 367	R 17, 927	R 727, 654	R 672, 015	R 55, 639

The main appropriation of Provincial Treasury was R718, 763 million in 2020/21. During the year, the department's budget was decreased by a net amount of R160, 469 million to R558, 294 million which was appropriated during 2020/21 Adjustments Estimate processes.

The main adjustments that led to the net decrease in the budget are summarised below;

Roll-overs: Approval was granted for the roll-over of R10 million from the 2019/20 financial year.

Other adjustments:

- R114, 354 million budget cut to contribute towards the COVID-19 Provincial Response.
- R23, 119 million budget cut for the COE reductions which were instituted by National Treasury against the departments.
- R19, 996 million budget cut due to the transfer of the Forensic Services Unit to the Office of the Premier.
- R13, 000 million budget cut to assist with the expenditure pressures at the Department of Education.

Spending in respect of Programmes can be summarised as follows:

- **Programme 1** - This programme spent 94% of the allocated budget. The substantial under-spending of (6%) was mainly due to; -
 - Delays in the filling of the vacant post of the Head of the Department and other posts within other units.
 - Savings from special projects that were delayed due to the impact of the lockdown restrictions and the use of internal resources to perform the Irregular expenditure projects.
 - Savings on Subsistence & Travel, Consumables: Stationery, printing and Office supplies and other operating costs due to the impact of the COVID-19 restrictions



- o Further savings were also realized from the capital expenditure due to reduced lease payment for photocopiers that were on an extended contract and the delays in the finalization of the hardware maintenance contract.
- **Programme 2** - This programme spent 95% of the allocated budget. The under-spending of (5%) was mainly due to; -
 - o The payment of Performance Bonuses which was lower than originally budgeted and the vacant positions with the Economic Analysis unit.
 - o Further savings on Subsistence & Travel, Agency and support / outsourced services and other operating costs due to the impact of the COVID-19 restrictions.
- **Programme 3** - This programme spent 99% of the allocated budget. The slight under-spending of (1%) was mainly due to; -
 - o Savings were realised from Consultants, Agency and support / outsourced services, communication and Subsistence and Subsistence & Travel due to the impact of the COVID-19 restrictions.
- **Programme 4** - This programme spend 99% of the allocated budget. The under-spending of (1%) was mainly due to; -
 - o Savings were realised from Compensation of Employees, Consumables: Stationery, printing and Office supplies, communication and Subsistence and Subsistence & Travel due to the impact of the COVID-19 restrictions.
- **Programme 5** - This programme spent 99% of the allocated budget. The under-spending of (1%) was mainly due to; -
 - o The payment of Performance Bonuses which was lower than originally budgeted for and the savings from Subsistence & Travel due to the impact of the COVID-19 restrictions.

Spending in respect of **Economic Classification** can be summarised as follows:

- Compensation of Employees was under-spent by R2,3 million i.e. (1%) mainly due to:
 - o Recruitment processes that are unfinalised, as well as vacant posts that were vacated during the financial year.
- Goods and Services was under-spent by R13,5 million i.e. (6%). This was attributed to the following:
 - o Savings from special projects that were delayed due to the impact of the lockdown restrictions and the use of internal resources to perform the Irregular expenditure projects.
 - o Savings from Subsistence & Travel, Consumables: Stationery, printing and Office supplies and communication due to the impact of the COVID-19 restrictions.
- Transfers and Subsidies was under-spent at year-end by R976 thousand i.e. (13%) mainly due to:



- Non-profit Institutions was under-spent at year-end by R279 thousand i.e. (100%) due to the outreach events that were postponed as a result of the COVID-19 restrictions.
- Households was under-spent at year-end by R697 thousand i.e. (9%) due to the overprovision for the staff exit costs.
- Payments for Capital Assets was under-spent at year-end by R954 thousand i.e. (12%) mainly due to:
 - The reduced lease payment for photocopiers that were on an extended contract and the delays in the finalization of the hardware maintenance contract.
- Payment for Financial Assets was underspent at year end by R2 thousand (2%).
 - The department has a negative expenditure of R 80 thousand against this category due to bad debts written-off as irrecoverable.

The following post virements were made between Programmes:

R thousand	POST ADJUSTMENTS APPROPRIATION					Total Adjustments Appropriation	Post Adjusted Appropriation
	Adjusted Appropriation	Unforeseeable/unavoidable	Virements	Shifts adjustments	Other		
1. Administration	178 538	-	(3 152)	-	-	(3 152)	175 386
2. Sustainable Resources Management	38 640	-	-	-	-	-	38 640
3. Financial Governance	179 433	-	8 138	-	-	8 138	187 571
4. Internal Audit	105 888	-	(4 427)	-	-	(4 427)	101 461
5. Municipal Finance Management	55 795	-	(559)	-	-	(559)	55 236
Total	558 294	-	-	-	-	-	558 294
Amount to be voted							-

Programme 1

A total amount of R3 152 000 was moved from Programme 1: Administration to Programme 3: Financial Governance and the details are as follows:

- An amount of R2 417 000 was moved within the economic classification, Goods and services from Office of the HOD to Support and Interlinked Financial System for defrayment of excess expenditure
- An amount of R326 000 was moved within the economic classification, Compensation of Employees from Financial Management (CFO) to Support and Interlinked Financial System for defrayment of excess expenditure.
- An amount of R409 000 was moved within the economic classification, Payments for Capital assets from Corporate Services to Programme 3: Financial Governance, sub-programme:



Programme Support: (R31 000); Supply Chain Management (R170 000); Accounting Services (R174 000); Norms & Standards (R17 000) and Support & Interlinked Financial System (R17 000) to cater for excess expenditure.

Programme 4

A total amount of R4 427 000 moved from Programme 4: Internal Audit to Programme 3: Financial Governance and the details are as follows:

- o An amount of R3 153 000 was moved within the economic classification, Goods and Services from Assurance Services to Support & Interlinked Financial Systems to defray over-expenditure on computer services.
- o An amount of R1 274 000 was moved between economic classifications to defray over-expenditure on computer services: R424 000 from compensation of employees, and R850 000 from Goods and Services under Risk Management unit to Support & Interlinked Financial Systems Goods and Services.

Programme 5

A total amount of R559 000 was moved from Programme 5: Municipal Finance Management to Programme 3: Financial Governance and the details are as follows:

- o An amount of R346 000 was moved within the economic classification, Goods and Services from Municipal Budget to Support & Interlinked Financial System to defray over-expenditure on computer services.
- o An amount of R213 000 was moved between economic classifications to defray over-expenditure on computer services: R142 000 from Goods and Services and R71 000 from Compensation of Employees under Municipal Accounting & Reporting to Support & Interlinked Financial Systems goods and services.

The following post virements were made between Economic Classification:

R thousand	Adjusted Appropriation	POST ADJUSTMENTS APPROPRIATION					Post Adjusted Appropriation
		Unforeseeable/ Unavoidable	Virements	Shifts	Other adjustments	Total adjustments appropriation	
Current payments	548 084	-	(5 210)	-	-	(5 210)	542 874
Compensation of employees	328 525	-	(6 559)	-	-	(6 559)	321 966
Goods and services	218 750	-	1 974	-	-	1 974	220 724
Interest and rent on land	809	-	(625)	-	-	(625)	184
Transfers and subsidies to:	2 513	-	5 128	-	-	5 128	7 641



Provinces and municipalities	27	-	14	-	-	14	41
Departmental agencies and accounts	3	-	-	-	-	-	3
Public corporations and private enterprises	-	-	-	-	-	-	-
Non-profit Institutions	279	-	-	-	-	-	279
Households	2 204	-	5 114	-	-	5 114	7 318
Payments for Capital assets	7 697	-	-	-	-	-	7 697
Buildings and other fixed structures	-	-	-	-	-	-	-
Machinery and Equipment	7 697	-	-	-	-	-	7 697
Software and other intangible assets	-	-	-	-	-	-	-
Payments for financial assets	-	-	82	-	-	82	82
Total	558 294	-	-	-	-	-	558 294
Amount to be voted							-

- R6,559 million was moved out from Compensation of Employees as follows:
 - R4,798 million was moved to Goods and Services to defray over-expenditure.
 - R1,683 million was moved to Transfers and Subsidies to defray over-expenditure.
 - R78 thousand was moved to the payment for financial assets for the debts written off.
- The net increase of R1,974 million within Goods and Services is made up of:
 - R625 thousand that was received from Interest and Rent on land.
 - R4,798 million that was received from Compensation of Employees to defray over-expenditure.
 - R3,445 million that was moved to Transfers and Subsidies to defray over-expenditure.
 - R4 thousand that was moved to the Payment of Financial Assets for the debts written off
- R625 thousand was moved out from Interest and rent on land to Goods and Services.
- The increase of R5,128 million within Transfers and Subsidies is made up of:
 - R3,445 million that was received from Goods and Services.
 - R1,683 million that was received from Compensation of Employees.
- The increase of R82 thousand within the Payment for Financial Assets is made up of:



- o R78 million that was received from Compensation of Employees.
- o R4 thousand that was received from Good and Services.

Various post virements were made between economic classification items within the various programmes and sub-programmes.

All Virements were approved by the Accounting Officer of the department in terms of Section 43(1) of the Public Finance Management Act and Public Finance.

2020/21 Rollovers

The department does not have any roll-over requests for the current financial year.

Unauthorised, Fruitless Wasteful or Irregular Expenditure.

There was no unauthorised expenditure incurred by the department

Irregular Expenditure

Description	Amount (R)
Proper SCM processes not followed in appointment of service provider (Legal fees) – Part of the opening balance, Condoned in the current year	106 000
The Accounting Officer approved the appointment (Deviation/without competitive bidding) – Awaiting condonation	652 000
Proper SCM processes not followed in appointment of service provider (Prior approval and purchase order were misplaced) - Condoned in the current year	1 265 000
Lowest quotation was not selected. Assignment was undertaken prior to the issuance of the order. - Awaiting condonation	296 000
The winning bid was not selected based on the lowest quotation but was based on a comparative analysis of experience of the respective firms. – Awaiting condonation	667 000
TOTAL	2 986 000

Fruitless, & Wasteful Expenditure

Description	Amount (R)
Interest Charges - Written off	91 000
Unavailability of Witness in court proceeding (no show) – Not written Off	66 000
Errors in the printing of Annual Reports 2019/2020 -Written Off	37 000
No show for Training - Written Off	36 000
TOTAL	230 000

Future plans of the department

The department will continue to implement its strategic plan targets as contained in the 2021/22 Annual Performance Plan document.

Public Private Partnerships

The department had no PPP project in the 2020/21 financial year and there is none planned currently.



Discontinued activities / activities to be discontinued

The Forensic Services Unit was transferred to the Office of the Premier during the 2020/21 financial year. The final decision around the decentralisation of the Internal Audit Function within the province has not yet been made therefore there are no planned activities to be discontinued.

New or proposed activities

None.

Supply Chain Management

TENDER NO	DESCRIPTION	STATUS
ZNT 1207/2016-F	Panel of Contract Management and SCM Experts	Panel appointed for duration of 3 years. (extended till 5 June 2021)
ZNT 1215/2017	Panel of Municipal Finance	Panel appointed for duration of 3 years. (will expire 31 October 2021)
ZNT 1216/2017-F	Panel of Financial Management	Panel appointed for duration of 3 years. (will expire 01 January 2022)
ZNT 1217/2017-F	Panel of Internal Audit	Panel appointed for duration of 3 years (will expire 31 August 2022)
ZNT 1218/2018-F	Banking Services	Contract appointed for duration of 3 years (will expire 31 January 2022)
ZNT 1219/2018-F	Panel of Crack team	Panel appointed for duration of 3 years (will expire 28 March 2023)
ZNT 1222/2019-F	Cleaning Services	Contract appointed for duration of 3 years (will expire 31 October 2023)
ZNT 1223/2019-F	Electronic Security System	Awaiting finalisation Contract appointed for duration of 3 years (will expire 31 August 2023)
ZNT 1224/2019-F	Security Services	Awaiting finalisation Contract appointed for duration of 3 years (Contract Terminated)
ZNT 1225/2019-F	Panel of SCM Experts Management and SCM Experts	In progress
ZNT 1228/2021-F	Events Management	In progress
ZNT 1229/2021-F	Security X-ray luggage scanning Machine	In progress
ZNT 1222/2021-F	Panel of Municipal Finance	In progress
ZNT 1231/2021-F	Panel of Contract Management	In progress
ZNT 1225/2021-F	Legal Specialised Services	In progress
ZNT 1233/2021-F	Security Services	In progress

Prevention of Irregular expenditure and SCM challenges

The department incurred irregular expenditure due to non-renewal of the 3 buildings lease agreement.

Gifts and Donations from non-related parties

In the beginning of April 2021 the department received an amount of R150 000 from ABSA towards the costs that were incurred by the department in March 2021 for the production of the Budget Supplement for the 2021/22 financial year.



Donations made in Kind (R'000)

Receiver of Donation	Description of Donation	2020/21
		Amount (R)
(Schedule for Donations Made in kind)		
Usizolwethu Senior citizen	Sewing Machine; tables and chairs, electrical stove, mats and Rolls of wool	34 000
Mbongendlu Projects	Sewing Machine; tables and chairs.	15 000
Khazimula Orphanage	Grocery, winter pyjamas, sanitizers, face masks, 3 panel heater and pedestalfan	30 000
Angels Care Centre	Grocery, sanitizers and face masks	16 000
Thimuni P School	School uniform	75 000
Uthukela District Alfred Duma	Gift vouchers Grocery	60 000
Ethekwini Metro KwaMashu	Gift vouchers Grocery	60 000
Zululand District Nongoma	Gift vouchers Grocery	60 000
Baniyena Primary School	School Uniforms	95 000
Nsongeni Secondary School	School Uniforms	97 000
Elderly people Mtubatuba	Blankets	12 000
Total: Goods & Services Donations		R554 000

Donor Funding

The department had no new Donor funding during the 2020/21 financial year.

Global Funding

Provincial Treasury was responsible for project managing the Global Fund programme whose main objective was to address the social and structural drivers of HIV and TB prevention, as well as ensuring protection of human rights and improving access to justice. This project has since come to an end during the 2019/20 financial year however the balance of the unspent funds of R55,426 million will be paid over during the 2021/22 financial year.

Exemptions and deviations received from the National Treasury

There were no exemptions received by the department during 2020/21 financial year.

Events after the reporting date

None

Other

There is a possible contingent asset emanating from the SIU investigation where a service provider appears to have overcharged the department for the consulting services which they had rendered. The department currently does not have the full details of this matter as the investigation has not yet been concluded by the SIU therefore there is no contingent asset recorded in the Annual Financial Statements.



Acknowledgement/s or Appreciation

I would like to express my gratitude to the MEC for Finance for her support, Treasury Management and Staff for their hard work during the year.

Conclusion

This report presents the annual financial statements and performance information report for the financial year 2020/21.



.....
Mr S. Moodley
Accounting Officer
31 May 2021



2.3.6 Statement of Responsibility and Confirmation of Accuracy for the Annual Report

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed throughout the annual report are consistent.

The annual report is complete, accurate and is free from any omissions.

The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the modified cash standard and the relevant frameworks and guidelines issued by the National Treasury.

The Accounting Officer is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The Accounting Officer is responsible for establishing, and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In my opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the Department for the financial year ended 31 March 2021.

Yours faithfully



.....
Mr S. Moodley
Accounting Officer
25 August 2021



2.3.7 Strategic Overview

2.3.7.1 Vision

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

2.3.7.2 Mission

We, the KZN Provincial Treasury, seek to enhance the KwaZulu-Natal Provincial Government service delivery by responding to the expectations of all stakeholders in the value chain as a key driver through: -

- Optimum and transparent allocation of financial resources whilst enhancing revenue generation and financial management practices in compliance with applicable legislation and corporate governance principles;
- Our competent and dedicated employees who are at centre of ensuring best value of our stakeholders.

2.3.7.3 Values

- The core values of the Department are as follows:
- Responsibility
- Efficiency
- Service Excellence
- Financial Discipline
- Professionalism
- Integrity
- Respect
- Loyalty

2.3.8 Legislative and Other Mandates

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

- The Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996)
- Public Finance Management Act (Act No. 1 of 1999, as amended).
- Municipal Finance Management Act (Act No. 56 of 2003)
- Promotion of Access to Information Act (Act No. 2 of 2000)
- Annual Division of Revenue Act
- Annual Provincial Appropriation Acts



- Preferential Procurement Policy Framework Act (Act No. 5 of 2000)
- Broad-Based Black Economic Empowerment Act (Act No. 53 of 2003)
- 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)
- Construction Industry Development Board Act (Act No. 38 of 2000)
- Public Audit Act (Act No. 25 of 2004)
- Provincial Tax Regulation Process Act (Act No. 53 of 2001)

2.3.8.1 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;

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

2.3.8.2 Legislative Mandates

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

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

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

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

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



2.3.8.2.2 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. 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.

2.3.8.2.3 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's 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.

2.3.8.2.4 Annual Division of Revenue Act

- 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 co-ordination 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.



2.3.8.2.5 Annual Provincial Appropriation Acts

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

2.3.8.2.6 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.

2.3.8.2.7 Broad-Based Black Economic Empowerment Act (Act No. 53 of 2003)

The object of this Act is to promote the achievement of the constitutional right to equality, increase broad-based and effective participation of black people in the economy and promote a higher growth rate increased employment and more equitable income distribution; and

Establish a national policy on broad-based black economic empowerment so as to promote the economic unity of the nation, protect the common market, and promote equal opportunity and equal access to government services.

2.3.8.2.8 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, including:

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

2.3.8.2.9 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.

2.3.8.2.10 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.



2.3.8.2.11 Construction Industry Development Board Act (Act No. 38 of 2000)

The objective of this Act is to provide for the establishment of the Construction Industry Development Board; to implement an integrated strategy for the reconstruction, growth and development of the construction industry and to provide for matters connected therewith.

2.3.8.2.12 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.

2.3.8.2.13 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.

2.3.8.3 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 Partnership's 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).



2.3.9 Organisational Structure

2.3.9.1 High level structure



2.3.10 ENTITIES REPORTING TO THE MINISTER/MEC

N/A

PART B:

2.4 - PERFORMANCE INFORMATION

2.4.1 AUDITOR GENERAL'S REPORT: PREDETERMINED OBJECTIVES

Refer to page 126 of the Report of the Auditor General, published as Part E: Financial Information.

2.4.2 OVERVIEW OF DEPARTMENTAL PERFORMANCE

2.4.2.1 Service Delivery Environment

Office of the MEC (Community Outreach and Social Responsibility)

KZN Treasury's responsibility, generally, is to promote economic development through Supply Chain Management Protocols, good governance, social progress and improving living standards through accountability, efficiency and sustainability of the public finances and secure sound and sustainable management of the financial affairs of municipalities and entities.

In keeping with the KZN Treasury's raison d'être (reason for being), Ministry planned various community engagements for the year under review, starting with the most recent ones.

Provincial Treasury had a number of initiatives planned for the fourth quarter, however, the fluctuating Covid-19 infections and subsequent restrictions forced the department to postpone a significant number of them.

However, the MEC for Finance was able to support 180 community members from UThukela, EThekweni and Zululand Districts where the elderly and indigent people identified through OSS/DDM received gift vouchers for groceries and basic needs.

The projects that could not continue as a result of the Covid-19 pandemic included a campaign in partnership with the South African Institute for Chartered Accountants (SAICA) and in awarding learners who excelled in finance and accounting; budget engagements with Durban Chamber of Commerce; pre-budget webinar or community outreach to solicit community input on budget; as well as two engagements with the Association of Black Accountants of South Africa (ABASA) and with Professional Progressive Forum of KwaZulu-Natal.

Within the relaxed covid-19 regulations, the Office of the MEC for Finance has led community outreach programmes, albeit with severe limitations due to lockdown, both in urban and rural areas across the province of KwaZulu-Natal with the objective of empowering communities to fight poverty and underdevelopment.

These carefully planned engagements saw the MEC lead delegations to Jika Joe Settlement in Pietermaritzburg towards the end of April 2020/2021 financial year and various other areas followed thereafter.

In an attempt to boost the morale of the learners from impoverished families, the MEC, around June 2020 also undertook to donate full school uniform to five different schools where about 300 learners benefited.



These schools include Dududu Primary and Phindavele High schools under uMdoni Municipality in the south coast as well as Baniyena, Thimoni Primary Schools and Ntsongeni Secondary School in Mid-Illovo area under uMkhambathini Municipality respectively.

In the same spirit, Ministry turned its attention to helping those Non-Governmental Organisations that help the needy. These include Angels' Care Crisis Centre and Khazimula Orphanage Centres in ward 2 and 4 under UMngeni Municipality in July 2020, where donations of blankets, grocery, sanitizers, masks and warm sleep wear made. These Non-Profit Organisations assist children who are abused, orphaned and victims of gender-based violence.

This was driven by the belief that the various Non-Profit Organisations assist government in its task to alleviate poverty and because of this, it is critical that government supports the work they do in communities.

Furthermore, Ministry has led various other transversal community activities with the support of the Department of Agriculture and Rural Development. These include the launch of the Covid-19 One Home One Garden Programme in Dambuza location under uMsunduzi Municipality around June 2020.

This was followed by the Launch of Msunduzi Service Delivery War Room whose main purpose was to address functionality of the municipality in critical areas of service delivery.

Switching focus from community-based support, around the start of the financial year under review, Ministry turned its attention to engagements with the business fraternity in the province. Following up on engagements with the Provincial Banker, Absa, that had started around 2018, Ministry secured a commitment from the Provincial Banker to establish its own SMME and Youth Funds as in KZN government for similar budget allocations of R500m and R70m respectively. However, this initiative by the Provincial Banker was to be managed by themselves. Memoranda of Agreements have since been signed, but this will be reported on in the report of the Annual Report 2021-2022 respectively. The purpose is to help SMMEs and Co-operatives doing business with the provincial government. This is the contribution to the realisation of one of the seven priorities of government: "Economic Transformation and job creation".

Also significant is the fact that KZN Treasury was awarded a status of Training Office for Chartered Accountants in 2015. Subsequently, as part of the SAICA Trainee Accountant Graduate Recruitment Program, flowing from the afore-mentioned status, Department recruits three trainees on an annual basis into its three- year trainee program, 06 of these trainees are now qualified as Chartered Accountants. Three (03) of them qualified during the 2019/2020 financial year.

As of 2020/2021 financial year, these CAs are currently assisting departments, Public Entities and Municipalities with their financial management and auditing responsibilities.

Going forward, the MEC for Finance has clearly stated her vision about the Department and this includes the need for more visibility in municipalities where the Department needs to assist them on finance-related matters as provided for by the Municipal Finance Management Act.

The MEC again would the Department to be more visible in communities, empowering them with



information on what the KZN Treasury does and make targeted interventions where necessary.

Management Services (Office of the HOD)

This sub-programme provides support to the Executive Authority in providing strategic and political direction to provincial departments, municipalities and public entities.

Achievements of the Office of the Head of Department are:

The Office of the Head of Department continues to ensure that the department fulfils its mandate in terms of the PFMA & MFMA. This includes facilitating the tabling of the MTEF and Budget Adjustment process to Cabinet.

The HOD continues, without exception to emphasise the need to save by the continuation of the cost cutting measures together with careful budget and cash management.

The Head of department also continues to be very instrumental in the implementation of key projects that have an impact on financial management and social governance in KZN, such as the Provincial Recovery Plan, Contract Management, Operational Clean Audits.

The office of the HOD remained very instrumental in driving certain programmes which have received good success over the years such as:

Operation Sukuma Sakhe

Drought Relief Project

School Adoption Project

OPERATION SUKUMA SAKHE

Operation Sukuma Sakhe (OSS) aims to rebuild the fabric of society by

Promoting human values,

Fighting crime, diseases, deprivation and social ills,

Ensuring moral regeneration and

Unblock service delivery through effective intergovernmental partnerships.

As HOD Champion in Ethekwini Operation Sukuma Sakhe, the office of the head of department/IGR could not participate in various outreach programmes for the youth in schools due to Covid-19 Lockdown that was announced by the President as of March 2020.

Lastly, the South African public sector is transforming at a rapid rate and this increases the exposure to elements of risks and opportunities that may impair or promote the achievement of its objectives.

Risk management in the public sector presents some significant differences from its private sector counterpart. In the private sector, it is generally true that the higher the risk, the higher the reward – usually in the form of profits. However, in the public sector this trade-off doesn't necessarily apply.



Integrated risk management requires an ongoing assessment of potential risks for an organisation at every level, and then aggregating the results at the corporate level to facilitate priority setting and improved decision-making.

The department has an integrated risk management system through the report-back by risk owners on progress of actions plans at various management meetings. The departments risk committee continues to be proactive and acts as an oversight committee that facilitates the management of risk facing KZN Provincial Treasury on a central basis in accordance with the requirements of the PFMA, and the relevant National Treasury Regulations. In addition, the risk committee continues to assist the Accounting Officer in discharging his accountability for risk management by reviewing the effectiveness of the department's risk management system, practices and procedures and providing recommendations for improvement.

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The department has integrated risk management into existing decision-making strategies through report-back by risk owners on progress of actions plans at various management meetings. The departments risk committee continues to be proactive and acts as an oversight committee that facilitates the management of risk facing KZN Provincial Treasury on a central basis in accordance with the requirements of the PFMA, and the relevant National Treasury Regulations. In addition, the risk committee continues to assist the Accounting Officer in discharging his accountability for risk management by reviewing the effectiveness of the department's risk management system, practices and procedures and providing recommendations for improvement.

Financial Management (Office of the CFO)

The objectives of this unit are to render financial and supply chain management functions to Provincial Treasury.

Some achievements of the Office of the CFO include the following:

- The department continued to maintain an error free asset register and there were no audit findings raised in this area of work.
- The Treasury internal control unit has been responsible for the reviewing of invoices submitted for payment by services providers, the unit has been able to prevent, detect and correct any internal control deficiencies.
- Averages of 99% of all invoices received were settled within prescribed 30 days' period as per treasury regulations.



- The office of the CFO office has facilitated the departmental audit and received 12th consecutive clean audit for the 2020/21 financial year and the target is to maintain the status quo through continuous improvement. All audit issues raised during the previous audit were resolved timeously.
- The payments and revenue units have achieved their legislative mandates, there were no material findings raised by the Auditor General during the year 2020/21. The unit has continued to implement optimal financial management processes.
- The budget of the department was managed successfully and there was no over spending.
- Various strategies to bring down the vacancy rate have been explored hence various vacant funded posts are in the process of being filled within the Office of the Chief Financial Officer.
- The Office of the Chief Financial Officer has continued to attract, motivate and retain competent personnel through developing skills and empowering our employees. We also help them perform at consistently high level by encouraging their professional and personal development.

Human Resource Management

- During 2020/21, the Human Resource Management Directorate fulfilled all of its legislative mandates and delivered an efficient and professional Human Resources function to the Department. The unit has successfully implemented all planned Human Resource Planning and WSP strategies for the year, despite the COVID-19 challenges, thereby ensuring a well capacitated and healthy workforce that is appropriately skilled and empowered.
- The unit has exceeded its requirements in terms of empowering the organisation as a whole on all Human Resource related knowledge and information in terms of the number of policies that were developed and work-shopped. The organisation as a whole is 100 per cent compliant to all requirements of the performance management and development system, which is efficiently and professionally implemented and monitored by the Human Resources Directorate.
- The Unit has been actively involved since 01 April 2020, in managing the *return to work plans* of officials with the Department, at the various risk adjusted Alert Levels, ensuring full compliance to the issued Regulations at each level as well as DPSA directives in this regard.
- 56 employees were approved as High Risk employees, who were vulnerable to COVID-19 at the beginning of May 2020. 50 employees have since returned to work as at 1 October 2020. One employee has since retired and 5 High Risk employees remain working remotely with strict adherence to the productivity management procedures implemented within the Department.
- The Employee Health and Wellness Section within HRM continues to make a visible impact on the lives of employees by increasing the number of Wellness Clinics per month within the Department, with noticeable improvements in the number of voluntary on-site testing. Monthly articles relating to COVID-19 coping strategies such as; how to stay motivated whilst working from home, financial stress due to loss of employment, maintaining a healthy life style during a pandemic, ergonomics for remote working, and dealing with the loss of a loved one to the virus, to name a few, kept employees motivated during the various risk adjusted alert levels. All staff who tested positive for the Corona



Virus were personally contacted by the Wellness team and supported throughout the period of isolation and assisted with reintegration into the work place.

- The reduction in misconduct and grievance cases within the Department is largely attributed to the monthly articles that stem from the Labour Desk of the Directorate as well as regular information sharing platforms to empower both staff and management on the managing of sound employer/employee relations.
- The Unit continues with strategies to implement the Head of Department's commitment to improving EE targets of women in management and people with disabilities. A strong focus is on Youth development Programs and the development and improvement of existing skills and qualifications through vigorous skills and empowerment programs. Integrated efforts of the sections within HRM during the year has ensured a strong drive for policy compliance, eradication of fraud and corruption, responsible sick leave management, well aligned departmental structures, adequately skilled employees and a healthy and well informed workforce.
- Provincial Treasury's partnership with SAICA on the Thuthuka Bursary Fund, where Treasury is currently sponsoring previously disadvantaged students studying towards becoming Chartered Accountants is in its 9th year since inception. The partnership has further resulted in the Department receiving SAICA accreditation as a Training Office during December 2015, and the Department has received its 6th allocation of three Trainee Accountants as at January 2021 making it a total of eight (8) trainees who are currently undergoing training towards becoming chartered accountants. The program has since inception, yielded a total of seven (7) Public Service trained Chartered Accountants, who are all now employed on a further three-year management development program within the Department.

Information Technology Management

- Findings from all audits done in the year were not severe and were resolved within the stated timeframes. This means from an ICT governance perspective, IT was able to provide value to the department and assist it in achieving its strategic objectives.
- A wireless solution was implemented at all three sites. The objective was to enable staff to connect wirelessly to the departmental network. It is hoped this will reduce problems associated with faulty or damaged network points and improve mobility of users within the building. This will also limit the carbon foot print due to less copper wiring within the building.
- Some measures and projects were undertaken to ensure that level of productivity was maintained during the pandemic. A virtual meeting platform was rolled-out to allow departmental users to conduct meetings and ensure collaboration. Also a document library and sharing platform was implemented using Microsoft SharePoint and OneDrive.
- Performance of our Disaster Recovery site in Durban was improved which enabled us to reduce the replication window to under three hours. This meant that all replication was completed on time after hours with no performance impact to the network during the day.



Programme 2: Sustainable Resource Management

Economic Analysis and Infrastructure

This sub-programme will continue to support and enhance infrastructure and economic development in the province by:

- Developing strategic policies and frameworks;
- Ensuring the implementation of policies and frameworks;
- Managing the implementation through monitoring and evaluation; and
- Providing continuous support to the relevant stakeholders

- The mandate of the sub-programme is fivefold, namely.

To provide and oversee the provisioning of infrastructure management and economic services in the province in terms of legislative mandates.

To determine and evaluate economic parameters and socio-economic imperatives that inform the provincial and local resource allocation and to provide a platform to enhance regional economic growth and development through quality research.

To monitor infrastructure planning and delivery performance in the province.

To co-ordinate and facilitate the implementation and institutionalisation of the Infrastructure Delivery Management System (IDMS) regulations and methodologies.

To support the funding and implementation of strategic infrastructure projects in the province

- *Economic Services*

The economic analysis unit continued with its mandate of conducting economic research on the fiscal framework for allocating resources within the provincial departments. The Unit completed two research projects focusing on a review of the Provincial Equitable Share (PES) formula, and the Norms and Standards for funding of public schools in KwaZulu-Natal (KZN).

As the country was affected by the devastating coronavirus (COVID-19) since March 2020, the unit responded by undertaking the following studies:

- The economic response to COVID-19 – looking ahead. The purpose of the study was to provide some policy options specifically related to the Provincial Budget to mitigate the public health and economic fallout of the COVID-19.
- The economic impact of COVID-19 in KZN. The study provided a basic empirical analysis of the possible economic impact of the COVID-19 on the economy of KZN per sector.
- Impact of COVID-19: KZN food parcels. The study focused on the food parcels delivered by the Department of Social Development (DSD) to households and families in distress due to the national lockdown.



- Provincial and Local Government Expenditure on ICT, an analysis of KZN Provincial and Local Government Expenditure on ICT.

In addition, the unit continued to produce three informative economic bulletins. The Economic Analysis continued to provide technical support to the offices of the MEC, HOD and DDG. The unit also participated in several Provincial Treasury activities such as the evaluation of Departmental submissions for funding requests as part of the Economic Recovery Plan, and developing the KZN economic recovery and implementation plan.

The mandatory publications such as the Socio-Economic Review and Outlook (SERO) and departmental analysis reports were produced. In addition, contributions towards other in-house publications such as Municipal Finance's Close-Out Report and Public Finance's Overview of Provincial Revenue and Expenditure (OPRE) were undertaken.

- *Infrastructure Management*

The Infrastructure Management Unit has continued to support the infrastructure development in the province and the introduction of the IDMS principles to all Departments that have an infrastructure budget including Health and Education where IDMS was piloted. The infrastructure planning and reporting schedule circular which indicates the milestone and the timeline for each activity required with regard to infrastructure planning and reporting is now applicable to all Departments that have budgeted for infrastructure projects.

The 2021/22 Estimates for Capital Expenditure (ECE) which was published together with the Provincial Budget is one of the highlight achievement of this financial year. This annual publication provides detailed infrastructure expenditure plans for provincial departments and is aiming at improving the infrastructure planning and contribute to ensuring effective and efficient delivery of infrastructure projects. The ECE includes each provincial department's infrastructure development programme and project lists planned to be delivered during the 2021/22 MTEF period.

The programmes and projects are then captured on the Infrastructure Reporting Model (IRM). This will assist to improve reporting and monitoring.

Through improved planning and reporting processes, the departments of Health and Education continue to receive incentives for infrastructure development for Health Facilities Revitalisation Grant and Education Infrastructure Grant respectively.

- *Infrastructure Delivery Management System (IDMS)*

The IDMS is Government policy for implementing the Government's strategy to enhance socio-economic growth and development through infrastructure delivery. Its legality is based on:

- o The 9 Provincial IDMS Framework documents which were approved by Provincial EXCO (thereby endorsing IDMS in each Province);
- o The Division of Revenue Act (DoRA);
- o Endorsement of the IDMS by the Presidential Infrastructure Coordination Committee (PICC); and



- o The Framework for Infrastructure Delivery and Procurement Management (FIDPM).

Having one standard system to unify infrastructure delivery management in all spheres of government continues to be the vision of the Government. This is not only evident from the aforementioned policies but also from the National Development Plan, 2030, decisions by the PICC, the Budget Council (BC), the Technical Committee of Finance (TCF) and the Cabinet.

Government's IDMS comprises three core legislative requirements, namely asset management, planning and budgeting, and supply chain management. Infrastructure Delivery Management comprises of portfolio, programme, operations, maintenance and project management processes. Performance and risk management are integrated in the delivery management processes. Finally, the institutional system provides organisations guidance on a generic approach towards building their own institutional Infrastructure Delivery Management System.

The KZN EXCO approved the KZN-IDMS Framework document for the Departments of Health, Education, Public Works and Treasury on 22 September 2012. Given the time lapsed to implement the KZN-IDMS Framework; the PT Infrastructure Unit determined that a detailed progress review be undertaken. The progress review is also informed by the DoRA 2016/17, Chapter 4, and Section 27:

During the 2019/20 financial year, National Treasury strategic direction and initiatives in IDMS implementation changed with the repealing of Instruction Note 4 of 2015/16: Standard for Infrastructure Procurement and Delivery Management (SIPDM). The SIPDM was replaced with Instruction No. 3 of 2019/20, the Framework for Infrastructure Delivery and Procurement Management (FIDPM) which addresses issues of inconsistencies with National Treasury infrastructure delivery management and separate Procurement systems. The National Treasury Instruction No. 3 of 2019/20 in this respect was issued on 26th April 2019.

In March 2017 Provincial Treasury issued a circular to all Provincial Departments (PT/INFR 1 of 2016/17), which principally states: The Province of KwaZulu-Natal adopted the Infrastructure Delivery Management System (IDMS) for the planning, delivery, management and reporting on the infrastructure programme. In 2020/21 the circular was updated to reflect the FIDPM Instruction Note and planning, budgeting and reporting requirements for the 2020/21 financial year that.

The IDMS requires departments to have long, medium and short term plans for infrastructure delivery. The infrastructure long term plan known as the Infrastructure (User) Asset Management Plan (IAMP) covering a minimum planning forecast of 10 years, the Medium term plan known as the Infrastructure Programme Management Plan (IPMP) focuses on the next 3 years (or MTEF) and the Infrastructure Programme Implementation Plan (IPIP) focus is detail planning implementation for the next financial year or a 1 year plan. The in-year reporting of infrastructure performance and spending is monitored and reported in the Infrastructure Reporting Model (IRM).

- *KZN Infrastructure Integrated Master Plan*
- The developments of the Provincial Integrated Infrastructure Master Plan (IIMP) provides a high level overview of the nature, extent and status of alignment of and between the abovementioned categories with organisations infrastructure planning within the Province of KwaZulu-Natal. Where



the IIMP identifies critical infrastructure priority gaps due to singular sector infrastructure planning. The need therefore, for such a Provincial Integrated Infrastructure Master Plan that keeps pace with sector planning developments; is driven by the fact that there is no institutional framework to facilitate a coordinated and integrated approach to planning of strategic infrastructure at a provincial level.

The KwaZulu-Natal Provincial Growth and Development Strategy and Plan (PGDS/P) is underpinned by and aligned to the National Development Plan (NDP). Both the NDP and the PGDS/P emphasise the need for improved co-ordination, alignment and integration of infrastructure planning. This resulted in KZN EXCO approving the establishment of the provincial Infrastructure Co-ordination Work Group (ICWG) to facilitate integration and co-ordination of all Infrastructure programmes and projects in KwaZulu-Natal. The ICWG is chaired and coordinated by KZN Department of Public Works with support from Provincial Treasury.

The ICWG members Department of Public Works and Provincial Treasury were invited to be members of the District Development Model (DM) COGTA Planning Steering Committee. The importance of this committee provides for improved coordination of spatial planning and infrastructure planning. Where key objectives of the committee are:

- Guide the Assessment of existing on line information systems to facilitate sharing and updating source information for DDM plans and the updating of profiles and plans. In this regard sharing of the KZN Provincial ECE Plan (including B5 table) and IRM reports;
- Guide and agree on a guideline/framework for the establishment of Technical planning support teams and IGR planning and implementation clusters
- Guide and agree on a framework/guideline to review the DDM ONE PLAN Profile;
- *Infrastructure Crack Team*

The provision of public infrastructure is integral in the realisation of government's goal to provide basic services to all South Africans. However, low capital expenditure by Departments and municipalities necessitated the establishment of an Infrastructure Support Team otherwise referred to as the "Crack Team". The purpose of the "Crack Team" is to assist provincial Departments, entities and municipalities in the infrastructure delivery value chain in assessing, planning, identifying and unblocking of bottlenecks - in the delivery of the essential infrastructure services to communities.

The Infrastructure Support team (a panel comprising of Built Environment Firms) was established in 2011 by the Provincial Executive. The initial panel consisted of 18 built environment professional companies which included engineers, town planners, architects, project managers, and quantity surveyors. A new three-year contract commenced in April 2015 with 23 built environment professional companies, and then in the 2020-21 financial year - a new increased 90 firm panel has been put in place.

One key project that arose out of this initiative was the support provided to the Department of Health in undertaking repair works to health facilities damaged by storms of 10th of October 2017. Due to



the magnitude of the damages and the need for extra capacity for professional services over and above what the Department of Public Works carries, Provincial Treasury was requested to avail a Professional Service Provider to ascertain the extent of damage, determine remedial measures and cost these interventions. Subsequently contractors were appointed to undertake repair works as follows:

- o Wentworth Hospital for the main buildings and a collapsed embankment
- o Roof replacement and improvements to the Stormwater system at the Provincial Pharmaceutical Supply Depot (PPSD)
- o Repairs and improvement to the Stormwater management system at Prince Mshiyeni Memorial Hospital

All the projects were completed with final accounts. No new projects were undertaken in the 2020/21 financial year, nor were any formal requests for assistance from departments or municipalities made. This can mainly be attributed to the COVID-19 pandemic.

Public Finance

The Public Finance unit continued to perform its mandate as prescribed by the PFMA and Treasury Regulations.

In this regard, the budget performance was reported on for all 14 departments, the Provincial Legislature and 16 public entities with these reports submitted to National Treasury, the Provincial Executive Council, as well as the Finance Portfolio Committee (FPC). The Standing Committee on Oversight (STACOV) was also updated on the budget performance of the Provincial Legislature. This year, the Public Finance unit also had to prepare Covid-19 reports and had to submit these to National Treasury, initially on a weekly basis and later on a monthly basis. In total, 31 such reports were prepared and these detailed the provincial response per department and per public entity.

The 2020/21 main budget was finalised and tabled on time as stipulated by the PFMA. The main budget was accompanied by the tabling of the 2020/21 EPRE, which provides provincial spending plans for the next three years.

The 2020/21 financial year was quite different to previous years in as far as the Adjustments Estimate process was concerned, and this was because of the impact of the Covid-19 pandemic. This meant that the Public Finance unit had to ensure quite early in the financial year that the provincial response to the Covid-19 pandemic was funded. While some funding for this was received from National Treasury, the bulk of the provincial response had to be funded through an extensive provincial reprioritisation exercise with the provincial response being funded by R6.210 billion, as required by National Treasury. This meant that a Special Adjustments Estimate had to be tabled in the Provincial Legislature, and this was tabled in July 2020. The province then tabled its usual Adjustments Estimate, but termed the Second Adjustments Estimate, in November 2020 and this dealt with the usual in-year virements undertaken by departments, as well as the approval and formalisation of roll-overs and additional funding allocated from the provincial fiscus to various priority areas. The 2020/21 financial year saw



a further two Adjustments Estimate processes being undertaken, with the Third Adjustments Estimate providing for a further provincial reprioritisation exercise with departments surrendering R420 million from their Votes for allocation to the Department of Education for in-year spending pressures mainly arising from the Covid-19 pandemic. National Treasury also notified the department quite late in the year that they were allocating R413.630 million towards the Education Infrastructure grant under the Department of Education and this was formalised through tabling a Fourth Adjustments Estimate in the Provincial Legislature. Both the Third and the Fourth Adjustments Estimate were tabled in the Provincial Legislature in March 2021. The implementation of cost-cutting measures by departments and public entities continued to be overseen with approximately (526) such submissions being processed during the year.

The impact of these achievements is as follows:

The fiscal discipline in KwaZulu-Natal continues to be noteworthy and is achieved through careful oversight and continued implementation of the cost-cutting measures, together with careful budget and cash management. These measures have all contributed to the province remaining cash positive, continuing with a trend which started in May 2010.

The Public Finance unit will continue to monitor the spending and revenue collection of departments and public entities against budget in 2021/22, with the aim of keeping provincial spending within budget. The Provincial Executive Council will continue to be kept regularly informed of the province's budget performance. The 2022/23 EPRE and 2021/22 AEPRE will be prepared. The enhancement of Provincial Own Revenue will remain a focus area in view of the fiscal consolidation and PES data updates budget cuts that continue to reduce the province's equitable share and conditional grant allocations. Departments' and public entities' adherence to the cost-cutting measures will continue to be monitored.

Programme 3: Financial Governance

Asset and Liabilities Management

The Cash Blocking system has ensured more effective cash management by the departments during the 2019/2020 financial year, as departments were not able to disburse payments to suppliers unless they had the funds available in their cashbook.

The banking section provided a support service to KZN departments in all areas of the banking function. Liaison with departments on a monthly basis has continued to improve the zero balances on the banking-related suspense accounts and Chief Financial Officers of departments were made aware of any risks identified in respect of outstanding transactions.

Municipalities were informed of the reporting requirements in terms of the Municipal Finance Management Act and the submission of reports by municipalities continued to improve in the 2019/2020 financial year.

The tax section provided on-going support to the KZN provincial departments in respect of payroll tax functions during 2019/2020. There has been a noticeable improvement in the knowledge and skills of the tax supervisors at some departments in the Province.



Amendments to tax legislation which impacted PAYE or payroll tax were communicated to departments. Where gaps were identified in the required knowledge and skills of tax supervisors at the departments, one-on-one training sessions were conducted to address individual training needs.

The PAYE Tax Manual was updated to include new legislation amendments and is used by departments in conjunction with SARS Employer Guide. During the 2019/2020 year the training and support continued to be specifically focused at supervisory level to address the issue whereby the tax supervisors lacked the necessary tax knowledge and skills to assist and train their staff on all areas of the payroll tax function.

A quarterly risk analysis was conducted on the status of the tax functions at each department to ensure that any risks were identified and corrective action taken to ensure compliance with tax legislation and year-end practices. Where deemed necessary the Chief Financial Officer was informed of the risks identified and requested to take further action within the relevant department.

Provincial Supply Chain Management (SCM)

- The Unit conducted routine SCM compliance assessments, operational support and investigations in Departments, Municipalities and Public Entities to ensure compliance with relevant SCM prescripts. The unit also provided training to Institutions mainly on Local Production and Content and SCM Bid Committees, where necessary.
- Capacity building interventions were conducted in SCM components of Institutions which were found to have unfavourable audit outcomes. As per a Cabinet Resolution, an SCM intervention at the Department of Health commenced in the 2017/18 financial year and continued into the 2019/2020 financial year. Additional interventions will be identified in terms of the Audit outcomes, for Departments, Municipalities and Public Entities.
- The Policy Development Unit continued to review SCM Policies from the Departments, Public Entities and Municipalities on request. The Unit also consolidated comments from Provincial Departments, Public Entities and Municipalities in relation to the Draft Public Procurement Bill which was published in February 2020 for public comments. Comments were submitted to National Treasury and awaiting final draft.
- The Contract Management Unit assisted Municipalities in developing their Contract Management Policies in line with the Provincial Contract Management Policy Framework and on-going monitoring and support was provided to all Municipalities. Site visits were undertaken to assess the on-site implementation of Contract Management within all Municipalities in the Province and comprehensive reports were submitted to the Municipalities, setting out areas that required attention and providing comprehensive action plans to address any weaknesses and potential areas which needed attention. Training was provided to Municipalities on request.

The SCM Unit further embarked on an exercise aimed at providing post-implementation support to all Departments within the Province, where site visits commenced in November 2019 with an aim of analysing the situation in relation to Contract Management in all Departments. Contract management challenges were identified and Departments and Public Entities have been prioritised



for provision of support during 2021/2022 financial year. A newly approved Organisational Structure has been implemented within the Contract Management Unit with an introduction of the Strategic Procurement Unit.

- The unit identified the use of Regulation 32 contracts, at municipalities, as one of the major contributors to irregular expenditure. The Regulations were being improperly applied and the result of which was the incurrence of irregular expenditure by the Municipality utilising the said contracts. The Unit continues to ensure good governance and transparency in the procurement process by overseeing the approval and monitoring of the use of Regulation 32 requests.
- Direct support was provided to all Departments, Municipalities, and entities in order to facilitate the reporting, compliance and data uploads onto the Central Supplier Database (CSD). Online and telephonic support was provided to suppliers on the CSD registration process, and updates of supplier profiles during the lockdown. The unit conducted virtual CSD training sessions to all municipalities, public entities and departments in order to provide SCM practitioners with knowledge on the functionality of the CSD. The requirement for municipalities to upload employee data was reiterated so that the CSD accurately reflects the employees of the state.
- In accordance with Instruction Note 3 of 16/17, the Unit ensures accountability and good governance at Provincial level and has processed One Hundred and Ninety-Seven (197) applications for deviations. It is our view that this has gone a long way in curbing the incurrence of irregular expenditure.
- In accordance with Provincial Treasury Circular 5 of 2020/21; the Specialised Support Unit ensures implementation of Regulation 4 and 9 of the 2017 Preferential Procurement Regulations in the procurement of commodities that fall within sectors that have been targeted to achieve the objectives of Operation Vula. This implementation is effected through the vetting of bid specifications concluded by provincial departments and public entities for the selected commodities.
- During October 2020 the Unit implemented pre-order compliance assessments which are conducted during the early stages of the bidding process. The purpose of this process was to identify possible weaknesses in the bidding process that may culminate in irregular expenditure. This process has yielded immense success and has seen many bids being cancelled due to serious flaws, thereby avoiding irregular expenditure.
- The Provincial Bid Appeals Tribunal has facilitated a number of cases relating to the appeals against bids that were awarded by the Departments in the Province. The table below reflects the appeals handled during the 2020/2021 financial year:-

SCHEDULE OF APPEALS – DEPARTMENTS					
DEPARTMENTS	APPEALS RECEIVED	STATUS			
		PENDING	WITHDRAWN	FINALISED	LATE APPEALS
AGRICULTURE	16	0	0	8	8
ARTS & CULTURE	0	0	0	0	0
EDUCATION	0	0	0	0	0



SCHEDULE OF APPEALS – DEPARTMENTS					
DEPARTMENTS	APPEALS RECEIVED	STATUS			
		PENDING	WITHDRAWN	FINALISED	LATE APPEALS
HEALTH	268	203	50	8	7
TRANSPORT	5	5	0	0	0
TREASURY	0	0	0	0	0
WORKS	22	9	2	2	9
DEPARTMENT OF CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS	1	1	0	0	0
DEPARTMENT OF ECONOMIC DEVELOPMENT AND TOURISM	1	0	0	0	1
DEPARTMENT OF SPORTS AND RECREATION	0	0	0	0	0
PREMIER	0	0	0	0	0
HUMAN SETTLEMENT	0	0	0	0	0
SOCIAL DEVELOPMENT	0	0	0	0	0
COMMUNITY SAFETY AND LIAISON	0	0	0	0	0
TOTAL	313	218	52	18	25

- The Municipal Bid Appeals Tribunals (MBAT) have provided active support for the hearing of MBAT matters. The table below reflects a summary of appeals handled by the Municipal Bid Appeals Tribunal for Municipalities, during the period of 2020/2021 financial year.

SCHEDULE OF APPEALS – MUNICIPALITIES					
MUNICIPALITY	APPEALS RECEIVED	STATUS			
		PENDING	WITHDRAWN	FINALISED	LATE APPEALS
Amajuba Municipality	1		0	1	
Harry Gwala District Municipality	2		2		
Nkosazana Dlamini Zuma Municipality	2	1		1	
Mandeni Municipality	1			1	
Danhauser Municipality	0				
Edumbe Municipality	2			2	
Greater Kostad Municipality	3			3	
Umzumbe Municipality	0		0		
Umgungundlovu District Municipality	1	0		1	
Msunduzi Municipality	24	0	4	20	
Inkosi Langalibalele Municipality	2	1			1
KwaDukuza Municipality	3			3	
Umkhanyakude District Municipality	0				
Mshwathi Municipality	1			1	
Endumeni Municipality	2			2	
Zululand Municipality	0				
Uphongolo Municipality	1	0		1	
Abaqulusi Municipality	3	1		2	
Newcastle Municipality	3	1		2	
Alfred Duma Municipality	0				
Ilembe Municipality	1		1		



SCHEDULE OF APPEALS – MUNICIPALITIES					
MUNICIPALITY	APPEALS RECEIVED	STATUS			
		PENDING	WITHDRAWN	FINALISED	LATE APPEALS
Richmond Municipality	1		1		
Jozini Municipality	4		1	3	
King Cetshwayo District Municipality	2			2	
City of Umhlathuze Municipality	3			3	
Mlalazi Municipality	1		1		
uMvoti Municipality	1		1		
Msinga Municipality	1			1	
Okhahlamba Municipality	2	1		1	
Umzimkhulu Municipality	1	1			
uThukela Municipality	3	1		2	
Big 5 Hlabisa Municipality	1			1	
Ubuhlebezwe Municipality	1			1	
UGU Municipality	2		2		
TOTAL	75	7	13	54	1

Accounting Services (Financial Reporting)

Strategic objective

The strategic objective of the unit is to provide financial management audit readiness support to departments and public entities in the attainment of improved audit outcomes in the Province.

Purpose

The strategic focus of the sub-programme is to provide sustained financial management and audit readiness support to the Province towards the primary objective of addressing audit risks and weaknesses in financial management processes to achieve improved audit outcomes of departments and public entities.

Service Delivery Achievements

I. Provincial Departments and Public Entities

An executive overview of the financial management support provided to Provincial Departments and Public Entities by the Accounting Services Unit during the year is as follows:

- Provided assistance in preparation of monthly general ledger reconciliations and monitoring of the quality of financial management reconciliations and accounting processes;
- Provided guidance with technical queries on implementation of accounting standard requirements for both Provincial Departments and Public Entities;
- Engaged with National Treasury and Office of the Auditor General on contentious matters relating to interpretation of accounting standards and any National Treasury reforms;



- Monitored the submission by Provincial Departments and Public Entities of mandatory financial information to Provincial Treasury and Auditor General;
- Reviewed the 2020/21 Interim Financial Statements of 2 Public Entities;
- Conducted a pre-audit review of the 2019/20 annual financial statements and working papers for 14 Departments and 3 Public Entities;
- Facilitated GRAP update training for Public Entities;
- Reviewed the monthly reconciliations of interdepartmental accounts in the province;
- Provision of assistance in terms of addressing government debt owed to Municipalities;
- Provision of support rendered to Departments in terms of addressing long outstanding payments to suppliers;
- Support suppliers to resolve payment disputes with departments;
- In addition to the above support, the Unit undertook specific interventions at the following Departments to address audit risk areas:
 - Continued financial management support to KZN Department of Arts and Culture, including preparation of the annual financial statements and asset register;
 - Financial management support to the Acting CFO at KZN Department of Economic Development, Tourism and Environmental Affairs (EDTEA) including provision of Asset Management and Irregular Expenditure support;
 - Continued asset management support to KZN Department of Health;
 - Financial management support provided to KZN Office of the Premier in preparation of the irregular expenditure and asset registers;
 - Provision of support to KZN Department of Agriculture & Rural Development on updating of the irregular expenditure register for the 2020 financial year;
 - Financial management support to KZN Department of Social Development, in reviewing and monitoring the preparation of the annual financial statements and support in preparation of working papers, including management of the audit process for the 2020 financial year;
 - Financial Management support to the KZN Department of Sport and Recreation including preparation of the 2021 interim financial statements; and
 - Financial Management support to the CFO at KZN Department of Education including provision of Asset Management support.



In addition to the above the unit undertook the following:

- Prepared the consolidated annual financial statements for the province and public entities;
- Prepared the annual financial statements for the KZN Provincial Revenue Fund;
- Reviewed the condonation of irregular expenditure submissions made by departments and public entities. The teams managing the sub-programmes of Accounting Services and Supply Chain Management have been instrumental in this process to ensure compliance with the Irregular Expenditure Framework.

Future Plans

Provincial Departments and Public Entities:

The Financial Management Unit will continue to play a significant role in the implementation of the province-wide, multi-level PFMA audit readiness financial management support plan that has been developed to achieve the broad and overarching goal of improved financial management practices and the achievement of 90% unqualified audit outcomes by 2024. The improvement of the effectiveness of financial management in the Province remains a priority in the attainment of improved audit outcomes.

The following targeted projects and initiatives have been identified by the Accounting Services Unit to achieve the outcome outlined above:

- Provision of specialist financial and asset management support to provincial departments and public entities to enhance financial management skills and capabilities and ensure audit readiness.
- Provision of technical support and continuous financial management training to strengthen capacity of officials at departments and public entities on financial reporting standards.
- Monitoring of financial management processes and analysis of monthly key accounts and reconciliations.
- Support to departments in the interim and annual financial statement preparation process with the object of improving the availability of quality supporting documentation.
- Monitor compliance with month-end closure procedures and submission of interim and annual financial statements.

In addition to the above the sub-programme will continue to provide support to the Province in terms of:

- Operation "Pay-On-Time": An "operation pay on time" team is available to support SMMEs in particular with resolving of payment disputes that arise and reporting to National Treasury on compliance with Instruction Note No. 34.
- Inter-Governmental Debt Management: Assistance with the management of Inter-Departmental Accounts and Municipal Debt Recovery.



- Condonation of Irregular Expenditure: Assist with the reduction of irregular expenditure through a process of condonation in compliance with Instruction Note No. 2 of 2019/2020. Provincial Treasury will continue enforcement of the Framework for the condonation of irregular expenditure, by ensuring that all requests for condonation, made by Provincial Departments and Public Entities are in accordance with the requirements thereof.
- Preparation of the consolidated annual financial statements for the province and public entities.
- Preparation of annual financial statements for the Provincial Revenue Fund.

Financial Information Management Systems

The directorate continues to provide support for financial systems such as BAS and HardCat in the province. The Persal is technical supported by the directorate, whilst the Office of the Premier is handling the functionality and policy.

The directorate has successfully setup and implemented in March 2021 the electronic payslips, however the first batch was expected to be delivered via emails in April 2021.

The directorate remains committed to provide optimal protection to both BAS and Persal transversal systems thus mitigating any financial loss to the province. The use of the Biometric Access Control System (BACS) has significantly strengthened the non-repudiation in both BAS and Persal.

The directorate has embarked on the process of implementation the LOGIS systems due to interface shortcomings of HardCat Systems with BAS. KZN Department of Agriculture is already using the LOGIS purchase module, and the following two departments namely: KZN Health and KZN COGTA started the process of LOGIS implementation in March 2021.

Public Private Partnerships (PPPs)

- The Public Private Partnership Unit continued to perform its mandate as prescribed by the PFMA, MFMA and Treasury Regulations. The PPP Unit continued to provide technical support and advisory services to all Provincial Departments, Public Entities and Municipalities embarking on PPP's as an alternative Procurement Vehicle. The lack of project management skills, contract management and monitoring of performance of PPP process remain a major challenge in Province.
- In accordance with the Preferential Procurement Policy Framework Regulations 4 and 9 of 2017 and other relevant prescripts which seeks to provide an enabling environment to enhance radical economic transformation, all bidding documents were vigorously vetted to ensure compliance. On PPP contracts that are in operation, the Unit has provided direct support to facilitate reporting and compliance with the Preferential Procurement Policy Framework Regulations.
- Subsequent to Treasury Approval granted to the KZN Department of Health for the Feasibility Study of Inkosi Albert Luthuli Central Hospital, the Department has not made too much progress in Procuring the Private Party to take over the services that are currently performed by the Private Party even though the current contract terms is ending 31 July 2021. Whilst Request for Qualification was advertise in November 2020 such process has not been finalised to-date, such delay unfortunately results in potential irregular expenditure.



- The KwaDukuza Local Municipality has since reached the financial close of its Ten Year Waste Management Contract, and the PPP Unit assisted the Municipality in negotiating this contract, drafting of PPP contract and PPP Contract Management Plan. The Unit will continue with its technical support in management and monitoring of this PPP contract.
- The PPP Unit continues to provide capacity building/training initiatives to both Public and Private sector role-players.

Norms and Standards

Policy Assistance to Departments

The unit reviewed eight (8) standard operating procedure guidelines (SOP's) as per the annually determined review schedule to ensure compliance with legislative prescripts and ensure uniformity and consistency in the application of financial norms and standards. The following SOP's were reviewed: Management of Suspense Accounts, Payroll Control, Loss Control, Voucher Control and Disposal of Records, Management of Petty Cash, System of Delegations, Donor Funding and Use of Official Cellphones. The SOP relating to petty cash was updated to endorse the use of petty cash for purchasing goods for official operational requirements in support of the department's mandate and the exclusion of goods for private or unofficial use, such as food, decor, furnishings, clothing, flowers. Loss Control was updated to include amendments relating to the inclusion of a travel itinerary together with all supporting documents such as photos of any accident scene and all damaged vehicles, etc. where an official vehicle is involved and the verification of information, including the results of investigations of any losses incurred which resulted in the incurrence of irregular and/or fruitless and wasteful expenditure. All proposed amendments were consulted with departments and proposals incorporated, where applicable, in anticipation of its adoption and implementation.

Policy Assistance to Municipalities and Entities

The unit's annual plan is informed by the annual policy support survey conducted prior to commencement of the financial year and numerous ad-hoc requests received during the course of the financial year.

The unit provided support on finance-related policies to three (3) municipalities and 4 (four) entities, namely Umdoni local, Umlalazi local, Nquthu local, KZN Tourism, Dube Tradeport, Sharks Board and KZN Amafa. Policies that were reviewed include; budget, virement, investment and cash management and financial planning. The unit's progressive support ensured that entities have all critical finance-related policies and in recent years only the review exercise has been requested when compared to development of new norms and standards. Furthermore, as part of capacity building, the unit effectively engaged the senior management and operational staff of both KZN Sharks Board and Dube Tradeport during the review ensuring the transfer of skills and knowledge.

Monitoring Compliance and Evaluation

A compliance monitoring and evaluation exercise was conducted to assess financial management compliance within all provincial departments, and included a compliance checklist where documentary evidence was requested to support the responses indicated in the questionnaire, where applicable. A



comprehensive review was undertaken of the Management and Auditor-General Reports for 2018/2019 and audit findings, deviations and internal control deficiencies noted, and a questionnaire developed based on the above analysis which assessed revenue management, expenditure management, irregular expenditure and review of policy. Departments were required to provide reasons for non-compliance when completing the questionnaire and formulate action plans with stipulated deadlines to address deviations.

The completed questionnaire was analysed and thereafter compliance assessment reports issued per department which detailed compliance achievements and provided recommendations to address identified weaknesses or non-compliance. Additional guidelines were provided for incorporation within the working environment, where applicable, to strengthen existing internal control measures and enhance financial management and control.

A compliance follow-up report was issued per department to ensure that recommended remedial or control measures were implemented to address compliance deviations or non-conformance with regulatory prescripts and financial norms and standards. There was a noticeable improvement regarding compliance with regulatory prescripts and departments were largely proactive in addressing identified deviations or implementing additional control measures, where applicable.

Compliance monitoring was conducted within eight (8) entities using a customised questionnaire for each entity based on the 2018/19 Auditor General's findings on norms and standards-related discrepancies. Aforementioned questionnaires were accompanied by checklists for the required documentary evidence to assess and evaluate the entities' responses. The process commenced with scrutinising and the analysis of audit reports for the 8 entities to identify relevant findings that necessitated further investigation. The subsequent development and issuing of a customised assessment questionnaire were submitted to the entities for completion. The completed questionnaires were analysed and thereafter compliance assessment reports issued per entity which detailed compliance achievements and provided recommendations to address identified weaknesses or non-compliance. The most common issues that were identified during the assessment related to a lack of effective measures within entities to collect outstanding debt and to reduce debts that are written off. As a measure to address the issue, the unit engaged with entities to review their debt management policies and debt write-off policies in consultation with their respective senior management.

Implementation of the Financial Delegation Framework

Support was provided to three (3) public entities within KZN Province to assess the implementation of the Delegations Framework, as envisaged in National Treasury's principles document. The entities supported were Dube Trade port, KZN Amafa and KZN Tourism. The unit assisted the CEO and the CFO of KZN Amafa with reviewing the financial delegations as the entity was in a process of merging with another one in the province, the aim of the exercise was to ensure the completeness and adequacy prior to the pending merger. KZN Tourism required assistance with limitations and conditions on their delegations as well as delegation to lower designations within the CFO's office. The unit assisted all three entities satisfactory with the management of KZN Tourism commending the intervention and support.



The review of the departments' PFMA System of Delegations is undertaken to ensure compliance with regulatory prescripts and National Treasury Delegation Frameworks, and assess whether the implementation of the System of Delegations ensures accountability, functionality and the achievement of expected standards regarding results and performance.

Follow-ups were conducted in 9 departments for previously assessed financial delegation frameworks to establish whether the recommendations provided were incorporated in the departmental System of Delegations and reviews conducted to assess revised financial delegation frameworks for 5 departments, and recommendations provided to ensure compliance with regulatory prescripts regarding the implementation and management of delegated financial management powers and duties. A noticeable achievement was the complete restructuring of the Financial Delegation Framework for the Department of Human Settlements, which previously consisted of letters at Management level regarding the approval of expenditure, and which did not conform to legislative and DPSA requirements.

Audit Improvement Plan 2020/21

The unit conducted the following three critical assessments in line with the *Operation Clean Audit Improvement Strategy* for the Province:

- Review the adequacy of financial management policies and standard operating procedures (excluding SCM-related matters), to ensure policies and standard operating procedures were compliant with regulatory prescripts and financial norms and standards.

The review was based on the findings contained within the Management Report and Auditor-General Report for 2018/19, taking into account the mitigation strategy per department to address such findings, which related to creditor management, debt management, unauthorised, irregular and fruitless and wasteful expenditure. Support is provided on an ongoing basis in reviewing identified policies per department, based on the audit findings and identified control deficiencies and a report issued per department on the outcomes of the review and recommendations provided for inclusion in the policies, for customisation and adoption by the departments.

- Evaluation of financial management qualifications of officials in the Office of the Chief Financial Officer (CFO) and all payment points, to assist in strengthening human resource capacity in departments to implement and achieve audit outcome reforms and objectives. Deviations were identified in accordance with minimum qualification criteria as per DPSA benchmark job descriptions for finance and related functions and the National Qualification Framework (NQF) Level in terms of the South African Qualification Authority (SAQA). A comparative analysis was furthermore undertaken of posts indicated on the qualification questionnaire against posts indicated on the approved organogram of the Office of the CFO, to ensure the accuracy and completeness of the questionnaire and a report issued per department detailing all findings for remedial measures to be implemented.
- Review adequacy of Financial Management Delegations of Authority to ensure compliance with regulatory prescripts and National Treasury Delegation Frameworks, and assess whether the implementation of the System of Delegations ensures accountability, functionality and the achievement of expected standards regarding results and performance. A comprehensive report



was issued on the current status of Departments delegation frameworks and any new matters arising subsequent to the matters reported on as at 31 March 2020. The review of the Systems of Delegations revealed that the Delegation Frameworks were complete and comprehensive, and took into account recommendations provided by Provincial Treasury. No material deviations were noted when conducting the assessments, the recommendations primarily related to ensuring delegations incorporated principles and matters governing delegated authority.

PROGRAMME 4: INTERNAL AUDIT

Assurance Services

The Assurance Services component provided the shared internal audit function for the 14 provincial departments. The unit functioned in compliance with the Standards for the International Professional Practices of Internal Auditing (SPPIA) issued by the Institute of Internal Auditors (IIA), and operated under the control and direction of the Provincial Audit and Risk Committee (PARC).

The Unit provided internal audit services by assessing the effectiveness of controls over various processes to assist Departments improve their operations. A total of 121 audit reviews were conducting which included full scope audits, follow up reviews as well as special audits on COVID-19 expenditure. These reviews were conducted in terms of the approved annual internal audit operational plans which were revised to take into account the COVID-19 budget cuts as well as the implications of the National lockdown. The operational plans were based on the risk profiles of each Department and audits conducted provided departmental management with recommendations to improve on internal controls and to address weaknesses identified.

The component contributed towards Provincial Treasury's efforts to assist in the improvement of audit outcomes within the province by conducting the transversal financial audits. These included reviews of the interim financial statements, reviews of the completeness and adequacy of audit improvements plans developed by departments to address AG findings; and conducting AG follow audits to provide accounting officers with assurance on the effective implementation of these audit improvement plans.

The unit conducted reviews on COVID 19 procurement across all provincial departments, in line with the National Treasury instruction note. These audits covered compliance with relevant procurement prescripts; as well as an assessment of the adequacy and effectiveness of internal controls to account for and safeguard PPE. Other core business activities were also reviewed across various departments; as well transversal audits on supply chain management, reviews of performance management processes, transfer payments and Information Technology audits of key systems. Follow up reviews were also conducted which aimed at ensuring that management implemented actions to remedy weaknesses reported by Internal Audit in previous audits conducted. These follow ups focused on both Internal Audit findings as well as Auditor General Follow-ups and the progress of implementation was reported to the Audit Committee and Heads of Departments on a quarterly basis.

The Provincial Audit and Risk Committee together with the Cluster Audit and Risk Committees met regularly to discharge their oversight responsibilities over audit processes during the financial year, in line with their Terms of Reference. Meetings with key stakeholders such as the MEC: Finance, other members of the Executive Committee and the Auditor General were held during the year. The



Committees reported on all critical matters that were identified in their meetings which needed escalation and Committee members also attended AG Audit Steering Committee meetings and certain SCOPA meetings by invitation; as part of their oversight role.

Risk Management

Risk and Advisory Services is a Unit within the Provincial Internal Audit Services which has been established to assist provincial departments, public entities and municipalities to comply with their risk management obligations as stated in the PFMA and the MFMA. Due to budget constraints, the support to public entities was curtailed, whilst the support to municipalities is done on a limited basis.

During the financial year, the Unit updated the Provincial Risk Management Framework and developed the Provincial Combined Assurance Framework. These frameworks, which will be rolled-out during the 2021/22 financial year, are envisaged to enhance departments' risk management and internal control monitoring practices.

The Unit also continued its support to departments and municipalities through, among other things, facilitation of risk assessments at over 20 municipalities; and monitoring departments' compliance with:

- 1) Minimum risk management standards as set by the Provincial Executive Council in 2015;
- 2) Occupational Health and Safety Act; and 3) Sound Business Continuity Management Practices.

With regard to the internal control support provided to the Department of Health, the Unit produced a detailed close-out report on the internal control work stream which was shared with MECs for Finance and Health, the Department of Health, and the Provincial Audit and Risk Committee. Further work on the internal control work stream has been scoped and is awaiting approval for implementation during the 2021/22 financial year. Further work includes assisting the Department of Health with the recruitment and training of internal control practitioners to ensure the sustainability of the internal control work that was provided by the Unit.

In response to various COVID 19 control measures issued under the Disaster Management Act, the Unit has produced risk assessment guidelines and compliance checklists which have been issued to departments for customisation. The Unit has also performed compliance assessments of how departments are complying with selected COVID 19 control measures.

Programme 5: Municipal Finance Management

Municipal Budget

The Municipal Budget sub-programme provides support to delegated municipalities and monitors the preparation and performance of municipal budgets as well as the compliance by all delegated municipalities with the relevant and applicable sections of the Municipal Finance Management Act, Act No.56 of 2003 (MFMA) and the Municipal Budget and Reporting Regulations (MBRR).

During the 2020/21 financial year, the primary focus of the Municipal Budget sub-programme was on the promotion of credible and funded municipal budgets and sound fiscal management and these were achieved through the following:



- Provision of support to all delegated municipalities in the preparation of their 2020/21 Medium Term Revenue and Expenditure Framework (MTREF) Budgets;
- Assessment of the 2020/21 MTREF budgets to establish whether the budgets were credible, sustainable (funding position) and complied with the provisions of the MFMA, the MBRR and other applicable legislation. It is critical that the funding position (i.e. funded or unfunded) of the municipal budgets are evaluated to determine the sustainability of municipalities in the province as this impacts on the municipality's ability to deliver services; and
- Monitoring the implementation of municipal budgets and the preparation of monthly and quarterly reports in terms of Sections 71(6) and 71(7) of the MFMA, as well as assessing the 2020/21 Mid-Year Budget and Performance Assessment Reports on the budget performance of all delegated municipalities.

The President of South Africa declared a National State of Disaster through Government Notice No 313 of 15 March 2020 in terms of Section 27(1) of the Disaster Management Act, 2002 (Act No. 57 of 2002). The Minister of Finance issued a conditional Exemption Notice in terms of Section 177(1)(b) of the MFMA on 30 March 2020 to facilitate and enable the performance of legislative responsibilities by municipalities and municipal entities during the National State of Disaster. As a result, municipalities were exempted from complying with the requirements of Section 16(2) of the MFMA during the National State of Disaster.

The Municipal Budget sub-programme assessed 47 of the 51 delegated municipalities' Tabled Budgets for the 2020/21 financial year and provided written feedback to those municipalities. The remaining four (4) Tabled Budgets could not be assessed due to the non-submission of documents by three (3) municipalities while one (1) municipality submitted their documents significantly late. The Approved Budgets of all 51 delegated municipalities were assessed and municipalities were provided with reports containing feedback on the key findings of the assessments.

The technical support for the 2020/21 budget preparation process was limited to support being provided remotely on request due to the lockdown restrictions on travelling.

To guide all 51 delegated municipalities with the preparation of their 2020/21 budgets and to monitor compliance with the MBRR, Provincial Treasury (PT) issued Circular PT/MF 10 of 2019/20 dated 16 March 2020 (Preparation, submission and publication of the 2020/21 MTREF) to the municipalities. The PT Circular included some of the areas of weaknesses and common mistakes identified by both the Provincial and National Treasuries in prior years that should have been considered and addressed (where applicable) by municipalities.

Provincial Treasury conducted the 2020/21 budget assessment in two phases. The objective of the first phase was to assess the Tabled Budgets of the municipalities and provide comments for consideration by municipalities as per the requirement of Section 23(1) of the MFMA. The assessment process also included compliance checks on all Tabled Budgets received to establish the level of compliance with the requirements of the MFMA and MBRR in general and to verify amongst others, whether the Tabled Budgets submitted were in the correct version of the prescribed format.



Copies of the 2020/21 Tabled Budgets were received from 47 delegated municipalities in the prescribed format. Comprehensive assessments were conducted and written feedback was provided to all 47 municipalities that submitted their 2020/21 Tabled Budgets during the months of April and May 2020. Municipalities were engaged via virtual meetings in the absence of being able to conduct face to face bilateral engagements due to the lockdown restrictions applicable at the time.

The second phase entailed the high level assessment of the budgets approved by the municipal Councils. Copies of the 2020/21 Approved Budgets were received from all 51 delegated municipalities in the prescribed format. High level assessments were conducted and feedback was provided to all 51 delegated municipalities. The main purpose of the assessment of the Approved Budgets was to establish whether the Approved Budgets were funded and took into consideration the comments and recommendations made by Provincial Treasury provided on the Tabled Budgets. This process also included a compliance check to establish the level of compliance of the Approved Budgets with the requirements of the MFMA and MBRR.

Subsequent to the approval of their Final Budgets, National Treasury required municipalities to table and approve Special Adjustments Budgets for the 2020/21 financial year by 30 September 2020. The Special Adjustments Budgets were primarily to address the following:

- To budget for the revised funding allocations that were made available in the National 2020 Supplementary Budget;
- To reprioritise the 2020/21 Approved Budgets to respond to the impacts of the COVID 19 pandemic on the municipal budgets; and
- To improve the funding position for those municipalities with unfunded 2020/21 Approved Budgets to funded 2020/21 Special Adjustments Budgets. The eighteen (18) municipalities that were assessed to have unfunded 2020/21 Approved Budgets are listed in the table below.

List of supported municipalities with unfunded 2020/21 Approved Budgets

No	Name of Municipality	No	Name of Municipality	No	Name of Municipality
1	Ugu DM	7	uMzinyathi DM	13	Zululand DM
2	Mpofana	8	Newcastle	1	4uMkhanyakude DM
3	Richmond	9	Amajuba DM	15	uMfolozi
4	uMgungundlovu DM	10	eDumbe	16	uMlalazi
5	uThukela DM	11	AbaQulusi	17	Nkandla
6	eNdumeni	12	Ulundi	18	Harry Gwala DM

Source: KZN Provincial Treasury

Provincial Treasury engaged with all the eighteen (18) above mentioned municipalities to provide technical support and to emphasise to the municipalities the importance of tabling and approving a funded 2020/21 Special Adjustments Budgets by 30 September 2020. In total, 48 out of the 51 delegated municipalities approved their 2020/21 Special Adjustments Budgets by 30 September 2020. Provincial Treasury conducted high level reviews on the 2020/21 Special Adjustments Budgets and communicated the findings to all 48 delegated municipalities that approved and submitted their Special Adjustments



Budgets. Three (3) delegated municipalities did not approve a Special Adjustments Budget by 30 September 2020. Of the three (3) delegated municipalities that did not approve Special Adjustments Budgets was uMvoti Local Municipality which had already included their allocations from the 2020 Supplementary Budget in their 2020/21 Approved Budget. The other two (2) municipalities namely eMadlangeni Local Municipality and uMkhanyakude District Municipality were unable to convene their Council meetings to approve their 2020/21 Special Adjustments Budgets.

Provincial Treasury also monitored the submission of the 2020/21 Mid-Year Budget and Performance Assessment (MFMA Section 72) Reports which were due to both the Provincial and National Treasuries by 25 January 2021; in line with the provisions of the MFMA. Provincial Treasury conducted an assessment on the Mid-Year Budget and Performance Assessment Reports submitted by the delegated KZN municipalities, with a view of providing recommendations which would influence their 2020/21 Adjustments Budgets.

Provincial Treasury requested municipalities in PT/MF Circular 06 of 2020/21 dated 18 December 2020 to refrain from tabling their 2020/21 Mid-Year Budget and Performance Assessment Reports together with their 2020/21 Adjustments Budgets. This was requested in order for the Provincial Treasury to effectively assess the 2020/21 Mid-Year Budget and Performance Assessment Reports and provide meaningful contribution thereon in the preparation of the municipalities' 2020/21 Adjustments Budgets.

Provincial Treasury evaluated the 2020/21 Mid-Year Budget and Performance Assessment Reports of all 51 delegated municipalities and provided detailed written feedback on the findings thereof to the municipalities. Virtual bilateral engagements were successfully held with all 51 delegated municipalities with the Supply Chain Management (SCM) and Internal Audit Units of the Provincial Treasury also being invited to participate at the engagements.

Provincial Treasury assessed the 2020/21 Adjustments Budgets of all 51 delegated municipalities and provided high level written feedback on the findings thereof to the municipalities.

The Municipal Budget sub-programme prepared 12 monthly Consolidated Budget Performance reports on all delegated municipalities including the three (3) non-delegated municipalities and submitted these reports to National Treasury in terms of Section 71(6) of the MFMA.

Four (4) quarterly reports on the Consolidated Budget Performance for all delegated municipalities including the three (3) non-delegated municipalities were prepared in line with the requirements of Section 71(7) of the MFMA.

Provincial Treasury consistently monitors the payments of electricity and water accounts by all delegated municipalities to Eskom and the Water Boards respectively. Provincial Treasury has assisted in ensuring that defaulting municipalities enter into payment arrangements with Eskom with a view of settling their outstanding Eskom debt.

Municipal Accounting and Reporting

In terms of Provincial Treasury's mandate to support municipalities in strengthening their financial management capacity, Provincial Treasury continued to provide financial management support to identified municipalities within the KZN Province during the 2020/21 financial year. The fundamental



objective of the support initiative is to assist delegated municipalities to improve financial management, accounting and reporting processes and controls as well as assisting them in addressing their audit findings.

Technical reviews of the annual financial statements were conducted at selected municipalities. A high level review of the accounting records, key registers, reconciliations, schedules and working papers was also performed to ensure compliance with the GRAP standards and accurate disclosure within the annual financial statements. In addition, skills transfer to the internal audit component and/or relevant municipal officials was also provided on the process of reviewing the financial statements and working papers as well as managing the audit queries.

Due to the COVID 19 pandemic National Lockdown, the support initiatives were conducted remotely. The intensive onsite Financial Management Support initiative could not be provided during the 2020/21 financial year as resources could not be deployed to the municipalities.

List of municipalities that received support from Municipal Accounting and Reporting during 2020/21

No.	Name of Municipality
1	uMdoni
2	uMshwathi
3	iMpendle
4	Alfred Duma
5	Dannhauser
6	Nongoma
7	Ulundi
8	Mthonjaneni
9	Nkandla
10	Greater Kokstad
11	uBuhlebezwe
12	uMzimkhulu
13	Harry Gwala DM

Municipal Finance Improvement Programme (MFIP III) - Asset Management

National Treasury provided a resource from the Municipal Finance Improvement Programme (MFIP III) – Asset Management whose aim was to address weaknesses identified, ensure the establishment of an asset management steering committee, the capacitation of the asset management unit, provide assistance with the development of policies and procedures as well as providing technical guidance on asset management issues.

The MFIP Asset Management Advisor was not available from September 2020 due to ill health. Asset Management activities were performed as part of the Municipal Accounting and Reporting and the Municipal Support Program support initiatives, i.e. AFS review and pre-audit assessment initiatives respectively.



Municipal Support Program (MSP)

The Municipal Support Program (MSP) within Municipal Finance Management was established to assist and provide technical support to delegated municipalities. The MSP is committed to supporting its clients and identifying ways to improve financial management at municipalities. The program also places emphasis on capacity building to ensure improvements effected are sustainable. The 2020/21 target was for the MSP to implement three (3) projects at municipalities. Due to the COVID 19 pandemic National Lockdown, the MSP was not able to provide intensive on-site support. The MSP worked closely with the Municipal Accounting and Reporting sub-programme to identify suitable support initiatives that can assist municipalities to improve their financial management that ultimately can assist them with the improvement of audit opinions. The revised support initiative was introduced which entailed conducting pre-audit assessments at selected municipalities. The support initiative was implemented remotely from July 2020 and was aimed to assess the selected municipalities' readiness for the 2019/20 audit by the Auditor-General of South Africa (AGSA). Suitable recommendations and guidance was also provided for weaknesses identified. A total of thirteen (13) projects were implemented at thirteen (13) municipalities during 2020/21.

List of Municipalities supported by MSP during 2020/21

No.	Name of Municipality
1	uMuziwabantu
2	uMgungundlovu DM
3	Okhahlamba
4	Alfred Duma
5	eNdumeni
6	uMvoti
7	eMadlangeni
8	uMhlabuyalingana
9	Big Five Hlabisa
10	uMfolozi
11	KwaDukuza
12	Ndwedwe
13	uBuhlebezwe

Implementation of the Municipal Regulations on Standard Chart of Accounts (mSCOA)

The Minister of Finance promulgated Government Gazette No. 37577, Municipal Regulations on Standard Chart of Accounts (mSCOA), on 22 April 2014. All municipalities and related municipal entities were required to transact in compliance with the mSCOA Regulations from 01 July 2017.

The objective of mSCOA is to provide a national standard for the uniform recording and classification of municipal budget and financial information at a transactional level by providing a standard chart of accounts.

Provincial Treasury continued to monitor the implementation of mSCOA in the Province during the 2020/2021 municipal financial year. Skilled consultants were appointed to assist the Provincial Treasury in monitoring, supporting and capacitating municipalities on the implementation of mSCOA.



The activities conducted by the Provincial Treasury together with the consultants included the following:

- Comparison of the 2019/20 Pre-audited AFS and Audited AFS including restated comparative figures to the data strings uploaded to the National Treasury Local Government Database to determine the accuracy of the information submitted.
- Participation in the mid-year engagements including review of the implementation plans (road maps) submitted.
- Reviewed the adopted and adjustment budget for the 2020/21 financial year and the tabled budget for the 2021/2022 financial year to ensure correct use of the mSCOA segments and assisted municipalities and entities in clearing identified errors.
- Reviewed the detailed monthly transactional data of municipalities and municipal entities to ensure correct alignment to the mSCOA chart requirements, as well as completeness and accuracy of transaction information which included the verification of opening balances in month one.
- Communicated errors and variances identified to municipalities to further investigate, provide explanations and correct accordingly. Provided guidance and support on technical matters relating to transacting and reporting in line with mSCOA and clearing of validation errors in readiness for interim and annual financial statements via telephone, email and online engagements.
- Advised municipalities on the procedure to be followed as indicated in Circular 80 of the MFMA for the appointment of service providers for an integrated financial management and internal control system for local government. Supply chain management queries in respect of the RT25/2016 was forward to the Office of Chief Procurement officer for input, where necessary.
- Execution of onsite assessments to determine the overall status of municipalities. An mSCOA implementation status dashboard was provided to all delegated municipalities on completion of the exercise.
- Supported municipalities by attending project steering committee meetings and other stakeholder and role-player engagements, as and when required.
- Engaged with National Treasury on mSCOA priorities, technical matters, frequently asked questions and training.
- Presentations conducted at KZN PT CFO Forums to provide guidance on mSCOA compliance as well as to facilitate group discussions on concerns and challenges experienced by municipalities:
 - o 7 July 2020: Implementation status and alignment of the reporting.
 - o 22 October 2020: Reporting and Segment Validations, mSCOA Circular 9 – COVID Reporting and Period 13, 14 and 15 requirements.
 - o 4 February 2021: Adjustment Budget errors and Correction to achieve alignment. Debt Write off versus Debt Impairment position paper.



- o 9 February 2021 (Special mSCOA Forum): Balance Sheet Budgeting, Inventory including Water Inventory, Construction work in Progress, Cash Flow Mapping Circular 10 and Circular 11.
- Formal training provided to municipalities including the following:
 - o mSCOA and Annual Financial Statement Alignment.
 - o The use of segments and corrections required.
 - o Budgeting and Transacting in mSCOA.
 - o mSCOA Fundamentals and mSCOA reporting requirements.

The Provincial Treasury will continue to support municipalities to promote accurate and credible transactional data to support budgets, monthly reports and the annual financial statements.

2.4.2.2 Service Delivery Improvement Plan (SDIP)

The Service Delivery Improvement Plan (SDIP 2018 – 2021) for KZN Provincial Treasury is informed by the 2015-2020 Strategic Plan and is aligned to the Annual Performance Plan. To this end, the primary focus of the Department is the optimum and transparent allocation of financial resources whilst enhancing revenue generation and financial management practices in compliance with applicable legislation and corporate governance principles so as to ensure prudent financial management within provincial departments, municipalities and public entities within KwaZulu-Natal. With this in mind, this SDIP had set out the priority areas of service improvement that KZN Treasury will focus over the next three years.

Assurance Services within the Internal Audit Unit assesses its performance on an annual basis. This business component has, for the past and current years, experienced two main challenges. The first challenge has been human resources constraints which has compelled the unit to utilize external service providers who have put a lot of pressure on the unit's budget. Another challenge has been poor cooperation from client departments in terms of timely submission of management responses to the audit reports.

The annual audit plans of all fourteen (14) Provincial Departments were completed by the end of the financial year (31st March 2021) which has led to the effectiveness of the Unit's service. In terms of the provincial arrangements, Departments depend entirely on Provincial Internal Audit Service to comply with Sections 38 & 77 of PFMA, and successful completion of the annual audit plans has led to automatic success of the Departments to comply with the relevant legislations. On average the unit has achieved 102% (improvement from 85% of 2019/20 financial year) of the combined annual audit plans (14) for the financial year under reporting. The percentage of achievement was as a result of completed 121 audits out of a total of 119 that were initially planned.

Due to the low level of risk management maturity in provincial departments, public entities and municipalities, Provincial Treasury, through the Risk Management Unit is required by the PFMA, and the National and Provincial Risk Management Frameworks to assist these institutions in building the necessary capacity and to monitor these institutions' compliance with the prescribed risk management



processes. The key challenges faced by the Unit is that most of these institutions seek Provincial Treasury's assistance on risk assessments and other risk-related needs such as risk management training, whereas the Unit has limited human resources and budget capacity to promptly and adequately respond to these requests.

The Unit has revised the Provincial Risk Management Framework and the Municipal Risk Management Framework to expand on the minimum risk management standards, and to provide guidelines to provincial departments and municipalities. The revised Provincial Risk Management Framework has been shared with the Provincial Audit and Risk Committee, MEC, COHOD, GISCID Technical Cluster and GSCID Political Cluster, and was approved by the Provincial Executive Council in June 2021. Once rolled out, these frameworks will assist in providing guidance in the development of credible risk registers and facilitation of risk assessments at departments and municipalities levels.

LIST OF DEPARTMENTAL KEY SERVICES:

In terms of the SDIP for the period 2018-21, the department focused on the following Internal Audit Unit's key services:

- Provide management with the assurance on the compliance with the relevant legislations and prescripts, and effectiveness of the internal control systems (here referred to as key service 1).
- Facilitation of risk assessments in line with approved risk assessment methodology and provision of risk management training (here referred to as key service 2).



2.4.2.3 MAIN SERVICES AND STANDARDS (AS PER THE SDIP):

2.4.2.2.1 Key Service 1 – Assurance Services

KEY SERVICE	SERVICE BENEFICIARY	CURRENT STANDARD 2019/20		DESIRED STANDARD 2020/21	ACTUAL ACHIEVEMENT
<p>Monitor and address non-completion (85%) of the annual audit plans by 31 March of every financial year.</p> <p>Improve audit coverage on areas of client's concern.</p>	All KZN Provincial Departments and Public Entities	Quantity	85% achievement of annual operational plans – 2019/20.	100% overall achievement of the operational plan on a quarterly basis.	Achieved – the Unit achieved the desired 100% of the planned audit projects for the 2020/21 financial year. Out of 119, 121 audit projects were completed, which translated to 102% achievement rate.
			Execute the audit as per the scope determined at the planning stage.	100% audit coverage on all the areas of client's concern.	Achieved – all audits conducted to date have covered scope of work as per the plan and discussion with the client management.
		Quality	Partially Compliance with IIA Standards	Implement remaining action plans on external Quality Assurance review performed.	Achieved – Generally complied with the IIA standards in terms of last independent quality assurance review conducted.
			Peer reviews conducted on an ad-hoc basis	Perform bi-annual peer reviews.	Not Achieved – Peer reviews could not be conducted during the current financial year due to Quality Assurance Section not having resources. Dedicated officials for the section will be made available during the 2021/22 financial year.
			Fragmented implementation of desired structure	Update and implement register of training.	Achieved – training on the audit techniques, specifically on process documentation was conducted during November 2020 for senior management and junior staff members.
				Obtain approval and implement the new revised structure on a phased in approach.	Not Achieved – Revision and approval of the IAU structure is still under consideration and discussion. However the structural issues are currently impacting the operations of the Unit negatively.
			Compile Annual Performance Plan with standards.	Revise Annual Performance Plan with standards.	Achieved – the Annual Audit Plan for 2020/21 has been revised from the 3 year rolling strategic plan (2019/20 – 2021/22) in consultation with the client Departments. The plan is in the process of implementation.



KEY SERVICE	SERVICE BENEFICIARY	CURRENT STANDARD 2019/20	DESIRED STANDARD 2020/21	ACTUAL ACHIEVEMENT
		Consultation	Currently experiencing limited beneficial engagements with the auditee.	Quarterly meetings to be expanded to include HOD's and Audit Committee.
			Currently experiencing limited beneficial engagements with the auditee.	Quarterly meetings to be expanded to include HOD's and Audit Committee.
			Concerns are mostly raised at the conclusion of the audit instead of during the commencement of the project.	Continuous client engagement throughout the audit process to ensure that concerns of the client are addressed.
			No participation	Participate during Risk Assessment process and ensure alignment of internal controls to risks identified.
				<p>Achieved – attendance of audit clients' ManCo and/or risk management committees' meetings to present and discuss audit engagements, IAU role and expectations from client Departments was achieved with only the Departments of Treasury, Health, Social Development, Human Settlements and Agriculture. However, in addition we engage all Departments in discussing the draft audit reports prior to finalization. Furthermore, we also attend Dry-Run meetings chaired by the HOD or Accounting Officers in preparation of the audit committee meetings. In terms of ManCo and/or risk management committees' meetings, we will continue to engage the remaining 9 Departments to have us invited to these important forums of our audit clients.</p> <p>Achieved – audit opening meetings were held with the senior management officials (CDs, DDGs or HODs). To this end, the Unit did not receive complaints from client management on not addressing concerns raised by the client Department at the commencement of the audits.</p> <p>Not Achieved – this is still a challenge as our attendance of the sessions are dependent on invitation from the client Departments. This is despite of our plea with client Departments to extend invitations to us (IAU). IA operational plans are however aligned to departments risk profiles.</p>



KEY SERVICE	SERVICE BENEFICIARY	CURRENT STANDARD 2019/20	DESIRED STANDARD 2020/21	ACTUAL ACHIEVEMENT
			Client satisfaction surveys sent out	<p>Monitor comments & implement improvement from client satisfaction surveys.</p> <p>Not Achieved – so far, the CSS results are still reviewed on individual basis by the cluster audit manager, we have not implemented a system to collectively monitor and report on CSS results. We had planned to address this issue during the 4th quarter, however due to budget pressures this could not be achieved. Planned to implement collective approach on reviewing and reporting on CSS during the next financial year – 2021/22.</p>
				<p>Meet with client to discuss feedback on client satisfaction surveys and actions to address weaknesses.</p> <p>Not Achieved – this has not been achieved as we are yet to collectively monitor and report on the CSS results. However, we will implement collective approach on reviewing and reporting on CSS during the new financial year – 2021/22.</p>
			Lack of client understanding on Internal vs External Auditing	<p>Sharing of information at forum</p> <p>Achieved – meetings have and still continue to take place with the HODs and management teams to discuss audit engagements, IAU role, expectations from Departments and other matters concerning audit projects.</p>
		Access	Contact details of management team to be made available on Treasury website	<p>Create awareness on developed SCC</p> <p>Achieved – the contact details of the IAU management are on the Department's website. However, what is still outstanding is the development of our services' pamphlet or prospectus for uploading on the website.</p>
		Courtesy	The IIA Code of Conduct signed by all internal audit staff.	<p>IIA Code of Conduct to be signed annually by staff and create awareness.</p> <p>Achieved – IIA Code for 2020/21 financial year has been signed by staff members.</p>
				<p>Newly appointed staff to sign Public Service Code of Conduct and create awareness</p> <p>Achieved – IAU has made 6 new appointments during the 4th quarter and all of the new appointee have been made to sign the Public Service Code of Ethics.</p>



KEY SERVICE	SERVICE BENEFICIARY	CURRENT STANDARD 2019/20	DESIRED STANDARD 2020/21	ACTUAL ACHIEVEMENT
		Openness and Transparency Accounting Officer Reports issued quarterly.	Accounting Officer Reports 15 days after the end of the quarter.	For the purpose of contextualizing the status below, the Accounting Officer's report is prepared post the CARC meetings. The AO Report for Q4, will only be prepared and submitted to the Departments after the Q4 CARC meetings which are scheduled for, in May 2021. This means that in Q4 SDIP Report, we should be reporting about AO Reports for Q3. However, the AO Reports for Q3 were being prepared at the end of March 2021 as the Q3 CARC meetings took place in the 2 nd week of March 2021. Achieved – the Accounting Officers' Reports for the 1 st and 2 nd quarter of the 2020/21 financial year were timely done and submitted to the HOD's during the month of December/January 2021. The 2 nd quarter CARC meetings were held in November/December 2021.
		Information Currently there is poor coordination of information for the Audit Committee	Audit Committee to evaluate services to determine improvement levels of secretarial functions.	Achieved – however, additional junior resources on contract basis have been approved, but appointments are yet to be made. COVID-19 contributed negatively on the progress of the process.
		Certain documents available on the Departmental Website.	Review and update website bi-annually.	Achieved – the contact details of the IAU management are on the Department's website. However, what is still outstanding is the development of our services' pamphlet or prospectus for uploading on the website.
		Redress Client Satisfaction Survey (CSS) are completed by the client	Review completed CSS and address all complaints recorded to automated system	Not Achieved – this has not been achieved as we are yet to collectively monitor and report on the CSS results. However, we will implement collective approach on reviewing and reporting on CSS during the new financial year – 2021/22.
		Suggestion Box available in the foyer	Analyze and address complaints received	Achieved – suggestion box is available at the reception/foyer, however we have so far not received any complaints or suggestions.



KEY SERVICE	SERVICE BENEFICIARY	CURRENT STANDARD 2019/20		DESIRED STANDARD 2020/21	ACTUAL ACHIEVEMENT
		Value for Money	Internal Audit Technician Learnership training implemented for all Internal auditors.	Implement issue tracking system to consolidate and track audit findings across department as well as transversally.	Achieved – implemented an Audit Log for all audit findings and action plans. On quarterly basis an Audit Log is updated and discussed at the audit committee meetings.
			Engage consultants for scarce skills	Maintain standard	Achieved – IT audits are implemented with the assistance of the consultants. In addition, some of the Performance Audits – Road Infrastructure and Office Accommodation which require subject experts (e.g. engineers, surveyors, etc.) are implemented with the help of consultants whenever a need arise.
		Encouraging Innovation & Rewarding Excellence	EPMDS system in place	Implement employee of the quarter reward scheme.	Not Achieved – management is yet to complete the criteria document to guide the implementation of reward scheme for highly achieving or performing audit staff members.
		Service Delivery Impact	Carry out survey to assess the impact of improved services to KwaZulu-Natal	Implement Governance Framework	Not Achieved – The survey instrument was still under development at the end of March 2021 for implementation during 2021/22 financial year.
		Leadership & Strategic Direction	All staff members in Assurance Services are in possession of signed and agreed upon work plans, performance agreements, and JD's	Involve staff on strategic planning sessions.	Achieved – the Unit has held the strategic and operational planning of audit projects for 2020/21.
			Staff work plans	Review and update staff work plans	Achieved – the staff work plans for the 2020/21 financial year have been reviewed and signed-off by all staff members.
		Cost		R 69 966 000	R 66 118 000



KEY SERVICE	SERVICE BENEFICIARY	CURRENT STANDARD 2019/20		DESIRED STANDARD 2020/21	ACTUAL ACHIEVEMENT
		HR	Filled posts plus learners	Obtain approval to appoint staff members on vacant positions. If approved, implement the approved request gradually in phases.	Achieved – eight (8) new appointments have been made during the 4 th quarter. IAU appointed two (2) Directors, one has already started and the 2 nd one will assume duties in April 2021. We have also appointed six (6) Deputy-Directors and five (5) of them have already assumed duties, whilst the last one will be coming in April 2021.
			Request for additional funding within a financial year	Review of IA Funding baseline	Achieved – Assurance baseline budget has been revised and additional funding was approved, however this was not sufficient to fully support Department's needs. We are hoping that the relocation of Forensic Services to the OTP will ease financial strain for PIAS, and available funding could be handy for Assurance Services going forward.



BATHO PELE ARRANGEMENTS WITH BENEFICIARIES – CONSULTATIONS:

Key Service 1 – Assurance Services

CURRENT/ACTUAL ARRANGEMENTS	DESIRED ARRANGEMENTS	ACTUAL ACHIEVEMENTS
Currently experiencing limited beneficial engagements with the auditee.	Quarterly meetings to be expanded to include HOD's and Audit Committee.	Achieved – attendance of audit clients' ManCo and/or risk management committees' meetings to present and discuss audit engagements, IAU role and expectations from client Departments was achieved with only the Departments of Treasury, Health, Social Development, Human Settlements and Agriculture. However, in addition we engage all Departments in discussing the draft audit reports prior to finalization. Furthermore, we also attend Dry-Run meetings chaired by the HOD or Accounting Officers in preparation of the audit committee meetings. In terms of ManCo and/or risk management committees' meetings, we will continue to engage the remaining 9 Departments to have us invited to these important forums of our audit clients.
Concerns are mostly raised at the conclusion of the audit instead of during the commencement of the project.	Continuous client engagement throughout the audit process to ensure that concerns of the client are addressed.	Achieved – audit opening meetings were held with the senior management officials (CDs, DDGs or HODs). To this end, the Unit did not receive complaints from client management on not addressing concerns raised by the client Department at the commencement of the audits.
No participation	Participate during Risk Assessment process and ensure alignment of internal controls to risks identified.	Not Achieved – this is still a challenge as our attendance of the sessions are dependent on invitation from the client Departments. This is despite of our plea with client Departments to extend invitations to us (IAU). IA operational plans are however aligned to department's risks profiles.
Client satisfaction surveys sent out to the audited Departments	Monitor comments & implement improvement from client satisfaction surveys.	Not Achieved – so far, the CSS results are still reviewed on individual basis by the cluster audit manager, we have not implemented a system to collectively monitor and report on CSS results. We had planned to address this issue during the 4th quarter, however due to budget pressures this could not be achieved. We commit to implement collective approach on reviewing and reporting on CSS during the next financial year – 2021/22.
	Meet with client to discuss feedback on client satisfaction surveys and actions to address weaknesses.	Not Achieved – this has not been achieved as we are yet to collectively monitor and report on the CSS results. However, we will implement collective approach on reviewing and reporting on CSS during the new financial year – 2021/22.
Lack of client understanding on Internal vs External Auditing	Sharing of information at forum	Achieved – meetings have and still continue to take place with the HODs and management teams to discuss audit engagements, IAU role, expectations from Departments and other matters concerning audit projects.



2.4.3 Progress towards Achievement of Institutional Impacts and Outcomes

2.4.4 Institutional Programme Performance Information

1.1 PROGRAMME 1: Administration

1.1.1 The purpose of this programme is to:

- Provide strategic leadership support to the department in the area of Financial Management and Corporate Services (Human Resources, Auxiliary Services, Information Communication Technology and Legal Services).

This programme consists of the following measurable sub-programmes:

1.2 Sub-programme: Financial Management (CFO)

1.2.1 The purpose of this sub-programme is:

- To provide effective management of departmental finances in line with statutory requirements.

1.3 Sub-programme: Human Resources Management

1.3.1 The purpose of this sub-programme is:

- To provide optimal Human Resource services to the department.

1.4 Information Technology Management

1.4.1 The purpose of this sub-programme is:

- To provide IT technical and IT functional support to the department



2. Outcomes, Outputs, Performance indicators and Targets - see tables

Programme/Sub-programme: 1.2 Financial Management (CFO)									
Outcome	Output	Outputs indicator	Audited Actual performance 2018/19	Audited Actual performance 2019/20	Planned Annual Target 2020/21	Actual achievement 2020/21 Until date of re-tabling	Deviation from planned target to actual achievement 2020/21	Reason for deviation	Reason for revisions to the output/output indicators annual target
Improve Governance, Risk and control processes thereby reducing fraud & corruption.	Effective Financial Management Support to the department.	No material audit findings in the area of financial management of the department.	No material IT audit findings.	No material IT audit findings.	Unqualified Audit Opinion.	Unqualified Audit Opinion.	N/A	N/A	N/A
	Payment of invoices in compliance with Legislation.	Percentage of supplier's valid invoices paid within 30 days.	98%	100%	100%	99%	1%	Under-achievement is due to the outstanding queries and information on the invoices, hence they could not be processed on time.	N/A
Programme/Sub-programme: 1.3 Human Resource Management									
Outcome	Output	Outputs indicator	Audited Actual performance 2018/19	Audited Actual performance 2019/20	Planned Annual Target 2020/21	Actual achievement 2020/21 Until date of re-tabling	Deviation from planned target to actual achievement 2020/21	Reason for deviation	Reason for revisions to the output/output indicators annual target
Improve Governance, Risk and control processes thereby reducing fraud & corruption.	Improvement in the provision of optimal Human Resource services within the Department.	No material Human Resource Management and Development audit findings.	No material Human Resource Management and Development audit findings.	No material Human Resource Management and Development audit findings.	No material Human Resource Management and Development audit findings.	No material Human Resource Management and Development audit findings.	N/A	N/A	N/A





Programme/Sub-programme: 1.4 Information Technology Management									
Outcome	Output	Outputs indicator	Audited Actual performance 2018/19	Audited Actual performance 2019/20	Planned Annual Target 2020/21	Actual achievement 2020/21 Until date of re-tabling	Deviation from planned target to actual achievement 2020/21	Reason for deviation	Reason for revisions to the output/output indicators annual target
Improve Governance, Risk and control processes thereby reducing fraud & corruption.	Improvement in the provision of technical and functional Information Technology Management services within the Department.	No material Information Technology audit findings.	No material IT audit findings.	No material IT audit findings.	No material IT audit findings.	No material IT audit findings.	N/A	N/A	N/A

Linking performance with budget

Sub- Programme Name: Administration	2020/2021			2019/2020		
	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	175 386	164 057	11 329	237 636	204 269	33 367
Sustainable Resources Management	38 640	36 645	1 995	44 641	40 980	3 661
Financial Governance	187 571	185 250	2 321	210 917	205 764	5 153
Internal Audit	101 461	99 984	1 477	174 595	162 584	12 011
Municipal Finance Management	55 236	54 431	805	59 865	58 418	1 447
Total	558 294	540 367	17 927	727 654	672 015	55 639

1.2 PROGRAMME 2: Sustainable Resource Management

1.2.1 The purpose of this programme is to:

- Manage, maintain and monitor the fiscal sustainability of the province, and Support improved and sustainable infrastructure delivery.

This programme consist of the following measurable sub-programmes:

1.3 Sub-programme: Economic Analysis

1.3.1 The purpose of this sub-programme is to:

- Determine and evaluate economic parameters and socio-economic imperative that informs provincial and local resource allocation.

1.4 Sub-programme: Infrastructure Management

1.4.1 The purpose of this sub-programme is to:

- Provide infrastructure support through Infrastructure Delivery Management System.

1.5 Sub-programme: Public Finance

1.5.1 The purpose of this sub-programme is to:

- Promote effective and optimal financial resource allocation for provincial government (including public entities).





2. Outcomes, Outputs, Performance indicators and Targets - see tables

Programme/Sub-programme: 1.3 Economic Analysis									
Outcome	Output	Outputs indicator	Audited Actual performance 2018/19	Audited Actual performance 2019/20	Planned Annual Target 2020/21	Actual achievement 2020/21 Until date of re-tabling	Deviation from planned target to actual achievement 2020/21	Reason for deviation	Reason for revisions to the output/ output indicators annual target
Enhanced fiscal sustainability of the province.	Credible research for informed provincial resource allocation.	Number of reports to Evaluate and Monitor Economic Trends and Performance Supporting Policy Formulation.	10 reports	10 reports	12 reports	12 reports	N/A	N/A	N/A
		Number of reports to Evaluate and Monitor Departmental Impact Performance and Policy Formulation.	4 reports	1 report	7 reports	7 reports	N/A	N/A	N/A
Programme/Sub-programme: 1.4 Infrastructure Management									
Outcome	Output	Outputs indicator	Audited Actual performance 2018/19	Audited Actual performance 2019/20	Planned Annual Target 2020/21	Actual achievement 2020/21 Until date of re-tabling	Deviation from planned target to actual achievement 2020/21	Reason for deviation	Reason for revisions to the output/ output indicators annual target
Improved and sustainable infrastructure delivery which contributes to inclusive economic growth.	Capacitated departments.	Number of reports on IDMS Oversight Monitoring and Performance Assessment at Provincial Departments.	4 reports	6 reports	6 reports	6 reports	N/A	N/A	N/A

Programme/Sub-programme: 1.5 Public Finance									
Outcome	Output	Outputs indicator	Audited Actual performance 2018/19	Audited Actual performance 2019/20	Planned Annual Target 2020/21	Actual achievement 2020/21 Until date of re-tabling	Deviation from planned target to actual achievement 2020/21	Reason for deviation	Reason for revisions to the output/output indicators annual target
Enhanced fiscal sustainability of the province.	Optimal, Efficient and Effective Resource allocation.	Number of MTEC reports on budget and expenditure management for realistic and credible budgets.	15	15	15	15	N/A	N/A	N/A
		Number of early warning system reports to address variances requiring remedial action.	16	16	18	16	-2	The 2020/21 First Quarter report is usually prepared in July 2020 after the end of the first quarter. In 2020/21 though, due to the impact of COVID-19, and the Public Finance unit being integral in reconfiguring the Provincial Budget which culminated in the 2020/21 Special Adjustments Budget being tabled also in July 2020.	The indicator will be better planned for in the next financial year.





									A decision was taken not to prepare the 2020/21 First Quarter report due insufficient resources to prepare both reports, instead a Quarter One - Cabinet memo was prepared which was used to alert the Provincial Executive Council.	
		Inputs into DORA on provincial allocations.	3	3	1	2	+ 1		National Treasury requested additional information and input into the DORA (Division of Revenue Act) on the 15th January 2021.	N/A

Linking performance with budget

Programme Name: Sustainable Resources Management	2020/2021			2019/2020		
	Final Appropriation	Actual Expenditure	(Over)/ Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Programme Support	3 944	3 669	275	4 125	3 741	384
Economic Analysis	16 838	15 372	1 466	22 500	19 534	2 966
Public Finance	17 838	17 604	254	18 016	17 705	311
Total	38 640	36 645	1 995	44 641	40 980	3 661

1.3 PROGRAMME 3: FINANCIAL GOVERNANCE

1.3.1 The purpose of this programme is:

- To provide Audit readiness support to provincial departments and public entities with the objective of improving audit outcomes in the province. Conduct Supply Chain Management compliance assessments, Policy and Contract support services to provincial departments, public entities and municipalities.

This programme consists of the following measurable sub-programmes:

1.4 Sub-programme: Asset and Liabilities Management

1.4.1 The purpose of this sub-programme is:

- To improve the efficiency of cash management and to minimize the adverse liquidity through effective liabilities management.

1.5 Sub-programme: Supply Chain Management

1.5.1 The purpose of this sub-programme is:

- To support and monitor adherence of departments, public entities and municipalities to SCM.

1.6 Sub-programme: Accounting Services (Financial Reporting)

1.6.1 The purpose of this sub-programme is:

- To provide financial management audit readiness support to departments and public entities in the attainment of improved audit outcomes in the Province.

1.7 Sub-programme: Support and Interlinked Financial Systems

1.7.1 The purpose of this sub-programme is:

- To provide Reliable, Efficient and Effective financial systems.

1.8 Sub-programme: Public Private Partnerships

1.8.1 The purpose of this sub-programme is:

- To provide substantial technical, financial and legal advice in support of all provincial PPP projects in line with the PPP projects cycles as regulated by National Treasury guidelines.

1.9 Sub-programme: Norms and Standards

1.9.1 The purpose of this sub-programme is:

- To develop, facilitate implementation, and monitor compliance with financial norms and standards in provincial departments, municipalities and entities.





2. Outcomes, Outputs, Performance indicators and Targets - see tables

Programme/Sub-programme: 1.4 Asset and Liabilities Management									
Outcome	Output	Outputs indicator	Audited Actual performance 2018/19	Audited Actual performance 2019/20	Planned Annual Target 2020/21	Actual achievement 2020/21 Until date of re-tabling	Deviation from planned target to actual achievement 2020/21	Reason for deviation	Reason for revisions to the output/ output indicators annual target
Improved audit outcomes for the province.	Improved compliance to Tax and Banking legislation.	Number of risk analysis reports compiled per department to minimise non-compliance with payroll tax legislation.	56 Risk analysis reports.	56 Risk analysis reports.	56 Risk analysis reports.	56 Risk analysis reports.	N/A	N/A	N/A
		Number of assessment reports on status of bank related suspense accounts issued to departments to minimise audit queries.	56 Compliance Assessment reports.	56 Compliance Assessment reports.	56 Compliance Assessment reports.	56 Compliance Assessment reports.	N/A	N/A	N/A

Programme/Sub-programme: 1.5 Supply Chain Management									
Outcome	Output	Outputs indicator	Audited Actual performance 2018/19	Audited Actual performance 2019/20	Planned Annual Target 2020/21	Actual achievement 2020/21 Until date of re-tabling	Deviation from planned target to actual achievement 2020/21	Reason for deviation	Reason for revisions to the output/output indicators annual target
Improved Audit Outcomes for the Province.	Reduced number of SCM related audit findings.	Report on the % reduction in the number of SCM related audit findings.	New	New	Reduction of 30%	324	N/A	It was noted that the approach to the achievement of this indicator was via implementation of initiatives and projects to assist with the reduction of the SCM audit findings. The lack of in-depth knowledge to translate the provincial pronouncement into a non-attainable and synergy target.	The indicator will be better planned for in the next financial year.
		Number of reports on the pre-order compliance assessment pertaining to COVID-19.	New	New	3 Reports on the pre-order compliance assessment pertaining to COVID-19.	0 (Zero) reports on the pre-order compliance assessment pertaining to COVID-19.	-3 reports on the pre-order compliance assessment pertaining to COVID-19.	There were no request for Covid-19 pre-order assessments in 2020/21 (as per Circular 2A)	To revise and issue a circular of pre order assessments.





	Approved Open tender system Instruction Note.	Number of reports on the Implementation of Operational Open tender system.	New	New	Formulate Policy/ Statutory Mandate and pilot in 1 Department.	0	0	This indicator was planned prior formulation of the draft Procurement Bill. It then became futile for the department to formulate a provincial policy on the Open tender system whilst the bill is not finalized.	The indicator will be better planned for in the next financial year.
Improved participation of targeted groups in the Economy of the Province.	Full compliance by departments on the PPPFA Regulations inclusive of targets per targeted group.	Number of reports on the bids advertised inclusive of targets per targeted group in terms of the Procurement Plan.	New	New	4 reports on the distribution to the targeted group.	3 reports on the distribution to the targeted group	-1 reports on the distribution to the targeted group.	The instruction note was still not approved in the first quarter, it was still a draft.	The indicator will be better planned for in the next financial year.
Programme/Sub-programme: 1.6 Accounting Services (Financial Reporting)									
Outcome	Output	Outputs indicator	Audited Actual performance 2018/19	Audited Actual performance 2019/20	Planned Annual Target 2020/21	Actual achievement 2020/21 Until date of re-tabling	Deviation from planned target to actual achievement 2020/21	Reason for deviation	Reason for revisions to the output/ output indicators annual target
Improved Audit Outcomes for the Province.	90% unqualified audit reports in Provincial public sector institutions.	Number of public sector institutions supported in financial management to reduce qualified audit opinions.	New	New	5	11	+7	The over-achievement is due to more requests received from the departments in terms of financial management support.	The indicator will be better planned for in the next financial year.

	Improved Financial Management compliance in the province.	Number of consolidated Instruction Note 34 to NT on compliance to Payment of suppliers invoices within 30 days.	12	12	12	12	N/A	N/A	N/A
Programme/Sub-programme: 1.7 Supporting and Inter-Linked Financial Systems									
Outcome	Output	Outputs indicator	Audited Actual performance 2018/19	Audited Actual performance 2019/20	Planned Annual Target 2020/21	Actual achievement 2020/21 Until date of re-tabling	Deviation from planned target to actual achievement 2020/21	Reason for deviation	Reason for revisions to the output/output indicators annual target
Improve Governance, Risk & Control processes thereby reducing Fraud & Corruption.	Reliable, efficient and effective financial systems in the province.	% of Financial transversal systems uptime.	New	New	97%	100%	+3%	Call-log reports on downtime were lower due to Covid-19 work restrictions as some staff members are working remotely.	N/A
	Improved Financial Management Systems.	Number of reports on the Implementation of the Invoice Management System in the province.	New	New	System piloting to 2 departments.	-1 System piloting to 2 departments.	N/A	Due to budget cuts as a results of Covid-19, the directorate could not fill the required vacancies for the implementation, however, internal IT assisted with the piloting in one department which is KZN Treasury.	To engage HR to fast track the recruitment process in 2021/22.





		Number of reports on the Implementation of the e-Leave Management System in the province. (ERP)	New	New	System piloting to 2 departments.	0	-2 System piloting to 2 departments.	Due to budget cuts as a result of Covid-19 the directorate could not fill required vacancies for the implementation.	To engage HR to fast track the recruitment process in 2021/22.
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Programme/Sub-programme: 1.8 Public Private Partnerships

Outcome	Output	Outputs indicator	Audited Actual performance 2018/19	Audited Actual performance 2019/20	Planned Annual Target 2020/21	Actual achievement 2020/21 Until date of re-tabling	Deviation from planned target to actual achievement 2020/21	Reason for deviation	Reason for revisions to the output/output indicators annual target
Improved and sustainable Infrastructure delivery which contributes to inclusive economic growth.	Capacitate Departments, Municipalities and Public Entities.	Number of Institutions capacitated in the Implementation of the PPP Processes.	New	New	2	2	N/A	N/A	N/A
Improved participation of targeted groups in the Economy of the Province.	Implementation of the PPPFA by Departments, Municipalities and Public Entities.	Number of Compliance reports on the implementation of the PPPFA Regulations inclusive of targets per targeted group.	New	New	4	4	N/A	N/A	N/A

Programme/Sub-programme: 1.9 Norms and Standards

Outcome	Output	Outputs indicator	Audited Actual performance 2018/19	Audited Actual performance 2019/20	Planned Annual Target 2020/21	Actual achievement 2020/21 Until date of re-tabling	Deviation from planned target to actual achievement 2020/21	Reason for deviation	Reason for revisions to the output/output indicators annual target
Improved Audit Outcomes for the Province.	Improved compliance with legislation by the Public sector institutions.	Number of departments assessed to minimise non-compliance with legislation.	14	14	14	14	N/A	N/A	N/A

		Number of public entities assessed to minimise non-compliance with legislation.	8	8	8	8	N/A	N/A	N/A
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Linking performance with budget

Programme Name: Financial Governance	2020/2021			2019/2020		
	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure
Sub-programmes	R'000	R'000	R'000	R'000	R'000	R'000
Programme Support	5 309	4 688	621	4 235	3 907	328
Asset & Liabilities Management	14 503	14 351	152	12 569	10 800	1 769
Public, Private Partnership	7 160	6 605	555	7 085	6 071	1 014
Supply Chain Management	34 724	34 426	298	36 735	35 701	1 034
Accounting Services	20 190	19 737	453	39 403	39 127	276
Norms and Standards	7 142	6 996	146	7 122	6 889	233
Support and Interlinked Financial System	98 543	98 447	96	103 768	103 269	499
Total	187 571	185 250	2 321	210 917	205 764	5 153



1.4 PROGRAMME 4: INTERNAL AUDIT (PIAS)

1.4.1 The purpose of this programme is to:

- Promote good governance by performing Audit and Risk Advisory services at Public Sector Institutions.

The programme consists of the following measurable sub-programmes:

1.5 Sub-programme: Assurance Services

1.5.1 The purpose of this sub-programme is to:

- Promote good governance through the provision of assurance services and recommend internal control system improvement to departments.

1.6 Sub-programme: Risk Management

1.6.1 The purpose of the sub-programme is to:

- Promote and enhance a culture of good governance through effective Risk Management.

1.7 Sub-programme: Forensic Services

1.7.1 The purpose of the sub-programme is to:

- Promote a culture of zero tolerance fraud and corruption.



Outcomes, Outputs, Performance indicators and Targets - see table

Programme/Sub-programme: 1.5 Assurance Services									
Outcome	Output	Outputs indicator	Audited Actual performance 2018/19	Audited Actual performance 2019/20	Planned Annual Target 2020/21	Actual achievement 2020/21 Until date of re-tabling	Deviation from planned target to actual achievement 2020/21	Reason for deviation	Reason for revisions to the output/output indicators annual target
Improve Governance, Risk and Control Processes thereby reducing Fraud and Corruption.	Improved governance of assurance and internal control in the departments.	Number of Internal Audit Reviews conducted.	136	112	80	73	-7	The under-achievement is due to prioritised audits on COVID expenditure during the financial year as required by National Treasury Instruction Note 5 of 2020/21.	The Unit will improve the implementation in the next financial year.
		Number of follow-up reviews on the implementation of recommendations on resolved audit findings.	51	56	32	31	-1	The under-achievement is due to prioritised audits on COVID expenditure during the financial year as required by National Treasury Instruction Note 5 of 2020/21.	The Unit will improve the implementation in the next financial year.





	Strengthened Oversight and Accountability.	Number of audits on COVID expenditure	New	New	7	17	10	The over-achievement is due to prioritised audits on COVID expenditure during the financial year as required by National Treasury Instruction Note 5 of 2020/21.	The Unit will improve the implementation in the next financial year.
		Number of reports to the Oversight Structures to strengthen oversight to enforce accountability.	New	New	44	43	-1	The under-achievement is due to the rescheduling of CARC meetings during the Level 5 lockdown period, the Half-yearly close report was not finalised on time, but consolidated with the Annual Close out report.	The Unit will improve the implementation in the next financial year.

Programme/Sub-programme: 1.6 Risk Management									
Outcome	Output	Outputs indicator	Audited Actual performance 2018/19	Audited Actual performance 2019/20	Planned Annual Target 2020/21	Actual achievement 2020/21 Until date of re-tabling	Deviation from planned target to actual achievement 2020/21	Reason for deviation	Reason for revisions to the output/output indicators annual target
Improve Governance, Risk and Control Processes thereby reducing Fraud and Corruption.	Risk Management embedded in the Province.	Number of reports on Risk Management reviews conducted.	78	78	76	105	+29	Covid 19 pandemic required the unit to conduct sample check/reviews on the covid-19 measures at Departments, and the unit updated additional risk register for the departments hence the over-achievement.	Targets to be revised in the next financial year.
	Strengthened Internal Control & Risk Function in the province.	Number of Internal Control (IC) reports on compliance with minimum IC Standards.	New	New	1	1	N/A	N/A	N/A
	Strengthened Oversight and Accountability.	Number of reports to the Oversight Structures to strengthen oversight to enforce accountability.	New	New	40	43	+3	Due to the transfer of the Forensic unit to OTP, there was a need to re-allocation some reports, hence the over-achievement.	Targets to be revised in the next financial year.





Programme/Sub-programme: 1.7 Forensic Services									
Outcome	Output	Outputs indicator	Audited Actual performance 2018/19	Audited Actual performance 2019/20	Planned Annual Target 2020/21	Actual achievement 2020/21 Until date of re-tabling	Deviation from planned target to actual achievement 2020/21	Reason for deviation	Reason for revisions to the output/output indicators annual target
Improve Governance, Risk and Control Processes thereby reducing Fraud and Corruption.	Strengthened Oversight and Accountability.	Number of resolved Forensics Investigations.	4	4	1	4	3	Unit was under pressure to issue all four (4) forensic reports before 30 June 2020.	On the second quarter 2019/20 the function (Forensic Services) was moved to Office of the Premier. The actual achievement relates only to Quarter 1.
		Number of follow-ups on the implementation of recommendations on completed investigations. (Accountability/consequence management).	New	New	14	14	N/A	N/A	
	Strengthened Oversight and Accountability.	Number of reports to the Oversight Structures to strengthen oversight to enforce accountability.	4	4	10	8	-2	There were delays in the finalisation for the report.	

Linking performance with budget

Programme Name: Internal Audit	2020/2021			2019/2020		
	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure
Sub-programmes	R'000	R'000	R'000	R'000	R'000	R'000
Programme Support	5 175	4 346	829	4 979	4 667	312
Assurance Services	66 947	66 500	447	105 594	105 158	436
Risk Management	20 841	20 640	201	27 544	21 389	6 155
Forensic Services	8 498	8 498	-	36 478	31 370	5 108
Total	101 461	99 984	1 477	174 595	162 584	12 011



2. Outcomes, Outputs, Performance indicators and Targets - see table

Programme/Sub-programme: 1.6 Municipal Budget									
Outcome	Output	Outputs indicator	Audited Actual performance 2018/19	Audited Actual performance 2019/20	Planned Annual Target 2020/21	Actual achievement 2020/21 Until date of re-tabling	Deviation from planned target to actual achievement 2020/21	Reason for deviation	Reason for revisions to the output/ output indicators annual target
Enhanced Fiscal Sustainability of the Province.	Provincial Treasury Recommendations Implemented by Municipalities.	Number of Delegated Municipal Tabled Budgets evaluated with feedback provided.	51	51	51	47	-4	Due to the COVID-19 impacting a number of municipalities, and some municipalities having to close down for a few days after a number of active cases of COVID-19 at the municipalities, municipalities have not been operating at full capacity. They have had to deal with logistical challenges such as conducting virtual meetings, which they were not prepared for.	N/A

									<p>Thus, there were numerous challenges for municipalities to table and submit their budget documents and data strings, despite several reminders from the Provincial Treasury. Some municipalities submitted their draft budget and approved their final budget within a week, hence, allowing no reasonable time for Provincial Treasury to have undertaken an assessment of the draft budget. Furthermore, Government Gazette No.43181 issued on 30 March 2020 exempted municipalities and municipal entities from certain provisions of the Act due to the national state of disaster, which caused further delays in municipalities complying with tabling and submission of the budgets documents.</p>
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		Number of Delegated Municipal Approved Budgets evaluated with feedback provided.	51	51	51	51	N/A	N/A	N/A
Programme/Sub-programme: 1.7 Municipal Accounting & Reporting									
Outcome	Output	Outputs indicator	Audited Actual performance 2018/19	Audited Actual performance 2019/20	Planned Annual Target 2020/21	Actual achievement 2020/21 Until date of re-tabling	Deviation from planned target to actual achievement 2020/21	Reason for deviation	Reason for revisions to the output/output indicators annual target
Improved Audit Outcome	Provincial Treasury Recommendations Implemented by Municipalities.	Number of financial statement review projects conducted at targeted municipalities.	4	4	2 Projects	12 Projects	+10 projects	The MAR initially planned to perform 2 projects during the 2020/21 financial year. However, municipal support is driven by the needs of the municipalities delegated to KZN Provincial Treasury. Consequently, projects had to be undertaken to assist municipalities urgently. Delays in implementing the projects or deferral thereof could have impacted the municipality negatively. This resulted in an over-achievement of the initial target.	The indicator will be better planned for in the next financial year.

		Number of financial management support projects implemented at targeted municipalities.	Progress reports on intensive on-site financial management support to 6 municipalities.	Progress reports on intensive on-site financial management support to 6 municipalities.	3 Projects	3 Projects	N/A	N/A	N/A
Programme/Sub-programme: 1.8 Municipal Support Programme									
Outcome	Output	Outputs indicator	Audited Actual performance 2018/19	Audited Actual performance 2019/20	Planned Annual Target 2020/21	Actual achievement 2020/21 Until date of re-tabling	Deviation from planned target to actual achievement 2020/21	Reason for deviation	Reason for revisions to the output/output indicators annual target
Improved Audit Outcome.	Provincial Treasury Recommendations Implemented by Municipalities.	Number of MSP projects implemented at targeted municipalities.	10 projects	3 projects	6 projects	13 projects	+7 projects	The MSP initially planned to perform 6 projects during the 2020/21 financial year. However, municipal support is driven by the needs of the municipalities delegated to KZN Provincial Treasury. Consequently, projects had to be undertaken to assist municipalities urgently. Delays in implementing the projects or deferral thereof could have impacted the municipality negatively. This resulted in an over-achievement of the initial target.	The indicator will be better planned for in the next financial year.





	Full implementation of mSCOA by provincial municipalities.	Number of reports on the implementation of MSCOAs and compliance by municipalities.	4 progress reports on the progress made by departments.	3 progress reports on the progress made by departments.	4 reports on the implementation progress.	4 reports on the implementation progress.	N/A	N/A	N/A
Programme/Sub-programme: 1.9 Municipal Revenue & Debt Management									
Outcome	Output	Outputs indicator	Audited Actual performance 2018/19	Audited Actual performance 2019/20	Planned Annual Target 2020/21	Actual achievement 2020/21 Until date of re-tabling	Deviation from planned target to actual achievement 2020/21	Reason for deviation	Reason for revisions to the output/output indicators annual target
Improved Audit Outcome	Provincial Treasury Recommendations Implemented by Municipalities.	Number of Revenue and Debt projects implemented at targeted municipalities.	New	New	Nil1	Nil1	N/A	It must be noted that this function was moved to the 2021/22 financial year, due to the budget cuts in the 2020/21 budget allocation.	N/A

Linking performance with budget

Programme Name: Municipal Finance Management	2020/2021			2019/2020		
	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Programme Support	2 437	2 298	139	2 587	2 377	210
Municipal Budget	25 016	24 656	360	26 974	26 242	732
Municipal Accounting and Reporting	15 705	15 516	189	14 503	14 357	146
Municipal Support Programme	12 078	11 961	117	15 801	15 442	359
Municipal Revenue and Debts Support	-	-	-	-	-	-
Total	55 236	54 431	805	59 865	58 418	1 447

2.4.5 Transfer Payments

2.4.5.1 Transfer payments to Public Entities

The department had no transfer payments made to public entities during the 2020/21 financial year.

2.4.5.2 Transfer payments to all organisations other than public entities.

The department had no transfer payments made to other organisations during the 2020/21 financial year.

2.4.6 Conditional Grants

2.4.6.1 Conditional grants and earmarked funds paid

The department had no conditional grant funding during the 2020/21 financial year.

2.4.7 Donor Funds Received

2.4.7.1 The department had no new Donor funding during the 2020/21 financial year.

2.4.7.2 Global Funding

Provincial Treasury was responsible for project managing the Global Fund programme whose main objective was to address the social and structural drivers of HIV and TB prevention, as well as ensuring protection of human rights and improving access to justice. This project has since come to an end during the 2019/20 financial year however the balance of the unspent funds of R55, 426 million will be paid over during the 2021/22 financial year.

2.4.8 Capital Investment

2.4.8.1 Capital investment, maintenance and asset management plan

The department had no capital investment during the 2020/21 financial year.



2.5 PART C: GOVERNANCE

2.5.1 Introduction

The world is grappling with the containment of the novel Covid-19 pandemic that has struck the globe and brought economies to its knees.

The UN's Framework for the Immediate Socio-Economic Response to the COVID 19 Crisis warns that "The COVID-19 pandemic is far more than a health crisis: it is affecting societies and economies at their core. While the impact of the pandemic will vary from country to country, it will most likely increase poverty and inequalities at a global scale. More than ever before effective and efficient governance in the public sector is now an obligation as it encourages better decision making and the efficient use of resources and strengthens accountability for the stewardship of those resources.

Against this backdrop, KZN Provincial Treasury continues its commitment to maintain the highest level of good governance through reporting and feedback that promotes honesty and accountability

2.5.2 Risk Management

Albert Einstein said "learn from yesterday, live for today, hope for tomorrow. The important thing is not to stop questioning." The world is collectively questioning everything as we navigate a new normal – COVID-19. More than ever before risk management has been thrust to the forefront.

The discipline of risk management, mainly consist of identifying threats and opportunities to an organization's short, medium and long-term strategic objectives; and presenting response strategies to tackle these uncertainties. The COVID-19 pandemic clearly presents risk managers with an opportunity to launch and strengthen value propositions. Hence, the "new" normal has created the need for revised policies and procedures that address. Consequently, KZN Provincial Treasury has strengthened its risk governance framework to include the emergence of a pandemic and how the department will respond in various risk related

The risk management committee continues to assist the Accounting Officer in discharging his accountability for risk management by reviewing the effectiveness of the departments risk management system, practices and procedures and proving recommendations for improvement.

During the period under review, the establishment of a COVID-19 committee was commissioned to deal with and respond to risks emanating as a result of the pandemic.

The department continues to maintain a consolidated risk register which encompasses strategic, operational, IT, Business Continuity and COVID-19 risks.

The Audit Committee continues to provide an independent oversight over the system of risk management and monitors its effectiveness. The *Audit committee* oversees the system of internal controls and ensures that the department is compliant with laws and regulations.



2.5.3 Fraud and Corruption

Corruption in the public sector has and always will continue to be a thorn in the side of any government throughout the world. Irrespective of what control measures are put in place, corruption remains a problem in many respects. It undermines the authority and the credibility of the government and its employees, it has an effect on the economic balance of the country and it plays a major role in the spread of economic crimes in general.

Over this period, the department has established an ethics committee. The ethics committee is chaired by the Accounting Officer and provides feed-back to the risk committee on matters within its scope. The Ethics Committee ensures that the department operates in an atmosphere of accountability, though, amongst other, the review of departmental Ethics Policies and recommended changes.

The department supports and fosters a culture of zero tolerance to fraud in all its manifestations. Our employees are encouraged to report all incidents of fraud to their immediate supervisors. All fraud is investigated by our forensic division and followed up by the application of all remedies available within the full extent of the law as well as application of appropriate prevention and detection controls.

The department's fraud prevention policy and plan has been revised. The department continues to utilise the National anti-corruption hotline for the reporting of suspected fraud and corruption incidents. The department follows up on all information received through the hotline.

2.5.4 Minimising Conflict of Interest

All officials in the department are expected to avoid all personal and financial interests which could conflict with their responsibilities to the department. In preventing conflict of interest, all officials from salary levels 10 and below were obliged to complete financial disclosure forms, which is an annual practice. The financial disclosures statements included certification that the assets and financial activities of each staff member, their spouses and family do not pose a conflict of interest with their official duties. Due to the nature of their duties all employees in the Financial Management (CFO) unit were further expected to sign a code of conduct.

Declaration of interests and impartiality forms are signed by bid committee members during each sitting. Bid Committee members are required to excuse themselves if a conflict of interest exists in the process. Bidders are expected to declare their personal and business interests on the standard bidding documents when submitting offers.

2.5.5 Code of Conduct

The department continues to conduct workshops on the amended code of conduct in terms of the new Public Service Regulations 2016, to ensure that employees understand and adhere to the expectations of the public service code of conduct. Employees are discouraged to receive gifts or payments which are or may be construed as being a bribe. All employees are compliant with the submission of Financial Disclosures on an annual basis which is verified by the Ethics Officer of the Department to identify potential/actual conflicts of interest.



Declaration of interests and impartiality forms were signed by bid committee members during each evaluation (delete) sitting. Bid Committee members are required to excuse themselves if a conflict of interest exist in the process. Bidders are expected to declare their personal and business interests on the standard bidding documents when submitting proposals change to offers.

2.5.6 Health, Safety and Environmental Issues

The Department is committed to create a healthy and safe working environment for all its employees. Health and Safety is an element of an approved departmental Business Continuity Plan. In compliance with the Occupational Health and Safety Act 85 of 1993, the department has provided and maintained as far as reasonable and practicable a working environment that is safe and without risk to the health of its employees and its customers. An approved OHS Policy is available and Policy Statement is posted on strategic entrance areas as mandatory.

The department temporarily appointment an OHS Specialist for a period of twelve months, which is one of the mitigations to adhere to the mandatory appointments while the organisational structure is under review. Both the employer and employees have a joint responsibility in ensuring their safety and that of others such as visitors by complying with all the safety measures that are put in place. Mandatory fire drills are conducted within prescribed intervals while regular OHS inspections are conducted by appointed and trained OHS representative. The representatives further identify potential hazards and where possible, reduce the level of risk by recommending and putting in place safety precautions while elevating such in quarterly OHS Committee meetings for discussion.

Mandatory training of OHS representatives is maintained within prescribed period for new appointments and provisions of refresher trainings. OHS awareness are conducted by means of circulars and Policy workshops to business units at an ongoing approach. Mandatory quarterly reporting to Department of Public Service and Administration is maintained through a compliance tool signed by the HOD. Employees are encouraged to report any potential risk emanating from their work and all incidents that happen within their workspace that might cause injury, in order to prevent recurring incidents of the same nature. First Aid provision is available to Departmental employees through the appointed and trained First Aiders for minor injuries. First Aid boxes are well placed in all floors with relevant signage and they are regularly replenished.

2.5.7 Portfolio Committees

The department had the following meetings with the Portfolio Committee.

Date of Meetings	Matters for discussion
7 May 2020	Responses to certain questions on Covid 19
26 May 2020	Debate on the Division of Revenue
02 June 2020	General Budget Debate
03 June 2020	Vote 6 Treasury Budget Speech
05 June 2020	Voting on Appropriation Bill
20 July 2020	Presentation of 2020/2021 Unaudited Close out



Date of Meetings	Matters for discussion
04 August 2020	Presentation of Fourth (4 th) Quarter 2019/2020 and First (1 st) Quarter 2020/2021 Financial and Non-Financial Performance Review
08 November 2020	Briefing on 2020/2021 Mid -Year Budget (Performance Report)
22 January 2021	Second (2 nd) Quarter 2020/2021 Financial and Non-Financial Performance Review
03 February 2021	Presentation on the 2019/20 Audit Outcome
04 February 2021	Third (3 rd) Quarter 2020/2021 Financial and Non-Financial Performance Review
03 March 2021	SCOPA Meeting – Authorisation of Unauthorised Expenditure and condonation of Irregular Expenditure

The department responded to all matters raised at the meetings in the form of written and oral representations. No major concerns were raised by the portfolio committee.

2.5.8 SCOPA Resolutions

During the year under review, the department was invited to the Portfolio Committee for SCOPA resolutions. The following matters were raised for discussion.

Resolution No	Subject	Details	Response by the department	Resolved (Yes/No)
Resolution 41/2021	Irregular Expenditure of R25 706 000	The Irregular Expenditure was mainly attributable to proper SCM processes not being followed in appointment of the service provider for legal services. Provincial Treasury to report to the Committee on the outcome of the investigation and consequence management implemented.	Provincial Treasury requested Office of the Premier (OTP) to respond to the committee since the matter was referred to OTP. The OTP has responded to the committee regarding this investigation.	Yes
Resolution 42/2021	Fruitless and Wasteful Expenditure: R10 000	Fruitless and wasteful expenditure incurred, amounting to R10 000 was because of penalties on legal services fees	A formal inquiry has been commissioned into all irregular and/or fruitless expenditure incurred by legal services director. A final report has yet to be issued by the investigators	No
Resolution 43/2021	Investigations	The Special Investigating Unit of South Africa is investigating allegations of misconduct within Provincial Treasury. The Accounting Officer report to the Committee by 30 June 2021, on the outcome of the investigation and consequence management implemented	Provincial Treasury has reported to the committee on 30 June 2021 regarding the SIU investigation.	Yes



Resolution No	Subject	Details	Response by the department	Resolved (Yes/No)
Resolution 44/2021	Rationalisation of provincial public entities	Progress report on the rationalisation of public entities and whether the support provided by Provincial Treasury in respect of financial management can be enhanced for those public entities with critical vacancy rates, particularly in their supply chain management and finance units.	ROPETT made recommendations to the Provincial Executive Council who then resolved on the Rationalisation of the Provincial Public Entities. Departments and entities are now implementing the Resolutions of the Provincial Executive Council and reports periodically on the progress thereof to the ESIEID Cluster as well as the PEC. It was recommended that, the Committee directs that EDTEA, DARD, and Arts and Culture brief the committee on the progress of the rationalisation of provincial public entities.	Yes
Resolution 45/2021	Condonation of irregular expenditure	Progress on the condonation of all provincial irregular expenditure, challenges experienced and where requests for condonation were refused, the reasons.	A comprehensive report was submitted to the committee	Yes

2.5.9 Prior Modifications to Audit Reports

There were no prior modifications to the AG's report. KZN Treasury continued to maintain a clean audit opinion in the current year's audit.

2.5.10 Internal Control Unit

Internal Control is the process effected by the department's management and other personnel designed to provide reasonable assurance of the achievement of objectives in operational effectiveness; financial reporting and reliability; and applicable laws and regulatory compliance.

During the year under review, Internal Control activities included amongst others the following:

- o Verification of all payment vouchers before and after processing in order to ensure validity and accuracy;
- o Checking of all SCM compliance matters and documentation.
- o Identification of internal control weaknesses in the system and provision of recommendations;
- o Facilitation of audit requests & monitoring of the implementation of internal and external audit action plans;
- o Issuing of circulars to regulate internal processes and procedures;
- o Review of monthly management accounts;
- o Preparation of Annual /Interim Financial Statement working papers.
- o Review of policies and procedure manuals.



Comment on its evaluation of the annual financial statements, the interim financial reports, the preliminary announcement of the AGSA report and any other announcement regarding the KZNPG's results or other financial information to be made public, prior to the submission to and approval by the Accounting Officer and/or Executive Authority.
Consider any accounting treatments, significant unusual transactions, or accounting judgments, which could be contentious to ensure that these are properly addressed.
In line with TR 3.1.13 (b), comment on the quality of IYM and monthly/quarterly reports submitted in terms of the PFMA and DoRA.
Risk Oversight
The Committee is an integral component of the risk management process and shall oversee: <ul style="list-style-type: none"> • Financial reporting risks • Fraud risk as it relates to financial reporting • IT risk as it relates to financial reporting • All other strategic and operational risks that may impede the department from achieving their business objectives.
Review the procedures for identifying business risks and mitigating their impact on the department.
Ensure that the Accounting Officer and Accounting Authority maintains and regularly reviews the system of risk management within their areas of responsibilities.
Review the results of the risk assessment to determine the material risks to which the departments may be exposed and evaluate strategies to mitigate those risks.
Ensure that the Accounting Officer has incorporated reputational and ethical risks and opportunities in the risk management process.
Combined Assurance
Ensure a coordinated approach to all assurance activities, and in particular the CARC shall: <ul style="list-style-type: none"> • Ensure that the combined assurance model relevant to the department is appropriate to address all the significant risks facing the department. • Monitor the relationship between the external and internal assurance providers. • Comment on the effectiveness of the combined assurance model.
Integrated Reporting
Review the integrated report, including the financial statements, and should have regard to all factors and risks that may impact on the integrity of the integrated report, and in particular the Committee must: <ul style="list-style-type: none"> • Have regard to all factors that may impact on the integrity of the integrated/ annual report, including factors that may predispose management to present a misleading picture, significant judgements and reporting decisions made, monitoring or enforcement actions by a regulatory body, any evidence that brings into question previously published information; forward looking statements or information. <ol style="list-style-type: none"> a) Review disclosure of sustainability issues in the integrated report to ensure that it does not conflict with the financial information. b) Comment in the annual financial report on the financial statements, the accounting practices and the effectiveness of the internal financial controls. c) Consider whether the content of the summarised information provides a balanced view.
Ethics
Review the internal audit reports on compliance with the ethical code of conduct and policies of the Department based on the number of statutory, common law and other requirements which cover the ethical behaviour of senior management, and officials of the Departments.
Identify through PIAS reports, any violation of ethical conduct, environmental and social issues.
Provide advice on any identified potential conflict of interest.
Reporting Responsibilities
The Committees must report and make recommendations to the Accounting Officer on a regular basis (TR 3.1.12) – preferably quarterly.
The Committees should engage with Accounting Officers of respective departments at least on a quarterly basis.
The Committees may communicate any concerns they deem necessary to the executive authorities, Head of Provincial Treasury and the AG SA (TR 3.1.15).



2.5.11 Internal Audit and Audit Committees

The following seven members served as Provincial Audit & Risk Committee members during the period under review. The Committee members' attendance of meetings during the 2019/20 financial year is as depicted in the following table:

Name	Qualifications	Internal or External member	If Internal, position in the Department	Date Appointed	Date Contract Renewed	No. of PARC meetings attended	No. of CARC meetings attended
Mr S P Simelane (Acting Chairperson of PARC and ESID CARC)	CA(SA)	External	N/A	23 February 2015	30 October 2015	10	4
Mr M Tarr (ESID CARC)	MSc Agricultural Economics	External	N/A	01 May 2018	-	10	4
Mr V Ramphal (ESID CARC)	CA(SA)	External	N/A	23 February 2015	30 October 2015	10	4
Mr P Christianson	CA(SA)	External	N/A	23 February 2015	30 October 2015	10	4
Ms T Njozela	MBA	External	N/A	23 February 2015	30 October 2015	10	4
Mr D O'Conor	CA(SA)	External	N/A	23 February 2015	30 October 2015	10	4
Ms N Sithole	CA (SA)	External	N/A	01 May 2018	RESIGNED 07 October 2019	3	1

2.5.12 Audit Committee Report

2.5.12.1 Objective and responsibility of the Audit and Risk Committee

The Committee reports that it has complied with its responsibilities arising from the Public Finance Management Act, No.1 of 1999 (PFMA), Treasury Regulations 3.1, including all other related prescripts and is pleased to present its report for the financial year ended 31 March 2020.

The Provincial Audit and Risk Committee (PARC) is the shared audit and risk committee for the provincial departments, and is further sub-divided into three Cluster Audit & Risk Committees (CARC's) that provide oversight of key functions to the KZN Provincial Government Departments. The KZN Provincial Treasury is served by the Economic Cluster Audit & Risk Committee.

The Committee has adopted appropriate formal terms of reference contained in its Audit and Risk Committee Charter and has regulated its affairs in compliance with this charter; and reports that it has discharged all of its responsibilities as contained therein.



2.5.12.2 Audit Committee Members and Attendance

The PARC and Economic CARC consists of the members listed hereunder who have met as reflected below, in line with the its approved terms of reference.

No.	Name of Member	PARC Meetings Attended	Economic CARC Meetings Attended
1.	Mr S Simelane (Acting Chairman of PARC and Economic CARC)	4 of 4	4 of 4
2	Mr V Ramphal	4 of 4	4 of 4
3.	Mr P Christianson	4 of 4	4 of 4
4.	Ms T Njozela	4 of 4	N/A*
5.	Mr D O'Connor	4 of 4	N/A*

* Refers to PARC members who do not serve on the Economic CARC

2.5.12.3 The Effectiveness of Internal Control

Our review of the reports provided by the Provincial Internal Audit Service (PIAS), revealed that the systems of internal controls were effective in the Department, except for the problems surrounding the development of the E-Procurement system.

The Committee considered the appropriateness of the agreed management interventions to the address the control weaknesses identified and advised management to implement same timeously, to avoid the recurrence of findings.

2.5.12.4 Effectiveness of Internal Audit

The Committee has, through the CARC monitoring processes, considered internal audit reports on the adequacy and effectiveness of controls designed to mitigate the risks associated with the operational and strategic activities of the Department, at its quarterly meetings.

The PIAS planned to conduct seven (7) audit assignments for the period under review, of which six (6) were finalised and one (1) was carried over to the 2020/21 financial year with the approval of the Audit Committee.

The PIAS performed effectively during the period under review; notwithstanding concerns raised by the Committee in respect of the financial and other limitations imposed upon the unit. The Committee will monitor the progress made by the PIAS against its operational plans in order to ensure that it continues to fulfil its mandate and add value to the department.

2.5.12.5 Risk Management

The responsibilities of the Committee with respect to risk management are formally defined in its Charter. For the period under review, the Committee's responsibilities have been focused, amongst other things, on the quarterly review of the Department's risk register and monitoring progress against the Risk Management Operational Plan.



As at the end of the 2020/21 financial year, the status of the Department's risk register was as follows:

	Risk Grouping					Total
	Critical	Major	Moderate	Minor	Insignificant	
Number of Identified Risks	2	2	11	29	5	49
Number of Identified Action Plans	5	8	18	8	1	40
Number of Completed Action Plans.	5	8	16	8	1	38

Although the department is commended on the recently updated risk register and the high completion rate of its risk mitigation plans, the Committee is still concerned about the department's failure to update its risk register regularly on a quarterly basis. The Department is urged to ensure the implementation of the outstanding risk mitigation plans and to regard the risk register as a dynamic document which should be reviewed and updated on a quarterly basis. The Department is also requested to address the slow progress it has made in implementing the agreed action plans in respect of Risk Maturity and Fraud Prevention.

2.5.12.5.1 Quality of in year management and monthly/quarterly reports

The Committee was satisfied with the content and quality of quarterly reports in respect of in year management and quarterly performance, prepared and issued by the Accounting Officer of the Department during the year under review, in terms of the PFMA and the Division of Revenue Act.

2.5.12.6 Evaluation of Financial Statements

The Committee has:

- Reviewed and discussed the Annual Financial Statements, including the audit report, with the Auditor General and the Accounting Officer;
- Reviewed the Auditor General's Management Report;
- Reviewed the Department's processes for compliance with legal and regulatory provisions and did not identify any instances of material non-compliance; and
- Reviewed the conclusions regarding the reliability and usefulness of performance information.

2.5.12.7 Forensics Investigations

The Committee noted that there were thirteen (13) forensic investigations from 2009 to date, all relating to alleged procurement irregularities, HR irregularities and mismanagement of funds, which the Department has referred to the PIAS for investigation. Twelve (12) of these investigations were completed and one (1) is in-progress. The Committee further noted that there is a recommendation to register a criminal case emanating from one (1) investigation.

The department and the PIAS are urged to promptly finalize the outstanding investigation, and work together to implement the recommendations made in the finalised investigations.

The Committee further noted the PIAS' failure to develop and roll-out the Case Management System as planned.



2.5.12.8 Auditor-General's Report

The Committee has monitored the implementation of corrective action plans to address the audit issues raised by the Auditor General in the prior year. The Committee has met with the Auditor General of South Africa to discuss and evaluate the major issues that emanated from the current regulatory audit. The Committee will ensure that corrective actions in respect of the detailed findings emanating from the current regulatory audit continue to be monitored on a quarterly basis through the CARC processes.

The Committee concurs and accepts the conclusion of the Auditor General's unqualified opinion on the Annual Financial Statements, and is of the opinion that the Audited Annual Financial Statements be accepted and read together with the report of the Auditor General. The Committee commends the Department on obtaining an unqualified audit opinion without findings.

2.5.12.9 Appreciation

The Committee wishes to express its appreciation to the Management of the Department, the Auditor General of South Africa, and the Provincial Internal Audit Services for the co-operation and support they have provided to enable us to compile this report.



.....
Mr S. Simelane
Acting Chairman: Provincial Audit and Risk Committee
27 August 2021



2.5.13 B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The following table has been completed in accordance with the compliance to the BBEE requirements of the BBEE Act of 2013 and as determined by the Department of Trade and Industry.

Has the Department / Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:		
Criteria	Response Yes / No	Discussion <i>(include a discussion on your response and indicate what measures have been taken to comply)</i>
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	No	The Department does not issue any authorisations in respect of economic activity.
Developing and implementing a preferential procurement policy?	Yes	Department has SCM Policy and Professional Service Providers Rotation Policy that are in line with the objectives of the PPPFA.
Determining qualification criteria for the sale of state-owned enterprises?	No	This is not applicable to the Department
Developing criteria for entering into partnerships with the private sector?	Yes	Bids are invited with prequalification criteria.
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	Yes	Preferential point system is considered in the awarding of bids and quotations.



2.6 - PART D: HUMAN RESOURCE MANAGEMENT

2.6.1 INTRODUCTION

The information contained in this part of the annual report has been prescribed by the Minister for the Public Service and Administration for all departments in the public service.

2.61.1. OVERVIEW OF HUMAN RESOURCES

1.1 Status of Human Resources in the Department

The Filling of vacant posts and the overall turnaround time to fill vacancies is affected by the moratorium on the filling of non-critical posts in the Province, where approval to fill critical posts is first obtained from the Premier of the Province. The vacancy rate of the Department has decreased to 14.60% in comparison to 17.20% as per the 2019/2020 vacancy rate. The Department still faces challenges in terms of attracting and employing people with disabilities and females at SMS level into the permanent structure, where women at SMS decreased to 41%, however people with disabilities increased to 2%.

2.2 Human Resource priorities for the year under review

Enhanced and improved employee engagement – through effective climate surveys; leadership impact analysis; effective exit interview analysis.

Skill and Talent attraction – prioritizing the recruitment of critical core posts and ensuring the correct alignment of competence profile and qualification requirements to the needs of the Department.

Talent Retention – reduction in turnover rate; improvement of management capability through leadership impact analysis; greater focus on career management strategies

Integrated Human Resource Information sessions and Business Unit engagements – improve levels of compliance; increase HR knowledge base of all employees; reduction in number of grievances received.

2.3 Workforce Planning and key strategies to attract and recruit skilled and capable workforce

The Department has an approved MTEF HR Plan for the period April 2018 to March 2023 has been endorsed by the Executing Authority of the Department. All vacancies in the Department were advertised to encourage fair and transparent competition. In respect of scarce skilled posts partnerships were developed with Professional Associations like SAICA and Institute of Internal Auditors to place advertisements within professional magazines to attract correctly skilled applicants. Succession Planning is in place for all key critical posts of the Department ensuring a pool of competent empowered staff who will compete for these positions when they are vacated. The HR Development Committee scrutinizes Bursary applications ensuring qualifications that are funded are in line with the critical needs of the Department and support upward mobility of staff.

2.4 Employee Performance Management

The Department obtained 100% compliance in respect of the signing of SMS Performance Agreements, and 97% in respect of those at levels 1 to 12. Non-compliant staff were excluded from the receipt of any



performance incentives and stringent monitoring mechanisms, including the disciplining of supervisors and Line Managers for non-compliant staff have been put in place to ensure 100% compliance at all levels going forward. The 19/20 assessments were finalized and paid out during the 4th quarter of the 20/21 assessment year.

2.5 Employee Health and Wellness Program

The Employee Health and Wellness Section within HRM continues to make a visible impact on the lives of employees by increasing the number of Wellness Clinics per month within the Department, with noticeable improvements in the number of voluntary on-site testing. Monthly articles instilling responsible life style disease management as well as encouraging physical fitness and awareness are distributed throughout the Organization and have been extremely well received. The Work and Play policy was however, affected by Covid-19 restrictions.

2.6 Achievements and Challenges faced by the Department

- During 2020/2021, the Human Resource Management Directorate fulfilled all of its legislative mandates and delivered an efficient and professional Human Resources function to the Department, with no audit findings.
- The unit has successfully implemented all planned Human Resource Planning and WSP priority strategies for the year, thereby ensuring a well capacitated and healthy workforce that is appropriately skilled and empowered.
- The unit has exceeded its requirements in terms of empowering the organisation as a whole on all Human Resource related knowledge and information in terms of the number of policies that were developed and work-shopped. The organisation as a whole is 100 per cent compliant to all requirements of the performance management and development system. There has been a significant reduction in the number of grievances and misconduct cases within the Department which is largely attributed to the monthly articles that stem from the Labour Desk of the Directorate. Leadership impact surveys have also contributed positively in this area.
- The Unit continues with strategies to implement the Head of Department's commitment to improving EE targets of women in management and people with disabilities, and the purchase of assistive devices and Office configuration for people with disabilities were also undertaken. Integrated efforts of the sections within HRM during the year has ensured a strong drive for policy compliance, eradication of fraud and corruption, responsible sick leave management, well aligned Departmental structures, adequately skilled employees and a healthy and well informed workforce.
 - o Youth development initiatives are a priority for the Unit. Provincial Treasury's partnership with SAICA on the Thuthuka Bursary Fund, where Treasury is sponsoring previously disadvantaged students studying towards becoming Chartered Accountants is in its 7th year since inception. The Department has committed to sponsoring 4 students a year. The partnership has further resulted in the Department receiving SAICA accreditation as a Training Office during December 2015, and the Department has received its 6th allocation of



three Trainee Accountants as at January 2021 making it a total of eight (11) trainees who are currently undergoing training towards becoming chartered accountants. A further 8 have qualified as Chartered Accountants and are accommodated within the Department on a 3-year management development programme.

2.7 Future Human Resource Plans/Goals

- Improved Employee engagement initiatives
- Talent management, acquisition and retention.
- Strategic partnering with Line Management to improve Business understanding of HR prescripts and mandates; as well as buy in of HR strategies in respect of work force planning.
- Strong drive for continued excellence and legislative compliance.



2.6.2 HUMAN RESOURCES OVERSIGHT STATISTICS

3.1 Personnel related expenditure

Table 3.1.1 Personnel expenditure by programme for the period 01 April 2020 to 31 March 2021

Programme	Total Expenditure (R'000)	Personnel expenditure (R'000)	Training expenditure (R'000)	Professional and special services exp (R'000)	Personnel expenditure as a % of total expenditure	Average personnel cost per employee (R'000)
ADMINISTRATION	164 103	83 965	0	0	51.20	521
ASSETS & LIABILITIES	0	0	0	0	0	0
FINANCIAL GOVERNANCE	185 750	76 223	0	0	41	459
INTERNAL AUDIT	99 978	84 915	0	0	84.90	643
MUNICIPAL FINANCE MANAGEMENT	54 412	40 389	0	0	74.20	918
RECEIPTS OBJECTIVE	0	0	0	0	0	0
SUSTAINABLE RESOURCE MANAGEMENT	36 640	34 117	0	0	93.10	875
Total as on Financial Systems (BAS)	540 882	319 609	0	0	59.10	488

Table 3.1.2 Personnel costs by Salary Band for the period 01 April 2020 to 31 March 2021

Salary band	Personnel expenditure (R'000)	% of total Personnel cost	No. of employees	Average personnel cost per Employee (R'000)
Lower skilled (Levels 1-2)	0	0	0	0
Skilled (level 3-5)	12 442	3.80	59	210 881
Highly skilled production(levels 6-8)	38 080	11.50	72	528 889
Highly skilled supervision(levels 9-12)	131 131	39.60	161	814 478
Senior and Top management(levels 13-16)	63 024	19	47	1 340 936
Total	356 677	73.9	339	483 836.80



Table 3.1.3 Salaries, Overtime, Home Owners Allowance and Medical Aid by Programme for the period 01 April 2020 to 31 March 2021

Programme	Salaries		Overtime		Home Owners Allowance		Medical Aid	
	Amount (R'000)	Salaries as a % of personnel costs	Amount (R'000)	Overtime as a % of personnel costs	Amount (R'000)	HOA as a % of personnel costs	Amount (R'000)	Medical aid as a % of personnel costs
ADMINISTRATION	72 647	84.50	499	0.60	2 031	2.40	3 365	3.90
FINANCIAL GOVERNANCE	65 973	82.80	116	0.10	1 417	1.80	2 464	3.10
INTERNAL AUDIT	76 165	84.30	0	0	1 322	1.50	1 832	2
MUNICIPAL FINANCE MANAGEMENT	36 654	90.60	0	0	469	1.20	356	0.90
SUSTAINABLE RESOURCE MANAGEMENT	30 500	88.60	0	0	637	1.90	424	1.20
TOTAL	281 939	85.20	615	0.20	5 876	1.80	8 442	2.60

Table 3.1.4 Salaries, Overtime, Home Owners Allowance and Medical Aid by Salary Band for the period 01 April 2020 to 31 March 2021

Salary band	Salaries		Overtime		Home Owners Allowance		Medical Aid	
	Amount (R'000)	Salaries as a % of personnel costs	Amount (R'000)	Overtime as a % of personnel costs	Amount (R'000)	HOA as a % of personnel costs	Amount (R'000)	Medical aid as a % of personnel costs
Skilled (level1-2)	9 245	74.30	47	0.40	618	5	1 169	9.40
Skilled (level3-5)	30 055	78.90	250	0.70	1 270	3.30	2 677	7
Highly skilled production (levels 6-8)	112 150	85.20	235	0.20	2 548	1.90	2 993	2.30
Highly skilled supervision (levels 9-12)	55 581	87.60	0	0	1 137	1.80	701	1.10
Senior management (level 13-16)	9 245	74.30	47	0.40	618	5	1 169	9.40
Total	207 031	62.60	532	0.20	5573	1.70	7540	2.30



3.2 Employment and Vacancies

Table 3.2.1 Employment and vacancies by programme as at 31 March 2021

Programme	Number of posts on approved establishment	Number of posts filled	Vacancy Rate	Number of employees additional to the establishment
ADMINISTRATION, Permanent	139	122	12.20	39
FINANCIAL GOVERNANCE, Permanent	114	91	20.20	31
INTERNAL AUDIT, Permanent	68	60	11.80	66
MUNICIPAL FINANCE MANAGEMENT, Permanent	39	35	10.30	9
SUSTAINABLE RESOURCE MANAGEMENT, Permanent	37	31	16.20	8
TOTAL	397	339	14.60	153

Table 3.2.2 Employment and vacancies by salary band as at 31 March 2021

Salary band	Number of posts on approved establishment	Number of posts filled	Vacancy Rate (includes frozen posts)	Number of employees additional to the establishment
Lower skilled (1-2)	0	0	0	0
Skilled(3-5)	64	59	7.80	28
Highly skilled production (6-8)	86	72	16.30	69
Highly skilled supervision (9-12)	189	161	14.80	39
Senior management (13-16)	58	47	19	17
Total	397	339	14.60	153

Table 3.2.3 Employment and vacancies by Critical Occupation as at 31 March 2021

No formal critical occupations were approved for KZN Provincial Treasury.



1.3 Filling of SMS Posts

Table 3.3.1 SMS post information as on 31 March 2021

SMS Level	Total number of funded SMS posts	Total number of SMS posts filled	% of SMS posts filled	Total number of SMS posts vacant	% of SMS posts vacant
Director-General/ Head of Dept SL16	1	0	0	1	0
Salary Level 15	3	3	100	0	0
Salary Level 14	11	9	81.81	2	18.19
Salary Level 13	43	35	81.39	8	18.61
Total	58	47	81.03	11	18.97

Table 3.3.2 SMS post information as on 30 September 2020

SMS Level	Total number of funded SMS posts	Total number of SMS posts filled	% of SMS posts filled	Total number of SMS posts vacant	% of SMS posts vacant
Director-General/ Head of Dept SL16	1	0	0	0	0
Salary Level 15	3	3	100	0	0
Salary Level 14	11	10	90.90	1	9.1
Salary Level 13	44	35	79.54	9	20.46
Total	59	48	81.35	11	18.65

Table 3.3.3 Advertising and filling of SMS posts for the period 1 April 2020 to 31 March 2021

SMS Level	Total number of funded SMS posts	Total number of SMS posts filled	% of SMS posts filled	Total number of SMS posts vacant	% of SMS posts vacant
Director-General/ Head of Dept SL16	1	0	0	1	0
Salary Level 15	3	3	100	0	0
Salary Level 14	11	9	81.81	2	18.19
Salary Level 13	43	35	81.39	8	18.61
Total	58	47	81.03	11	18.97

Table 3.3.4 Reasons for not having complied with the filling of funded vacant SMS - Advertised within 6 months and filled within 12 months after becoming vacant for the period 1 April 2020 and 31 March 2021

Reasons for vacancies not advertised within six months
There are SMS vacancies that are affected by the reviewing of the structure where the content or placement of post changes after the approval of the proposed structure, therefore such posts cannot be advertised and filled until the proposed structure is concurred by the DPSA and thereafter approved by the EA of the Department



Reasons for vacancies not filled within twelve months

There is a Provincial moratorium on the filling of all posts where authority to fill critical posts is approved by the Premier of the Province which can add a further 30 days to the entire recruitment process. A further challenge is the entire pre-employment screening process which can take approximately 2 months in itself to be finalized. These challenges make it difficult to fill a post with an incumbent within 6 months of the SMS post becoming vacant, however filling a post with an incumbent within 12 months is not a challenge. All attempts are made to fast track processes and endeavour to meet the 6-month time frame. COVID challenges have added to the above concern.

Table 3.3.5 Disciplinary steps taken for not complying with the prescribed timeframes for filling SMS posts within 12 months for the period 1 April 2020 to 31 March 2021

Reasons for vacancies not advertised within six months

Reasons for delays as contained above in 3.3.5 are beyond the control of Human Resource Directorate and disciplinary action is therefore not warranted.

Reasons for vacancies not filled within six months

Reasons for delays as contained in 3.3.4 above are beyond the control of Human Resource Directorate and disciplinary action is therefore not warranted.

3.4 Job Evaluation

Table 3.4.1 Evaluation by Salary Band for the period 01 April 2020 to 31 March 2021

Salary band	Number of posts on approved establishments	Number of Jobs Evaluated	% of posts evaluated by salary bands	Posts Upgraded		Posts downgraded	
				Number	% of posts evaluated	Number	% of posts evaluated
Lower Skilled (Levels 1-2)	0	0	0	0	0	0	
Skilled (Levels 3-5)	64	0	0	0	0	0	
Highly skilled production (Levels 6-8)	86	0	0	0	0	0	
Highly skilled supervision (Levels 9-12)	189	5	2.60	0	0	3	0
Senior Management Service Band A	43	3	7	0	0	0	0
Senior Management Service Band B	11	1	9.10	0	0	0	0
Senior Management Service Band C	3	0	0	0	0	0	0
Senior Management Service Band D	1	0	0	0	0	0	0
Total	397	9	2.26	0	0	3	0



Table 3.4.2 Profile of employees whose positions were upgraded due to their posts being upgraded for the period 01 April 2020 to 31 March 2021

Gender	African	Asian	Coloured	White	Total
Female	0	0	0	0	0
Male	0	0	0	0	0
TOTAL	0	0	0	0	0

Employees with a Disability	0
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TABLE 3.4.3 - Employees whose salary level exceed the grade determined by Job Evaluation for the period 01 April 2020 to 31 March 2021

Occupation	Number of Employees	Job Evaluation Level	Remuneration Level	Reason for Deviation
N/A	0	0	0	0
TOTAL	0			
Percentage of Total Employment	0			

TABLE 3.4.4 - Profile of employees whose salary level exceeded the grade determined by job evaluation for the period 01 April 2020 to 31 March 2021

Total no. of employees whose salaries exceed the grade determined by job evaluation	None
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3.5 Employment Changes

Table 3.5.1 – Annual Turnover rates by Salary Band for the period 01 April 2020 to 31 March 2021

Salary band	Number of employees at beginning of period- 1 April 2020	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate
Lower skilled (Levels 1-2)	0	0	0	0
Skilled (Levels3-5)	47	3	1	0
Highly skilled production (Levels 6-8)	90	6	13	3.30
Highly skilled supervision (Levels9-12)	179	7	31	4.50
Senior Management Service Bands A	38	0	2	2.60
Senior Management Service Bands B	10	1	2	10
Senior Management Service Bands C	3	0	0	0
Senior Management Service Bands D	2	0	0	0
Contracts	179	22	34	19
Total	548	39	83	15.50



TABLE 3.5.2 - Annual Turnover Rates by Critical Occupation for the period 01 April 2020 to 31 March 2021

No formal critical occupations were approved for KZN Provincial Treasury.

TABLE 3.5.3 – Reasons why staff are leaving the Department for the period 01 April 2020 to 31 March 2021

Termination Type	Number	% of Total Resignations
Death	2	2.4
Resignation	20	24
Expiry of contract	23	28
Dismissal – operational changes	0	0
Dismissal – misconduct	0	0
Dismissal – inefficiency	0	0
Discharged due to ill-health	0	0
Retirement	2	2.4
Transfer to other Public Service Departments	36	43
Other	0	0
Total	83	100
Total number of employees who left as a % of total employment	15	

TABLE 3.5.4 - Promotions by Critical Occupation * contracts not included for the period 01 April 2020 to 31 March 2021

No formal critical occupations were approved for KZN Provincial Treasury.

TABLE 3.5.5 - Promotions by Salary Bands for the period 01 April 2020 to 31 March 2021

Salary band	Number of Employees at Beginning of period	Promotions to another Salary Level	Salary Level Promotions as a % of Employees by Salary Band	Progressions to another Notch within a Salary Level	Notch Progression as a % of Employees by Salary Band
Lower skilled (Levels 1-2)	0	0	0	0	0
Skilled (Levels3-5)	47	0	0	30	63.80
Highly skilled production (Levels 6-8)	90	0	0	51	56.70
Highly skilled supervision (Levels 9-12)	179	5	1.70	122	68.20
Senior Management (Level 13-16)	54	1	1.90	26	48.10
TOTAL	370	6	1.62	229	61.90



3.6 Employment Equity

TABLE 3.6.1 - Total number of Employees (incl. Employees with disabilities) per Occupational Category as at 31 March 2021

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	13	3	6	1	12	1	8	3	47
Professionals	70	0	10	1	59	1	8	8	157
Technicians and associate professionals	26	0	0	0	38	2	1	4	71
Clerks	16	1	0	0	32	0	3	4	56
Total	125	4	16	2	141	4	20	19	331
Employees with disabilities	3	0	1	0	2	0	2	0	8

TABLE 3.6.2 - Total number of Employees (incl. Employees with disabilities) per Occupational Bands as at 31 March 2021

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	0	1	0	1	0	0	0	2
Senior Management	13	3	5	1	10	1	8	3	44
Professionally qualified and experienced specialists and mid- management	72	0	11	1	60	1	9	8	162
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	27	0	0	0	38	2	1	4	72
Semi-skilled and discretionary decision making	17	1	0	0	33	0	4	4	59
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
Total	129	4	17	2	142	4	22	19	339



TABLE 3.6.3 – Recruitment for the period 01 April 2020 to 31 March 2021

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	0	0	0	0	0	0	0	0
Senior Management	0	0	0	0	1	0	0	0	1
Professionally qualified and experienced specialists and mid-management	8	0	1	0	4	0	0	0	13
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	2	0	0	0	4	0	0	0	6
Semi-skilled and discretionary decision making	2	0	0	0	1	0	0	0	3
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
Total	12	0	1	0	10	0	0	0	23
Employees with disabilities	0	0	0	0	0	0	0	0	0

TABLE 3.6.4 - Promotions for the period 01 April 2020 to 31 March 2021

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	0	0	0	0	0	0	0	0
Senior Management	0	1	0	0	0	0	0	0	1
Professionally qualified and experienced specialists and mid-management	0	0	0	0	4	0	1	0	5
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	0	0	0	0	0	0	0	0	0
Semi-skilled and discretionary decision making	0	0	0	0	0	0	0	0	0
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
Total	0	1	0	0	4	0	1	0	6
Employees with disabilities	0	0	0	0	0	0	1	0	1



TABLE 3.6.5 – Terminations for the period 01 April 2020 to 31 March 2021

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	1	0	0	0	0	0	0	0	1
Senior Management	1	0	0	1	0	0	0	0	2
Professionally qualified and experienced specialists and mid-management	4	0	0	0	2	0	1	0	7
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	0	0	0	0	2	0	1	0	3
Semi-skilled and discretionary decision making	0	0	1	0	0	0	0	0	1
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
Total	6	0	1	1	4	0	2	0	14
Employees with disabilities	0	0	0	0	0	0	0	0	0

TABLE 3.6.6 - Disciplinary Action for the period 01 April 2020 to 31 March 2021

Disciplinary action	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
FINAL WRITTEN WARNING	0	0	0	0	0	0	0	0	0
NO OUTCOME	0	0	0	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0	0	0	0

TABLE 3.6.8 - Skills Development for the period 01 April 2020 to 31 March 2021

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	13	3	6	1	12	1	8	3	47
Professionals	70	0	10	1	59	1	8	8	157
Technicians and associate professionals	26	0	0	0	38	2	1	4	71
Clerks	16	1	0	0	32	0	3	4	56
Service and sales workers	0	0	0	0	0	0	0	0	0
Skilled agriculture and fishery workers	0	0	0	0	0	0	0	0	0
Craft and related trades workers	0	0	0	0	0	0	0	0	0
Plant and machine operators and assemblers	0	0	0	0	0	0	0	0	0
Elementary occupations	0	0	0	0	0	0	0	0	0
Total	125	4	16	2	141	4	20	19	331
Employees with disabilities	3	0	1	0	2	0	2	0	8

1.7 Signing of Performance Agreements by SMS Members

All members of the SMS must conclude and sign performance agreements within specific timeframes. Information regarding the signing of performance agreements by SMS members, the reasons for not complying within the prescribed timeframes and disciplinary steps taken is presented here.

Table 3.7.1 Signing of Performance Agreements by SMS members as on 31 May 2020

SMS Level	Total number of funded SMS posts	Total number of SMS members	Total number of signed performance agreements	Signed performance agreements as % of total number of SMS members
Head of Department	1	1	1	100
Salary Level 15	3	3	3	100
Salary Level 14	12	10	10	100
Salary Level 13	47	37	37	100
Total	63	51	51	100

Table 3.7.2 Reasons for not having concluded Performance agreements for all SMS members as on 31 March 2020

Reasons
N/A

Table 3.7.3 Disciplinary steps taken against SMS members for not having concluded Performance agreements as on 31 May 2020

Reasons
N/A



3.8 Performance Rewards

TABLE 3.8.1 - Performance Rewards by Race, Gender and Disability for the period 01 April 2020 to 31 March 2021

Race and Gender	Beneficiary Profile			Cost	
	Number of beneficiaries	Number of employees	% of total within group	Cost (R'000)	Average cost per employee
African					
Male	41	228	17.90	918.16	22 954
Female	24	183	12.80	627.73	27 292
Asian					
Male	8	25	33.30	234.06	29 257
Female	5	21	25	220.64	44 128
Coloured					
Male	0	4	0	0	0
Female	2	4	50	83.84	41 920
White					
Male	10	23	43.50	383.52	38 352
Female	1	4	25	33.79	33 785
Total	91	492	18.50	2 526.09	27 759

TABLE 3.8.2 - Performance Rewards by Salary Band for Personnel below Senior Management Service for the period 01 April 2020 to 31 March 2021

Salary band	Beneficiary Profile			Cost		Total cost as a % of the total personnel expenditure
	Number of beneficiaries	Number of employees	% of total within salary bands	Total Cost (R'000)	Average cost per employee	
Lower Skilled (Levels 1-2)	0	0	0	0	0	0
Skilled (level 3-5)	9	87	15.30	92.26	10 252	0.60
Highly skilled production (level 6-8)	20	141	26.60	286.21	16 836	1.20
Highly skilled supervision (level 9-12)	46	200	28.60	1 450.88	31 541	4.20
Total	75	428	71.80	1 870.70	72 409	6

TABLE 3.8.3 - Performance Rewards by Critical Occupation for the period 01 April 2020 to 31 March 2021

No formal critical occupations were approved for KZN Provincial Treasury



TABLE 3.8.4 - Performance Related Rewards (Cash Bonus) by Salary Band for Senior Management Service for the period 01 April 2020 to 31 March 2021

Salary band	Beneficiary Profile			Cost		Total cost as a % of the total personnel expenditure
	Number of beneficiaries	Number of employees	% of total within salary bands	Total Cost (R'000)	Average cost per employee	
Band A	14	49	28.60	547.86	39 132.70	1.00
Band B	1	12	8.30	50.11	50 114.50	0.30
Band C	1	3	33.30	57.42	57 421.50	1.10
Band D	0	1	0	0	0	0
Total	16	65	70.20	655.39	146 668.70	2.40

3.9 Foreign Workers

TABLE 3.9.1 - Foreign Workers by Salary Band for the period 01 April 2020 to 31 March 2021

Salary band	01 April 2020		31 March 2021		Change	
	Number	% of total	Number	% of total	Number	% Change
Lower skilled	0	0	0	0	0	0
Highly skilled production (Lev. 6-8)	0	0	0	0	0	0
Highly skilled supervision (Lev. 9-12)	1	100	1	100	0	0
Contract (level 9-12)	0	0	0	0	0	0
Contract (level 13-16)	0	0	0	0	0	0
Total	1	100	1	100	0	0

TABLE 3.9.2 - Foreign Workers by Major Occupation for the period 01 April 2020 to 31 March 2021

Major occupation	01 April 2020		31 March 2021		Change	
	Number	% of total	Number	% of total	Number	% Change
Professionals and managers	1	100	1	100	0	0
TOTAL	1	100	1	100	0	0



3.10. Leave

TABLE 3.10.1 - Sick Leave for the period 1 January 2020 to December 2021

Salary Band	Total Days	% Days with medical Certification	Number of Employees using Sick Leave	% of Total employees using Sick Leave	Average Days per Employee	Estimated Cost (R'000)
Contract (Levels 13-16)	41	87.80	6	1.80	7	190
Contract (Levels 3-5)	12	75.00	3	0.90	4	11
Contract (Levels 6-8)	109	72.50	26	7.90	4	176
Contract (Levels 9-12)	117	82.90	23	6.90	5	318
Contract Other	94	71.30	23	6.90	4	86
Highly skilled production (Levels 6-8)	335	69.00	69	20.80	5	542
Highly skilled supervision (Levels 9-12)	628	73.10	122	36.90	5	1 761
Senior management (Levels 13-16)	89	70.80	21	6.30	4	421
Skilled (Levels 3-5)	206	64.60	38	11.50	5	193
TOTAL	1 631.00	72	331	100	5	3 697

TABLE 3.10.2 - Disability Leave (Temporary and Permanent) for the period January 2020 to December 2021

Salary Band	Total Days	% Days with medical Certification	Number of Employees using Disability Leave	% of Total employees using Disability Leave	Average Days per Employee	Estimated Cost (R'000)
Contract (Levels 9-12)	17	100	2	50	9	38
Highly skilled production (Levels 6-8)	15	100	1	25	15	29
Skilled (Levels 3-5)	18	100	1	25	18	16
TOTAL	50	100	4	100	13	84

TABLE 3.10.3 - Annual Leave for the period January 2020 to December 2020

Salary band	Total days taken	Number of Employees using annual leave	Average per employee
Contract (Levels 13-16)	311	16	20
Contract (Levels 3-5)	154	17	9
Contract (Levels 6-8)	767	16	49
Contract (Levels 9-12)	696	15	48
Contract Other	996	15	68
Highly skilled production (Levels 6-8)	1 628	17	97
Highly skilled supervision (Levels 9-12)	3 274	18	183
Senior management (Levels 13-16)	968	19	50
Skilled (Levels 3-5)	761	16	49
TOTAL	9 555	17	573



TABLE 3.10.4 - Capped Leave for the period January 2020 to December 2020

Salary band	Total days of capped leave taken	Number of Employees using capped leave	Average number of days taken per employee	Average capped leave per employee as on 31 March 2021
Lower skilled (Levels 1-2)	0	0	0	0
Skilled Levels 3-5)	0	0	0	6
Highly skilled production (Levels 6-8)	0	0	0	29
Highly skilled supervision (Levels 9-12)	0	0	0	34
Senior management (Levels 13-16)	0	0	0	55
Total	0	0	0	34

TABLE 3.10.5 - Leave Payouts (Estimated) for the period January 2020 to December 2020

Reason	Total amount (R'000)	Number of employees	Average per employee (R'000)
Annual - discounting with resignation (work days)	799.00	13	61 462.00
Annual - gratuity: death/retirement/medical retirement(work	156.00	3	52 000.00
Capped - gratuity: death/retirement/medical retirement(work	250.00	2	125 000.00
TOTAL	1 205.00		

Leave Payouts (Actual) Allowance Codes - 0060, 0168, 0625, 0422, 0567	1 205	20.00
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3.11 HIV/AIDS & Health Promotions Programmes

TABLE 3.11.1 - Steps taken to reduce the risk of occupational exposure

Units/categories of employees identified to be at high risk of contracting HIV & related diseases (if any)	Key steps taken to reduce the risk
Nil	n/a

TABLE 3.11.2 - Details of Health Promotion and HIV/AIDS Programmes [tick Yes/No and provide required information]

Question	Yes	No	Details, if yes
1. Has the department designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001? If so, provide her/his name and position.	X		Mrs. Kogie Chetty: Director : HRM
2. Does the department have a dedicated unit or have you designated specific staff members to promote health and wellbeing of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available.	X		The Department has a dedicated EHWP Sub Directorate, that reports directly to the Director: HRM. The Unit comprises of two employees, a Deputy Director (SL11) and Practitioner (SL7).The annual EHWP budget is R200 000 , for the implementation of Wellness programmes.
3. Has the department introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key elements/services of the programme.	X		Assessment of cases, & Professional Counselling services is rendered to cases and cases are externally referred for extensive intervention if necessary. Wellness Clinic services are offered to employees twice a month which is aimed at managing Chronic Diseases to ensure health and productivity. Healthy lifestyle promotions through articles with educational information and fitness sessions are also arranged.
4. Has the department established (a) committee(s) as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholder(s) that they represent.	X		The Department has an established Consultative Forum which serves as the committee to monitor, discuss and evaluate all HR processes including the Employee Health and Wellness Program. The Committee is chaired by the Director: HRM and has representatives from all business Units in the Department and also comprises of relevant stakeholders viz Organized labour representatives.
5. Has the department reviewed the employment policies and practices of your department to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices so reviewed.	X		All HR policies are reviewed annually to ensure that there are no elements of discrimination in the policies. The Department has an approved HIV/AIDS & TB Management Policy to address issues of Human Rights and Discrimination in the workplace. The Recruitment and Selection policy for the Department has been reviewed and all other relevant policies on an annual basis to ensure that there is no unfair discrimination against any employee during the processes of recruitment and selection which includes employees who are HIV positive.
6. Has the department introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures.	X		The Department has policies that guides all processes and specifically addresses discrimination of any employee on the basis of their HIV status. The Employee Health & Wellness unit ensures confidentiality of all information disclosed in relation to any employees' HIV status. The unit also facilitates awareness campaigns on issues of stigma, HIV prevention and management as well as issues relating to adherence to treatment and the inclusion of a disciplinary clause on the HIV, AIDS & TB Management policy in case a discriminatory act is committed. Availability of an onsite Wellness clinic as well as quarterly GEMS HCT campaigns are strategies for prevention where employees are encouraged to know their status for early detection and better management of the disease and a way of dealing with stigma as all employees are encouraged to use the clinic, not just the HIV positive employees as a means to provide treatment, care and support for all employees including those that are infected and affected by HIV&AIDS.

Question	Yes	No	Details, if yes
7. Does the department encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have achieved.	X		Employees have access to the Departmental Wellness Clinic on a monthly basis and GEMS also renders the HTC services to employees which is twice a year due to changes that were implemented. This has had a negative impact in the number of employees testing as it's not increasing as expected. There has been a slight decrease in employees that tested HIV positive hence the intensification of HCT to prevent new infections seems to be working.
8. Has the department developed measures/indicators to monitor & evaluate the impact of your health promotion programme? If so, list these measures/indicators.	X		Annual HR client satisfaction surveys which includes EHWP are conducted, evaluation questionnaires at the end of every workshop are distributed for feedback as part of evaluation of the services rendered by EHW. According to the survey EHWP has been rated good.

3.12 Labour Relations

Table 3.12.1 Collective agreements for the period 1 April 2020 and 31 March 2021

Total number of Collective agreements	None
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TABLE 3.12.2 - Misconduct and Discipline Hearings Finalised for the period 01 April 2020 to 31 March 2021

Outcomes of disciplinary hearings	Number	% of total
None	0	0
TOTAL	0	0

TABLE 3.12.3 - Types of Misconduct Addressed and Disciplinary Hearings for the period 01 April 2020 to 31 March 2021

Type of misconduct	Number	% of total
None	0	0
None	0	0
TOTAL	0	0

TABLE 3.12.4 - Grievances Lodged for the period 01 April 2020 to 31 March 2021

Number of grievances addressed	Number	% of total
RESOLVED	1	100
UNRESOLVED	0	0
TOTAL	1	100



TABLE 3.12.5 - Disputes Lodged Councils for the period 01 April 2020 to 31 March 2021

Type of dispute	Number	Total
None	0	0
TOTAL:	0	0

TABLE 3.12.6 - Strike Actions for the period 01 April 2020 to 31 March 2021

Type of Action	Number	% of Total
n/a	0	0
TOTAL:	0	0

TABLE 3.12.7 - Precautionary Suspensions for the period 01 April 2020 to 31 March 2021

Precautionary suspensions exceeding 60 days	Number	Total
n/a	0	0
TOTAL:	0	0

3.13 Skills Development

TABLE 3.13.1 - Training Needs identified for the period 01 April 2020 to 31 March 2021

Occupational Category	Gender	Number of Employees at Beginning of Period	Learnerships	Skills Prog & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	30	0	28	2	30
Legislators, senior officials and managers	Male	23	0	52	2	54
Professionals	Female	89	15	203	10	213
Professionals	Male	94	15	197	9	206
Technicians and associate professionals	Female	51	0	83	4	87
Technicians and associate professionals	Male	36	0	99	4	103
Clerks	Female	30	0	51	1	52
Clerks	Male	8	0	22	0	22
Service and sales workers	Female	0	0	0	0	0
Service and sales workers	Male	0	0	0	0	0
Skilled agriculture and fishery workers	Female	0	0	0	0	0
Skilled agriculture and fishery workers	Male	0	0	0	0	0
Craft and related trades workers	Female	0	0	0	0	0
Craft and related trades workers	Male	0	0	0	0	0
Plant and machine operators and assemblers	Female	0	0	0	0	0



Occupational Category	Gender	Number of Employees at Beginning of Period	Learnerships	Skills Prog & other short courses	Other forms of training	Total
Plant and machine operators and assemblers	Male	0	0	0	0	0
Elementary occupations	Female	3	0	6	1	7
Elementary occupations	Male	6	0	4	0	4
Gender sub totals	Female	203	15	371	18	389
Gender sub totals	Male	167	15	374	15	389
TOTAL		370	30	745	33	778

TABLE 3.13.2 - Training Provided for the period 01 April 2020 to 31 March 2021

Occupational Category	Gender	Number of Employees at Beginning of period	Learnerships	Skills Programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	30	0	5	1	6
Legislators, senior officials and managers	Male	23	0	2	0	2
Professionals	Female	89	15	6	22	28
Professionals	Male	94	15	41	14	55
Technicians and associate professionals	Female	51	0	17	28	45
Technicians and associate professionals	Male	36	0	8	4	12
Clerks	Female	30	0	3	10	13
Clerks	Male	8	0	4	2	6
Service and sales workers	Female	0	0	0	0	0
Service and sales workers	Male	0	0	0	0	0
Skilled agriculture and fishery workers	Female	0	0	0	0	0
Skilled agriculture and fishery workers	Male	0	0	0	0	0
Craft and related trades workers	Female	0	0	0	0	0
Craft and related trades workers	Male	0	0	0	0	0
Plant and machine operators and assemblers	Female	0	0	0	0	0
Plant and machine operators and assemblers	Male	0	0	0	0	0
Elementary occupations	Female	3	0	0	0	0
Elementary occupations	Male	6	0	0	0	0
Gender sub totals	Female	203	15	31	61	92
Gender sub totals	Male	167	15	55	20	75
TOTAL		370	30	86	81	167



3.14 Injuries

TABLE 3.14.1 - Injury on Duty for the period 01 April 2020 to 31 March 2021

Nature of injury on duty	Number	% of total
Required basic medical attention only	0	0
Temporary Total Disablement	0	0
Permanent Disablement	0	0
Fatal	0	0
TOTAL	0	0



2.7 - PART E: FINANCIAL INFORMATION

2.7.1 Report of the auditor-general to the KwaZulu-Natal Provincial Legislature on vote no.6: Provincial Treasury

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of Provincial Treasury set out on pages 130 to 207 which comprise the appropriation statement, statement of financial position as at 31 March 2021, statement of financial performance, statement of changes in net assets, and cash flow statement for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of Provincial Treasury as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with the Modified Cash Standards (MCS) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and Division of Revenue Act 4 of 2020 (Dora).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the department in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other matter

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary schedule

7. The supplementary information set out on pages 208 to 219 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.



Responsibilities of the accounting officer for the financial statements

8. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the MCS and the requirements of the PFMA and Dora and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, -whether due to fraud or error.
9. In preparing the financial statements, the accounting officer is responsible for assessing the department's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the department or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

10. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

12. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected programme presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
13. My procedures address the usefulness and reliability of the reported performance information, which must be based on the department's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the department enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as



defined in the general notice, for programme 4 – internal audit presented on pages 80 to 84 in the department’s annual performance report for the year ended 31 March 2021.

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
16. I did not identify any material findings on the usefulness and reliability of the reported performance information for the programme 4 – internal audit.

Other matter

17. I draw attention to the matter below.

Achievement of planned targets

18. Refer to the annual performance report on pages 66 to 90 for information on the achievement of planned targets for the year and management’s explanations provided for the under/over achievement of targets.

Report on the audit of compliance with legislation

Introduction and scope

19. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the department’s compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
20. I did not identify any material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

21. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor’s report and the selected programme presented in the annual performance report that has been specifically reported in this auditor’s report.
22. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
23. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.



24. The other information I obtained prior to the date of this auditor's report is the report of the accounting officer. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.
25. When I do receive and read the remainder of the information included in the annual report, and if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

26. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.

Other reports

27. I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the department's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
28. The Special Investigating Unit is investigating allegations of misconduct within the department. These proceedings were in progress at the date of this auditor's report.
29. Four investigations into allegations of improper conduct in supply chain management were conducted during the year by the Office of the Premier Forensic Unit. At year end three had been completed and recommendations made to the accounting officer, while the other was still in progress.

Auditor-General

Pietermaritzburg

30 July 2021



A U D I T O R - G E N E R A L
S O U T H A F R I C A

Auditing to build public confidence

KZN Provincial Treasury 2020/21 Annual Report

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KWAZULU-NATAL PROVINCE
TREASURY
REPUBLIC OF SOUTH AFRICA



APPROPRIATION STATEMENT for the year ended 31 March 2021

Appropriation per programme									
2020/21								2019/20	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Programme									
1. Administration	178 538	-	(3 152)	175 386	164 057	11 329	93.5%	237 636	204 269
2. Sustainable Resource Man	38 640	-	-	38 640	36 645	1 995	94.8%	44 641	40 980
3. Financial Governance	179 433	-	8 138	187 571	185 250	2 321	98.8%	210 917	205 764
4. Internal Audit	105 888	-	(4 427)	101 461	99 984	1 477	98.5%	174 595	162 584
5. Municipal Fin Management	55 795	-	(559)	55 236	54 431	805	98.5%	59 865	58 418
Subtotal	558 294	-	-	558 294	540 367	17 927	96.8%	727 654	672 015
Statutory Appropriation		-	-	-	-	-	-	-	-
President and Deputy President salary	-	-	-	-	-	-	-	-	-
Members' remuneration	-	-	-	-	-	-	-	-	-
Debt service costs	-	-	-	-	-	-	-	-	-
Provincial equitable share	-	-	-	-	-	-	-	-	-
General fuel levy sharing with metropolitan municipalities	-	-	-	-	-	-	-	-	-
National Revenue Fund payments	-	-	-	-	-	-	-	-	-
Skills levy and sector education and training authorities	-	-	-	-	-	-	-	-	-
Judges' and magistrates' salaries	-	-	-	-	-	-	-	-	-
TOTAL	558 294	-	-	558 294	540 367	17 927	96.8%	727 654	672 015

APPROPRIATION STATEMENT
for the year ended 31 March 2021

	2020/21			2019/20	
	Final Appropriation	Actual Expenditure		Final Appropriation	Actual Expenditure
TOTAL (brought forward)					
Reconciliation with statement of financial performance					
ADD					
Departmental receipts	121 688			242 019	
Aid assistance	1 512			105 038	
Actual amounts per statement of financial performance (total revenue)	681 494			1 074 711	
ADD					
Aid assistance		515			67 258
Prior year unauthorised expenditure approved without funding		-			-
Actual amounts per statement of financial performance (total expenditure)		540 882			739 273

Appropriation per economic classification									
	2020/21							2019/20	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Economic classification									
Current payments	548 084	-	(5 210)	542 874	526 879	15 995	97.1%	705 491	659 122
Compensation of employees	328 525	-	(6 559)	321 966	319 611	2 355	99.3%	344 393	331 508
Salaries and wages	293 582	-	(5 877)	287 705	286 603	1 102	99.6%	307 899	298 161
Social contributions	34 943	-	(682)	34 261	33 008	1 253	96.3%	36 494	33 347
Goods and services	218 750	-	1 974	220 724	207 177	13 547	93.9%	361 098	327 614
Administrative fees	7 410	-	1 393	8 803	8 524	279	96.8%	7 246	5 962





APPROPRIATION STATEMENT for the year ended 31 March 2021

Advertising	2 532	-	(606)	1 926	1 709	217	88.7%	3 700	2 231
Minor assets	602	-	(80)	522	292	230	55.9%	1 095	718
Audit costs: External	3 767	-	-	3 767	3 681	86	97.7%	4 941	4 514
Bursaries: Employees	1 006	-	(288)	718	717	1	99.9%	614	612
Catering: Departmental activities	762	-	(385)	377	93	284	24.7%	1 073	864
Communication	2 353	-	(274)	2 079	1 160	919	55.8%	2 284	1 376
Computer services	90 343	-	18 534	108 877	108 869	8	100.0%	114 224	114 075
Consultants: Business and advisory services	24 735	-	(12 136)	12 599	8 623	3 976	68.4%	54 206	44 521
Legal services	1 712	-	638	2 350	2 024	326	86.1%	3 522	3 264
Contractors	3 265	-	(670)	2 595	2 279	316	87.8%	4 486	4 245
Agency and support / outsourced services	33 978	-	364	34 342	33 686	656	98.1%	101 161	89 608
Entertainment	-	-	-	-	-	-	-	5	5
Fleet services	1 784	-	(925)	859	858	1	99.9%	2 005	1 587
Inventory: Clothing material and supplies	-	-	5	5	5	-	100.0%	402	402
Inventory: Food and food supplies	10	-	203	213	213	-	100.0%	96	96
Inventory: Materials and supplies	-	-	10	10	9	1	90.0%	147	147
Inventory: Other supplies	642	-	(208)	434	48	386	11.1%	1 426	608
Consumable supplies	843	-	542	1 385	1 138	247	82.2%	1 355	1 240
Consumable: Stationery, printing and office supplies	2 030	-	(437)	1 593	688	905	43.2%	2 426	1 521
Operating leases	18 475	-	(2 183)	16 292	16 291	1	100.0%	19 249	19 249
Property payments	10 357	-	1 057	11 414	11 325	89	99.2%	12 278	12 209
Transport provided: Departmental activity	108	-	(108)	-	-	-	-	307	197
Travel and subsistence	7 777	-	(2 330)	5 447	2 495	2 952	45.8%	15 749	13 005
Training and development	1 567	-	(470)	1 097	787	310	71.7%	3 325	2 210

**APPROPRIATION STATEMENT
for the year ended 31 March 2021**

Operating payments	2 330	-	346	2 676	1 661	1 015	62.1%	3 624	3 096
Venues and facilities	362	-	(18)	344	2	342	0.6%	152	52
Rental and hiring	-	-	-	-	-	-	-	-	-
Interest and rent on land	809	-	(625)	184	91	93	49.5%	-	-
Interest	-	-	184	184	91	93	49.5%	-	-
Rent on land	809	-	(809)	-	-	-	-	-	-
Transfers and subsidies	2 513	-	5 128	7 641	6 665	976	87.2%	6 153	5 782
Provinces and municipalities	27	-	14	41	41	-	100.0%	40	39
Provinces	-	-	-	-	-	-	-	40	39
Provincial agencies and funds	-	-	-	-	-	-	-	40	39
Departmental agencies and accounts	3	-	-	3	3	-	100.0%	3	2
Departmental agencies and accounts	3	-	-	3	3	-	100.0%	3	2
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Public corporations	-	-	-	-	-	-	-	-	-
Subsidies on products and production	-	-	-	-	-	-	-	-	-
Other transfers to public corporations	-	-	-	-	-	-	-	-	-
Private enterprises	-	-	-	-	-	-	-	-	-
Subsidies on products and production	-	-	-	-	-	-	-	-	-
Other transfers to private enterprises	-	-	-	-	-	-	-	-	-
Non-profit institutions	279	-	-	279	-	279	-	500	362
Households	2 204	-	5 114	7 318	6 621	697	90.5%	5 610	5 379
Social benefits	1 210	-	4 361	5 571	4 874	697	87.5%	4 217	3 994
Other transfers to households	994	-	753	1 747	1 747	-	100.0%	1 393	1 385
Payments for capital assets	7 697	-	-	7 697	6 743	954	87.6%	15 963	7 066





APPROPRIATION STATEMENT for the year ended 31 March 2021

Buildings and other fixed structures	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-	-
Other fixed structures	-	-	-	-	-	-	-	-	-
Machinery and equipment	7 697	-	-	7 697	6 743	954	87.6%	14 603	7 066
Transport equipment	80	-	-	80	-	80	-	6 257	-
Other machinery and equipment	7 617	-	-	7 617	6 743	874	88.5%	8 346	7 066
Intangible assets	-	-	-	-	-	-	-	1 360	-
Payments for financial assets	-	-	82	82	80	2	97.6%	47	45
Total	558 294	-	-	558 294	540 367	17 927	96.8%	727 654	672 015

APPROPRIATION STATEMENT
for the year ended 31 March 2021

Programme 1: ADMINISTRATION									
	2020/21							2019/20	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Sub programme									
1. Office of the MEC	27 198	-	349	27 547	24 370	3 177	88.5%	36 576	32 410
2. Management Services(HOD)	27 616	-	(4 551)	23 065	17 123	5 942	74.2%	57 127	40 549
3. Financial Management(CFO)	29 884	-	(326)	29 558	28 153	1 405	95.2%	34 337	32 998
4. Corporate Services	93 840	-	1 376	95 216	94 411	805	99.2%	109 596	98 312
Total for sub programmes	178 538	-	(3 152)	175 386	164 057	11 329	93.5%	237 636	204 269
Economic classification									
Current payments	171 037	-	(6 957)	164 080	153 913	10 167	93.8%	221 465	195 917
Compensation of employees	86 311	-	(1 455)	84 856	83 967	889	99.0%	94 295	88 338
Salaries and wages	75 495	-	(1 410)	74 085	73 813	272	99.6%	83 463	78 650
Social contributions	10 816	-	(45)	10 771	10 154	617	94.3%	10 832	9 688
Goods and services	84 726	-	(5 594)	79 132	69 855	9 277	88.3%	127 170	107 579
Administrative fees	169	-	(44)	125	43	82	34.4%	334	192
Advertising	2 478	-	(606)	1 872	1 687	185	90.1%	3 048	2 187
Minor assets	422	-	(112)	310	194	116	62.6%	288	148
Audit costs: External	3 767	-	-	3 767	3 681	86	97.7%	4 941	4 514
Bursaries: Employees	1 006	-	(288)	718	717	1	99.9%	614	612
Catering: Departmental activities	518	-	(328)	190	58	132	30.5%	527	465
Communication	1 232	-	216	1 448	891	557	61.5%	1 594	1 082
Computer services	14 301	-	4 342	18 643	18 643	-	100.0%	17 050	17 050
Consultants: Business and advisory services	19 180	-	(15 026)	4 154	455	3 699	11.0%	43 599	35 504





APPROPRIATION STATEMENT for the year ended 31 March 2021

Legal services	1 712	-	(211)	1 501	1 175	326	78.3%	2 104	1 846
Contractors	3 184	-	(662)	2 522	2 249	273	89.2%	4 405	4 195
Agency and support / outsourced services	-	-	8 827	8 827	8 827	-	100.0%	5 196	-
Entertainment	-	-	-	-	-	-	-	5	5
Fleet services	1 784	-	(925)	859	858	1	99.9%	2 005	1 587
Inventory: Clothing material and accessories	-	-	5	5	5	-	100.0%	402	402
Inventory: Food and food supplies	10	-	203	213	213	-	100.0%	96	96
Inventory: Materials and supplies	-	-	10	10	9	1	90.0%	147	147
Inventory: Other supplies	642	-	(208)	434	48	386	11.1%	1 426	608
Consumable supplies	695	-	576	1 271	1 089	182	85.7%	1 012	957
Consumable: Stationery, printing and office supplies	1 099	-	(198)	901	358	543	39.7%	1 325	797
Operating leases	18 408	-	(2 116)	16 292	16 291	1	100.0%	19 187	19 187
Property payments	10 357	-	1 056	11 413	11 325	88	99.2%	12 278	12 209
Transport provided: Departmental activity	108	-	(108)	-	-	-	-	307	197
Travel and subsistence	2 113	-	(20)	2 093	348	1 745	16.6%	3 307	2 376
Training and development	457	-	(92)	365	270	95	74.0%	930	390
Operating payments	744	-	133	877	419	458	47.8%	943	774
Venues and facilities	340	-	(18)	322	2	320	0.6%	100	52
Rental and hiring	-	-	-	-	-	-	-	-	-
-Interest and rent on land	-	-	92	92	91	1	98.9%	-	-
Interest	-	-	92	92	91	1	98.9%	-	-
Rent on land	-	-	-	-	-	-	-	-	-
Transfers and subsidies	1 674		4 211	5 885	5 352	533	90.9%	5 176	4 974
Provinces and municipalities	27	-	14	41	41	-	100.0%	40	39

**APPROPRIATION STATEMENT
for the year ended 31 March 2021**

Provinces	-	-	-	-	-	-	-	40	39
Provincial Revenue Funds	-	-	-	-	-	-	-	-	-
Provincial agencies and funds	-	-	-	-	-	-	-	40	39
Municipalities	27	-	14	41	41	-	100.0%	-	-
Municipal Bank Accounts	-	-	-	-	-	-	-	-	-
Municipal agencies and funds	27	-	14	41	41	-	100.0%	-	-
Departmental agencies and accounts	3	-	-	3	3	-	100.0%	3	2
Departmental agencies	3	-	-	3	3	-	100.0%	3	2
Non-profit institutions	279	-	-	279	-	279	-	488	350
Households	1 365	-	4 197	5 562	5 308	254	95.4%	4 645	4 583
Social benefits	371	-	3 444	3 815	3 561	254	93.3%	3 252	3 198
Other transfers to households	994	-	753	1 747	1 747	-	100.0%	1 393	1 385
Payments for capital assets	5 827	-	(409)	5 418	4 789	629	88.4%	10 995	3 378
Machinery and equipment	5 827	-	(409)	5 418	4 789	629	88.4%	9 635	3 378
Transport equipment	80	-	-	80	-	80	-	6 257	-
Other machinery and equipment	5 747	-	(409)	5 338	4 789	549	89.7%	3 378	3 378
Intangible assets	-	-	-	-	-	-	-	1 360	-
Payments for financial assets	-	-	3	3	3	-	100.0%	-	-
TOTAL	178 538	-	(3 152)	175 386	164 057	11 329	93.5%	237 636	204 269



**APPROPRIATION STATEMENT
for the year ended 31 March 2021**

Contractors	-	-	-	-	-	-	-	9	9
Agency and support / outsourced services	1 436	-	(1 185)	251	-	251	-	-	-
Entertainment	-	-	-	-	-	-	-	-	-
Fleet services	-	-	-	-	-	-	-	-	-
Inventory: Clothing material and supplies	-	-	-	-	-	-	-	-	-
Inventory: Food and food supplies	-	-	-	-	-	-	-	-	-
Inventory: Materials and supplies	-	-	-	-	-	-	-	-	-
Inventory: Other supplies	-	-	-	-	-	-	-	-	-
Consumable supplies	14	-	-	14	11	3	78.6%	23	9
Consumable: Stationery, printing and office supplies	126	-	-	126	36	90	28.6%	143	115
Operating leases	-	-	-	-	-	-	-	-	-
Property payments	-	-	-	-	-	-	-	-	-
Transport provided: Departmental activity	-	-	-	-	-	-	-	-	-
Travel and subsistence	839	-	(139)	700	160	540	22.9%	1 077	796
Training and development	-	-	9	9	8	1	88.9%	141	22
Operating payments	857	-	130	987	533	454	54.0%	1 104	989
Venues and facilities	-	-	-	-	-	-	-	-	-
Rental and hiring	-	-	-	-	-	-	-	-	-
Interest and rent on land	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Rent on land	-	-	-	-	-	-	-	-	-
Transfers and subsidies	70	-	215	285	214	71	75.1%	112	110
Provinces and municipalities	-	-	-	-	-	-	-	-	-
Provinces	-	-	-	-	-	-	-	-	-
Provincial Revenue Funds	-	-	-	-	-	-	-	-	-





APPROPRIATION STATEMENT for the year ended 31 March 2021

Provincial agencies and funds	-	-	-	-	-	-	-	-	-
Municipalities	-	-	-	-	-	-	-	-	-
Municipal bank accounts	-	-	-	-	-	-	-	-	-
Municipal agencies and funds	-	-	-	-	-	-	-	-	-
Departmental agencies and accounts	-	-	-	-	-	-	-	-	-
Social security funds	-	-	-	-	-	-	-	-	-
Departmental agencies	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Public corporations	-	-	-	-	-	-	-	-	-
Subsidies on products and production	-	-	-	-	-	-	-	-	-
Other transfers to public corporations	-	-	-	-	-	-	-	-	-
Private enterprises	-	-	-	-	-	-	-	-	-
Subsidies on products and production	-	-	-	-	-	-	-	-	-
Other transfers to private enterprises	-	-	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-	-	-
Households	70	-	215	285	214	71	75.1%	112	110
Social benefits	70	-	215	285	214	71	75.1%	112	110
Other transfers to households	-	-	-	-	-	-	-	-	-
Payments for capital assets	293	-	-	293	290	3	99.0%	430	344
Machinery and equipment	293	-	-	293	290	3	99.0%	430	344
Transport equipment	-	-	-	-	-	-	-	-	-
Other machinery and equipment	293	-	-	293	290	3	99.0%	430	344
Intangible assets	-	-	-	-	-	-	-	-	-
Payments for financial assets	-	-	-	-	-	-	-	-	-
TOTAL	38 640	-	-	38 640	36 645	1 995	94.8%	44 641	40 980

APPROPRIATION STATEMENT
for the year ended 31 March 2021

Programme 3: FINANCIAL GOVERNANCE									
2020/21								2019/20	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Sub programme									
1. Programme Support	4 859	-	450	5 309	4 688	621	88.3%	4 235	3 907
2. Assets & Liabilities Management	14 486	-	17	14 503	14 351	152	99.0%	12 569	10 800
3. Sup & Interlinked Fin Systems	84 745	-	13 798	98 543	98 447	96	99.9%	103 768	103 269
4. Supply chain Management	35 945	-	(1 221)	34 724	34 426	298	99.1%	36 735	35 701
5. Public, Private Partnerships	8 677	-	(1 517)	7 160	6 605	555	92.2%	7 085	6 071
6. Accounting Services	23 296	-	(3 106)	20 190	19 737	453	97.8%	39 403	39 127
7. Norms and Standards	7 425	-	(283)	7 142	6 996	146	98.0%	7 122	6 889
Total for sub programmes	179 433	-	8 138	187 571	185 250	2 321	98.8%	210 917	205 764
Economic classification									
Current payments	178 273	-	7 218	185 491	183 548	1 943	99.0%	209 250	204 463
Compensation of employees	80 481	-	(3 999)	76 482	76 223	259	99.7%	71 865	70 594
Salaries and wages	71 312	-	(3 519)	67 793	67 681	112	99.8%	64 015	62 780
Social contributions	9 169	-	(480)	8 689	8 542	147	98.3%	7 850	7 814
Goods and services	96 983	-	11 934	108 917	107 325	1 592	98.5%	137 385	133 869
Administrative fees	7 106	-	1 424	8 530	8 395	135	98.4%	6 336	5 235
Advertising	54	-	-	54	22	32	40.7%	567	44
Minor assets	137	-	(29)	108	24	84	22.2%	298	162
Audit costs: External	-	-	-	-	-	-	-	-	-
Bursaries: Employees	-	-	-	-	-	-	-	-	-
Catering: Departmental activities	107	-	(1)	106	-	106	-	151	117





APPROPRIATION STATEMENT for the year ended 31 March 2021

Communication	670	-	(498)	172	48	124	27.9%	300	94
Computer services	75 318	-	13 941	89 259	89 256	3	100.0%	95 792	95 790
Consultants: Business and advisory services	2 226	-	1 018	3 244	2 967	277	91.5%	3 002	3 001
Legal services	-	-	849	849	849	-	100.0%	1 418	1 418
Contractors	46	-	(11)	35	-	35	-	42	25
Agency and support / outsourced services	8 324	-	(3 264)	5 060	4 692	368	92.7%	23 286	23 178
Entertainment	-	-	-	-	-	-	-	-	-
Fleet services	-	-	-	-	-	-	-	-	-
Inventory: Clothing material and supplies	-	-	-	-	-	-	-	-	-
Inventory: Food and food supplies	-	-	-	-	-	-	-	-	-
Inventory: Materials and supplies	-	-	-	-	-	-	-	-	-
Inventory: Other supplies	-	-	-	-	-	-	-	-	-
Consumable supplies	94	-	(35)	59	24	35	40.7%	235	206
Consumable: Stationery, printing and office supplies	354	-	(110)	244	151	93	61%	376	258
Operating leases	67	-	(67)	-	-	-	-	62	62
Property payments	-	-	1	1	-	1	-	-	-
Transport provided: Departmental activity	-	-	-	-	-	-	-	-	-
Travel and subsistence	1 803	-	(962)	841	659	182	78.4%	4 051	3 201
Training and development	366	-	(275)	91	28	63	30.8%	856	621
Operating payments	289	-	(47)	242	210	32	86.8%	561	457
Venues and facilities	22	-	-	22	-	22	-	52	-
Rental and hiring	-	-	-	-	-	-	-	-	-
Interest and rent on land	809	-	(717)	92	-	92	-	-	-
Interest	-	-	92	92	-	92	-	-	-

**APPROPRIATION STATEMENT
for the year ended 31 March 2021**

Rent on land	809	-	(809)	-	-	-	-	-	-
Transfers and subsidies	566	-	436	1 002	641	361	64.0%	354	248
Provinces and municipalities	-	-	-	-	-	-	-	-	-
Provinces	-	-	-	-	-	-	-	-	-
Provincial Revenue Funds	-	-	-	-	-	-	-	-	-
Provincial agencies and funds	-	-	-	-	-	-	-	-	-
Municipalities	-	-	-	-	-	-	-	-	-
Municipal bank accounts	-	-	-	-	-	-	-	-	-
Municipal agencies and funds	-	-	-	-	-	-	-	-	-
Departmental agencies and accounts	-	-	-	-	-	-	-	-	-
Social security funds	-	-	-	-	-	-	-	-	-
Departmental agencies	-	-	-	-	-	-	-	-	-
Higher education institutions	-	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Public corporations	-	-	-	-	-	-	-	-	-
Subsidies on products and production	-	-	-	-	-	-	-	-	-
Other transfers to public corporations	-	-	-	-	-	-	-	-	-
Private enterprises	-	-	-	-	-	-	-	-	-
Subsidies on products and production	-	-	-	-	-	-	-	-	-
Other transfers to private enterprises	-	-	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-	12	12
Households	566	-	436	1 002	641	361	64.0%	342	236
Social benefits	566	-	436	1 002	641	361	64.0%	342	236





**APPROPRIATION STATEMENT
for the year ended 31 March 2021**

Other transfers to households	-	-	-	-	-	-	-	-	-
Payments for capital assets	594	-	409	1 003	988	15	98.5%	1 279	1 019
Machinery and equipment	594	-	409	1 003	988	15	98.5%	1 279	1 019
Transport equipment	-	-	-	-	-	-	-	-	-
Other machinery and equipment	594	-	409	1 003	988	15	98.5%	1279	1 019
Intangible assets	-	-	-	-	-	-	-	-	-
Payments for financial assets	-	-	75	75	73	2	97.3%	34	34
Total	179 433	-	8 138	187 571	185 250	2 321	98.8%	210 917	205 764

APPROPRIATION STATEMENT
for the year ended 31 March 2021

Programme 4: INTERNAL AUDIT									
	2020/21							2019/20	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Sub programme									
1. Programme Support	4 750	-	425	5 175	4 346	829	84.0%	4 979	4 667
2. Assurance Services	70 399	-	(3 474)	66 925	66 500	425	99.4%	105 594	105 158
3. Risk management	22 241	-	(1 378)	20 861	20 640	223	98.9%	27 544	21 389
4. Forensic Services	8 498	-	-	8 498	8 498	-	100.0%	36 478	31 370
Total for sub programmes	105 888	-	(4 427)	101 461	99 984	1 477	98.5%	174 595	162 584
Economic classification									
Current payments	105 059	-	(4 613)	100 446	99 211	1 235	98.8%	171 650	160 358
Compensation of employees	85 756	-	(564)	85 192	84 914	278	99.7%	100 576	96 757
Salaries and wages	77 049	-	(309)	76 740	76 669	71	99.9%	89 434	87 235
Social contributions	8 707	-	(255)	8 452	8 245	207	97.6%	11 142	9 522
Goods and services	19 303	-	(4 049)	15 254	14 297	957	93.7%	71 074	63 601
Administrative fees	77	-	13	90	78	12	86.7%	252	224
Advertising	-	-	-	-	-	-	-	-	-
Minor assets	34	-	37	71	42	29	59.2%	377	338
Audit costs: External	-	-	-	-	-	-	-	-	-
Bursaries: Employees	-	-	-	-	-	-	-	-	-
Catering: Departmental activities	81	-	-	81	35	46	43.2%	197	140
Communication	210	-	(11)	199	25	174	12.6%	190	68
Computer services	724	-	(52)	672	667	5	99.3%	1 196	1 149
Consultants: Business and advisory services	3 329	-	899	4 228	4 228	-	100.0%	3 434	3 434
Legal services	-	-	-	-	-	-	-	-	-



**APPROPRIATION STATEMENT
for the year ended 31 March 2021**

Municipalities	-	-	-	-	-	-	-	-	-
Municipal bank accounts	-	-	-	-	-	-	-	-	-
Municipal agencies and funds	-	-	-	-	-	-	-	-	-
Departmental agencies and accounts	-	-	-	-	-	-	-	-	-
Social security funds	-	-	-	-	-	-	-	-	-
Departmental agencies	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Public corporations	-	-	-	-	-	-	-	-	-
Subsidies on products and production	-	-	-	-	-	-	-	-	-
Other transfers to public corporations	-	-	-	-	-	-	-	-	-
Private enterprises	-	-	-	-	-	-	-	-	-
Subsidies on products and production	-	-	-	-	-	-	-	-	-
Other transfers to private enterprises	-	-	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-	-	-
Households	203	-	186	389	378	11	97.2%	476	415
Social benefits	203	-	186	389	378	11	97.2%	476	415
Other transfers to households	-	-	-	-	-	-	-	-	-
Payments for capital assets	626	-	-	626	395	231	63.1%	2 456	1 800
Machinery and equipment	626	-	-	626	395	231	63.1%	2 456	1 800
Transport equipment	-	-	-	-	-	-	-	-	-
Other machinery and equipment	626	-	-	626	395	231	63.1%	2 456	1 800
Intangible assets	-	-	-	-	-	-	-	-	-
Payments for financial assets	-	-	-	-	-	-	-	13	11
Total	105 888	-	(4 427)	101 461	99 984	1 477	98.5%	174 595	162 584



**APPROPRIATION STATEMENT
for the year ended 31 March 2021**

Contractors	35	-	3	38	30	8	78.9%	28	14
Agency and support / outsourced services	13 034	-	25	13 059	13 057	2	100.0%	15 004	14 941
Entertainment	-	-	-	-	-	-	-	-	-
Fleet services	-	-	-	-	-	-	-	-	-
Inventory: Clothing material and supplies	-	-	-	-	-	-	-	-	-
Inventory: Food and food supplies	-	-	-	-	-	-	-	-	-
Inventory: Materials and supplies	-	-	-	-	-	-	-	-	-
Inventory: Other supplies	-	-	-	-	-	-	-	-	-
Consumable supplies	12	-	1	13	7	6	53.8%	35	30
Consumable: Stationery, printing and office supplies	254	-	(129)	125	77	48	61.6%	224	157
Operating leases	-	-	-	-	-	-	-	-	-
Property payments	-	-	-	-	-	-	-	-	-
Transport provided: Departmental activity	-	-	-	-	-	-	-	-	-
Travel and subsistence	579	-	(315)	264	152	112	57.6%	1 900	1 760
Training and development	70	-	(10)	60	4	56	6.7%	165	93
Operating payments	118	-	30	148	113	35	76.4%	320	307
Venues and facilities	-	-	-	-	-	-	-	-	-
Rental and hiring	-	-	-	-	-	-	-	-	-
Interest and rent on land	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Rent on land	-	-	-	-	-	-	-	-	-
Transfers and subsidies	-	-	80	80	80	-	100.0%	35	35
Provinces and municipalities	-	-	-	-	-	-	-	-	-
Provinces	-	-	-	-	-	-	-	-	-
Provincial Revenue Funds	-	-	-	-	-	-	-	-	-
Provincial agencies and funds	-	-	-	-	-	-	-	-	-





APPROPRIATION STATEMENT for the year ended 31 March 2021

Municipalities	-	-	-	-	-	-	-	-	-
Municipal bank accounts	-	-	-	-	-	-	-	-	-
Municipal agencies and funds	-	-	-	-	-	-	-	-	-
Departmental agencies and accounts	-	-	-	-	-	-	-	-	-
Social security funds	-	-	-	-	-	-	-	-	-
Departmental agencies	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Public corporations	-	-	-	-	-	-	-	-	-
Subsidies on products and production	-	-	-	-	-	-	-	-	-
Other transfers to public corporations	-	-	-	-	-	-	-	-	-
Private enterprises	-	-	-	-	-	-	-	-	-
Subsidies on products and production	-	-	-	-	-	-	-	-	-
Other transfers to private enterprises	-	-	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-	-	-
Households	-	-	80	80	80	-	100.0%	35	35
Social benefits	-	-	80	80	80	-	100.0%	35	35
Other transfers to households	-	-	-	-	-	-	-	-	-
Payments for capital assets	357	-	-	357	281	76	78.7%	803	525
Machinery and equipment	357	-	-	357	281	76	78.7%	803	525
Transport equipment	-	-	-	-	-	-	-	-	-
Other machinery and equipment	357	-	-	357	281	76	78.7%	803	525
Intangible assets	-	-	-	-	-	-	-	-	-
Payments for financial assets	-	-	4	4	4	-	100.0%	-	-
Total	55 795	-	(559)	55 236	54 431	805	98.5%	59 865	58 418

**NOTES TO THE APPROPRIATION STATEMENT
for the year ended 31 March 2021**

1. Detail of transfers and subsidies as per Appropriation Act (after Virement):

Detail of these transactions can be viewed in the note on Transfers and subsidies, disclosure notes and Annexure 1 (A-H) to the Annual Financial Statements.

2. Detail of specifically and exclusively appropriated amounts voted (after Virement):

Detail of these transactions can be viewed in note 1 (Annual Appropriation) to the Annual Financial Statements.

3. Detail on payments for financial assets

Detail of these transactions per programme can be viewed in the note on Payments for financial assets to the Annual Financial Statements.

4. Explanations of material variances from Amounts Voted (after Virement):

4.1 Per programme	Final Appropriation	Actual Expenditure	Variance R'000	Variance as a % of Final Appropriation
Administration	175 386	164 057	11 329	6.5%
<p>Explanation of variance</p> <p>Under expenditure is due to slow spending on consultants' services amounting to R1 999 Million mainly under sub-programme office of the HOD. Further savings were realised under item subsistence and travelling allowances totalling to R1 745 Million. Savings were also realised under compensation of employees related costs with the net amount of R889 000 at a programme level. The item communication had an underspending of R557 000 at year end. The savings were also realised under item consumables: stationery, printing and office supplies of R543 000. Lastly, the item operating payments also had an underspending totalling to R458 000. Under payment for capital assets: machinery and equipment savings were realised amounting to R2 249 Million.</p>				
Sustainable Resources Management	38 640	36 645	1 995	5.2%
<p>Explanation of variance</p> <p>The programme underspent on compensation of employees related costs by R551 000. Under Goods and Services, the programme had savings in the following items: Subsistence and Travel Allowances R540 000, Operating payment R454 000 and Agency and Support item R251 000.</p>				
Financial Governance	187 571	185 250	2 321	1.2%
<p>Explanation of variance</p> <p>The programme has underspent by R2,3 Million. The underspending was mainly on compensation of employees amounting to R259 000. Under Goods and Services item Agency and Support under spent by R630 000. The balance of underspending was on consultants services amounting to R277 000 and Subsistence and Travel Allowances R182 000.</p>				



**NOTES TO THE APPROPRIATION STATEMENT
for the year ended 31 March 2021**

Internal Audit	101 461	99 984	1 477	1.5%
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Explanation of variance

The programme underspent by R1,4 Million on overall. The item compensation of employees underspent by R278 000. Under Goods and Services: item subsistence and travelling allowance had a net saving of R373 000. Lastly, payments for capital assets underspent by R231 000. The other item with material underspending was on communication related costs amounting to R174 000.

Municipal Finance Management	55 236	54 431	805	1.5%
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Explanation of variance

Programme 5 Municipal Finance Management had an overall underspending of R805 000 at year end. The total amount of R378 000 was underspent on compensation of employees related costs. Goods and Services underspent by R351 000 overall, major part of savings was under item Subsistence and Travelling allowances amounting to R112 000.

4.2 Per economic classification

	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Appropriation
	R'000	R'000	R'000	R'000
Current payments				
Compensation of employees	321 966	319 611	2 355	0.7%
Goods and services	220 724	207 177	13 547	6.1%
Interest and rent on land	184	91	93	50.5%
Transfers and subsidies				
Provinces and municipalities	41	41	-	0.0%
Departmental agencies and accounts	3	3	-	0.0%
Higher education institutions	-	-	-	-
Public corporations and private enterprises	-	-	-	-
Foreign governments and international organisations	-	-	-	-
Non-profit institutions	279	-	279	100.0%
Households	7 318	6 621	697	9.5%
Payments for capital assets				
Buildings and other fixed structures	-	-	-	-
Machinery and equipment	7 697	6 743	954	12.4%
Heritage assets	-	-	-	-
Specialised military assets	-	-	-	-
Biological assets	-	-	-	-
Land and subsoil assets	-	-	-	-
Intangible assets	-	-	-	0.0%
Payments for financial assets	82	80	2	2.4%



**NOTES TO THE APPROPRIATION STATEMENT
for the year ended 31 March 2021**

Explanation of variance

Compensation of employees - The department has spent R 320 Million and realised a net savings of R2,3 Million. This underspending is a result of funded vacant posts across the programmes within the department. Underspending represented 0,7% of the total budgets.

Goods and Services - The department has spent R 207 Million of the adjusted budget of R 221 million and realised a net savings of R13,5 Million. The underspending mainly come from items namely Agency and Support, Consultants Services, Communications Services, Stationery, Subsistence and Travelling allowances and Operating payments.

Interest on Rent on Land – The department has spent R91 000 and realised a net savings of R93 000. This underspending is a result of maintaining favourable bank balance in PMG accounts.

Transfers and Subsidies -The department spent R 3,2 Million towards the exit package for the former Head of the department and R1,1 Million towards bursaries for non-employees. The balance of the spending was on various sundry items.

Payments for Capital Assets - The department has spent R 6,7 Million on machinery and equipment and realise an underspending of R954 000.



STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 31 March 2021

	<i>Note</i>	2020/21 R'000	2019/20 R'000
REVENUE			
Annual appropriation	<u>1</u>	558 294	727 654
Statutory appropriation		-	-
Departmental revenue	<u>2</u>	121 688	242 019
NRF Receipts		-	-
Aid assistance	<u>3</u>	1 512	105 038
TOTAL REVENUE		681 494	1 074 711
EXPENDITURE			
Current expenditure			
Compensation of employees	<u>4</u>	319 611	331 507
Goods and services	<u>5</u>	207 177	327 616
Interest and rent on land	<u>6</u>	91	-
Aid assistance	<u>3</u>	515	16 340
Total current expenditure		527 394	675 463
Transfers and subsidies			
Transfers and subsidies	<u>8</u>	6 665	5 782
Aid assistance	<u>3</u>	-	50 860
Total transfers and subsidies		6 665	56 642
Expenditure for capital assets			
Tangible assets	<u>9</u>	6 743	7 123
Intangible assets	<u>9</u>	-	-
Total expenditure for capital assets		6 743	7 123
Unauthorised expenditure approved without funding		-	-
Payments for financial assets	<u>7</u>	80	45
TOTAL EXPENDITURE		540 882	739 273
SURPLUS/(DEFICIT) FOR THE YEAR		140 612	335 438



STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 31 March 2021

Reconciliation of Net Surplus/(Deficit) for the year

Voted funds		17 927	55 639
Annual appropriation		17 927	55 639
Conditional grants		-	-
Departmental revenue and NRF Receipts	<u>13</u>	121 688	242 019
Aid assistance	<u>3</u>	997	37 780
SURPLUS/(DEFICIT) FOR THE YEAR		140 612	335 438



STATEMENT OF FINANCIAL POSITION
for the year ended 31 March 2021

	<i>Note</i>	2020/21 R'000	2019/20 R'000
ASSETS			
Current assets		85 307	132 637
Unauthorised expenditure		-	-
Cash and cash equivalents	<u>10</u>	63 096	108 056
Other financial assets		-	-
Receivables	<u>11</u>	22 211	24 581
Aid assistance prepayments	<u>3</u>	-	-
Aid assistance receivable	<u>3</u>	-	-
Non-current assets		1 900	1 824
Receivables	<u>11</u>	1 900	1 824
Other financial assets		-	-
TOTAL ASSETS		87 207	134 461
LIABILITIES			
Current liabilities		85 180	132 504
Voted funds to be surrendered to the Revenue Fund	<u>12</u>	17 927	55 639
Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund	<u>13</u>	10 970	21 386
Bank overdraft		-	-
Payables	<u>14</u>	21 815	22 008
Aid assistance repayable	<u>3</u>	-	-
Aid assistance unutilised	<u>3</u>	34 468	33 471
Non-current liabilities			
Payables	<u>14</u>	-	-
TOTAL LIABILITIES		85 180	132 504
NET ASSETS		2 027	1 957
Represented by:			
Recoverable revenue		2 027	1 957
TOTAL		2 027	1 957



STATEMENT OF CHANGES IN NET ASSETS
for the year ended 31 March 2021

	<i>Note</i>	2020/21 R'000	2019/20 R'000
Recoverable revenue			
Opening balance		1 957	1 248
Transfers:		70	709
Irrecoverable amounts written off	<u>7.1</u>	80	45
Debts revised		-	-
Debts recovered (included in departmental receipts)		(772)	(798)
Debts raised		762	1 462
Closing balance		<u>2 027</u>	<u>1 957</u>
TOTAL		<u>2 027</u>	<u>1 957</u>



CASH FLOW STATEMENT
for the year ended 31 March 2021

	<i>Note</i>	2020/21 R'000	2019/20 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		681 381	1 073 276
Annual appropriated funds received	<u>1.1</u>	558 294	727 654
Departmental revenue received	<u>2</u>	1 506	2 497
Interest received	<u>2.2</u>	120 069	238 087
Aid assistance received	<u>3</u>	1 512	105 038
Net (increase)/decrease in working capital		2 177	19 487
Surrendered to Revenue Fund		(187 743)	(266 805)
Surrendered to RDP Fund/Donor		-	(326)
Current payments		(527 303)	(675 463)
Interest paid	<u>6</u>	(91)	-
Payments for financial assets		(80)	(45)
Transfers and subsidies paid		(6 665)	(56 642)
Net cash flow available from operating activities	<u>15</u>	(38 324)	93 482
CASH FLOWS FROM INVESTING ACTIVITIES			
Distribution/dividend received		-	-
Payments for capital assets	<u>9</u>	(6 743)	(7 123)
Proceeds from sale of capital assets	<u>2.3</u>	113	1 435
(Increase)/decrease in loans		-	-
(Increase)/decrease in investments		-	-
(Increase)/decrease in other financial assets		-	-
(Increase)/decrease in non-current receivables	<u>11</u>	(76)	(1 739)
Net cash flows from investing activities		(6 706)	(7 427)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in net assets		70	709
Increase/(decrease) in non-current payables		-	-
Net cash flows from financing activities		70	709
Net increase/(decrease) in cash and cash equivalents		(44 960)	86 764
Cash and cash equivalents at beginning of period		108 056	21 292
Unrealised gains and losses within cash and cash equivalents		-	-
Cash and cash equivalents at end of period	<u>16</u>	63 096	108 056



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

PART A: ACCOUNTING POLICIES

Summary of significant accounting policies	
<p>The financial statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated. Management has concluded that the financial statements present fairly the department's primary and secondary information.</p> <p>The historical cost convention has been used, except where otherwise indicated. Management has used assessments and estimates in preparing the annual financial statements. These are based on the best information available at the time of preparation.</p> <p>Where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the financial statements and to comply with the statutory requirements of the Public Finance Management Act (PFMA), Act 1 of 1999 (as amended by Act 29 of 1999), and the Treasury Regulations issued in terms of the PFMA and the annual Division of Revenue Act.</p>	
1	<p>Basis of preparation</p> <p>The financial statements have been prepared in accordance with the Modified Cash Standard.</p>
2	<p>Going concern</p> <p>The financial statements have been prepared on a going concern basis.</p>
3	<p>Presentation currency</p> <p>Amounts have been presented in the currency of the South African Rand (R) which is also the functional currency of the department.</p>
4	<p>Rounding</p> <p>Unless otherwise stated financial figures have been rounded to the nearest one thousand Rand (R'000).</p>
5	<p>Foreign currency translation</p> <p>Cash flows arising from foreign currency transactions are translated into South African Rand using the spot exchange rates prevailing at the date of payment / receipt.</p>
6	<p>Comparative information</p>
6.1	<p>Prior period comparative information</p> <p>Prior period comparative information has been presented in the current year's financial statements. Where necessary figures included in the prior period financial statements have been reclassified to ensure that the format in which the information is presented is consistent with the format of the current year's financial statements.</p>
6.2	<p>Current year comparison with budget</p> <p>A comparison between the approved, final budget and actual amounts for each programme and economic classification is included in the appropriation statement.</p>
7	<p>Revenue</p>



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

7.1	<p>Appropriated funds</p> <p>Appropriated funds comprise of departmental allocations as well as direct charges against the revenue fund (i.e. statutory appropriation).</p> <p>Appropriated funds are recognised in the statement of financial performance on the date the appropriation becomes effective. Adjustments made in terms of the adjustments budget process are recognised in the statement of financial performance on the date the adjustments become effective.</p> <p>The net amount of any appropriated funds due to / from the relevant revenue fund at the reporting date is recognised as a payable / receivable in the statement of financial position.</p>
7.2	<p>Departmental revenue</p> <p>Departmental revenue is recognised in the statement of financial performance when received and is subsequently paid into the relevant revenue fund, unless stated otherwise.</p> <p>Any amount owing to the relevant revenue fund at the reporting date is recognised as a payable in the statement of financial position.</p>
7.3	<p>Accrued departmental revenue</p> <p>Accruals in respect of departmental revenue (excluding tax revenue) are recorded in the notes to the financial statements when:</p> <ul style="list-style-type: none"> • it is probable that the economic benefits or service potential associated with the transaction will flow to the department; and • the amount of revenue can be measured reliably. <p>The accrued revenue is measured at the fair value of the consideration receivable.</p> <p>Accrued tax revenue (and related interest and / penalties) is measured at amounts receivable from collecting agents.</p>
8	Expenditure
8.1	Compensation of employees
8.1.1	<p>Salaries and wages</p> <p>Salaries and wages are recognised in the statement of financial performance on the date of payment.</p>
8.1.2	<p>Social contributions</p> <p>Social contributions made by the department in respect of current employees are recognised in the statement of financial performance on the date of payment.</p> <p>Social contributions made by the department in respect of ex-employees are classified as transfers to households in the statement of financial performance on the date of payment.</p>
8.2	<p>Other expenditure</p> <p>Other expenditure (such as goods and services, transfers and subsidies and payments for capital assets) is recognised in the statement of financial performance on the date of payment. The expense is classified as a capital expense if the total consideration paid is more than the capitalisation threshold.</p>
8.3	<p>Accruals and payables not recognised</p> <p>Accruals and payables not recognised are recorded in the notes to the financial statements at cost at the reporting date.</p>
8.4	Leases



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

8.4.1	<p>Operating leases</p> <p>Operating lease payments made during the reporting period are recognised as current expenditure in the statement of financial performance on the date of payment.</p> <p>The operating lease commitments are recorded in the notes to the financial statements.</p>
8.4.2	<p>Finance leases</p> <p>Finance lease payments made during the reporting period are recognised as capital expenditure in the statement of financial performance on the date of payment.</p> <p>The finance lease commitments are recorded in the notes to the financial statements and are not apportioned between the capital and interest portions.</p> <p>Finance lease assets acquired at the end of the lease term are recorded and measured at the lower of:</p> <ul style="list-style-type: none"> • cost, being the fair value of the asset; or • the sum of the minimum lease payments made, including any payments made to acquire ownership at the end of the lease term, excluding interest.
9	<p>Aid Assistance</p>
9.1	<p>Aid assistance received</p> <p>Aid assistance received in cash is recognised in the statement of financial performance when received. In-kind aid assistance is recorded in the notes to the financial statements on the date of receipt and is measured at fair value.</p> <p>Aid assistance not spent for the intended purpose and any unutilised funds from aid assistance that are required to be refunded to the donor are recognised as a payable in the statement of financial position.</p>
9.2	<p>Aid assistance paid</p> <p>Aid assistance paid is recognised in the statement of financial performance on the date of payment. Aid assistance payments made prior to the receipt of funds are recognised as a receivable in the statement of financial position.</p>
10	<p>Cash and cash equivalents</p> <p>Cash and cash equivalents are stated at cost in the statement of financial position.</p> <p>Bank overdrafts are shown separately on the face of the statement of financial position as a current liability.</p> <p>For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held, other short-term highly liquid investments and bank overdrafts.</p>
11	<p>Prepayments and advances</p> <p>Prepayments and advances are recognised in the statement of financial position when the department receives or disburses the cash.</p> <p>Prepayments and advances are initially and subsequently measured at cost.</p>
12	<p>Loans and receivables</p> <p>Loans and receivables are recognised in the statement of financial position at cost plus accrued interest, where interest is charged, less amounts already settled or written-off.</p>



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

13	<p>Investments</p> <p>Investments are recognised in the statement of financial position at cost.</p>
14	<p>Financial assets</p>
14.1	<p>Financial assets (not covered elsewhere)</p> <p>A financial asset is recognised initially at its cost plus transaction costs that are directly attributable to the acquisition or issue of the financial asset.</p> <p>At the reporting date, a department shall measure its financial assets at cost, less amounts already settled or written-off, except for recognised loans and receivables, which are measured at cost plus accrued interest, where interest is charged, less amounts already settled or written-off.</p>
14.2	<p>Impairment of financial assets</p> <p>Where there is an indication of impairment of a financial asset, an estimation of the reduction in the recorded carrying value, to reflect the best estimate of the amount of the future economic benefits expected to be received from that asset, is recorded in the notes to the financial statements.</p>
15	<p>Payables</p> <p>Payables recognised in the statement of financial position are recognised at cost.</p>
16	<p>Capital Assets</p>
16.1	<p>Immovable capital assets</p> <p>Immovable assets reflected in the asset register of the department are recorded in the notes to the financial statements at cost or fair value where the cost cannot be determined reliably. Immovable assets acquired in a non-exchange transaction are recorded at fair value at the date of acquisition. Immovable assets are subsequently carried in the asset register at cost and are not currently subject to depreciation or impairment.</p> <p>Subsequent expenditure of a capital nature forms part of the cost of the existing asset when ready for use.</p> <p>Additional information on immovable assets not reflected in the assets register is provided in the notes to financial statements.</p>
16.2	<p>Movable capital assets</p> <p>Movable capital assets are initially recorded in the notes to the financial statements at cost. Movable capital assets acquired through a non-exchange transaction is measured at fair value as at the date of acquisition.</p> <p>Where the cost of movable capital assets cannot be determined reliably, the movable capital assets are measured at fair value and where fair value cannot be determined; the movable assets are measured at R1.</p> <p>All assets acquired prior to 1 April 2002 (or a later date as approved by the OAG) may be recorded at R1.</p> <p>Movable capital assets are subsequently carried at cost and are not subject to depreciation or impairment.</p> <p>Subsequent expenditure that is of a capital nature forms part of the cost of the existing asset when ready for use.</p>



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

16.3	<p>Intangible assets</p> <p>Intangible assets are initially recorded in the notes to the financial statements at cost. Intangible assets acquired through a non-exchange transaction are measured at fair value as at the date of acquisition.</p> <p>Internally generated intangible assets are recorded in the notes to the financial statements when the department commences the development phase of the project.</p> <p>Where the cost of intangible assets cannot be determined reliably, the intangible capital assets are measured at fair value and where fair value cannot be determined; the intangible assets are measured at R1.</p> <p>All assets acquired prior to 1 April 2002 (or a later date as approved by the OAG) may be recorded at R1.</p> <p>Intangible assets are subsequently carried at cost and are not subject to depreciation or impairment.</p> <p>Subsequent expenditure of a capital nature forms part of the cost of the existing asset when ready for use.</p>
16.4	<p>Project Costs: Work-in-progress</p> <p>Expenditure of a capital nature is initially recognised in the statement of financial performance at cost when paid.</p> <p>Amounts paid towards capital projects are separated from the amounts recognised and accumulated in work-in-progress until the underlying asset is ready for use. Once ready for use, the total accumulated payments are recorded in an asset register. Subsequent payments to complete the project are added to the capital asset in the asset register.</p> <p>Where the department is not the custodian of the completed project asset, the asset is transferred to the custodian subsequent to completion.</p>
17	<p>Provisions and Contingents</p>
17.1	<p>Provisions</p> <p>Provisions are recorded in the notes to the financial statements when there is a present legal or constructive obligation to forfeit economic benefits as a result of events in the past and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the obligation can be made. The provision is measured as the best estimate of the funds required to settle the present obligation at the reporting date.</p>
17.2	<p>Contingent liabilities</p> <p>Contingent liabilities are recorded in the notes to the financial statements when there is a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the control of the department or when there is a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be measured reliably.</p>
17.3	<p>Contingent assets</p> <p>Contingent assets are recorded in the notes to the financial statements when a possible asset arises from past events, and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not within the control of the department.</p>
17.4	<p>Capital commitments</p> <p>Capital commitments are recorded at cost in the notes to the financial statements.</p>



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

18	<p>Unauthorised expenditure</p> <p>Unauthorised expenditure is recognised in the statement of financial position until such time as the expenditure is either:</p> <ul style="list-style-type: none"> • approved by Parliament or the Provincial Legislature with funding and the related funds are received; or • approved by Parliament or the Provincial Legislature without funding and is written off against the appropriation in the statement of financial performance; or • transferred to receivables for recovery. <p>Unauthorised expenditure is measured at the amount of the confirmed unauthorised expenditure.</p>
19	<p>Fruitless and wasteful expenditure</p> <p>Fruitless and wasteful expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the total value of the fruitless and or wasteful expenditure incurred.</p> <p>Fruitless and wasteful expenditure is removed from the notes to the financial statements when it is resolved or transferred to receivables or written off.</p> <p>Fruitless and wasteful expenditure receivables are measured at the amount that is expected to be recoverable and are de-recognised when settled or subsequently written-off as irrecoverable.</p>
20	<p>Irregular expenditure</p> <p>Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred unless it is impracticable to determine, in which case reasons therefor are provided in the note.</p> <p>Irregular expenditure is removed from the note when it is either condoned by the relevant authority, transferred to receivables for recovery, not condoned and removed or written-off.</p> <p>Irregular expenditure receivables are measured at the amount that is expected to be recoverable and are de-recognised when settled or subsequently written-off as irrecoverable.</p>
21	<p>Changes in accounting estimates and errors</p> <p>Changes in accounting estimates are applied prospectively in accordance with MCS requirements.</p> <p>Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with MCS requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the department shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.</p>
22	<p>Events after the reporting date</p> <p>Events after the reporting date that are classified as adjusting events have been accounted for in the financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the financial statements.</p>
23	<p>Principal-Agent arrangements</p> <p>The department is not a part of a principal-agent arrangement.</p>
24	<p>Departures from the MCS requirements</p> <p>There were no departures from MCS requirements.</p>



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

25	<p>Capitalisation reserve</p> <p>The capitalisation reserve comprises of financial assets and/or liabilities originating in a prior reporting period but which are recognised in the statement of financial position for the first time in the current reporting period. Amounts are recognised in the capitalisation reserves when identified in the current period and are transferred to the National/Provincial Revenue Fund when the underlying asset is disposed and the related funds are received.</p>
26	<p>Recoverable revenue</p> <p>Amounts are recognised as recoverable revenue when a payment made in a previous financial year becomes recoverable from a debtor in the current financial year. Amounts are either transferred to the National/Provincial Revenue Fund when recovered or are transferred to the statement of financial performance when written-off.</p>
27	<p>Related party transactions</p> <p>Related party transactions within the MEC's portfolio are recorded in the notes to the financial statements when the transaction is not at arm's length.</p> <p>The number of individuals and the full compensation of key management personnel is recorded in the notes to the financial statements.</p>
28	<p>Inventories</p> <p>At the date of acquisition, inventories are recognised at cost in the statement of financial performance.</p> <p>Where inventories are acquired as part of a non-exchange transaction, the inventories are measured at fair value as at the date of acquisition.</p> <p>Inventories are subsequently measured at the lower of cost and net realisable value or where intended for distribution (or consumed in the production of goods for distribution) at no or a nominal charge, the lower of cost and current replacement value.</p> <p>The cost of inventories is assigned by using the weighted average cost basis.</p>
29	<p>Public-Private Partnerships (PPP)</p> <p>Public Private Partnerships are accounted for based on the nature and or the substance of the partnership. The transaction is accounted for in accordance with the relevant accounting policies.</p> <p>A summary of the significant terms of the PPP agreement, the parties to the agreement, and the date of commencement thereof together with the description and nature of the concession fees received, the unitary fees paid, rights and obligations of the department are recorded in the notes to the financial statements.</p>
30	<p>Employee benefits</p> <p>The value of each major class of employee benefit obligation (accruals, payables not recognised and provisions) is disclosed in the Employee benefits note.</p>
31	<p>Transfers of functions</p> <p>Transfers of functions are accounted for by the acquirer by recognising or recording assets acquired and liabilities assumed at their carrying amounts at the date of transfer.</p> <p>Transfers of functions are accounted for by the transferor by derecognising or removing assets and liabilities at their carrying amounts at the date of transfer.</p>



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

32	<p>Mergers</p> <p>Mergers are accounted for by the combined department by recognising or recording assets acquired and liabilities assumed at their carrying amounts at the date of the merger.</p> <p>Mergers are accounted for by the combining departments by derecognising or removing assets and liabilities at their carrying amounts at the date of the merger.</p>
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

1. Annual Appropriation

1.1 Annual Appropriation

Included are funds appropriated in terms of the Appropriation Act (and the Adjustments Appropriation Act) for National Departments (Voted funds) and Provincial Departments:

	Final Ap- propriation	Actual Funds Re- ceived	2020/21 Funds not requested/ not re- ceived	Final Ap- propriation	Appro- priation received	2019/20 Funds not requested /not re- ceived
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	175 386	175 386	-	237 636	237 636	-
Sustainable Resource Management	38 640	38 640	-	44 641	44 641	-
Financial Governance	187 571	187 571	-	210 917	210 917	-
Internal Audit	101 461	101 461	-	174 595	174 595	-
Municipal Finance Management	55 236	55 236	-	59 865	59 865	-
Total	558 294	558 294		727 654	727 654	-

2. Departmental revenue

	<i>Note</i>	2020/21 R'000	2019/20 R'000
Tax revenue		-	-
Sales of goods and services other than capital assets	2.1	310	302
Fines, penalties and forfeits		-	-
Interest, dividends and rent on land	2.2	120 069	238 087
Sales of capital assets	2.3	113	1 435
Transactions in financial assets and liabilities	2.4	1 196	2 195
Transfer received	2.5	-	-
Total revenue collected		121 688	242 019
Less: Own revenue included in appropriation	<u>13</u>		
Departmental revenue collected		121 688	242 019



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

2.1 Sales of goods and services other than capital assets

	<i>Note</i>	2020/21	2019/20
	<u>2</u>	R'000	R'000
Sales of goods and services produced by the department		310	302
Sales by market establishment		98	103
Administrative fees		99	30
Other sales		113	169
Sales of scrap, waste and other used current goods		-	-
Total		310	302

2.2 Interest, dividends and rent on land

	<i>Note</i>	2020/21	2019/20
	<u>2</u>	R'000	R'000
Interest		120 069	238 087
Dividends		-	-
Rent on land		-	-
Total		120 069	238 087



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

2.3 Sale of capital assets

	<i>Note</i>	2020/21	2019/20
	<u>2</u>	R'000	R'000
Tangible assets		113	1 435
Buildings and other fixed structures		-	-
Machinery and equipment	25	113	1 435
Heritage assets		-	-
Specialised military assets	25	-	-
Land and subsoil assets		-	-
Biological assets		-	-
Intangible assets		-	-
Software		-	-
Mastheads and publishing titles		-	-
Patents, licences, copyright, brand names, trademarks		-	-
Recipes, formulae, prototypes, designs, models		-	-
Services and operating rights		-	-
Total		113	1 435

2.4 Transactions in financial assets and liabilities

	<i>Note</i>	2020/21	2019/20
	<u>2</u>	R'000	R'000
Loans and advances		-	-
Receivables		1 196	2 195
Forex gain		-	-
Stale cheques written back		-	-
Other Receipts including Recoverable Revenue		-	-
Gains on GFECRA		-	-
Total		1 196	2 195



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

3. Aid assistance

	<i>Note</i>	2020/21	2019/20
	3	R'000	R'000
Opening Balance		33 471	(3 983)
Prior period error		-	-
As restated		<u>33 471</u>	<u>(3 983)</u>
Transferred from statement of financial performance		997	37 780
Transfers to or from retained funds		-	-
Paid during the year		-	(326)
Closing Balance		<u>34 468</u>	<u>33 471</u>

3.1 Analysis of balance by source

	<i>Note</i>	2020/21	2019/20
		R'000	R'000
Aid assistance from RDP		-	-
Aid assistance from other sources		34 468	33 471
CARA		-	-
Closing balance	3	<u>34 468</u>	<u>33 471</u>

3.2 Analysis of balance

	<i>Note</i>	2020/21	2019/20
		R'000	R'000
Aid assistance receivable		-	-
Aid assistance prepayments (not expensed)		-	-
Aid assistance unutilised		34 468	33 471
Aid assistance repayable		-	-
Closing balance	3	<u>34 468</u>	<u>33 471</u>
Aid assistance not requested/not received		<u>-</u>	<u>-</u>



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

3.3 Aid assistance expenditure per economic classification

	<i>Note</i>	2020/21	2019/20
		R'000	R'000
Current		515	16 340
Capital	<u>9</u>	-	58
Transfers and subsidies		-	50 860
Total aid assistance expenditure		515	67 258

3.4 Donations received in kind (not included in the main note)

	<i>Note</i>	2020/21	2019/20
		R'000	R'000
<i>List in kind donations received</i>			
ABSA		-	100
Standard Bank		-	100
Total		-	200

4. Compensation of employees

4.1 Salaries and Wages

	<i>Note</i>	2020/21	2019/20
		R'000	R'000
Basic salary		226 690	235 031
Performance award		2 605	3 184
Service Based		44	211
Compensative/circumstantial		2 595	3 103
Periodic payments		-	-
Other non-pensionable allowances		54 669	56 630
Total		286 603	298 159



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

4.2 Social contributions

	<i>Note</i>	2020/21	2019/20
		R'000	R'000
Employer contributions			
Pension		24 425	25 637
Medical		8 527	7 661
UIF		-	1
Bargaining council		51	49
Official unions and associations		-	-
Insurance		5	-
Total		33 008	33 348
Total compensation of employees		319 611	331 507
Average number of employees		507	537



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

5. Goods and services

	<i>Note</i>	2020/21	2019/20
		R'000	R'000
Administrative fees		8 524	5 962
Advertising		1 709	2 231
Minor assets	<u>5.1</u>	292	718
Bursaries (employees)		717	612
Catering		93	864
Communication		1 160	1 377
Computer services	<u>5.2</u>	108 869	114 075
Consultants: Business and advisory services		8 623	44 521
Legal services		2 024	3 264
Contractors		2 279	4 245
Agency and support / outsourced services		33 686	89 608
Entertainment		-	5
Audit cost – external	5.3	3 681	4 514
Fleet services		858	1 587
Inventory	5.4	275	1 253
Consumables	5.5	1 826	2 761
Operating leases		16 291	19 249
Property payments	5.6	11 325	12 209
Rental and hiring		-	-
Transport provided as part of the departmental activities		-	197
Travel and subsistence	5.7	2 495	13 006
Venues and facilities		2	52
Training and development		787	2 210
Other operating expenditure	5.8	1 661	3 096
Total		207 177	327 616



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

5.1 Minor assets

	<i>Note</i>	2020/21	2019/20
	<u>5</u>	R'000	R'000
Tangible assets		292	718
Machinery and equipment		292	718
Transport assets		-	-
Intangible assets		-	-
Software		-	-
Mastheads and publishing titles		-	-
Patents, licences, copyright, brand names, trademarks		-	-
Recipes, formulae, prototypes, designs, models		-	-
Services and operating rights		-	-
Total		292	718

5.2 Computer services

	<i>Note</i>	2020/21	2019/20
	<u>5</u>	R'000	R'000
SITA computer services		78 697	78 864
External computer service providers		30 172	35 211
Total		108 869	114 075

5.3 Audit cost – External

	<i>Note</i>	2020/21	2019/20
	<u>5</u>	R'000	R'000
Regularity audits		3 306	4 128
Performance audits		-	-
Investigations		-	-
Environmental audits		-	-
Computer audits		375	386
Total		3 681	4 514



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

5.4 Inventory

	<i>Note</i>	2020/21	2019/20
	<u>5</u>	R'000	R'000
Clothing material and accessories		5	402
Food and food supplies		213	96
Materials and supplies		9	147
Other supplies	5.4.1	48	608
Total		275	1 253

5.4.1 Other supplies

	<i>Note</i>	2020/21	2019/20
	<u>5.4</u>	R'000	R'000
Assets for distribution			
Machinery and equipment		48	558
Library material		-	-
Other assets for distribution		-	50
Other		-	-
Total		48	608

5.5 Consumables

	<i>Note</i>	2020/21	2019/20
	<u>5</u>	R'000	R'000
Consumable supplies		1 138	1 241
Uniform and clothing		49	44
Household supplies		703	422
Building material and supplies		176	397
Communication accessories		65	2
IT consumables		21	292
Other consumables		124	84
Stationery, printing and office supplies		688	1 520
Total		1 826	2 761



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

5.6 Property payments

	<i>Note</i>	2020/21	2019/20
	<u>5</u>	R'000	R'000
Municipal services		5 156	6 353
Property maintenance and repairs		6 169	5 856
Other		-	-
Total		11 325	12 209

5.7 Travel and subsistence

	<i>Note</i>	2020/21	2019/20
	<u>5</u>	R'000	R'000
Local		2 495	12 923
Foreign		-	83
Total		2 495	13 006

5.8 Other operating expenditure

	<i>Note</i>	2020/21	2019/20
	<u>5</u>	R'000	R'000
Professional bodies, membership and subscription fees		479	554
Resettlement costs		40	190
Other		1 142	2 352
Total		1 661	3 096

6. Interest and rent on land

	<i>Note</i>	2020/21	2019/20
		R'000	R'000
Interest paid		91	-
Rent on land		-	-
Total		91	-



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

7. Payments for financial assets

	<i>Note</i>	2020/21	2019/20
		R'000	R'000
Material losses through criminal conduct		-	-
Theft		-	-
Other material losses		-	-
Purchase of equity		-	-
Extension of loans for policy purposes		-	-
Other material losses written off		-	-
Debts written off	7.1	80	45
Forex losses		-	-
Debt take overs		-	-
Losses on GFECRA		-	-
Total		80	45

7.1 Debts written off

	<i>Note</i>	2020/21	2019/20
		R'000	R'000
Nature of debts written off			
(Group major categories, but list material items: debts written off relating to irregular expenditure, recoverable expenditure and other debts must be listed here)			
Recoverable revenue written off			
Salary overpayments		-	34
Tax debts		7	11
Total		7	45
Other debt written off			
Cindi		73	-
Total		73	-
Total debt written off		80	45



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

8. Transfers and subsidies

		2020/21	2019/20
		R'000	R'000
	<i>Note</i>		
Provinces and municipalities			
Departmental agencies and accounts	<i>Annexure 1A</i>	44	41
Non-profit institutions	<i>Annexure 1B</i>	-	362
Households	<i>Annexure 1C</i>	6 621	5 379
Total		6 665	5 782

9. Expenditure for capital assets

		2020/21	2019/20
		R'000	R'000
	<i>Note</i>		
Tangible assets		6 743	7 123
Buildings and other fixed structures		-	-
Heritage assets		-	-
Machinery and equipment	25	6 743	7 123
Specialised military assets		-	-
Land and subsoil assets		-	-
Biological assets		-	-
Intangible assets		-	-
Software		-	-
Mastheads and publishing titles		-	-
Patents, licences, copyright, brand names, trademarks		-	-
Recipes, formulae, prototypes, designs, models		-	-
Services and operating rights		-	-
Total		6 743	7 123

The following amounts have been included as project costs in Expenditure for capital assets

Compensation of employees			
Goods and services		-	-
Total		-	-



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

9.1 Analysis of funds utilised to acquire capital assets – 2020/21

	Voted funds R'000	Aid assistance R'000	Total R'000
Tangible assets	6 743	-	6 743
Buildings and other fixed structures	-	-	-
Heritage assets	-	-	-
Machinery and equipment	6 743	-	6 743
Specialised military assets	-	-	-
Land and subsoil assets	-	-	-
Biological assets	-	-	-
Intangible assets	-	-	-
Software	-	-	-
Mastheads and publishing titles	-	-	-
Patents, licences, copyright, brand names, trademarks	-	-	-
Recipes, formulae, prototypes, designs, models	-	-	-
Services and operating rights	-	-	-
Total	6 743	-	6 743

9.2 Analysis of funds utilised to acquire capital assets – 2019/20

	Voted funds R'000	Aid assistance R'000	Total R'000
Tangible assets	7 065	58	7 123
Buildings and other fixed structures	-	-	-
Heritage assets	-	-	-
Machinery and equipment	7 065	58	7 123
Specialised military assets	-	-	-
Land and subsoil assets	-	-	-
Biological assets	-	-	-
Intangible assets	-	-	-
Software	-	-	-
Mastheads and publishing titles	-	-	-
Patents, licences, copyright, brand names, trademarks	-	-	-
Recipes, formulae, prototypes, designs, models	-	-	-
Services and operating rights	-	-	-
Total	7 065	58	7 123



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

9.3 Finance lease expenditure included in Expenditure for capital assets

	<i>Note</i>	2020/21	2019/20
		R'000	R'000
Tangible assets			
Buildings and other fixed structures		-	-
Heritage assets		-	-
Machinery and equipment		2 767	2 222
Specialised military assets		-	-
Land and subsoil assets		-	-
Biological assets		-	-
Total		2 767	2 222

10. Cash and cash equivalents

	<i>Note</i>	2020/21	2019/20
		R'000	R'000
Consolidated Paymaster General Account		63 092	70 632
Cash receipts		-	-
Disbursements		-	-
Cash on hand		4	4
Investments (Domestic)		-	37 420
Investments (Foreign)		-	-
Total		63 096	108 056



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

11. Receivables

	<i>Note</i>	2020/21			2019/20		
		Current R'000	Non-current R'000	Total R'000	Current R'000	Non-current R'000	Total R'000
Claims recoverable	<u>11.1</u>	21 566	-	21 566	23 640	-	23 640
Trade receivables		-	-	-			
Recoverable expenditure	<u>11.2</u>	176	-	176			
Staff debt	<u>11.3</u>	181	659	840	618	611	1 229
Fruitless and wasteful expenditure		-	-	-			
Other receivables	<u>11.4</u>	288	1 241	1 529	323	1 213	1 536
Total		22 211	1 900	24 111	24 581	1 824	26 405

11.1 Claims recoverable

	<i>Note</i>	2020/21 R'000	2019/20 R'000
	<i>11 and Annex 3</i>		
National departments		-	7
Provincial departments		18 362	6 701
Public entities		-	-
Private enterprises		3 204	16 932
Households and non-profit institutions		-	-
Local governments		-	-
Total		21 566	23 640

11.2 Recoverable expenditure (disallowance accounts)

	<i>Note</i>	2020/21 R'000	2019/20 R'000
	<i>11</i>		
Sal: Tax debt		12	-
Disallowance damages and losses		138	100
Disallowance damages and losses		(138)	(100)
Sal ACB Recalls		164	-
Total		176	-



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

11.3 Staff debt

	<i>Note</i>	2020/21	2019/20
	11	R'000	R'000
Bursary debt		146	558
Other		694	671
Total		840	1 229

11.4 Other receivables

	<i>Note</i>	2020/21	2019/20
	11	R'000	R'000
Bursary debt		1 248	1 242
Overpaid salary		85	103
Other debtors		196	191
Total		1 529	1 536

12. Voted funds to be surrendered to the Revenue Fund

	<i>Note</i>	2020/21	2019/20
		R'000	R'000
Opening balance		55 639	26 730
Prior period error		-	-
As restated		55 639	26 730
Transfer from statement of financial performance (as restated)		17 927	55 639
Add: Unauthorised expenditure for current year		-	-
Voted funds not requested/not received		-	-
Transferred to retained revenue to defray excess expenditure (PARLIAMENT/LEGISLATURES ONLY)		-	-
Paid during the year		(55 639)	(26 730)
Closing balance		17 927	55 639



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

13. Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund

	<i>Note</i>	2020/21	2019/20
		R'000	R'000
Opening balance		21 386	19 442
Prior period error		-	-
As restated		<u>21 386</u>	<u>19 442</u>
Transfer from Statement of Financial Performance (as restated)		121 688	242 019
Own revenue included in appropriation		-	-
Transfer from aid assistance		-	-
Transfer to voted funds to defray expenditure (Parliament/Legislatures ONLY)		-	-
Paid during the year		(132 104)	(240 075)
Closing balance		<u>10 970</u>	<u>21 386</u>

14. Payables – current

	<i>Note</i>	2020/21	2019/20
		R'000	R'000
Amounts owing to other entities		-	-
Advances received		-	-
Clearing accounts	<u>14.1</u>	(59)	123
Other payables	<u>14.2</u>	21 874	21 885
Total		<u>21 815</u>	<u>22 008</u>

14.1 Clearing accounts

	<i>Note</i>	2020/21	2019/20
		R'000	R'000
Description	4		
Sal: Income Tax		296	261
Online travel control account		(391)	(192)
Sal: GEHS refund control account		-	56
Sal: Pension fund		3	(2)
Sal: Housing		33	-
Total		<u>(59)</u>	<u>123</u>



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

14.2 Other payables

	<i>Note</i>	2020/21	2019/20
	4	R'000	R'000
Description			
Payable: Adv: P/Dept: KZN adv acc: CL		914	901
Payable: Adv: Pub Corp & Priv ent adv acc: CL		-	100
Payable: Adv: Global Fund		20 960	20 884
Total		21 874	21 885

15. Net cash flow available from operating activities

	<i>Note</i>	2020/21	2019/20
		R'000	R'000
Net surplus/(deficit) as per Statement of Financial Performance		140 612	335 438
Add back non cash/cash movements not deemed operating activities		(178 936)	(241 956)
(Increase)/decrease in receivables		2 370	(2 081)
(Increase)/decrease in prepayments and advances		-	1
(Increase)/decrease in other current assets		-	-
Increase/(decrease) in payables – current		(193)	21 567
Proceeds from sale of capital assets		(113)	(1 435)
Proceeds from sale of investments		-	-
(Increase)/decrease in other financial assets		-	-
Expenditure on capital assets		6 743	7 123
Surrenders to Revenue Fund		(187 743)	(266 805)
Surrenders to RDP Fund/Donor		-	(326)
Voted funds not requested/not received		-	-
Own revenue included in appropriation		-	-
Other non-cash items		-	-
Net cash flow generated by operating activities		(38 324)	93 482



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

16. Reconciliation of cash and cash equivalents for cash flow purposes

	<i>Note</i>	2020/21	2019/20
		R'000	R'000
Consolidated Paymaster General account		63 092	70 632
Fund requisition account		-	-
Cash receipts		-	-
Disbursements		-	-
Cash on hand		4	4
Cash with commercial banks (Local)		-	37 420
Cash with commercial banks (Foreign)		-	-
Total		63 096	108 056

17. Contingent liabilities and contingent assets

17.1 Contingent liabilities

		<i>Note</i>	2020/21	2019/20
			R'000	R'000
Liable to	Nature			
Motor vehicle guarantees	Employees		-	-
Housing loan guarantees	Employees	<i>Annex 2A</i>	-	90
Other guarantees			-	-
Claims against the department		<i>Annex 2B</i>	3 300	1 200
Intergovernmental payables (unconfirmed balances)		<i>Annex 4</i>	45	1 503
Environmental rehabilitation liability			-	-
Other			-	-
Total			3 345	2 793

The Labour Appeal Court (LAC) declared the salary increases for the 2020/2021 financial year unlawful and invalid. The LAC ruling has been appealed and referred to the Constitutional Court. The ruling by the Constitutional Court will confirm if the department will be obligated to pay the salary increases in dispute.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

17.2 Contingent assets

	<i>Note</i>	2020/21	2019/20
Nature of contingent asset		R'000	R'000
Mpilonhle		822	-
Total		822	-

The department is engaged in legal dispute with Mpilonhle that may result in recoveries of R822 000. This dispute emanated from SARS Global fund refund that was supposed to be refunded back to the department but they used it on their daily operations. There is a possible contingent asset emanating from the SIU investigation where a service provider appears to have overcharged the department for the consulting services which they had rendered. The department currently does not have the full details of this matter as the investigation has not yet been concluded by the SIU therefore there is no contingent asset recorded in the Annual Financial Statements.

18. Capital commitments

	<i>Note</i>	2020/21	2019/20
		R'000	R'000
Computer equipment		1 260	360
Furniture and office equipment		-	142
Total		1 260	502



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

19. Accruals and payables not recognised

19.1 Accruals

	2020/21			2019/20
	R'000			R'000
Listed by economic classification				
	30 Days	30+ Days	Total	Total
Goods and services	3 404	2 738	6 142	6 694
Interest and rent on land	-	-	-	-
Transfers and subsidies	-	-	-	-
Capital assets	-	393	393	-
Other	-	-	-	-
Total	3 404	3 131	6 535	6 694
		<i>Note</i>	2020/21	2019/20
			R'000	R'000
Listed by programme level				
Administration			5 127	2 651
Sustainable Resource Management			93	-
Financial Governance			591	2 747
Internal Audit			444	1 175
Municipal Finance Management			280	121
Total			6 535	6 694



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

19.1 Payables not recognised

			2020/21	2019/20
			R'000	R'000
Listed by economic classification				
	30 Days	30+ Days	Total	Total
Goods and services	4 218	557	4 775	74
Interest and rent on land	-	-	-	-
Transfers and subsidies	-	-	-	-
Capital assets	24	101	125	86
Other	-	-	-	-
Total	4 242	658	4 900	160

	Note	2020/21	2019/20
		R'000	R'000
Listed by programme level			
Administration		2 358	-
Sustainable Resource Management		12	-
Financial Governance		2 244	19
Internal Audit		176	123
Municipal Finance Management		110	18
Total		4 900	160

	Note	2020/21	2019/20
		R'000	R'000
Included in the above totals are the following:			
Confirmed balances with other departments	Annex 4	2 015	42
Confirmed balances with other government entities	Annex 4	-	-
Total		2 015	42

20. Employee benefits

	Note	2020/21	2019/20
		R'000	R'000
Leave entitlement		20 226	13 100
Service bonus		6 340	7 090
Performance awards		3 872	6 779
Capped leave		3 074	3 648
Other		113	76
Total		33 625	30 693

The leave entitlement as disclosed above is the net of negative balances. The negative balance amounts to R52k.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

21. Lease commitments

21.1 Operating leases

2020/21	Specialised military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
	R'000	R'000	R'000	R'000	R'000
Not later than 1 year	-	-	20 098	-	20 098
Later than 1 year and not later than 5 years	-	-	22 438	-	22 438
Later than five years	-	-	-	-	-
Total lease commitments	-	-	42 536	-	42 536

2019/20	Specialised military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
	R'000	R'000	R'000	R'000	R'000
Not later than 1 year			19 832		19 832
Later than 1 year and not later than 5 years			43 775		43 775
Later than five years					
Total lease commitments			63 607		63 607

Lease accommodation for office accommodation and parkades at the following sites (Treasury House, Nomalanga Building, Gilttime parkade and Edendale Lay centre).

The current contracts for all three leased properties have expired.

	Note	2020/21 R'000	2019/20 R'000
Rental earned on sub-leased assets	2	-	-
Total		-	-



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

21.2 Finance leases **

2020/21	Specialised military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
	R'000	R'000	R'000	R'000	R'000
Not later than 1 year	-	-	-	5 201	5 201
Later than 1 year and not later than 5 years	-	-	-	7 543	7 543
Later than five years	-	-	-	-	-
Total lease commitments	-	-	-	12 744	12 744

2019/20	Specialised military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
	R'000	R'000	R'000	R'000	R'000
Not later than 1 year	-	-	-	1 061	1 061
Later than 1 year and not later than 5 years	-	-	-	485	485
Later than five years	-	-	-	-	-
Total lease commitments	-	-	-	1 546	1 546

**This note excludes leases relating to public private partnership as they are separately disclosed in note no. 35.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

22. Irregular expenditure

22.1 Reconciliation of irregular expenditure

	<i>Note</i>	2020/21	2019/20
		R'000	R'000
Opening balance		25 812	25 706
Prior period error		-	-
As restated		25 812	25 706
Add: Irregular expenditure – relating to prior year		187	6
Add: Irregular expenditure – relating to current year		2 693	658
Less: Prior year amounts condoned		(106)	-
Less: Current year amounts condoned		(1 265)	(558)
Less: Prior year amounts not condoned and removed		-	-
Less: Current year amounts not condoned and removed		-	-
Less: Amounts recoverable (current and prior year)	11	-	-
Less: Amounts written off		-	-
Closing balance		27 321	25 812

Analysis of closing balance

Current year	1 428	100
Prior years	25 893	25 712
Total	27 321	25 812

22.2 Details of current and prior year irregular expenditure – added current year (under determination and investigation)

Incident	Disciplinary steps taken/criminal proceedings	2020/21
		R'000
Assets Centre		1 265
S.D. Moloi		118
SD Moloi & Associates		533
Nathi Shozi Attorneys		296
Matthew Francis		294
Mdledle Attorney		38
Mdledle Attorney		41
MS Dlamini Attorneys		58
MS Dlamini Attorneys		49
BS Mabaso Attorneys		80
MS Dlamini Attorneys		71
MS Dlamini Attorneys		37
Total		2 880

Inkazimulo Bus & advisory was awarded R662k purchase order, the actual was R558k. The whole transaction was regularised.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

22.3 Details of irregular expenditure condoned

Incident	Condoned by (relevant authority)	2020/21 R'000
PKX		106
Assets Centre		1 265
Total		1 371

23. Fruitless and wasteful expenditure

23.1 Reconciliation of fruitless and wasteful expenditure

	<i>Note</i>	2020/21 R'000	2019/20 R'000
Opening balance		10	-
Prior period error			
As restated		10	-
Fruitless and wasteful expenditure – relating to prior year		-	-
Fruitless and wasteful expenditure – relating to current year		230	10
Less: Amounts recoverable		-	-
Less: Amounts written off		(164)	-
Closing balance		76	10

23.2 Details of current and prior year fruitless and wasteful expenditure – added current year (under determination and investigation)

Incident	Disciplinary steps taken/criminal proceedings	2020/21 R'000
SARS Penalties	None	91
Legal Fees Bhamjee Attorneys	None	66
Training Academy Training Group	None	36
City Printing Works	None	37
Total		230



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

23.3 Details of fruitless and wasteful expenditure written off

Incident	2020/21 R'000
SARS Penalties	91
Training Academy Training Group	36
City Printing Works	37
Total	164

24. Key management personnel

	No. of Individuals	2020/21 R'000	2019/20 R'000
Political office bearers (provide detail below)			
Officials:	1	1 978	4 003
Level 15 to 16	5	8 195	9 461
Level 14 (incl. CFO if at a lower level)	15	18 629	18 547
Family members of key management personnel	-	-	-
Total		28 802	32 011



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

25. Movable Tangible Capital Assets

**MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER
FOR THE YEAR ENDED 31 March 2021**

	Opening balance	Value adjustments	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
HERITAGE ASSETS	-	-	-	-	-
Heritage assets	-	-	-	-	-
MACHINERY AND EQUIPMENT	81 520	-	3 992	(5 441)	80 071
Transport assets	17 312	-	-	(1 588)	15 724
Computer equipment	57 450	-	3 176	(3 353)	57 273
Furniture and office equipment	5 788	-	454	(500)	5 742
Other machinery and equipment	970	-	362	-	1 332
SPECIALISED MILITARY ASSETS	-	-	-	-	-
Specialised military assets	-	-	-	-	-
BIOLOGICAL ASSETS	-	-	-	-	-
Biological assets	-	-	-	-	-
TOTAL MOVABLE TANGIBLE CAPITAL ASSETS	81 520	-	3 992	(5 441)	80 071

Movable Tangible Capital Assets under investigation

	Number	Value R'000
Included in the above total of the movable tangible capital assets per the asset register are assets that are under investigation:		
Heritage assets	-	-
Machinery and equipment	3	70
Specialised military assets	-	-
Biological assets	-	-

The assets were reported stolen and the investigation is underway through the implementation of loss control process.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

25.1 Additions

**ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER
FOR THE YEAR ENDED 31 March 2021**

	Cash*	Non-cash**	(Capital Work in Progress current costs and finance lease payments)	Received current, not paid (Paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
HERITAGE ASSETS	-	-	-	-	-
Heritage assets	-	-	-	-	-
MACHINERY AND EQUIPMENT	6 743	96	(2 767)	(80)	3 992
Transport assets	-	-	-	-	-
Computer equipment	3 250	12	-	(86)	3 176
Furniture and office equipment	364	84	-	6	454
Other machinery and equipment	3 129	-	(2 767)	-	362
SPECIALISED MILITARY ASSETS	-	-	-	-	-
Specialised military assets	-	-	-	-	-
BIOLOGICAL ASSETS	-	-	-	-	-
Biological assets	-	-	-	-	-
TOTAL ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS	6 743	96	(2 767)	(80)	3 992



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

25.2 Disposals

**DISPOSALS OF MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER
FOR THE YEAR ENDED 31 March 2021**

	Sold for cash	Non-cash disposal	Total disposals	Cash Received Actual
	R'000	R'000	R'000	R'000
HERITAGE ASSETS	-	-	-	-
Heritage assets	-	-	-	-
MACHINERY AND EQUIPMENT	2 468	2 973	5 441	113
Transport assets	-	1 588	1 588	-
Computer equipment	2 395	958	3 353	104
Furniture and office equipment	73	427	500	9
Other machinery and equipment	-	-	-	-
SPECIALISED MILITARY ASSETS	-	-	-	-
Specialised military assets	-	-	-	-
BIOLOGICAL ASSETS	-	-	-	-
Biological assets	-	-	-	-
TOTAL DISPOSAL OF MOVABLE TANGIBLE CAPITAL ASSETS	2 468	2 973	5 441	113



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

25.3 Movement for 2019/20

**MOVEMENT IN TANGIBLE CAPITAL ASSETS PER ASSET REGISTER
FOR THE YEAR ENDED 31 MARCH 2020**

	Opening balance	Prior period error	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
HERITAGE ASSETS	-	-	-	-	-
Heritage assets	-	-	-	-	-
MACHINERY AND EQUIPMENT	85 316	-	4 892	(8 688)	81 520
Transport assets	20 576	-	-	(3 264)	17 312
Computer equipment	58 659	-	3 871	(5 080)	57 450
Furniture and office equipment	5 561	-	414	(187)	5 788
Other machinery and equipment	520	-	607	(157)	970
SPECIALISED MILITARY ASSETS	-	-	-	-	-
Specialised military assets	-	-	-	-	-
BIOLOGICAL ASSETS	-	-	-	-	-
Biological assets	-	-	-	-	-
TOTAL MOVABLE TANGIBLE CAPITAL ASSETS	85 316	-	4 892	(8 688)	81 520

25.4 Minor assets

**MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER
FOR THE YEAR ENDED AS AT 31 March 2021**

	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Opening balance	-	1 428	-	8 081	-	9 509
Value adjustments	-	-	-	-	-	-
Additions	-	-	-	461	-	461
Disposals	-	-	-	(640)	-	(640)
TOTAL MINOR ASSETS	-	1 428	-	7 902	-	9 330



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
Number of R1 minor assets	-	-	-	1 478	-	1 478
Number of minor assets at cost	-	21	-	3 801	-	3 822
TOTAL NUMBER OF MINOR ASSETS	-	21	-	5 279	-	5 300

Minor Capital Assets under investigation

	Number	Value R'000
Included in the above total of the minor capital assets per the asset register are assets that are under investigation:		
Specialised military assets	-	-
Intangible assets	-	-
Heritage assets	-	-
Machinery and equipment	2	2
Biological assets	-	-

The assets were reported stolen and the investigation is underway through the implementation of loss control process.

MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED AS AT 31 MARCH 2020

	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Opening balance	-	1 428	-	7 804	-	9 232
Prior period error	-	-	-	-	-	-
Additions	-	-	-	737	-	737
Disposals	-	-	-	(460)	-	(460)
TOTAL MINOR ASSETS	-	1 428	-	8 081	-	9 509



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

**MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER
FOR THE YEAR ENDED AS AT 31 MARCH 2020**

	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
Number of R1 minor assets	-	-	-	1 607	-	1 607
Number of minor assets at cost	-	21	-	5 399	-	5 420
TOTAL NUMBER OF MINOR ASSETS	-	21	-	7 006	-	7 027

25.5 Movable assets written off

MOVABLE ASSETS WRITTEN OFF FOR THE YEAR ENDED AS AT 31 March 2021

	Specialised military assets R'000	Intangible assets R'000	Heritage assets R'000	Machinery and equipment R'000	Biological assets R'000	Total R'000
Assets written off	-	-	-	-	-	-
TOTAL MOVABLE ASSETS WRITTEN OFF	-	-	-	-	-	-

MOVABLE ASSETS WRITTEN OFF FOR THE YEAR ENDED AS AT 31 MARCH 2020

	Specialised military assets R'000	Intangible assets R'000	Heritage assets R'000	Machinery and equipment R'000	Biological assets R'000	Total R'000
Assets written off	-	-	-	435	-	435
TOTAL MOVABLE ASSETS WRITTEN OFF	-	-	-	435	-	435



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

25.6 S42 Movable capital assets

MAJOR ASSETS TO BE TRANSFERRED IN TERMS OF S42 OF THE PFMA - 31 March 2021

	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
No. of Assets	-	-	-	100	-	100
Value of the assets (R'000)	-	-	-	2 965	-	2 965

MINOR ASSETS TO BE TRANSFERRED IN TERMS OF S42 OF THE PFMA - 31 March 2021

	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
No. of Assets	-	-	-	201	-	201
Value of the assets (R'000)	-	-	-	315	-	315

**26. Intangible Capital
Assets**

**MOVEMENT IN INTANGIBLE
CAPITAL ASSETS PER ASSET
REGISTER FOR THE YEAR
ENDED 31 March 2021**

	Opening balance R'000	Value adjustments R'000	Additions R'000	Disposals R'000	Closing Balance R'000
SOFTWARE	23 159	-	-	-	23 159
MASTHEADS AND PUBLISHING TITLES	-	-	-	-	-
PATENTS, LICENCES, COPYRIGHT, BRAND NAMES, TRADEMARKS	-	-	-	-	-
RECIPES, FORMULAE, PROTOTYPES, DESIGNS, MODELS	-	-	-	-	-
SERVICES AND OPERATING RIGHTS	-	-	-	-	-
TOTAL INTANGIBLE CAPITAL ASSETS	23 159				23 159



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

26.1 Movement for 2019/20

**MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER
FOR THE YEAR ENDED 31 MARCH 2020**

	Opening balance R'000	Prior period error R'000	Additions R'000	Disposals R'000	Closing Balance R'000
SOFTWARE	23 159	-	-	-	23 159
MASTHEADS AND PUBLISHING TITLES	-	-	-	-	-
PATENTS, LICENCES, COPYRIGHT, BRAND NAMES, TRADEMARKS	-	-	-	-	-
RECIPES, FORMULAE, PROTOTYPES, DESIGNS, MODELS	-	-	-	-	-
SERVICES AND OPERATING RIGHTS	-	-	-	-	-
TOTAL INTANGIBLE CAPITAL ASSETS	23 159	-	-	-	23 159



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

27. Inventories

27.1

Inventories for the year ended 31 March 2021

	Inventory - Clothing material and accessories	Inventory – Food and food supplies	Inventory – Materials and supplies	Other supplies – assets for distribution – machinery and equipment	TOTAL
	R'000	R'000	R'000	R'000	R'000
Opening balance	267	-	12	-	279
Add/(Less): Adjustments to prior year balances	-	-	-	-	-
Add: Additions/Purchases – Cash	5	213	9	48	275
Add: Additions - Non-cash	-	-	-	-	-
(Less): Disposals	-	-	-	-	-
(Less): Issues	(272)	(213)	(21)	(48)	(554)
Add/(Less): Received current, not paid (Paid current year, received prior year)	-	-	-	-	-
Add/(Less): Adjustments	-	-	-	-	-
Closing balance	-	-	-	-	-



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

27.2 Inventories for the year ended 31 March 2020

	Inventory - Clothing material and accessories	Inventory – Food and food supplies	Inventory – Materials and supplies	Other supplies – assets for distribution – machinery and equipment	TOTAL
	R'000	R'000	R'000	R'000	R'000
Opening balance	-	-	-	-	-
Add/(Less): Adjustments to prior year balances	-	-	-	-	-
Add: Additions/Purchases – Cash	402	95	147	608	1 252
Add: Additions - Non-cash	-	-	-	-	-
(Less): Disposals	-	-	-	-	-
(Less): Issues	(135)	(95)	(135)	(608)	(973)
Add/(Less): Received current, not paid (Paid current year, received prior year)	-	-	-	-	-
Add/(Less): Adjustments	-	-	-	-	-
Closing balance	267	-	12	-	279





NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

28. Transfer of functions and mergers

28.1 Transfer of functions

The Forensic Services Unit was transferred to the Office of Premier effective 1 August 2020, as per the resolution that was taken by the Provincial Executive Council at the meeting which took place on the 10th June 2020.

28.1.1 Statement of Financial Position

<i>Note</i>	Balance before transfer date	Functions (transferred) / received	Functions (transferred) / received	Functions (transferred) / received	Balance after transfer date
	R'000	Office of the Premier	Dept name (Specify)	Dept name (Specify)	R'000
	R'000	R'000	R'000	R'000	R'000
ASSETS					
Current Assets	38		-	-	38
Unauthorised expenditure					
Prepayments and advances					
Receivables	38				38
Non-Current Assets					
TOTAL ASSETS	38				38
TOTAL LIABILITIES					
-					
NET ASSETS	38				38

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021**

28.1.2 Notes

<i>Note</i>	Balance before transfer date	Functions (transferred) / received Office of the Premier	Functions (transferred) / received Dept name (Specify)	Functions (transferred) / received Dept name (Specify)	Balance after transfer date
	R'000	R'000	R'000	R'000	R'000
Contingent liabilities					
Contingent assets					
Movable tangible capital assets	1 354	-1 354			
Immovable tangible capital assets					
Intangible capital assets					

Resolution that was taken by the Provincial Executive Council at the meeting which took place on the 10th June 2020.

An implementation plan and task team consisting of the relevant officials from both the departments was put in place to oversee the transfer of the Forensic Unit.

Revenue

There were three officials from the Forensic unit who had staff depts. debt with Treasury, the arrangement that was made between the department and the Office of the Premier (OTP) was that OTP would re-instate the PERSAL deduction on their side for settlement of these debt. The deductions were going to be paid over to the department, therefore the actual debts were not transferred.

There is no revenue that has been received subsequent to the transfer.





NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2021

Expenditure

The total budget that that was transferred to OTP was R19,996 million.

IDA claims have been paid by OTP for the following costs that's were incurred by the department subsequent to the Transfer of Function:

- *Compensation of Employees R1,110 million;*
- *Good and Services R810 thousand;*
- *Transfers and subsidies R60 thousand; and*
- *Capital Expenditure R18 thousand.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

29. BROAD BASED BLACK ECONOMIC EMPOWERMENT PERFORMANCE

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

30. COVID 19 Response Expenditure

	<i>Note</i>	2020/21	2019/20
	<i>Annexure 6</i>	R'000	R'000
Compensation of employees			
Goods and services		-	-
Transfers and subsidies		1 121	-
Expenditure for capital assets		-	-
Other		-	-
Total		1 121	-





**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021**

ANNEXURE 1A

STATEMENT OF TRANSFERS TO DEPARTMENTAL AGENCIES AND ACCOUNTS

DEPARTMENTAL AGENCY/ ACCOUNT	TRANSFER ALLOCATION				TRANSFER		2019/20
	Adjusted Appropriation	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Final Appropriation
	R'000	R'000	R'000	R'000	R'000	%	R'000
Com licences	3	-	-	3	3	100%	3
PD Vehicle licences	27	-	-	27	41	152%	40
TOTAL	30	-	-	30	44		43

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

ANNEXURE 1B

STATEMENT OF TRANSFERS TO NON-PROFIT INSTITUTIONS

NON-PROFIT INSTITUTIONS	TRANSFER ALLOCATION				EXPENDITURE		2019/20
	Adjusted Appropriation Act	Roll overs	Adjustments	Total Available	Actual Transfer	% of Available funds transferred	Final Appropriation
	R'000	R'000	R'000	R'000	R'000	%	R'000
Transfers							
ABASA	-	-	-	-	-	-	12
SAICA	-	-	-	-	-	-	23
KwaHhazi Hlongwane family	-	-	-	-	-	-	312
Zwelihle HBC	-	-	-	-	-	-	5
Mother of nation	-	-	-	-	-	-	5
The legend Group	-	-	-	-	-	-	5
Non-profit institution	279	-	-	279	-	0%	138
	279	-	-	279	-	-	500
Subsidies							
TOTAL	279	-	-	279	-	-	500





**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021**

ANNEXURE 1C

STATEMENT OF TRANSFERS TO HOUSEHOLDS

HOUSEHOLDS	TRANSFER ALLOCATION				EXPENDITURE		2019/20
	Adjusted Appropriation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Final Appropriation
	R'000	R'000	R'000	R'000	R'000	%	R'000
Transfers							
Injury on duty	-	-	10	10	10	100.0%	97
Post-Retirement Benefits	218	-	(48)	170	170	100.0%	2 227
Leave Gratuity	1 046	-	412	1 458	1 404	96.0%	651
ER Pension penalties	45	-	3 291	3 336	3 291	99.0%	1 242
Bursaries (Non-employee)	994	-	190	1 184	1 184	100.0%	1 393
Claims against the state	-	-	977	977	542	55.0%	-
PMT/Refund & Rem-act/grce	-	-	20	20	20	100.0%	-
	2 303	-	4 852	7 155	6 621		5 610
Subsidies	-	-	-	-	-	-	-
TOTAL	2 303	-	4 852	7 155	6 621	-	5 610

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021**

ANNEXURE 1D

STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS RECEIVED

NAME OF ORGANISATION	NATURE OF GIFT, DONATION OR SPONSORSHIP	2020/21	2019/20
		R'000	R'000
Received in cash			
ABSA	Post Budget Speech Breakfast		100
Standard Bank	Celebrating 10 Years clean audit		100
Subtotal			<u>200</u>
Received in kind			
			-
Subtotal			<u>-</u>
TOTAL			<u>200</u>





ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

ANNEXURE 1E

STATEMENT OF AID ASSISTANCE RECEIVED

NAME OF DONOR	PURPOSE	OPENING BALANCE	REVENUE	EXPENDI- TURE	PAID BACK ON/BY 31 MARCH	CLOSING BALANCE
		R'000	R'000	R'000	R'000	R'000
Received in cash						
Global Fund	Fighting HIV and Aids	33 471	1 512	(515)	-	34 468
Subtotal		33 471	1 512	(515)	-	34 468
Received in kind						
		-	-	-	-	-
Subtotal		-	-	-	-	-
TOTAL		33 471	1 512	(515)	-	34 468

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021**

ANNEXURE 2A

STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 March 2021 – LOCAL

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2020	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced during the year	Revaluation due to foreign currency movements	Closing balance 31 March 2021	Revaluations due to inflation rate movements	Accrued guaranteed interest for year ended 31 March 2021
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
	Motor vehicles								
	Subtotal	-	-	-	-	-	-	-	-
Standard bank	Housing	-	90	-	(90)	-	-	-	-
	Subtotal	-	90	-	(90)	-	-	-	-
	Other								
	Subtotal	-	-	-	-	-	-	-	-
	TOTAL	-	90	-	(90)	-	-	-	-





ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2021

ANNEXURE 2B

STATEMENT OF CONTINGENT LIABILITIES AS AT 31 March 2021

Nature of Liability	Opening Balance	Liabilities incurred during the year	Liabilities paid/ cancelled/ reduced during the year	Liabilities recoverable (Provide details hereunder)	Closing Balance
	1 April 2020				31 March 2021
	R'000				R'000
Claims against the department					
Thembisile Cynthia Khumalo vs MEC for Finance (Case no 11985/16)	300	-	-	-	300
Phumalanga Communications CC & Another vs DG Office of the Premier of KwaZulu-Natal and 2 Others (Case No. 1718/2018P)	400	-	-	-	400
Unitrade 1047 CC t/a Isidingo Security Services v Ilembe District Municipality & The Municipal Bids Appeal Tribunal	500	-	-	-	500
SMEC SA (Pty) Ltd v BAT, MEC for Finance and 2 Others Case No. 5228/20	-	500	-	-	500
ZM Cibane and Another v Premier of KZN and 5 Others Case No. 7655/20	-	500	-	-	500
OS Holdings (Pty) Ltd v MEC for COGTA and 4 Others Case No. 4736/20	-	500	-	-	500
R. Ranjith v KZN Provincial Treasury and 2 Others LC Case No. Case No: 2223/18	-	300	-	-	300
N. Jacobs v KZN Provincial Treasury LAC Case No. DA7/20	-	300	-	-	300
Subtotal	1 200	2 100	-	-	3 300
Other					
Subtotal	-	-	-	-	-
TOTAL	1 200	2 100	-	-	3 300

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021**

**ANNEXURE 3
CLAIMS RECOVERABLE**

Government Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total		Cash in transit at year end 2020/21 *	
	31/03/2021	31/03/2020	31/03/2021	31/03/2020	31/03/2021	31/03/2020	Receipt date up to six (6) working days after year end	Amount
	R'000	R'000	R'000	R'000	R'000	R'000		R'000
Department								
Vote 03: KZN Agriculture	-	-	1 899	121	1 899	121	-	-
Vote 05: KZN Education	-	-	1 036	-	1 036	-	-	-
Vote 07: KZ Health	-	-	11 402	4 660	11 402	4 660	08/04/2021	3 915
Vote 08: KZ Human Settlement	-	74	-	-	-	74	-	-
Vote 12: KZN Transport	-	-	92	-	92	-	-	-
Vote 13: KZ Social Development	-	-	299	763	299	763	12/04/2021	239
Vote 14: KZN Public Works	-	-	3 461	-	3 461	-	07/04/2021	389
Vote 15: KZN Arts and Culture	-	-	172	-	172	-	06/04/2021	172
Gaming and betting	-	-	-	96	-	96	-	-
Dube trade Port	-	-	-	987	-	987	-	-
	-	74	18 362	6 627	18 362	6 701		4 715
Other Government Entities								
Global Fund- (Ithala and SARS)	-	-	529	16 932	529	16 932	13/04/2021	399
Ithala	-	-	893	-	893	-	-	-
Mpilonhle	-	-	822	-	822	-	-	-
Labour (nat)	-	-	-	7	-	7	-	-
Gaming and Betting	-	-	961	-	961	-	30/04/2021	961
	-	-	3 205	16 939	3 205	16 939		
TOTAL	-	74	21 567	23 566	21 567	23 640		1 360





**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021**

ANNEXURE 4

INTER-GOVERNMENT PAYABLES

GOVERNMENT ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL		Cash in transit at year end 2020/21 *	
	31/03/2021	31/03/2020	31/03/2021	31/03/2020	31/03/2021	31/03/2020	Payment date up to six (6) working days before year end	Amount
	R'000	R'000	R'000	R'000	R'000	R'000		R'000
DEPARTMENTS								
Current								
Vote 03: KZ Agriculture and Rural Development	23	-	-	-	23	-	07/04/2021	23
Vote 07: KZ Health	-	42	-	6	-	48	-	-
Vote 12: KZ Transport	3	-	-	-	3	-	-	-
Vote 14: KZ Works	1 954	-	45	1 497	1 999	1 497	22/04/2021	1 452
SAPS	35	-	-	-	35	-	15/04/2021	26
Subtotal	2 015	42	45	1 503	2 060	1 545		1 501
TOTAL	2 015	42	45	1 503	2 060	1 545		1 501
TOTAL INT GOVT PAYABLES	2 015	42	45	1 503	2 060	1 545		1 501

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021**

**ANNEXURE 5
INVENTORIES**

Inventories for the year ended 31 March 2021

	Inventory -Clothing material and accessories	Inventory - Food and food supplies	Inventory – Materials and supplies	Other supplies – Assets for distribution Machinery and equipment	TOTAL
	R'000	R'000	R'000	R'000	R'000
Opening balance	267	-	12	-	279
Add/(Less): Adjustments to prior year balances	-	-	-	-	-
Add: Additions/Purchases – Cash	5	213	9	48	275
Add: Additions - Non-cash	-	-	-	-	-
(Less): Disposals	-	-	-	-	-
(Less): Issues	(272)	(213)	(21)	(48)	(554)
Add/(Less): Received current, not paid (Paid current year, received prior year)	-	-	-	-	-
Add/(Less): Adjustments	-	-	-	-	-
Closing balance	-	-	-	-	-





ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021

Inventories for the year ended 31 March 2020

Opening balance

Add/(Less): Adjustments to prior year balances

Add: Additions/Purchases – Cash

Add: Additions - Non-cash

(Less): Disposals

(Less): Issues

Add/(Less): Received current, not paid
(Paid current year, received prior year)

Add/(Less): Adjustments

Closing balance

Inventory -Clothing material and accessories	Inventory - Food and food supplies	Inventory – Materials and supplies	Inventory – Assets for distribution Machinery and equipment	TOTAL
R'000	R'000	R'000	R'000	R'000
-	-	-	-	-
-	-	-	-	-
402	95	147	608	1 252
-	-	-	-	-
-	-	-	-	-
(135)	(95)	(135)	(608)	(973)
-	-	-	-	-
-	-	-	-	-
267	-	12	-	279

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2021**

ANNEXURE 6

COVID 19 RESPONSE EXPENDITURE

Per quarter and in total

Expenditure per economic classification	2020/21					2019/20
	Q1	Q2	Q3	Q4	Total	Total
	R'000	R'000	R'000	R'000	R'000	R'000

Compensation of employees

Goods and services	162	384	288	287	1 121	-
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List all applicable SCOA level 4 items

Communication	-	11	67	46	124	-
Cons supplies	162	304	70	97	633	-
Property Payments	-	69	151	144	364	-

TOTAL COVID 19 RESPONSE EXPENDITURE	162	384	288	287	1 121	-
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Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for the selected programme and on the department’s compliance with respect to the selected subject matters.

Financial statements

1. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the department’s internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
 - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the department to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a department to cease operating as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.



