

Vote 6

Provincial Treasury

R thousand	2018/19			
	Main appropriation	Adjusted appropriation	Decrease	Increase
Operational budget	648 922	679 922		31 000
MEC remuneration ¹	1 978	1 978		
Total amount to be appropriated	650 900	681 900		31 000
<i>of which:</i>				
Current payments	628 832	655 812		26 980
Transfers and subsidies	3 095	6 077		2 982
Payments for capital assets	18 973	20 011		1 038
Payments for financial assets	-	-		
Responsible MEC	MEC for Provincial Treasury			
Administering department	Provincial Treasury			
Accounting Officer	Head: Provincial Treasury			

1. Vision and mission

Vision

The vision of the department is: *To be the centre of excellence in financial and fiscal management in the country.*

Mission statement

The department's mission is: *To enhance the KwaZulu-Natal Provincial Government's 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 while enhancing revenue generation and financial management practices in compliance with applicable legislation and corporate governance principles.
- Competent and dedicated employees who are at the centre of ensuring best value to their stakeholders.

2. Strategic objectives

Strategic policy direction: The Provincial Treasury will ensure a credible distribution of available funds between departments taking cognisance of the demands for social services and the need to stimulate economic development and growth, and will commit to provide ongoing, effective and efficient support services to internal and external clients. The department will analyse and monitor government revenue and expenditure in the provincial and local spheres, including public entities, undertake robust public policy research and instil prudent financial management and good governance.

The department has set the following goals and strategic objectives:

- To promote sound financial management practices and fiscal management through good governance.
- To ensure targeted financial resources allocation and utilisation that contributes to improved service delivery.
- To enhance the capacity and capability of Supply Chain Management (SCM) in departments, municipalities and public entities to eliminate irregular expenditure.

¹ At the time of going to print, the proclamation determining the 2018 salary adjustment relating to public office bearers had not been signed, hence this amount remains unchanged from the 2018/19 EPRE.

- To focus on the enhancement of broad-based Black Economic Empowerment (B-BBEE) through effective SCM policies.
- To monitor and facilitate infrastructure delivery in the province and thereby contribute towards job creation.
- To co-ordinate and enhance revenue collection for sustainable service delivery to the citizens.
- To promote sound cash management practices and improve liquidity in the province.

3. Summary of adjusted estimates for the 2018/19 financial year

The main appropriation of Provincial Treasury was R650.900 million in 2018/19. During the year, the department's budget was increased by R31 million to R681.900 million, which is the amount that is to be appropriated in the 2018/19 Adjustments Estimate.

The main adjustments that led to the increase in the budget are summarised below, and further details are given in Section 4.

- *Roll-overs*: Approval was granted for the roll-over of R11 million from 2017/18, relating to the Treasury/Health assistance plan due to the project taking longer than anticipated. This roll-over was allocated to *Goods and services* in Programme 1: Administration and is specifically and exclusively allocated for this purpose.
- *Virements between programmes*: The department undertook an extensive budget review at the end of the second quarter, aimed at correcting the budgets of the various units within Provincial Treasury, as well as identifying areas of savings in order to offset in-year spending and projected pressures in some areas. The budget review resulted in extensive virements being undertaken across programmes, as well as within programmes, sub-programmes and economic classification categories. The net result of the virements undertaken between programmes is summarised below, and further details of these virements, as well as the virements at sub-programme and economic category level, are provided in Sections 4.1 to 4.5:
 - o Savings of R13.500 million were realised under Programme 3: Financial Governance, as follows:
 - R10.500 million was realised from *Goods and services* due to savings on consultants as a result of reduced reliance on consultants, as well as delays in the appointment of service providers in respect of consultants to assist in preparing consolidated Annual Financial Statements (AFS) as this was done by internal contract staff. In addition, the savings were also due to fewer consultants for SCM interventions.
 - R3 million was realised from *Interest and rent on land* as a result of a positive bank balance as it is expected that the province will not go into overdraft and will therefore not incur any interest charges in this regard.
 - o The total savings of R13.500 million were moved as follows:
 - R7.292 million was moved to Programme 1, as follows:
 - R2 million was moved to *Compensation of employees* to cater for spending pressure under personnel costs related to the above-budget wage adjustment in the Office of MEC.
 - R2.539 million was moved to *Goods and services* for special interventions such as the Treasury/Health assistance plan.
 - R6 000 was moved to *Interest and rent on land* to cater for a late payment made in respect of interest on the amount payable to the South African Revenue Services (SARS) that was not budgeted for. The amount payable is in respect of the taxable portion of resettlement costs of staff.
 - R512 000 was moved to *Transfers and subsidies to: Non-profit institutions* to cater for the transfer to the Financial Literacy Association (FLA). This transfer is in relation to a donation

made due to the financial challenges faced by the institution because of inability to attract sponsors and the funds will be used to pay creditors and employees.

- R2.235 million was moved to *Transfers and subsidies to: Households* in respect of a transfer to the Thuthuka Bursary Fund (R2.200 million) that could not be processed in the last financial year as a result of tax certificate related challenges, as well as higher than anticipated spending on staff exit costs (R35 000). Note that the Thuthuka Bursary Fund was not budgeted for in 2017/18 and 2018/19 as the department indicated that it was being discontinued. However, the department clarified that Provincial Treasury is still paying for the Thuthuka Bursary Fund.
- R500 000 was moved to Programme 2: Sustainable Resource Management against *Compensation of employees* to cater for personnel costs that were higher than budgeted for, due to the above-budget wage adjustment.
- R5.708 million was moved to Programme 4: Internal Audit, as follows:
 - R1.900 million was moved to *Compensation of employees* to cater for additional contract posts under Risk Management.
 - R2.877 million was moved to *Goods and services* to cater for outstanding commitments from 2017/18 in respect of performance audits.
 - R17 000 was moved to *Transfers and subsidies to: Non-profit institutions* in order to cater for an unexpected cash donation made for the burial of a trainee.
 - R914 000 was moved to *Transfers and subsidies to: Households* to cater for higher than budgeted staff exit costs.

The above virements are permissible in terms of the Treasury Regulations and the PFMA. Note that Treasury approval was given for the increase in *Compensation of employees*, in terms of Treasury Regulations 6.3.1, as the Vote as a whole reflects an increase in respect of this category, as well as for the increase in transfers to the Thuthuka Bursary Fund, in line with Treasury Regulation 6.3.1.

Note that the donation in respect of *Transfers and subsidies to: Non-profit institutions* relating to FLA requires Legislature approval, in terms of Treasury Regulation 21.1.1, as the donation exceeds R100 000.

- *Shifts*: No shifts were undertaken across programmes, but there were shifts across economic categories, and these are explained in Section 4 below.
- *Other adjustments*: Provincial Treasury requested an allocation of R60 million for the Treasury/Health assistance plan, with this amount providing for the complete take-over of the Supply Chain Management, Internal Control and Asset Management functions in the Department of Health (DOH). The department receives R20 million in 2018/19 and R40 million will be allocated in 2019/20, in line with project requirements. Note that these funds are specifically and exclusively allocated and may not be used for any other purpose and are allocated to *Goods and services* under Programme 1.

Tables 6.1 and 6.2 reflect a summary of the 2018/19 adjusted appropriation of the department, summarised according to programme and economic classification. Details of the economic classification are given in *Annexure – Vote 6: Provincial Treasury*.

Table 6.1 : Summary by programmes

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
1. Administration	192 377	11 000	-	7 292	-	20 000	38 292	230 669
2. Sustainable Resource Management	40 657	-	-	500	-	-	500	41 157
3. Financial Governance	209 602	-	-	(13 500)	-	-	(13 500)	196 102
4. Internal Audit	144 555	-	-	5 708	-	-	5 708	150 263
5. Municipal Finance Management	63 709	-	-	-	-	-	-	63 709
Total	650 900	11 000	-	-	-	20 000	31 000	681 900
Amount to be voted								31 000

Table 6.2 : Summary by economic classification

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/ unavoidable	Virement	Shifts	Other adjustments		
Current payments	628 832	11 000	-	(3 713)	(307)	20 000	26 980	655 812
Compensation of employees	308 148	-	-	6 185	-	-	6 185	314 333
Goods and services	317 184	11 000	-	(6 404)	(307)	20 000	24 289	341 473
Interest and rent on land	3 500	-	-	(3 494)	-	-	(3 494)	6
Transfers and subsidies to:	3 095	-	-	3 713	(731)	-	2 982	6 077
Provinces and municipalities	23	-	-	-	-	-	-	23
Departmental agencies and accounts	3	-	-	-	-	-	-	3
Higher education institutions	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-
Non-profit institutions	896	-	-	529	(731)	-	(202)	694
Households	2 173	-	-	3 184	-	-	3 184	5 357
Payments for capital assets	18 973	-	-	-	1 038	-	1 038	20 011
Buildings and other fixed structures	-	-	-	-	-	-	-	-
Machinery and equipment	18 823	-	-	-	1 038	-	1 038	19 861
Heritage assets	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-
Land and subsoil assets	-	-	-	-	-	-	-	-
Software and other intangible assets	150	-	-	-	-	-	-	150
Payments for financial assets	-	-	-	-	-	-	-	-
Total	650 900	11 000	-	-	-	20 000	31 000	681 900
Amount to be voted								31 000

4. Changes to programme purposes and service delivery measures

It is noted that the department's budget structure is largely aligned with the uniform budget structure issued for Provincial Treasuries and has received formal approval from National Treasury for slight deviations.

The non financial information currently reflected in the 2018/19 EPRE does not fully correspond to the department's 2018/19 APP, because the APP was tabled after the EPRE. As such, the department made some changes to the targets in order to ensure alignment between the EPRE and the APP.

4.1 Programme 1: Administration

The purpose of this programme is to provide strategic support services in terms of financial management, human resources, auxiliary services, information communication and technology, and legal services. The services provided by the programme remain unchanged from the EPRE.

Tables 6.3 and 6.4 reflect a summary of the 2018/19 adjusted appropriation of Programme 1, summarised according to sub-programmes and economic classification.

Details of the main adjustments, which resulted in an overall increase of R38.292 million, are provided in the paragraphs following the tables.

Table 6.3 : Programme 1: Administration

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/ unavoidable	Virement	Shifts	Other adjustments		
1. Office of the MEC	28 506	-	-	5 000	-	-	5 000	33 506
2. Management Services (HOD)	46 263	11 000	-	(14 908)	-	20 000	16 092	62 355
3. Financial Management (CFO)	30 894	-	-	-	-	-	-	30 894
4. Corporate Services	86 714	-	-	17 200	-	-	17 200	103 914
Total	192 377	11 000	-	7 292	-	20 000	38 292	230 669
Amount to be voted								38 292

Table 6.4 : Summary by economic classification

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/ unavoidable	Virement	Shifts	Other adjustments		
Current payments	178 049	11 000	-	4 545	341	20 000	35 886	213 935
Compensation of employees	87 152			2 000			2 000	89 152
Goods and services	90 897	11 000		2 539	341	20 000	33 880	124 777
Interest and rent on land				6			6	6
Transfers and subsidies to:	2 050	-	-	2 747	(731)	-	2 016	4 066
Provinces and municipalities	23						-	23
Departmental agencies and accounts	3						-	3
Higher education institutions							-	-
Foreign governments and international organisations							-	-
Public corporations and private enterprises							-	-
Non-profit institutions	896			512	(731)		(219)	677
Households	1 128			2 235			2 235	3 363
Payments for capital assets	12 278	-	-	-	390	-	390	12 668
Buildings and other fixed structures							-	-
Machinery and equipment	12 128				390		390	12 518
Heritage assets							-	-
Specialised military assets							-	-
Biological assets							-	-
Land and subsoil assets							-	-
Software and other intangible assets	150						-	150
Payments for financial assets								
Total	192 377	11 000	-	7 292	-	20 000	38 292	230 669
Amount to be voted								38 292

Roll-overs – Programme 1: Administration: R11 million

The department received a roll-over of R11 million from 2017/18, relating to the Treasury/Health assistance plan due to the project taking longer than anticipated, as well as some service providers submitting invoices late for payment in 2017/18. This roll-over was allocated to *Goods and services* under the sub-programme: Management Services (HOD).

Virement – Programme 1: Administration: R7.292 million

The main appropriation of Programme 1 was increased by R7.292 million due to the following virement:

- Savings of R7.292 million were realised from *Goods and services* in Programme 3 as a result of reduced reliance on consultants as more contract staff were hired, as well as delays in the appointment of service providers in respect of consultants to assist in preparing consolidated AFS as this was done by internal contract staff, as mentioned. In addition, the savings were also due to fewer consultants for SCM interventions.
- The total savings of R7.292 million were moved to Programme 1, under the sub-programme: Corporate Services and Office of the MEC, as follows:
 - o R2 million was moved to *Compensation of employees* to cater for spending pressure under personnel costs related to the notch adjustments in the Office of the MEC, which were higher than budgeted for.
 - o R2.539 million was moved to *Goods and services* for special interventions such as assisting other provincial departments in terms of financial management, in line with Provincial Treasury oversight role. An example of these interventions is the Treasury/Health assistance plan.
 - o R6 000 was moved to *Interest and rent on land* to cater for a late payment made in respect of interest on the amount payable to SARS that was not budgeted for. The amount payable is in respect of the taxable portion of resettlement costs of staff.
 - o R512 000 was moved *Transfers and subsidies to: Non-profit institutions* to cater for a donation to the FLA, as explained.
 - o R2.235 million was moved to *Transfers and subsidies to: Households* in respect of a transfer to the Thuthuka Bursary Fund (R2.200 million) that could not be processed in the last financial year as a result of tax certificate related challenges, as well as higher than anticipated spending on staff exit costs (R35 000). As mentioned, the Thuthuka Bursary Fund was not budgeted for in 2017/18 and 2018/19 as the department indicated that this transfer was being discontinued.

In addition to the above virements to Programme 1, the following virements were undertaken across economic categories within the programme, affecting three sub-programmes:

- Savings of R14.908 million were realised under the sub-programme: Management Services (HOD), mainly against *Goods and services* due to under-spending on special projects, including departmental interventions.
- The total savings of R14.908 were moved as follows:
 - R3 million was moved to the sub-programme: Office of the MEC, against *Goods and services* for property payments relating to security services which were under-budgeted for.
 - R11.908 million was moved to the sub-programmes: Corporate Services against *Goods and services* to cater for centralised costs such as operating leases for office accommodation, and security services, among others, as a result of these items being under-budgeted for.

All of these virements are permissible in terms of the PFMA and the Treasury Regulations and Treasury approval was granted to increase *Compensation of employees, Transfers and subsidies to: Non-profit institutions* (FLA) and *Transfers and subsidies to: Households* (Thuthuka Bursary Fund).

Note that the donation in respect of *Transfers and subsidies to: Non-profit institutions* relating to FLA requires Legislature approval, in terms of Treasury Regulation 21.1.1, as it exceeds R100 000.

Shifts – Programme 1: Administration

The department undertook shifts across economic classifications but within sub-programmes, hence these are not evident in Table 6.3.

- An amount of R731 000 relating to the MEC's and HOD's OSS outreach programmes was shifted from *Transfers and subsidies to: Non-profit institutions* to *Goods and services*, in line with National Treasury Circular no. 21, which stipulates that services that are rendered by a service provider on behalf of the department must be classified under *Goods and services*. This reduction in *Transfers and subsidies* does not require Legislature approval, because the purpose of the funds remains unchanged.
- An amount of R390 000 was shifted from *Goods and services* within the sub-programmes: Financial Management (CFO) and Management Services (HOD) to *Machinery and equipment* to cater for the costs of finance leases (cellphones and leases of printing machines) due to the SCOA reclassification of this item from *Goods and services* to *Machinery and equipment*, and the purpose of the funds remains unchanged. In terms of the SCOA reclassification, finance leases are treated differently to operating leases.

Other adjustments – Programme 1: Administration: R20 million

Other adjustments: Provincial Treasury requested an allocation of R60 million for the Treasury/Health assistance plan, with this amount providing for the complete take-over of the Supply Chain Management, Internal Control and Asset Management functions in DOH. The department receives R20 million in 2018/19 and R40 million will be allocated in 2019/20 in line with project requirements. Note that these funds are specifically and exclusively allocated and may not be used for any other purpose and are allocated to *Goods and services* under the sub-programme: Management Services (HOD).

4.2 Programme 2: Sustainable Resource Management

The main purpose of the programme is to effectively manage and monitor the provincial fiscal resources. The objectives and services of this programme remain unchanged from the 2018/19 EPRE.

Tables 6.5 and 6.6 reflect a summary of the 2018/19 adjusted appropriation of Programme 2, summarised according to sub-programme and economic classification. Details of the main adjustments, which resulted in an overall increase of R500 000, are provided in the paragraphs following the tables.

Table 6.5 : Programme 2: Sustainable Resource Management

R thousand	Main appropriation	Adjustments appropriation				Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/ unavoidable	Virement	Shifts		
1. Programme Support	3 650			200		200	3 850
2. Economic Analysis	20 760					-	20 760
3. Public Finance	16 247			300		300	16 547
Total	40 657	-	-	500	-	500	41 157
Amount to be voted							500

Table 6.6 : Summary by economic classification

R thousand	Main appropriation	Adjustments appropriation				Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/ unavoidable	Virement	Shifts		
Current payments	40 499	-	-	500	(61)	-	40 938
Compensation of employees	34 259			500		500	34 759
Goods and services	6 240				(61)	(61)	6 179
Interest and rent on land						-	-
Transfers and subsidies to:	-	-	-	-	-	-	-
Provinces and municipalities						-	-
Departmental agencies and accounts						-	-
Higher education institutions						-	-
Foreign governments and international organisations						-	-
Public corporations and private enterprises						-	-
Non-profit institutions						-	-
Households						-	-
Payments for capital assets	158	-	-	-	61	-	219
Buildings and other fixed structures						-	-
Machinery and equipment	158				61	61	219
Heritage assets						-	-
Specialised military assets						-	-
Biological assets						-	-
Land and subsoil assets						-	-
Software and other intangible assets						-	-
Payments for financial assets	-	-	-	-	-	-	-
Total	40 657	-	-	500	-	500	41 157
Amount to be voted							500

Virement – Programme 2: Sustainable Resource Management: R500 000

The main appropriation of Programme 2 was increased by R500 000 due to the following virements:

- R500 000 was realised from *Goods and services* in Programme 3 due to savings on consultants as a result of reduced reliance on consultants as contract staff were hired, as well as delays in the appointment of service providers to assist in preparing consolidated AFS, as this was done internally by contract staff.
- The total savings of R500 000 were moved to Programme 2, under the sub-programmes: Programme Support (R200 000) and Public Finance (R300 000), against *Compensation of employees* for personnel costs that were higher than budgeted for, due to the above-budget wage adjustment.

These virements are permissible in terms of the PFMA and Treasury Regulations. Provincial Treasury granted approval for the increase in *Compensation of employees*, as the Vote as a whole reflects an increase in respect of this category.

Shifts – Programme 2: Sustainable Resource Management

The department undertook the following shift across economic classifications but within sub-programmes, hence these are not evident in Table 6.5:

- A shift of R61 000 was undertaken from *Goods and services* within this programme under the sub-programmes: Economic Analysis and Public Finance to *Machinery and equipment* to cater for the costs of finance leases that were reclassified from *Goods and services*, in terms of the SCOA reclassification of this item. In terms of the SCOA reclassification, finance leases are treated differently to operating leases. Note that the purpose of these funds remain unchanged.

Service delivery measures – Programme 2: Sustainable Resource Management

Table 6.7 shows the service delivery information for Programme 2 as per the APP of Provincial Treasury, as well as the actual achievements for the first six months of the year.

Table 6.7 : Service delivery measures – Programme 2: Sustainable Resource Management

Outputs	Performance indicators	Performance targets		
		2018/19 Original target	2018/19 Mid-year actual	2018/19 Revised target
1.1 Economic Analysis				
1.1.1	To determine and evaluate economic parameters and socio-economic imperatives to inform provincial and local resource allocation	<ul style="list-style-type: none"> No. of economic analysis reports for the province 	Produce 4 provincial dept. economic reports Produce 1 PERO Produce 1 SERO Produce 9 districts socio-economic reports	Produced 2 provincial dept. economic reports Annual Annual 6
		<ul style="list-style-type: none"> Timeous Economic Analysis inputs to the <i>Estimates of Provincial Revenue and Expenditure (EPRE)</i> 	February 2019	Annual
1.1.2	To provide a platform to enhancing regional economic growth and development	<ul style="list-style-type: none"> No. of quality research for regional policy analysis 	Produce 4 economic research projects	2
1.1.3	Provide and facilitate a platform for economic information sharing, dialogue and debate and stakeholder participation	<ul style="list-style-type: none"> No. of information sharing sessions conducted 	8 information sharing sessions conducted	2
1.2 Infrastructure				
1.2.1	Efficient infrastructure management in KZN that contributes to effective economic and social infrastructure	<ul style="list-style-type: none"> No. of assessment reports on the User Asset Management Plans (U-AMPs) 	Compile a consolidated assessment report on U-AMPs	1
1.2.2	To facilitate implementation and institutionalisation of the IDMS in all KZN provincial depts and municipalities	<ul style="list-style-type: none"> No. of reports on the implementation of IDMS in KZN No. of reports on the infrastructure site visits conducted No. of progress reports on infrastructure budgets and delivery plans using IRM data Timeous Infrastructure input for <i>EPRE</i> No. of <i>Estimates for Capital Expenditure (ECE)</i> developed and published 	Produce 4 reports on the implementation of IDMS in KZN Submit 4 reports on the site visits conducted Submit 4 reports on the infrastructure expenditure in KZN February 2019 Develop and publish the <i>ECE</i> on time for tabling with the annual provincial budget	Produced 2 reports on the implementation of IDMS 1 Submitted 2 reports on the site visits conducted Annual Annual
1.2.3	To assist and provide technical support to the development of the KZN Provincial Infrastructure Master Plan	<ul style="list-style-type: none"> No. of assessment reports on the Infrastructure Programme Management Plan (IPMP) compiled No. of reports on infrastructure funding mechanisms and opportunities to support the provincial fiscal framework 	Compile a consolidated assessment report on annual infrastructure plans Produce 4 reports on the infrastructure mechanisms in the province	Annual Produced 4 reports on the infrastructure mechanisms in the province
2. Public Finance				
2.1 Provincial Budget Management				
2.1.1	Promote effective and optimal financial resource allocation for provincial govt.	<ul style="list-style-type: none"> No. of chapters in MTEC report Timeous tabling of <i>EPRE</i> Timeous tabling of <i>Adjusted Estimates of Provincial Revenue and Expenditure (AEPRE)</i> 	1 report with 15 chapters completed 1 working day before MTEC as per budget process timetable March 2019 November 2018	15 chapters completed 1 working day before MTEC as per budget process timetable Annual Annual
2.1.2	Ensure efficient budget and expenditure management and accurate financial reporting for provincial govt. (incl. public entities)	<ul style="list-style-type: none"> No. of section 32 report (Monthly provincial IYM report) No. of quarterly performance reports for provincial depts 	12 IYM reports p/a (submitted to NT by 22 nd monthly) 4 quarterly performance reports	6 IYM reports p/a (submitted to NT by 22 nd monthly) 2 quarterly performance reports
2.2 Provincial Own Revenue				
2.2.1	Promote optimal and sustainable revenue generation and collection by provincial depts and public entities	<ul style="list-style-type: none"> No. of quarterly Provincial Revenue Forums conducted and co-ordinated No. of revenue quarterly performance report Timeous revenue input into <i>Overview of Provincial Revenue and Expenditure (OPRE)</i> and <i>EPRE</i> 	1 Forum per year 4 revenue performance reports per annum March 2019	Annual 3 revenue quarterly performance reports produced Annual

Table 6.7 : Service delivery measures – Programme 2: Sustainable Resource Management

Outputs	Performance indicators	Performance targets		
		2018/19 Original target	2018/19 Mid-year actual	2018/19 Revised target
2.3 Special Advisory Support Services				
2.3.1 Promote effective and optimal financial resource allocation for provincial govt. (including public entities)	<ul style="list-style-type: none"> Timeous input into the revision and maintenance of Division Of Revenue Act (DORA) No. of reports on institutionalising framework for the monitoring of provincial public entities No. of MTEC reports completed 	November 2018 2 1 report completed 1 day before MTEC	1 1 1	

4.3 Programme 3: Financial Governance

The purpose of this programme is to ensure effective and efficient management of physical and financial assets for provincial and local government. The main services undertaken by this programme remain unchanged from the *EPRE*.

Tables 6.8 and 6.9 reflect a summary of the 2018/19 adjusted appropriation of Programme 3, summarised according to sub-programme and economic classification.

Details of the main adjustments, which resulted in an overall decrease of R13.500 million, are provided in the paragraphs below.

Table 6.8 : Programme 3: Financial Governance

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/ unavoidable	Virement	Shifts	Other adjustments		
1. Programme Support	3 892						-	3 892
2. Asset and Liabilities Management	19 219			(3 000)			(3 000)	16 219
3. Support and Interlinked Financial Systems	94 182						-	94 182
4. Supply Chain Management	44 731			(7 500)			(7 500)	37 231
5. Public, Private Partnerships	8 288						-	8 288
6. Accounting Services	32 668			(3 000)			(3 000)	29 668
7. Norms and Standards	6 622						-	6 622
Total	209 602	-	-	(13 500)	-	-	(13 500)	196 102
Amount to be voted								(13 500)

Table 6.9 : Summary by economic classification

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/ unavoidable	Virement	Shifts	Other adjustments		
Current payments	203 156	-	-	(13 535)	(180)	-	(13 715)	189 441
Compensation of employees	74 456			(31)			(31)	74 425
Goods and services	125 200			(10 004)	(180)		(10 184)	115 016
Interest and rent on land	3 500			(3 500)			(3 500)	-
Transfers and subsidies to:	939	-	-	35	-	-	35	974
Provinces and municipalities							-	-
Departmental agencies and accounts							-	-
Higher education institutions							-	-
Foreign governments and international organisations							-	-
Public corporations and private enterprises							-	-
Non-profit institutions							-	-
Households	939			35			35	974
Payments for capital assets	5 507	-	-	-	180	-	180	5 687
Buildings and other fixed structures							-	-
Machinery and equipment	5 507				180		180	5 687
Heritage assets							-	-
Specialised military assets							-	-
Biological assets							-	-
Land and subsoil assets							-	-
Software and other intangible assets							-	-
Payments for financial assets							-	-
Total	209 602	-	-	(13 500)	-	-	(13 500)	196 102
Amount to be voted								(13 500)

Virement – Programme 3: Financial Governance: (R13.500 million)

The main appropriation of Programme 3 was decreased by R13.500 million which affected three sub-programmes, as follows:

- Savings of R3 million were identified from *Interest and rent on land* under the Asset and Liabilities Management sub-programme due to the positive bank balance as it is expected that the province will not go into overdraft and will therefore not incur any interest charges in this regard.
- R7.500 million was moved from *Goods and services* due to reduced reliance on consultants within the Supply Chain Management sub-programme, due to the delays in appointing service providers in respect of SCM support interventions in departments and municipalities.
- Savings of R3 million were moved from *Goods and services*, largely due to reduced reliance on consultants within the sub-programme: Accounting Services, relating to preparing the consolidated AFS as this was done internally through contract staff hired, as explained.
- The total savings of R13.500 million were moved as follows:
 - R7.292 million was moved to Programme 1, as follows:
 - R2 million was moved to *Compensation of employees* to cater for spending pressure under personnel costs related to the above-budget wage adjustment in the Office of the MEC.
 - R2.539 million was moved to *Goods and services* for special interventions such as assisting other provincial departments in terms of financial management, such as the Treasury/Health assistance plan, in line with Provincial Treasury oversight role.
 - R6 000 was moved to *Interest and rent on land* to cater for a late payment made in respect of interest on the amount payable to SARS that was not budgeted for, as explained.
 - R512 000 was moved to *Transfers and subsidies to: Non-profit institutions* to cater for the donation to the FLA, as discussed.
 - R2.235 million was moved to *Transfers and subsidies to: Households* in respect of a transfer to the Thuthuka Bursary Fund (R2.200 million) that could not be processed in the last financial year, as well as staff exit costs (R35 000), as explained earlier. This was not budgeted for in 2017/18 and 2018/19 as the department indicated that the Thuthuka Bursary Fund was being discontinued.
 - R500 000 was moved to Programme 2 against *Compensation of employees* to cater for personnel costs that were higher than budgeted for, due to the above-budget wage adjustment.
 - R5.708 million was moved to Programme 4, as follows:
 - R1.900 million was moved to *Compensation of employees* to cater for the above-budget wage adjustment.
 - R2.877 million was moved to *Goods and services* to cater for outstanding commitments in respect of performance audits.
 - R17 000 was moved to *Transfers and subsidies to: Non-profit institutions* in order to cater for an unexpected cash donation made for the burial of a trainee in the Internal Audit unit.
 - R914 000 was moved to *Transfers and subsidies to: Households* to cater for higher than budgeted staff exit costs.

In addition to the above virements from Programme 3, the following virements were undertaken across economic categories within sub-programmes:

- Savings of R31 000 were identified under *Compensation of employee* due to internal delays in filling vacant posts.
- Savings of R4 000 were identified under *Goods and services* in respect of slow spending against non-core items such as stationery due to cost-cutting.

- Savings of R500 000 were identified against *Interest and rent on land* as a result of a positive bank balance as it is expected that the province will not go into overdraft and will thus not incur any interest charges.
- The total savings of R535 000 were moved as follows:
 - R35 000 was moved to *Transfers and subsidies to: Households* due to higher than budgeted staff exit costs, as well as an injury on duty claim for an official.
 - R500 000 was moved to *Goods and services* to cater for travel and subsistence costs which were under-budgeted for.

These virements are permissible in terms of the PFMA and the Treasury Regulations.

Shifts – Programme 3: Financial Governance

The department undertook the following shift across economic classifications but within sub-programmes, hence the shift is not evident in Table 6.8, as follows:

- Funds amounting to R180 000 were shifted from *Goods and services* in the Supply Chain Management and Accounting Services sub-programmes and were moved to *Machinery and equipment*, to cater for the costs of finance leases that were reclassified from *Goods and services*, in terms of the SCOA reclassification of this item. In terms of the SCOA reclassification, finance leases are treated differently to operating leases. Note that the purpose of these funds remain unchanged.

Service delivery measures – Programme 3: Financial Governance

Table 6.10 shows the service delivery information for Programme 3 as per the APP of Provincial Treasury, as well as the actual achievement for the first six months of the year.

The department made one minor change to its targets in order to ensure alignment between the *EPRE* and APP. This is shown under the “Revised target” column in the table.

Table 6.10 : Service delivery measures – Programme 3: Financial Governance

Outputs	Performance indicators	Performance targets		
		2018/19 Original target	2018/19 Mid-year actual	2018/19 Revised target
1. Asset and Liabilities Management				
1.1. To assist depts. in improving cash management	<ul style="list-style-type: none"> • No. of tax information seminars conducted annually • No. of risk analysis reports per dept. to ensure compliance to tax legislation • No. of quarterly assessment reports to depts. on status of bank related suspense accounts • No. of monthly bank reconciliations per dept. • No. of quarterly reports on withdrawals from municipal bank accounts 	1 session 56 reports 56 assessment reports 168 reconciled bank reconciliation 4 reports on withdrawals from municipal bank accounts	1 session 28 Risk Analysis reports 28 assessment reports 84 reconciled bank reconciliations 2 reports on withdrawals from municipal bank accounts	
2. Public, Private Partnerships (PPP)				
2.1. To provide technical, financial and legal advice in support of all provincial PPP projects in line with PPP project cycle as regulated by National Treasury guidelines	<ul style="list-style-type: none"> • Seminars/workshops conducted for provincial depts, public entities, municipalities, municipal entities and the private sector • No. of reports for Provincial Treasury management and National Treasury PPP unit • No. of contract management reports on closed deals 	2 12 12	2 6 6	
3. Provincial Supply Chain Management				
3.1. Support and monitor adherence of state institutions to SCM prescripts	<ul style="list-style-type: none"> • No. of SCM training sessions and information sessions conducted 	Conduct 12 SCM training, information sessions, workshops and forums for state institutions	Conducted 24 training information sessions and workshops and forums for state institutions	

Table 6.10 : Service delivery measures – Programme 3: Financial Governance

Outputs	Performance indicators	Performance targets		
		2018/19 Original target	2018/19 Mid-year actual	2018/19 Revised target
	<ul style="list-style-type: none"> No. of SCM compliance assessments conducted No. of policies reviewed and updated No. of contract management analysis conducted 	Conduct 84 SCM assessments in depts, munic. and public entities and investigate complaints Review and update 4 policies Conduct 106 contract management reviews for state institutions	Conducted 45 SCM assessments in depts., municipalities, and public entities. and investigate complaints Reviewed and update 2 policies Conducted 52 contract management reviews for state institutions	Conduct 130 contract management reviews for state institutions
4. Accounting Services				
4.1. To assist depts and public entities in the attainment of a clean audit outcome for the province	<ul style="list-style-type: none"> Consolidated AFS for provincial depts to the Legislature Consolidated AFS for public entities to the Legislature Timeous submission of consolidated AFS for Revenue Fund to the Legislature No. of trainings conducted to provincial depts and public entities to strengthen financial management No. of progress reports on financial management support based on identified needs/audit findings Annual pre-audit review conducted on depts preparing AFS on MCS basis Annual pre-audit review conducted on public entities 	Audited Consolidated AFS for FY 2017/18 tabled by 30 November 2018 to the Legislature Audited Consolidated AFS for FY 2017/18 tabled by 30 November 2018 to the Legislature Audited Consolidated AFS for FY 2017/18 submitted by 30 November 2018 to the Legislature 1 training workshop by 30 April 2018 3 progress reports on financial management support based on specific requests received from depts Pre-audit review of AFS at depts preparing AFS on the MCS basis Pre-audit review of AFS at 7 public entities	Annual Annual Annual 1 training workshop by 30 April 2018 13 Progress reports on Financial management support based on identified needs/audit findings for departments Pre-audit review of AFS at all departments preparing AFS on the MCS basis Annual	
5. Norms and Standards				
5.1. To develop, facilitate implementation and monitor compliance with financial norms and standards in provincial depts, municipalities and public entities	<ul style="list-style-type: none"> No. of instruction notes/standard operating procedures/policies developed and reviewed for depts, municipalities and their respective entities No. of depts/public entities assessed and monitored 	12 standard operating procedures and 12 corresponding instruction notes reviewed for 14 departments and developed as required 12 policies reviewed for 2 identified municipalities and developed as required 14 depts assessed and monitored 2 entities assessed and monitored	4 instruction notes and policies developed and/or reviewed based on needs analysis 2 14 departments assessed	
6. Support and Interlinked Financial Systems				
6.1. To provide technical and functional support to supporting and interlinked financial systems	<ul style="list-style-type: none"> MTTR (transversal systems) 	8-16 hr MTTR	8-16 hr MTTR	

4.4 Programme 4: Internal Audit

The main purpose of the programme is to develop effective risk management strategies and governance, to build and maintain successful client relationships, to develop knowledge by creating a learning culture, and to build foundations for excellence to support the provincial government in achieving its objectives. The services rendered by the programme remain unchanged from the 2018/19 *EPRE*.

Tables 6.11 and 6.12 reflect a summary of the 2018/19 adjusted appropriation of Programme 4, summarised according to sub-programme and economic classification.

Details of the main adjustments, which resulted in an overall increase of R5.708 million, are provided in the paragraphs below the table.

Table 6.11 : Programme 4: Internal Audit

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
1. Programme Support	3 575						-	3 575
2. Assurance Services	78 993			6 848			6 848	85 841
3. Risk Management	25 055			500			500	25 555
4. Forensic Services	36 932			(1 640)			(1 640)	35 292
Total	144 555	-	-	5 708	-	-	5 708	150 263
Amount to be voted								5 708

Table 6.12 : Summary by economic classification

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
Current payments	143 564	-	-	4 777	(22)	-	4 755	148 319
Compensation of employees	79 104			1 900			1 900	81 004
Goods and services	64 460			2 877	(22)		2 855	67 315
Interest and rent on land							-	-
Transfers and subsidies to:	106	-	-	931	-	-	931	1 037
Provinces and municipalities							-	-
Departmental agencies and accounts							-	-
Higher education institutions							-	-
Foreign governments and international organisations							-	-
Public corporations and private enterprises							-	-
Non-profit institutions				17			17	17
Households	106			914			914	1 020
Payments for capital assets	885	-	-	-	22	-	22	907
Buildings and other fixed structures							-	-
Machinery and equipment	885				22		22	907
Heritage assets							-	-
Specialised military assets							-	-
Biological assets							-	-
Land and subsoil assets							-	-
Software and other intangible assets							-	-
Payments for financial assets							-	-
Total	144 555	-	-	5 708	-	-	5 708	150 263
Amount to be voted								5 708

Virement – Programme 4: Internal Audit: R5.708 million

The main appropriation of Programme 4 was increased by R5.708 million as a result of the following virement which affected three sub-programmes:

- Savings of R5.708 million were realised under Programme 3, as follows:
 - R2.708 million was realised from *Goods and services* due to savings on consultants as a result of reduced reliance on consultants, as well as delays in the appointment of service providers in respect of consultants to assist in preparing the consolidated AFS as this was done by internal contract staff. The savings were also due to delays in appointing service providers in respect of SCM support interventions in departments and municipalities.
 - R3 million was realised from *Interest and rent on land* as a result of a positive bank balance as it is expected that the province will not go into overdraft and will therefore not incur any interest charges in this regard.
- The total savings of R5.708 million were moved to Programme 4 under the sub-programme: Assurance Services, as follows:
 - R1.900 million was moved to *Compensation of employees* to cater for additional contract employees under Risk Management.
 - R2.877 million was moved to *Goods and services* to cater for outstanding commitments from 2017/18 in respect of performance audits.

- o R17 000 was moved to *Transfers and subsidies to: Non-profit institutions* in order to cater for an unexpected cash donation made for the burial of a trainee.
- o R914 000 was moved to *Transfers and subsidies to: Households* to cater for higher than budgeted staff exit costs.

In addition to the above virements to Programme 4, the following virements were undertaken within *Goods and services* in the programme, affecting three sub-programmes:

- Savings of R1.640 million were identified against *Goods and services* under the Forensic Services sub-programme due to delays in finalising forensic investigations. The department indicated that it is difficult to finalise forensic cases as the process is also dependent on external bodies such as the South African Police Services (SAPS) and the National Prosecuting Authority (NPA), among others
- The total savings of R1.640 million were moved within *Goods and services*, as follows:
 - o R1.140 million was moved to the sub-programme: Assurance Services for outstanding commitments from 2017/18 in respect of performance audits.
 - o R500 000 was moved to the sub-programme: Risk Management in respect of consultants costs for various activities, such as reviews on risk management maturity which were under-budgeted for.

The above virements are permissible in terms of the Treasury Regulations and the PFMA. Treasury approval was granted for the increase in *Compensation of employees* and *Transfers and subsidies to: Non-profit institutions*, in terms of Treasury Regulations 6.3.1.

Shifts – Programme 4: Internal Audit

The department undertook the following shift across economic classifications but within sub-programmes, hence this is not evident in Table 6.11:

- Funds of R22 000 were moved from *Goods and services* to *Machinery and equipment* against the sub-programme: Forensic Services, to cater for the costs of finance leases that were reclassified from *Goods and services*, in terms of the SCOA reclassification of this item. In terms of the SCOA reclassification, finance leases are treated differently to operating leases. Note that the purpose of these funds remains unchanged.

Service delivery measures – Programme 4: Internal Audit

Table 6.13 shows the service delivery information for Programme 4 as per the APP of Provincial Treasury, as well as the actual achievement for the first six months of the year. The targets contained in the *EPRE* are fully aligned with the APP.

Table 6.13 : Service delivery measures – Programme 4: Internal Audit

Outputs	Performance indicators	Performance targets		
		2018/19 Original target	2018/19 Mid-year actual	2018/19 Revised target
1. Assurance Services				
1.1.	To provide an efficient, effective and economical assurance service	<ul style="list-style-type: none"> • No. of IA annual operational plans and a rolling three-year strategic plan developed and approved • No. of annual MEC Audit and Risk Committee report on clients' areas of risk management, governance and internal control • No. of risk-based audit reports including follow up audit reports and reports on financial, IT, performance and governance audits • No. of Audit Committee reports issued to Accounting Officers 	14	14
			1	Annual
			148	58
			28	14
1.2.	To build and maintain client relationships	<ul style="list-style-type: none"> • No. of meetings held between clients and the CARC 	56	56
1.3.	To enhance capacity within and outside the unit	<ul style="list-style-type: none"> • No. of training and development programmes attended • No. of internal and/ independent external quality assurance reviews conducted 	8	4
			1	1

Table 6.13 : Service delivery measures – Programme 4: Internal Audit

Outputs	Performance indicators	Performance targets		
		2018/19 Original target	2018/19 Mid-year actual	2018/19 Revised target
2. Risk Management				
2.1. Promote good governance through effective risk management	<ul style="list-style-type: none"> No. of risk registers updated for provincial depts No. of reviews on risks management maturity depts No. of reviews of Occupational Health and Safety practices for depts and municipalities No. of reviews of business continuity practices for depts No. of risk-related/forums conferences held for provincial depts No. of reviews of the fraud prevention plans for depts and municipalities No. of risk related training/awareness provided to depts 	50 30 30 30 4 20 20	20 10 15 15 3 5 15	
3. Forensic Services				
3.1 To promote a culture of zero tolerance for fraud and corruption	<ul style="list-style-type: none"> No. of forensic audits performed and investigations as per clients requests and referrals from assurance team No. of updated register of forensic investigations – MEC report No. of follow-ups on completed investigations per institution 	32 4 60	35 2 30	

4.5 Programme 5: Municipal Finance Management

Programme 5 was established in 2018/19 in line with the new generic structure for all Treasuries, which makes provision for an integrated structure in respect of the Municipal Finance Management unit. Tables 6.14 and 6.15 summarise the 2018/19 adjusted appropriation of Programme 5, summarised according to sub-programme and economic classification. There was no change to the main appropriation of the programme.

Table 6.14 : Programme 5: Municipal Finance Management

R thousand	Main appropriation	Adjustments appropriation				Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/ unavoidable	Virement	Shifts		
1. Programme Support	3 351			(951)		(951)	2 400
2. Municipal Budget	27 813			(528)	(385)	(913)	26 900
3. Municipal Accounting and Reporting						-	-
4. Municipal Support Programme	32 545			1 479	385	1 864	34 409
Total	63 709	-	-	-	-	-	63 709
Amount to be voted							-

Table 6.15 : Summary by economic classification

R thousand	Main appropriation	Adjustments appropriation				Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/ unavoidable	Virement	Shifts		
Current payments	63 564	-	-	-	(385)	(385)	63 179
Compensation of employees	33 177			1 816		1 816	34 993
Goods and services	30 387			(1 816)	(385)	(2 201)	28 186
Interest and rent on land						-	-
Transfers and subsidies to:	-	-	-	-	-	-	-
Provinces and municipalities						-	-
Departmental agencies and accounts						-	-
Higher education institutions						-	-
Foreign governments and international organisations						-	-
Public corporations and private enterprises						-	-
Non-profit institutions						-	-
Households						-	-
Payments for capital assets	145	-	-	-	385	385	530
Buildings and other fixed structures						-	-
Machinery and equipment	145				385	385	530
Heritage assets						-	-
Specialised military assets						-	-
Biological assets						-	-
Land and subsoil assets						-	-
Software and other intangible assets						-	-
Payments for financial assets	-					-	-
Total	63 709	-	-	-	-	-	63 709
Amount to be voted							-

Virement – Programme 5: Municipal Finance Management

The following virements were undertaken within Programme 5, which affected three sub-programmes across economic categories:

- Savings of R1.479 million were identified against *Goods and services*, as follows:
 - R951 000 was realised from the sub-programme: Programme Support due to savings on running costs such as stationery, which were over-budgeted for.
 - R528 000 was realised from the sub-programme: Municipal Budget due to delays in finalising project deliverables such as conducting technical visits to municipalities and conducting close-out meetings with delegated municipalities.
- The total savings of R1.479 million were moved to the Municipal Support Programme sub-programme against *Compensation of employees* to cater for personnel costs, due to the above-budget wage adjustment.
- Savings of R337 000 were realised within the Municipal Support Programme against *Goods and services* due to delays in conducting close-out meetings with delegated municipalities. These savings were moved within the sub-programme to *Compensation of employees* to cater for personnel costs, due to the above-budget wage adjustment.

The above virements are permissible in terms of the Treasury Regulations and the PFMA and Treasury approval was granted for the increase in *Compensation of employees*.

Shifts – Programme 5: Municipal Finance Management

The department undertook the following shift across economic classifications and within sub-programmes, as evident in Table 6.14.

- An amount of R385 000 was shifted from *Goods and services* under the Municipal Budget sub-programme to *Machinery and equipment* under the Municipal Support Programme sub-programme, to cater for costs of finance leases, in terms of the SCOA reclassification of this item from *Goods and services* to *Machinery and equipment*. In terms of the SCOA reclassification, finance leases are treated differently to operating leases. Note that the purpose of these funds remains unchanged. Note that this amount was incorrectly allocated under the Municipal Budget sub-programme.

Service delivery measures – Programme 5: Municipal Finance Management

Table 6.16 shows the service delivery information for Programme 5 as per the APP of Provincial Treasury, as well as the actual achievements for the first six months of the year. The targets contained in the *EPRE* are fully aligned with the APP.

Table 6.16 : Service delivery measures – Programme 5: Municipal Budget

Outputs	Performance indicators	Performance targets		
		2018/19 Original target	2018/19 Mid-year actual	2018/19 Revised target
5.1 Municipal Budget				
5.1.1 To ensure optimal and sustainable municipal budgets	<ul style="list-style-type: none"> • No. of tabled budgets evaluated and feedback provided to delegated municipalities • No. of approved budgets evaluated and feedback provided to delegated municipalities • No. of budget workshops 	51 municipal tabled budgets evaluated 51 municipal approved budgets evaluated 1 budget related workshop	51 Municipal tabled budgets evaluated 51 municipal approved budgets evaluated Annual	
5.1.2 To ensure optimal implementation of budgets by municipalities and reporting on related compliance	<ul style="list-style-type: none"> • No. of Section 71(6) reports (monthly municipal IYM report) within the prescribed time frame • No. of Section 71(7) quarterly budget performance reports • No. of Section 72 reports evaluated and feedback provided to delegated municipalities 	12 Section 71(6) reports 4 Section 71(7) quarterly budget performance reports 51 Section 72 municipal reports evaluated	6 Section 71(6) reports 2Section 71(7) quarterly budget performance reports Annual	

Table 6.16 : Service delivery measures – Programme 5: Municipal Budget

Outputs	Performance indicators	Performance targets		
		2018/19 Original target	2018/19 Mid-year actual	2018/19 Revised target
	<ul style="list-style-type: none"> No. of reports on the compliance with the applicable MFMA reporting requirements No. of Municipal Finance circulars issued 	2 reports on the compliance with the applicable MFMA reporting requirements 5 Municipal Finance circulars	5 reports on the compliance with the applicable MFMA reporting Requirements 6 Municipal Finance circulars	
5.2. Municipal Support Programme				
5.2.1	To assist and provide technical support to delegated municipalities to ensure sound financial management and sustainability	<ul style="list-style-type: none"> No. of municipalities supported by the MSP No. of MSP projects implemented at target municipalities No. of municipal support steering committee meetings conducted No. of CFO Forums conducted No. of circulars on the grant roll-over process 	Reported as no. of projects from 2018/19 (as below) 10 projects to be implemented 4 quarterly meetings to monitor progress on MSP 4 quarterly CFO Forums 1 circular by 31 August 2018 on the grant roll-over process	Annual 28 2 meetings to monitor progress on municipal support 2 quarterly CFO Forums 1 circular by 31 August 2018 on the grant roll-over process

5. Specifically and exclusively appropriated allocations

Table 6.17 shows the amounts that are specifically and exclusively appropriated for specific purposes in terms of the KZN Adjustments Appropriation Act.

Table 6.17 : Summary of specifically and exclusively appropriated funding

R thousand	Main appropriation	Adjustments appropriation				Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/ unavoidable	Virement	Shifts		
	15 500	11 000				20 000	31 000
Total	15 500	11 000	-	-	-	20 000	46 500
Amount to be voted							31 000

- Roll-overs:** The department received a roll-over of R11 million from 2017/18, relating to the Treasury/Health assistance plan due to the project taking off at a slower rate than anticipated. This roll-over was allocated to *Goods and services* in Programme 1, as mentioned.
- Other adjustments:** Provincial Treasury requested an allocation of R60 million for the Treasury/Health assistance plan, with this amount providing for the complete take-over of the Supply Chain Management, Internal Control and Asset Management functions in DOH. The department receives R20 million in 2018/19 and R40 million will be allocated in 2019/20 in line with project requirements. Note that these funds are specifically and exclusively allocated and may not be used for any other purpose and are allocated to *Goods and services* under Programme 1.

6. Gifts, donations and sponsorships

The department is envisaging making a donation exceeding R100 000 in 2018/19 to the FLA due to the institution being under financial constraints, as a result of a difficulty in attracting sponsors. The amount of R512 000 to be donated will be used pay the FLA's creditors and employees.

Note that the donation relating to FLA requires Legislature approval as it exceeds R100 000.

7. Infrastructure

The department does not have any infrastructure projects in 2018/19.

8. Conditional grants

The department does not receive any conditional grant allocation.

9. Transfers and subsidies

Table 6.18 shows the summary of transfers and subsidies per programme. The adjustments in *Transfers and subsidies* resulted in an overall increase of R2.982 million, which is explained in detail in the paragraphs after the table.

Table 6.18 : Summary of transfers and subsidies by programme and main category

R thousand	Main appropriation	Adjustments appropriation				Total adjustments appropriation	Adjusted appropriation	
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts			Other adjustments
1. Administration	2 050	-	-	2 747	(731)	-	2 016	4 066
Provinces and municipalities	23	-	-	-	-	-	-	23
Motor vehicle licences	23	-	-	-	-	-	-	23
Departmental agencies and accounts	3	-	-	-	-	-	-	3
SABC TV Licences	3	-	-	-	-	-	-	3
Non-profit institutions	896	-	-	512	(731)	-	(219)	677
Donations	896	-	-	512	(731)	-	(731)	165
Financial Literacy Association				512			512	512
Households	1 128	-	-	2 235	-	-	2 235	3 363
Staff exit costs	100	-	-	35	-	-	35	135
Thuthuka Bursary Fund				2 200			2 200	2 200
External Bursaries	1 028	-	-	-	-	-	-	1 028
2. Sustainable Resource Management	-	-	-	-	-	-	-	-
3. Financial Governance	939	-	-	35	-	-	35	974
Households	939	-	-	35	-	-	35	974
Staff exit costs	939	-	-	31	-	-	31	970
Injury on duty				4			4	4
4. Internal Audit	106	-	-	931	-	-	931	1 037
Non-profit institutions	-	-	-	17	-	-	17	17
Donations				17			17	17
Households	106	-	-	914	-	-	914	1 020
Staff exit costs	106	-	-	914	-	-	914	1 020
5. Municipal Finance Management	-	-	-	-	-	-	-	-
Total	3 095	-	-	3 713	(731)	-	2 982	6 077
Amount to be voted								2 982

- *Virement*: The *Transfers and subsidies* allocation sees a number of virements occurring, with the category as a whole increasing by R3.713 million, explained as follows:

- o Programme 1: Administration:

- R512 000 was moved from Programme 3 from *Goods and services* to *Non-profit institutions* to cater for the donation made to the FLA. Note Treasury approval was given to increase this transfer, in terms of Treasury Regulations 6.3.1.

Note that the donation in respect *Non-profit institutions* relating to FLA requires Legislature approval, in terms of Treasury Regulation 21.1.1, as it exceeds R100 000.

- R2.235 million was moved from *Goods and services* under Programme 3 to *Households* in respect of a transfer to the Thuthuka Bursary Fund (R2.200 million) that could not be processed in the last financial year as a result of tax certificate related challenges, as well as to cater for staff exit costs (R35 000) that were higher than budgeted for.

- o Programme 3: Financial Governance:

- Savings of R31 000 were identified under *Compensation of employees* due to internal delays in filling vacant posts and were moved to *Households* to cater for staff exist costs. A further savings of R4 000 were identified from *Goods and services* within this programme, in respect of cost-cutting against non-core items such as stationery, and these were moved to *Households* to offset unforeseen expenditure as a result of the payment of an injury on duty claim for an official who was injured at work.

- o Programme 4: Internal Audit:

- R17 000 was moved from *Goods and services* in Programme 3 to *Non-profit institutions*, to cater for an unexpected cash donation made for the burial of a trainee.
- R914 000 was moved from *Goods and services* in Programme 3 due to reduced reliance on consultants, to *Households* to cater for higher than anticipated staff exit costs.

- *Shifts*: An amount of R731 000 that was allocated for the MEC's and HOD's OSS outreach programmes was shifted from *Non-profit institutions* to *Goods and services* under Programme 1, in line with National Treasury Circular no. 21, as discussed. Note that the balance of R165 000 is not affected by the Circular.

10. Transfers to local government

The amounts against *Provinces and municipalities* in Table 6.18 above cater for motor vehicle licences. These funds will not be transferred to any municipality, and therefore the table for transfers to local government has not been included.

11. Actual payments and revised spending projections for the rest of 2018/19

Tables 6.19 and 6.20 reflect actual payments as at the end of September 2018, projected payments for the rest of the year and the total revised spending in Rand value and as percentage of Adjusted Appropriation per programme and economic classification. The tables also show the 2017/18 Audited outcome.

Table 6.19 : Actual payments and revised spending projections by programme

	2017/18 Audited outcome	Adjusted appropriation	Actual payments		Projected payments		Projected actual
			April 2018 - September 2018	% of budget	October 2018 - March 2019	% of budget	
R thousand							
1. Administration	157 033	230 669	90 959	39.4	139 710	60.6	230 669
2. Sustainable Resource Management	39 099	41 157	23 799	57.8	17 358	42.2	41 157
3. Financial Governance	199 954	196 102	99 453	50.7	96 649	49.3	196 102
4. Internal Audit	133 643	150 263	59 782	39.8	90 481	60.2	150 263
5. Municipal Finance Management	59 147	63 709	27 289	42.8	36 420	57.2	63 709
Total	588 876	681 900	301 282	44.2	380 618	55.8	681 900

Table 6.20 : Actual payments and revised spending projections by economic classification

	2017/18 Audited outcome	Adjusted appropriation	Actual payments		Projected payments		Projected actual
			April 2018 - September 2018	% of budget	October 2018 - March 2019	% of budget	
R thousand							
Current payments	571 510	655 812	289 529	44.1	366 283	55.9	655 812
Compensation of employees	270 780	314 333	148 914	47.4	165 419	52.6	314 333
Goods and services	300 730	341 473	140 609	41.2	200 864	58.8	341 473
Interest and rent on land	-	6	6	100.0	-	-	6
Transfers and subsidies to:	5 419	6 077	3 936	64.8	2 141	35.2	6 077
Provinces and municipalities	26	23	16	69.6	7	30.4	23
Departmental agencies and accounts	1 025	3	-	-	3	100.0	3
Higher education institutions	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-
Non-profit institutions	3 264	694	49	7.1	645	92.9	694
Households	1 104	5 357	3 871	72.3	1 486	27.7	5 357
Payments for capital assets	11 941	20 011	7 817	39.1	12 194	60.9	20 011
Buildings and other fixed structures	-	-	-	-	-	-	-
Machinery and equipment	11 941	19 861	7 817	39.4	12 044	60.6	19 861
Heritage assets	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-
Land and subsoil assets	-	-	-	-	-	-	-
Software and other intangible assets	-	150	-	-	150	100.0	150
Payments for financial assets	6	-	-	-	-	-	-
Total	588 876	681 900	301 282	44.2	380 618	55.8	681 900

The department spent 44.2 per cent of its total adjusted budget, which is lower than the 50 per cent benchmark for the period under review, partly because of the roll-over of R11 million and the additional R20 million allocated to the department for the Treasury/Health assistance plan in October 2018. Two programmes show expenditure slightly higher than the 50 per cent benchmark, and three programmes show relatively low expenditure. The department is projecting a balanced budget at year-end.

Table 6.A : Summary by economic classification : Provincial Treasury

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
Current payments	628 832	11 000	-	(3 713)	(307)	20 000	26 980	655 812
Compensation of employees	308 148	-	-	6 185	-	-	6 185	314 333
Salaries and wages	276 774	-	-	4 902	-	-	4 902	281 676
Social contributions	31 374	-	-	1 283	-	-	1 283	32 657
Goods and services	317 184	11 000	-	(6 404)	(307)	20 000	24 289	341 473
Administrative fees	9 843	-	-	673	-	-	673	10 516
Advertising	2 869	-	-	226	-	-	226	3 095
Minor assets	541	-	-	66	-	-	66	607
Audit cost: External	3 926	-	-	-	-	-	-	3 926
Bursaries: Employees	500	-	-	250	-	-	250	750
Catering: Departmental activities	1 445	-	-	789	-	-	789	2 234
Communication (G&S)	3 145	-	-	(230)	(418)	-	(648)	2 497
Computer services	87 981	-	-	-	-	-	-	87 981
Cons. & prof serv: Business and advisory services	44 223	-	-	(32 446)	-	-	(32 446)	11 777
Infrastructure and planning	-	-	-	-	-	-	-	-
Laboratory services	-	-	-	-	-	-	-	-
Scientific and technological services	-	-	-	-	-	-	-	-
Legal costs	2 147	-	-	846	-	-	846	2 993
Contractors	1 661	-	-	(120)	-	-	(120)	1 541
Agency and support / outsourced services	109 827	11 000	-	7 515	(385)	20 000	38 130	147 957
Entertainment	4	-	-	-	-	-	-	4
Fleet services (incl govt motor transport)	1 166	-	-	1 116	-	-	1 116	2 282
Housing	-	-	-	-	-	-	-	-
Inventory: Clothing material and accessories	-	-	-	-	-	-	-	-
Inventory: Farming supplies	-	-	-	-	-	-	-	-
Inventory: Food and food supplies	-	-	-	-	618	-	618	618
Inventory: Fuel, oil and gas	-	-	-	-	-	-	-	-
Inventory: Learner and teacher support material	-	-	-	-	-	-	-	-
Inventory: Materials and supplies	-	-	-	85	-	-	85	85
Inventory: Medical supplies	-	-	-	-	-	-	-	-
Inventory: Medicine	-	-	-	-	-	-	-	-
Medsas inventory interface	-	-	-	-	-	-	-	-
Inventory: Other supplies	-	-	-	1 386	-	-	1 386	1 386
Consumable supplies	682	-	-	215	113	-	328	1 010
Consumable: Stationery, printing and office supplies	2 536	-	-	(339)	-	-	(339)	2 197
Operating leases	15 072	-	-	6 786	-	-	6 786	21 858
Property payments	6 530	-	-	5 786	-	-	5 786	12 316
Transport provided: Departmental activity	165	-	-	275	-	-	275	440
Travel and subsistence	16 814	-	-	205	(235)	-	(30)	16 784
Training and development	2 754	-	-	326	-	-	326	3 080
Operating payments	2 558	-	-	176	-	-	176	2 734
Venues and facilities	795	-	-	10	-	-	10	805
Rental and hiring	-	-	-	-	-	-	-	-
Interest and rent on land	3 500	-	-	(3 494)	-	-	(3 494)	6
Interest	3 500	-	-	(3 494)	-	-	(3 494)	6
Rent on land	-	-	-	-	-	-	-	-
Transfers and subsidies to	3 095	-	-	3 713	(731)	-	2 982	6 077
Provinces and municipalities	23	-	-	-	-	-	-	23
Provinces	23	-	-	-	-	-	-	23
Provincial Revenue Funds	-	-	-	-	-	-	-	-
Provincial agencies and funds	23	-	-	-	-	-	-	23
Municipalities	-	-	-	-	-	-	-	-
Municipalities	-	-	-	-	-	-	-	-
Municipal agencies and funds	-	-	-	-	-	-	-	-
Departmental agencies and accounts	3	-	-	-	-	-	-	3
Social security funds	-	-	-	-	-	-	-	-
Entities receiving funds	3	-	-	-	-	-	-	3
Higher education institutions	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-
Public corporations	-	-	-	-	-	-	-	-
Subsidies on production	-	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-	-	-
Private enterprises	-	-	-	-	-	-	-	-
Subsidies on production	-	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-	-	-
Non-profit institutions	896	-	-	529	(731)	-	(202)	694
Households	2 173	-	-	3 184	-	-	3 184	5 357
Social benefits	1 145	-	-	984	-	-	984	2 129
Other transfers to households	1 028	-	-	2 200	-	-	2 200	3 228
Payments for capital assets	18 973	-	-	-	1 038	-	1 038	20 011
Buildings and other fixed structures	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-
Other fixed structures	-	-	-	-	-	-	-	-
Machinery and equipment	18 823	-	-	-	1 038	-	1 038	19 861
Transport equipment	7 223	-	-	(150)	-	-	(150)	7 073
Other machinery and equipment	11 600	-	-	150	1 038	-	1 188	12 788
Heritage assets	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-
Land and sub-soil assets	-	-	-	-	-	-	-	-
Software and other intangible assets	150	-	-	-	-	-	-	150
Payments for financial assets	-	-	-	-	-	-	-	-
Total	650 900	11 000	-	-	-	20 000	31 000	681 900
Amount to be voted								31 000