



Province of the  
**EASTERN CAPE**  
PROVINCIAL TREASURY

# **ANNUAL REPORT**

FOR THE YEAR ENDING 31 MARCH 2009

PR210/2009

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## List of abbreviations

AFS	Annual Financial Statements	LOGIS	Logistical Information System
AG	Auditor-General	MFMA	Municipal Finance Management Act
AO	Accounting Officer	MEC	Member of the Executive Council
APP	Annual Performance Plan	MTEF	Medium Term Expenditure Framework
ASGISA	Accelerated and Shared Growth Initiative for SA	MTSF	Medium Term Strategic Framework
BAS	Basic Accounting System	NIA	National Intelligence Agency
BEE	Black Economic Empowerment	NSFAS	National Student Financial Aid Scheme
CESD	Centralised Electronic Suppliers Database	NTR	National Treasury Regulations
CFO	Chief Financial Officer	OD	Organisational Development
CPA	Cape Provincial Administration	OHSA	Occupational Health and Safety Act
DoRA	Division of Revenue Act	PAM	Physical Asset Management
ECPA	Eastern Cape Provincial Administration	PERSAL	Personnel and Salary System
EWP	Employee Wellness Policy	PFMA	Public Finance Management Act
EXCO	Executive Council	PFSA	Public Finance Services Agency
GAAP	Generally Accepted Accounting Practices	PMG	Paymaster General
FET	Further Education and Training	PPP	Public-Private Partnership
FFC	Financial Fiscal Commission	PGDP	Provincial Growth and Development Plan
FIS	Financial Information System	PMDS	Performance Management Development System
FM	Financial Management	QMS	Quality Management System
GIAMA	Government-wide Immovable Asset Management Act	SAPS	South African Police Service
GRAP	Generally Recognised Accounting Practices	SA	South Africa
GSDE	Guide to Service Delivery Excellence	SAQA	South African Qualifications Authority
HDI	Historically Disadvantaged Individuals	SCM	Supply Chain Management
HoD	Head of Department	SCOA	Standard Chart of Accounts
HRM	Human Resource Management	SCOPA	Standing Committee on Public Accounts
HRD	Human Resource Development	SDIP	Service Delivery Improvement Plan
IA	Internal Audit	SIAS	Shared Internal Audit Services
IBAC	Interim Bid Advisory Committee	SITA	State Information Technology Agency
IFMS	Integrated Financial Management Systems	SLA	Service Level Agreement
IPFA	Institute of Public Finance and Auditing	SM	Senior Manager
IT	Information Technology	SMME	Small Medium Micro Enterprise
IYM	In-Year-Monitoring	ToR	Terms of Reference



# 1. GENERAL INFORMATION

## 1.1 SUBMISSION OF THE ANNUAL REPORT

In terms of the requirements of the Public Finance Management Act 1 of 1999 as amended, (PFMA), section 40(1)(d) I, Qonda Kalimashe, in my capacity as the Acting Accounting Officer, have the honour of submitting the 2008/2009 Annual Report of the Provincial Treasury.

The Annual Report and Audited Financial Statements fairly present the state of affairs of the department, its business, financial results, performance against predetermined objectives and financial position as at the end of the financial year 2008/2009.



**QONDA KALIMASHE**  
**ACTING ACCOUNTING OFFICER**  
**31 AUGUST 2009**

## 1.2 INTRODUCTION AND OVERVIEW

### 1.2.1 Member of Executive Council

During the year under review South Africa began sliding towards negative growth which was confirmed by the latest data from Statistics South Africa that indeed the country was in a recession. The latest data from Stats SA also shows that the Eastern Cape was hardest hit of all the Provinces by the downturn which impacted heavily on the motor industry, which is one of the Province's most robust industries.



To appreciate the challenges experienced by the Province in ensuring that the provincial budget achieved the widest reach and the largest impact, it is imperative that the environment and context in which the Province and more specifically Treasury operated be taken into account.

In the midst of all this and other challenges Provincial Treasury remains committed to deliver on its mandate of ensuring effective and efficient utilisation of public resources to enhance service delivery and eliminate poverty.

My special thanks go to the leadership and dedicated staff of the department under the stewardship of the Acting Head of Department and Acting Accounting Officer, Mr Qonda Kalimashe.

I, Mcebisi Jonas, MEC for Finance, Economic Development and Environmental Affairs, in terms of the requirements of Section 65(1) (a) of the Public Finance Management Act and Chapter 1, Part III of the Public Service Regulations hereby table the Annual Report for the 2008/2009 financial year.

A handwritten signature in black ink, appearing to read 'Mcebisi Jonas', written over a horizontal line.

**HONOURABLE MCEBISI JONAS**  
**MEC FOR FINANCE, ECONOMIC DEVELOPMENT AND ENVIRONMENTAL AFFAIRS**  
**30 SEPTEMBER 2009**

## **1.3 INFORMATION ON THE DEPARTMENT**

### **Bills tabled**

During the 2008/09 financial year the MEC for Finance tabled the following Bills in the Eastern Cape Provincial Legislature:-

- Adjustments Appropriation Bill, 03 December 2008
- Eastern Cape Appropriation Bill, 27 February 2009

### **Ministerial visits abroad**

- There were no official ministerial visits abroad

## 1.4 OVERVIEW BY HEAD OF DEPARTMENT AND ACCOUNTING OFFICER

The 2008/09 Annual Report showcases the Eastern Cape Provincial Treasury's continued sound planning and management, as the government sought to achieve its objectives. The Provincial Treasury is responsible for the provincial budget, striking a balance between the revenue available to the Province, and providing quality services to the communities of the Province.



During the year under review Provincial Treasury made strides in supporting departments to formulate their budgets so as ensure effective allocation and deployment of financial resources. The year started with Treasury hosting budget hearings in April 2008 with a view to assessing readiness of the departments to implement the budget for the 2008/09 financial year. Issues of alignment of recruitment plans, procurement and operational plans were assessed as well as monthly expenditure reports for all relevant oversight structures so as to foster accountability in the utilisation of those budgets. The aim of this exercise was to ensure that the departments spend their budgets in line with the strategic objectives of the respective departments. Given the fiscal constraints that confronted the province as a consequence of the global financial downturn, departments were encouraged to reprioritise within their baselines to fund any additional projects that they were intending to implement for the MTEF period.

In order to support the departments and municipalities Treasury made a number of interventions and programmes. Amongst others, Treasury conducted a baseline study. Significant progress was made in this study in that the spending patterns of the various departments as well as policy priorities being funded were identified. Non-financial data was also identified for aligning expenditure with service delivery outcomes

In order to increase our fiscal efforts so as to maximise revenue recovery, Provincial Treasury awarded a contract to a service provider to undertake a study on provincial own revenue. The purpose of the study was to identify new sources of revenue, analyse the weaknesses and risk areas in revenue generation and collection and examine the revenue collecting capacity of provincial departments.

Municipalities were provided with Technical Support in compiling their 2008/09 budgets and to prepare their Annual Financial Statements. Other support interventions were conducted together with National Treasury and the European Commission through the introduction of the Financial Management Improvement Programme.

A Municipal Viability Study was conducted in order to assess the financial viability and capacity of a number of selected municipalities to meet their service delivery obligations.

A CFO Support Programme was implemented to help improve the financial outlook and accountability in the province. The scope of the CFO support programme was extended beyond the design and implementation of audit intervention plans for provincial departments, but now also included building financial management capacity in municipalities.

The department also managed to implement measures to ensure internal efficiencies. For an example, the new organisational structure which includes the Shared Internal Audit Services (SIAS) is being finalised; the implementation of the recruitment strategy which helped to reduce the vacancy rate by 6%, compared to the previous year, the implementation of the PMDS for the previous cycle as well as the implementation of the Employee Assistance & Wellness Programme (EAWP).

Another proud achievement is that Provincial Treasury has for two consecutive years maintained an unqualified audit opinion. The department will endeavour to maintain high standards and efforts to ensure that the positive audit outcome is continued.

While there has been a marked improvement in the audit outcomes of provincial departments since the implementation of the Audit Turnaround Plan, much still needs to be done to ensure that those departments with positive audit outcomes are maintained, while those with qualifications are supported to achieve unqualified status. Particular effort will be placed on the departments of Health and Education in the 2009/10 financial year in order to improve their audit disclaimer.

In 2009/2010 the department will seek to expedite the conclusion of outstanding projects and programmes whilst also gearing and re-aligning itself to become not just an oversight body but also a strategic partner of provincial departments in the implementation of financial management prescripts.



**QONDA KALIMASHE**  
**ACTING ACCOUNTING OFFICER**  
**31 AUGUST 2009**

## 1.5 ACCOUNTING ARRANGEMENTS

The accounting arrangements for the year under review were as follows:

Designation	Name
Acting Superintendent General, Acting Head Official of Treasury and Acting Accounting Officer	Mr GLQ Kalimashe
Chief Financial Officer	Ms DB Nqadolo

## 1.6 VISION, MISSION & VALUES

### Prime Purpose for Existence:

“Provision of a predictable financial management environment that sustains sound financial and economic fundamentals whilst supporting the delivery of quality services”

### Vision

“A quality Treasury leading in Service Excellence by serving with Honesty, Humility and Integrity”

### Mission

“To provide strategic and technical leadership in the allocation and utilisation of financial resources in order to improve quality of life in the province”

### Value System

Values	Value Statement
Leadership	Our Leaders are inspiring and lead by example and with passion. Leadership exists at all levels.
Customers Satisfaction	Our first priority is to satisfy our customers.
Employees Satisfaction	Our employees care about each other, encourage growth and recognise accomplishments.
Management by Fact	We manage by fact.
Teamwork	Together we make it happen.
Quality	Doing things right the first time.
Measurement	Our performance measures are customer focussed, comprehensive and clear.
Continuous Improvement	We do things even better the next time.
Integrity	We are committed to the highest standards of ethical behaviour.
Learning Organisation	We are continually striving to learn and improve ourselves.

## 1.7 LEGISLATIVE MANDATE

The department derives its existence from the PFMA Sections 17 and 18, which provides for the establishing of Provincial Treasuries and mandates to fulfil the following functions:

- Prepare the provincial budget.
- Exercise control over the implementation of the provincial budget.
- Promote and enforce transparency and effective management in respect of revenue, expenditure, assets and liabilities of provincial departments and provincial public entities.
- Ensure that its fiscal policies do not materially and unreasonably prejudice national economic policies.
- Issue provincial Treasury instructions not inconsistent with the PFMA.
- Enforce the PFMA and any prescribed national and provincial norms and standards, including any prescribed standards of generally recognised accounting practice and uniform classification systems, in provincial departments.
- Comply with the annual Division of Revenue Act and monitor and assess the implementation of that Act in provincial public entities.
- Monitor and assess the implementation in provincial public entities of national and provincial norms and standards.
- May assist provincial departments and provincial public entities in building their capacity for efficient, effective and transparent financial management.
- May investigate any system of financial management and internal control applied by a provincial department or a provincial public entity.
- Intervene by taking appropriate steps, which may include the withholding of funds, to address a serious or persistent material breach of this Act by a provincial department or a provincial public entity.
- Promptly provide any information required by the National Treasury in terms of this Act and
- May do anything further that is necessary to fulfil its responsibilities effectively.

The main constitutional, functional and policy mandates that guide activities of the department are:

- Public Finance Management Act (PFMA), Treasury Regulations and Provincial Directives.
- Municipal Finance Management Act.
- Preferential Procurement Policy Framework Act.
- Appropriation Acts.
- Division of Revenue Act.
- Promotion of Administrative Justice Act.
- Public Service Act and Regulations.
- Labour Relations Act
- Employment Equity Act.
- Skills Development Act,
- Skills Development Levies Act
- South African Qualifications Authority Act.
- Basic Conditions of Employment Act
- Occupational Health and Safety Act.
- Promotion of Access to Information Act.

From a financial management perspective, other important documents that influence the activities and functions of the department include the following;

- Medium Term Budget Policy Statement, (issued by the Minister of Finance.)
- Intergovernmental Fiscal Review (issued by the Minister of Finance.)
- Report of the Auditor-General on the Accounts of the Government.
- Budget Review Document.
- Recommendations of the FFC.
- Other National Treasury and Provincial Treasury guidelines.
- Supply Chain Management Framework

## **1.8 OFFICIAL TRIPS ABROAD**

The then Head Official of Treasury, Professor N. Kusi, represented the department at the Olympic Games in Beijing from 3-16 August 2008. He also attended the 6<sup>th</sup> Annual Conference of Gambling Regulators Africa Forum in Ghana from 29 October to 1 November 2008.

## 2. PROGRAMME PERFORMANCE

### 2.1 Purpose

The purpose of this report is to provide balanced and reliable information regarding Provincial Treasury's performance against its planned objectives as contained in its strategic and annual performance plans. We also seek to report on the department's performance against specified service delivery targets as reflected in the Budget Statement 2 for financial year 2008/2009

### 2.2 Voted Funds

*Table 1: Final Appropriation for the Year Ended 31 March 2009*

Appropriation	Main Appropriation R'000	Adjusted Appropriation R'000	Actual Amount Spent R'000	Over/Under Expenditure R'000
Amounts to be appropriated	248,773	289,160	268,871	20,289
Statutory appropriation	750	1,328	1,240	88
Responsible MEC	M. Jonas			
Administering Dept	Provincial Treasury			
Acting Accounting Officer	GLQ Kalimashe			

The Provincial Treasury was allocated a budget of R248,8 million during the financial year under review. This amount was adjusted to R289,2 million through the adjustment estimate process due to improvement in conditions of service, support to poor municipalities for audit fees, CFO support programme and increase in expenditure of the Centralised Electronic Supplier Database. The actual expenditure for the financial year was R268,9 million, thus posting an under-expenditure of R20,3 million.

### 2.3 Aim of Vote

The aim of the vote is to provide a stable financial management environment that sustains sound and predictable provincial finances and tracks movements in economic fundamentals to support the delivery of quality services.

## **2.4 Key Measurable Objectives, Programmes and Achievements**

### **2.4.1. Key Measurable Objectives**

- HDIs (social responsibility) programme for the department facilitated in line with the political mandates of the province.
- Organisational Development interventions implemented to improve individual and organisational performance.
- Provincial policy priorities process guided and financial resource allocation recommended to effectively contribute accelerated and shared economic growth in the province
- Effective expenditure and revenue monitoring and evaluation system implemented for provincial departments.
- Policies for the effective budget planning, revenue and expenditure management developed for municipalities.
- Capacity building initiatives facilitated in the municipalities
- Implemented Integrated Municipal Support Programme to improve financial management capacity of municipalities
- Ensure effective management and reporting on the PRF
- Measures implemented to monitor infrastructure delivery and DORA
- Measures implemented to improve SCM compliance by departments
- Centralised electronic supplier database implemented for the province
- Implement measures to monitor the effectiveness of provincial creditor payment system
- Provision of financial management systems to enhance accountability
- Technical support provided to departments and municipalities in order to promote implementation of the PFMA, MFMA and all applicable legislation
- Measures implemented to facilitate the preparation of provincial and departmental AFS
- Measures to facilitate the regularisation of unauthorised expenditure implemented by departments and municipalities
- Facilitate the investigation and resolution of reported cases of alleged financial irregularities
- Assurance provided on the control environment
- Provide support to establish effective risk management structures and processes of departments and municipalities

### **2.4.2. Programmes**

In compliance with the uniform budget structure introduced by National Treasury, Provincial Treasury formulated new budget structures which it implemented during the year under review. The budget structures consisted of four programmes that were adopted in line with the main functions of Provincial Treasury. The programmes include the following:

- Administration
- Sustainable Resource Management
- Asset & Liability Management
- Financial Governance

### **2.4.3. Achievements**

The review of the 2008/09 financial year reflects the following achievements pertaining to some of the key major projects that the department has undertaken. It should be noted that, the nature of some of the projects is such that they are progressive and as such will spill-over to the 2009/10 financial year.

#### **a) Completion of phase one of a baseline study**

The 2009 MTEF budget was underpinned by the national strategic framework for the MTEF period. It was also informed by the global economic downturn and its impact on our economy. It was noted that prices of inputs like food, fuel, agricultural inputs, etc had affected the cost of providing public goods. Inflation on the built environment had also been much higher than provided for in the budget framework. Further, ICS and OSD (Health) continued to put pressure on provincial budgets. Given the tight fiscal constraint that confronted the province, departments were encouraged to reprioritize within their baselines to fund any additional projects they were intending to implement for the MTEF period. However, from the analysis of the budget submissions, very little reprioritization did take place whilst at the same time requests for additional funding were out of proportion to the fiscal resources of the province. Provincial Treasury therefore began a baseline analysis of department's budgets. The data was used to assess spending patterns with a view to project the expenditure outcome for the current year and to determine the extent to which reprioritisation could be effected in the 2009 MTEF budgets. We also identified non-financial data for aligning expenditure with service delivery outcomes.

The second phase of this study is set to commence in the first quarter of the 2009/10 financial year. It is envisaged that after the completion of this phase of the project, we will have an enhanced understanding of how funds are allocated in departments and the extent to which priorities are financed. This will provide valuable input towards the 2010 budget process.

#### **b) Analysis of provincial own revenue**

In an attempt to maximise Provincial Own Revenue, a service provider was commissioned by the department to undertake a study on Provincial Own Revenue. Amongst other things, the objectives of the study was to analyse own revenue trends. The report is in its final stages and it is expected that the recommendations contained therein will be included in departmental revenue enhancement plans to be implemented from the 2009/10 financial year.

#### **c) Technical Support to Municipalities**

Treasury provided assistance to 39 delegated municipalities in the province to facilitate the implementation of financial management reforms. A few projects are worth mentioning

regarding the type of assistance provided. A team of Treasury officials assisted Camdeboo Local Municipality to compile a 2008/09 budget and also prepare annual financial statements. Intense hands-on support was also given to Gariep Local Municipality, which, like Camdeboo, had been without a CFO for sometime. In Koukamma Local Municipality, Treasury developed a turn-around plan for the municipality to help it improve its financial management capacity. Treasury assisted Alfred Nzo District Municipality and Maletswai Local Municipality with the recruitment and selection of CFOs for the respective municipalities. Based on this experience, Provincial Treasury is developing a document that will serve as a guide to municipalities that enter into the process of recruitment and selection of CFOs.

The National Treasury together with the Provincial Treasury supported and funded by the European Commission introduced a Financial Management Improvement Programme in Inkwanca and Port St Johns Local Municipalities. An Advisor was placed in each municipality for a period of 12 months commencing in January 2009. The aim of the programme is to provide intensive financial management support to the two municipalities.

National Treasury provided a financial management grant to three municipalities in the province (Tsolwana; Sakhisizwe and Koukamma) to assist them to purchase financial management systems that will help improve their financial management and administration. Provincial Treasury assisted the municipalities to develop proper specifications and also participated in the selection of the appropriate service provider for the system. Treasury also assisted Great Kei Local Municipality to acquire financial management systems. Currently, Treasury is involved in the on-going monitoring of this project.

The department enhanced the capacity building of municipalities through the provision of training to over 300 municipal officials on various local government programmes that include supply chain management, asset management, project management and development of IDPs.

Steady improvement is being noticed from municipalities in response to the financial management reform programme, especially with regard to compliance, using appropriate formats, and meeting deadlines for tabling and approving budgets.

#### **d) Municipal Viability Study**

The department completed a study to assess the financial viability and capacity of 29 selected municipalities in the province to meet their service delivery obligations.

The study focused broadly on the socio-economic analysis, analysis of service delivery requirements and backlogs, assessment of IDPs including cost and financial estimates of service delivery, assessment of the municipality's capacity to meet service delivery requirements, and recommended solutions to the constraints/challenges experienced by municipalities.

The socio-economic profiles reveal that poverty and unemployment still affects most municipalities. Infrastructure backlogs are experienced largely around water, sanitation and housing. Municipalities lack skilled personnel to be able to meet service delivery demands.

The study made a number of recommendations ranging from strengthening Local Economic Development (LED) initiatives, and establishing CFO Support and Technical Support units that will provide financial management and technical support (architects, engineers, project managers) respectively to municipalities. Supply Chain Management (SCM), training and financial support were identified as areas that also need strengthening. The recommendations of the study are starting to be implemented in order to provide sustainable responses to address the financial challenges currently facing the municipalities.

#### **e) Implementation of the CFO Support Programme**

At the initiation of the programme there were six CFO Support personnel that were engaged. These CFO Support were engaged in the design of audit intervention plans which were eventually approved for implementation by the HODs of the various departments. In his policy speech and in view of the skills shortages facing the departments, the MEC undertook to increase the number of the CFO Support personnel in an attempt to meet the demand for their skill. The department has since engaged ten more CFO Support, thereby increasing the number of the CFO Support to sixteen.

In fulfilling Treasury's responsibility to provide support in financial management capacity building of municipalities, two CFO Support have also been allocated to the KSD Municipality.

#### **f) Financial Management Training**

Treasury continued to use the Public Financial Services Agency (PFSA) as a driver of financial management training in the Province. During the year under review, a total of 331 sessions were held and as many as 5398 people attended these sessions. Although 6446 learners were targeted, the attendance rate was a healthy 84%.

As a continuation of accounting reforms in provincial departments, National Treasury revised the structure of SCOA (Standard Chart of Accounts). SCOA Toning workshops training sessions were held in-house for financial management staff of departments and public entities. All districts were visited to ensure that all financial management practitioners were updated on the new structure. Particular reference is made to workshops on SCOA Toning, Suspense Accounts and GRAP.

#### **g) Risk Management**

A Risk Management Framework was developed and submitted to the Accounting Officer for approval. The unit has begun analysing the risk management framework and practices existing in provincial departments with the intention identifying shortcomings and advising on how to improve on them. This will continue into the 2009/10 financial year.

#### **h) SMME Imbizo**

Treasury conducted SMME Imbizos in all the 6 district municipalities. The key objectives of these workshops were to inform SMMEs of SCM requirements, explain the latest developments in SCM, and to obtain feedback from suppliers regarding their experiences and frustrations with SCM policies. These Imbizos were advertised in the print media and invitations were extended to all SMMEs who had an interest. On average there were two hundred attendees in each of the workshops.

#### **i) Centralised Electronic Suppliers Database**

During the period under review, software development was completed and a modern training facility was set-up. This facility will be used to conduct all Suppliers Database training, including transversal training of all departmental users. It is envisaged that the launch of the project would be in the third quarter of the 2009/10 financial year.

#### **j) Asset Management Workshop**

A two-day workshop on the Asset Management Learner's Guide was hosted by the department. At least 89 officials from the various departments attended the workshop over the two days. Furthermore, the department hosted five Provincial Asset Management Forums aimed at building capacity and information sharing amongst Asset Management Practitioners.

#### **k) PPP Workshop**

A Municipal PPP regulatory workshop was conducted by the department for all municipalities in the Province. Emanating from the workshop, two municipal projects and five Provincial projects were registered with National Treasury during the year under review. These projects are currently at different stages of the PPP cycle.

#### **l) Infrastructure Delivery Performance Review Project**

The Eastern Cape Provincial Treasury undertook a comprehensive Infrastructure Delivery Performance review process in the infrastructure departments in order to improve delivery of the infrastructure facilities, services and the associated financial management.

The Infrastructure review started with the Department of Education in February 2007 and was concluded in May 2007. This review was further extended and completed in November 2008, to the departments of Health, Agriculture, Public Works and Roads and Transport.

The Infrastructure Delivery Improvement Program (IDIP) was rolled out to the Department of Health and institutionalised in the departments of Education and Public Works.

#### **m) Employee Wellness Programme**

The Employee Wellness Programme was enhanced through the launch of the ICAS e-Care programme which provides an extensive support service for employees of the department. The programme provides professional counselling services to staff through direct counselling, telephone counselling and access to medical advice 24 hours, seven days a week. Advice on domestic or family matters, financial management and health issues is also provided to all Treasury employees and their immediate family members.

#### **n) Budget Engagements**

The process of engaging stakeholders regarding public financial management in the province continued during this financial year. This project began in 2008/09 with the aim of raising awareness and stakeholder buy-in on the budget process. During the year under review, the department organised budget engagements with various institutions in the Province. These highlighted the ongoing consultations with communities and organised structures on matters affecting the compilation and deployment of the provincial budget.

## **2.5 Overview of Service Delivery Environment for the 2008/09 financial year**

The downturn in financial markets took a sharp turn for the worst during the 2008/09 financial year; its impact was even more severe during the second part of the year. The total revenue for 2008/09 was R36,9 billion and was carefully planned and managed to ensure that it delivers on the prioritised areas. Furthermore, the department successfully engaged National Treasury leading to the retention of more than R1 billion of accumulated conditional grants from 2001 for use by the ECPG to address service delivery imperatives.

To this end the department proactively managed departmental PMG accounts so as to minimize overdrafts; it also intensified the CFO support programme which aimed at providing hands-on financial management support to provincial departments. Financial management support was also extended to municipalities in collaboration with National Treasury and the European Commission wherein training on the compilation of the monthly budget statements as well as assist those municipalities which encountered challenges in submitting financial statements on time as required by legislation. Greater emphasis was also placed on the infrastructure departments through conducting a comprehensive Infrastructure Delivery Performance review which seeks improve delivery of the infrastructure facilities, services and associated financial management. To further enhance service delivery, the Interim Bid Advisory Committee convened regular meetings to facilitate procurement for contracts above R5 million for various provincial departments. More hands-on support was also provided to departmental SCM Units whereby Treasury Supply Chain Management Office officials were deployed in departments to help strengthen their internal capacity.

The Thina Sinako Provincial Local Economic Development (LED) Support Programme, a partnership between the Eastern Cape Provincial Government and the European Commission which provided € 30,000,000 (approximately R330 million) of financial support for the programme, is now in its fourth year of implementation. The programme was designed to contribute to the development of an integrated provincial LED institutional support system, as well as provide material support to a number of project initiatives aiming to establish and/or grow sustainable economic endeavour within localities throughout the province. In this regard, the programme has to date provided a total of R 80.6 million in grant funding to 86 projects. R71,8 million worth of grant funding will be distributed to successful beneficiaries during 2009/10 financial year.

## **2.6 Overview of the Organisational environment for the 2008/09 financial year**

The department continued focussing on delivering on its mandate with the view to significantly improve service delivery. Although major strides were taken in this regard, the department also faced a number of challenges which in some way posed a threat to progress, namely:

- The pervasive challenge of staff turnover – although this problem affected all programmes, it was however more severe in Programme 4, and particularly in the Shared Internal Audit Services (SIAS). This has been addressed through a structural review as bench-marked with other provinces.
- Lack of capacity in terms of vacant posts as well as shortage of scarce skills particularly in relation to analytical and technical skills.
- Inadequate coordination – it was noted through interactions between Treasury and various departments that deal with municipalities that generally there was a lack of co-ordination and integration of activities between programmes and departments in providing assistance to municipalities.
- Performance management – this was once again an area that continued to pose challenges to the department. Delays in the implementation of the performance management system also caused a gap in understanding relevant training needs to improve the performance of the department. These delays also did not do much to help improve employee morale.

To address these challenges, the department has made an undertaking to do the following;

- Prioritise the filling of vacant post,
- Encourage up-skilling and development of human capital,
- Strengthen cooperation within Treasury by improving internal processes
- Improve networking between Treasury and other departments
- The Performance Management Development System will also be implemented aggressively.

## 2.7 Strategic Overview and key policy developments for the 2008/09 financial year

There were no major policy developments relating to the Treasury functions during the year under review.

## 2.8 Departmental Revenue, Expenditure and other specific topics

**Table 2: Collection of Departmental Revenue**

Source	2005/06 Actual R'000	2006/07 Actual R'000	2007/08 Actual R'000	2008/09 Target R'000	2008/09 Actual R'000	% deviation from target
<b>Non-tax Revenue</b>						
Interest	105,195	262,750	486,323	360,070	357,495	1
Sale of goods and services other than capital assets	116	111	114	100	128	28
Financial transactions	188	47	268	-	659	100
<b>Total departmental receipts</b>	<b>105,499</b>	<b>262,908</b>	<b>486,705</b>	<b>360,170</b>	<b>358,282</b>	<b>1</b>

The main source of revenue for the department is interest income from positive cash balances which are invested in the local markets on a short term basis. Over the past years, Provincial Treasury's own revenue has strengthened until 2007/2008 and during the current year it has decreased as compared to the last financial year by R1,8 million. This is mainly due to improved spending in provincial departments and less investments were made during the year under review.

**Table 3: Departmental Expenditure**

Programmes	Voted for 2008/09 R'000	Roll-overs and Adjust- ments R'000	Virement R'000	Total Voted R'000	Actual Expenditure R'000	Variance R'000
Programme 1: Administration	112,330	9,487	7,435	129,252	123,014	6,238
Programme 2: Sustainable Resource Management	55,294	11,203	(5,995)	60,502	58,302	2,200
Programme 3: Asset and Liability Management	47,879	19,024	1,544	68,447	60,340	8,107
Programme 4: Financial Governance	33,270	673	(2,984)	30,959	27,215	3,744
<b>Total</b>	<b>248,773</b>	<b>40,387</b>	<b>-</b>	<b>289,160</b>	<b>268,871</b>	<b>20,289</b>

The table above reflects the expenditure of the vote per programme. Of the adjusted budget of R289,2 million, the four programmes spent R268,9 million, leaving R20,3 million as unspent funds.

#### **Transfer payments**

- R1,4 million was transferred to ex-employees for payments of leave gratuities.
- An amount of R10 million was transferred to the Office of the Auditor General for payment of audit fees on behalf of poor municipalities

## **2.9 Capital Investment, Maintenance and Asset Management Plan**

### **2.9.1. Capital Investment**

The only capital investment made during the year was for the purchase of office equipment, computer hardware and office furniture for approximately R10,8 million.

### **2.9.2. Maintenance**

No material maintenance costs were incurred as maintenance of the building is done by the Department of Public Works

### **2.9.3. Asset management**

The department finalised its Asset Management Plan and policy in line with the requirements of the National Treasury Guidelines. All assets of the department are captured in an Asset Register. The assets were also categorised into major and minor assets as required by National Treasury Guidelines.

## **2.10 Programme Performance**

### **Summary of programmes**

The activities of Provincial Treasury are organised in the following four programmes:

- |              |                                  |
|--------------|----------------------------------|
| Programme 1: | Administration.                  |
| Programme 2: | Sustainable Resource Management. |
| Programme 3: | Asset & Liability Management.    |
| Programme 4: | Financial Governance.            |

### **2.10.1. Programme 1: Administration**

#### **Purpose**

The purpose of this program is to provide the leadership, strategic management in accordance with the relevant legislation, regulations, and policies and appropriate support service to all other programs.

## **Measurable Objectives**

### **Sub-programme 1.1: Office of the MEC**

- The MEC's office is managed in an efficient and effective way

### **Sub-programme 1.2: Management Services**

- HDI's (social responsibility) programme for the department facilitated in line with the political mandates of the province
- An effective communication strategy to promote the image of the department is developed and implemented.
- Departmental processes reviewed to address client needs
- Service delivery monitoring frameworks implemented
- To coordinate and monitor the implementation of the PMDS in the department for SMS members
- Formulation and implementation/ execution of the department's strategy facilitated
- Implement measures to improve knowledge management in the department
- Ensure integrated support to the HOD and other programmes

### **Sub-programme 1.3: Corporate Services**

- HRD strategy implemented to capacitate employees of the department.
- Conducive working environment cultivated to attract and retain skilled and competent employees.
- An employee relations strategy implemented for the department to promote fair employment relations and work practices.
- Employee Wellness Programmes facilitated for the department
- Human Resource Information Systems implemented (HIRS) for the department.
- Coordinate security and facilities management.
- An effective and efficient records management and Registry system implemented.
- IT strategy and infrastructure programme for the department Implemented
- Organisational Development interventions implemented to improve individual and organisational performance.

### **Sub-programme 1.4: Financial Management**

- Budget management processes implemented for the department
- Effective payment management system implemented for the department.
- Internal control measures and risk management implemented for the dept
- Financial systems monitored for the department
- Effective financial reporting rendered for the department
- Supply chain management strategy and processes implemented for the department
- Departmental sourcing (Acquisition Management) strategy implemented
- SCM regulations and instructions (SCM Reviews) monitored within the department
- Systems for provision and management of assets to ensure conducive working environment in place

## **Service Delivery Objectives and Indicators**

### **Service Delivery Achievements**

#### **Achievements**

During the year under review, the following service delivery achievements were registered.

#### **(a) Employee Wellness Programme**

The Employee Wellness Programme was enhanced through the launch of the ICAS e-Care programme which provides an extensive support service for employees of the department. The programme provides professional counselling services to staff through direct counselling, telephone counselling and access to medical advice 24 hours, seven days a week. Advice on domestic or family matters, financial management and health issues is also provided to all Treasury employees and their immediate family members.

#### **(b) Bid Committees**

In order to improve their effectiveness as well as to speed up service delivery, Bid Institutional Mechanisms were also reviewed during the year under review. Five bid committees were appointed, these include the Adjudication, Evaluation, Specification, Quotations and Disposal committees.

#### **(c) Risk Management**

A comprehensive risk management strategy and fraud prevention plan has been developed. Roll-out and application will be done across all Programmes in the coming financial year.

#### **(d) Financial Management Training**

In fulfilling its mandate to improve financial management in the province, Treasury continued to use the Public Financial Services Agency (PFSA) as a driver of financial management training. For the 2008/09 financial year, a total of 331 sessions were held and as much as 5398 people attended these sessions.

#### **(e) Internship / Unemployed Graduates Programme**

The department was assigned the responsibility to managing the implementation the provincial Internship/Unemployed Graduates Programme by the provincial administration. This responsibility involves the screening of unemployed graduates who qualify for placement as interns and their placement in the various provincial departments.

During the year under review, seventy-four interns were placed in the various provincial departments. Forty-three of these were placed in the Provincial Treasury. Twenty interns were successful in securing permanent employment, six in the department and seventeen in other provincial departments. Five interns left the public service either due to the expiry of their contracts or due finding employment outside of the public service

### Challenges

Compliance to deadlines and reporting against expected targets continued to be a challenge. To this end the Programme has developed a performance information management framework to ensure effective reporting on set targets.

Under-spending continues to frustrate and undermine departmental service delivery efforts through the implementation of the Annual Performance Plan.

The implementation of Performance Management Development System provides pervasive challenges across all programmes in the department

The implementation of the ISO 9001 Quality Management System was placed on hold for implementation in the 2009/10 financial year.

### Planned Improvement Measures

The completion of the implementation of the Provincial business model (the Balasela Guide to Service Delivery Excellence) will be prioritized in order to ensure that all business operations are efficiently implemented.

To ensure sound effective financial management the Programme plans to improve the monthly monitoring of the budget and the expenditure control of the department.

The implementation of the risk management strategy and fraud prevention plan will be accelerated during the current financial year.

The filling of critical posts across Programmes prioritising the Shared Internal Audit Services, will be accelerated during the next financial year together with a focused implementation of the Performance Management Development System

### Service Delivery Objectives and Indicators

Sub-Programmes	Strategies	Performance Indicator	Actual Performance Against Targets	
			Target	Actual
Office of the MEC	Plan and manage the budget of the office.	Monthly budget and expenditure reports	12	12
	Implement PMDS for the MEC staff	Number of Performance agreements	5	5
		Quarterly assessments for MEC's staff	4	4

Sub-Programmes	Strategies	Performance Indicator	Actual Performance Against Targets	
			Target	Actual
	Implement operational planning and reporting processes for the MEC's office	Approved Operational Plan	1	1
		Monthly report	12	12
	Manage MEC's office engagement and activities with the Legislature	Monthly schedule for the MEC's activities	12	12
<b>Management Services</b>	Review departmental policies to ensure that HDI's needs are captured and well presented	HDI policies for the department developed	3	0
	Participate in key departmental structures to ensure representation of HDI's needs	Number of departmental structures participated in, including Special Programmes Unit personnel	4	4
	Facilitate and Implement the National Youth Service programme for Provincial Treasury.	No of Youth facilitated and implemented through the National Youth Service	6	1
	Identify areas and programmes in communities that are key to Provincial Treasury community involvement.	No of community projects identified for Treasury's involvement	4	3
	Facilitate the development and implementation of Provincial Treasury community involvement programmes	No of Provincial Treasury programmes implemented in the communities	3	3
	Facilitate the establishment of a Social Responsibility protocol	Approved and implemented Social Responsibility protocol	1	1
	Identify and budget for key transversal SPU programmes to departmental representation	Approved Special Programmes budget	1	1
	Ensure effective departmental reporting on issues of HDI's to provincial and national structures in line with core mandate of the department	Quarterly reports submitted to Office of the Premier (OTP) and Youth Commission	4	3
	Develop and implement an effective communication strategy to promote the image of the department.	Communication strategy developed.	1	1
	Develop and analyse departmental business processes	Approved programme manuals	1	1
	Develop and review operational frameworks and standards	Quarterly reports on Process improvement plans developed by the 15 <sup>th</sup> day of the next quarter	4	0
	Develop and implement a quality management system (ISO 9000:2000)	Quarterly quality management and service delivery improvement reports produced by the 15 <sup>th</sup> day of the next quarter	4	0
	Conduct Pre ISO 9000:2000 assessment for the department	Pre Audit report developed	1	0
	Implement ISO 9000 :2000 in key business areas of the department	Quality manual Implementation report developed	1	0
	Conduct half year and annual reviews of compliance with ISO 9000 : 2000	Internal and external audit conducted	1	0

Sub-Programmes	Strategies	Performance Indicator	Actual Performance Against Targets	
			Target	Actual
	Coordinate the resolution of all complaints received through the Customer Care Centre	Monthly customer complaints resolution report	12	7
	Facilitate the implementation of the Balasela Guide to Service Delivery Excellence (GSDE) model. consolidate	Number of internal and external reviews of the GSDE done	4	2
	Facilitate the improvement and implementation of a Service Delivery Improvement Plan (SDIP).	No of Service Delivery Improvement reports	2	1
	Coordinate the integration of service standards in departmental processes	A comprehensive report on the adherence to service standards issued	2	1
	An integrated strategy and organisational performance management processes for the department formulated	Organisational performance strategy and process in place Signed SMS performance agreements in place	36	36
	Conduct strategic analysis and review of the departmental strategy	Half year strategy analysis report developed	2	1
	Formulate and translate the departmental strategy into execution plan.	Approved strategic plan and developed Annual Performance Plan	1	1
	Monitor and evaluate departmental performance	Quarterly and annual performance reports	4	1
	Implement innovation and knowledge management strategy for the department	Innovation and Knowledge management system in place	1	0
	Facilitate the implementation of the annual performance plan	Quarterly reports on implementation of the APP	4	4
	Coordinate departmental transversal training activities	Monthly reports on transversal training activities	12	12
	Coordinate departmental CFO support programmes	Monthly reports on CFO activities	12	7
	Coordinate reviews of departmental APPs and Strategic Plans	Number of department plans reviewed	14	14
	Coordinate legal support services for the department	Quarterly legal support services reports	4	3
<b>Corporate Services</b>	Develop and implement HRD Strategy	Approved HRD Strategy	1	1
		Submitted quarterly report on the implementation of the HRD strategy	4	1
	Develop and implement an HR Plan and policies.	Approved HR policies and Plan	1	1
		Submitted quarterly report on the implementation of the HR Plan and policies	4	1
	Develop policies and procedure manuals on labour relations	Grievance, Disciplinary policies and bargaining policies and procedures developed Number of workshops conducted	4	1
	Improve turn around times of resolving conflicts.	Number of days taken to resolve conflicts.	60	48

Sub-Programmes	Strategies	Performance Indicator	Actual Performance Against Targets	
			Target	Actual
	Facilitate awareness on HIV/AIDS.	Number of awareness campaigns conducted.	10	11
	Develop EWP and OHSA policies	EWP and OHSA policies in place	2	2
	Load and align PERSAL and BAS structures	Annual loading of PERSAL / BAS structure	1	1
	Implement measures to ensure verification of staff information on PERSAL	Annual verification report of HR information	1	1
	Develop and implement security and facilities management policies.	Approved policy in place.	1	0
	Monitor compliance with NIA security standards, document security and classification.	Annual compliance report submitted to Accounting Officer by the 15 <sup>th</sup> day of the following quarter	1	1
	Monitor compliance with regard to security staff and physical facilities	Bi-annual compliance report submitted to Accounting Officer by the 15 <sup>th</sup> day of the following quarter	2	2
	Develop and implement proper filing and archiving system	Physical and electronic record management system	1	0
	Approve and implement departmental IT and maintenance requirements	Half year report on the implementation of the IT plan in place	2	1
	Develop and implement appropriate IT policy for the department	Approved IT policy document in place	1	1
	Implement the Performance Management Development policies (PMDS)	Integrated departmental report on performance agreements of SMS members.	1	1
		Integrated departmental report on performance agreements of non SMS members.	1	1
		Integrated departmental report on performance assessment of staff.	1	1
	Develop and implement a job evaluation policy	Approve Job Evaluation policy	1	0
<b>Financial Management</b>	Plan and develop an integrated budget for the department	Approved and integrated departmental budget	1	1
	Prepare realistic annual cash flow projections.	Approved annual departmental cash flow plan	1	1
	Ensure alignment of budget with policy priorities	Number of prioritised and budgeted projects for the department	5	2
	Prepare consolidation of IYM reports on a monthly basis.	Approved monthly IYM reports submitted by the 15 <sup>th</sup> of each month	12	12
	Manage the payment of the creditors within the prescribed period.	Monthly reports on the status of payment of creditors	12	10
	Prepare accurate creditor reconciliations on a monthly basis.	Monthly creditors reconciliation reports submitted by the 15 <sup>th</sup> of each month	12	12
	Reconcile salary related payovers on a monthly basis.	Monthly salary reconciliation reports submitted by the 15 <sup>th</sup> of each month	12	12

Sub-Programmes	Strategies	Performance Indicator	Actual Performance Against Targets	
			Target	Actual
	Manage the departmental payroll.	Certified Monthly payroll reports submitted by the 15 <sup>th</sup> of each month	12	12
	Monitor compliance with relevant prescripts.	Monthly compliance report submitted by the 15 <sup>th</sup> of each month	12	12
	Review of the systems descriptions and processes	Annual Review report compiled	1	1
	Implement and review the fraud prevention plan.	Quarterly fraud prevention report submitted by the 15 <sup>th</sup> day of the next quarter	4	2
	Review the implementation of the Risk Management Plan	Quarterly review of the risk management plan submitted by the 15 <sup>th</sup> day of the next quarter	4	2
	Manage the LOGIS / BAS reconciliation	Monthly approved LOGIS / BAS reconciliations submitted by the 15 <sup>th</sup> of each month	12	12
	Manage the PERSAL / BAS reconciliation	Monthly approved PERSAL / BAS reconciliations submitted by the 15 <sup>th</sup> of each month	12	12
	Manage annual reconfiguration of BAS structure and loading of budget.	Annual BAS configuration and loading of budget	1	1
	Efficient management of BAS closure	Monthly BAS closure report compiled	12	12
	Prepare the Annual Financial Statements in accordance with PFMA, GRAP and Treasury Regulations	Approved Annual Financial Statements submitted by end May 2009	1	1
	Clear suspense accounts on a monthly basis.	Monthly suspense accounts reports submitted by the 15 <sup>th</sup> of each month	12	12
	Prepare the PMG bank reconciliation on a monthly basis.	Monthly PMG bank reconciliation reports prepared by the 15 <sup>th</sup> of each month	12	12
	Safeguard and store all supporting documents	Monthly update reports on documents stored verified by the 15 <sup>th</sup> of each month	12	12
	Review SCM policies, manuals and procedures.	Number of reviewed policies, procedures and protocols by the Accounting Officer (AO)	4	3
	Develop and implement a Procurement plan for the department	Approved Procurement Plan	1	1
	Facilitate the functioning of bid Committees	Reviewed bid institutional mechanism for bid structures	3	5
	Implement a system to facilitate the development and approval of bid specifications	Monthly report on successful adjudication of BID specifications by the 15 <sup>th</sup> of each month	12	6
	Conduct Analysis of industry and Commodities	Report on departmental spending pattern per commodity on annual basis	1	1
	Facilitate the procurement of departmental goods and services	Monthly report on the number of requisitions made by the 7 <sup>th</sup> of following month	12	12

Sub-Programmes	Strategies	Performance Indicator	Actual Performance Against Targets	
			Target	Actual
	Ensure effective contract management for the department	Quarterly report on the number of contracts awarded submitted by the 15 <sup>th</sup> of each month	4	4
	Update and maintain Departmental Data base	Quarterly report on the number of local SMMEs, BEEs and previously disadvantaged communities updated and registered in the Database submitted by the 15 <sup>th</sup> of each month	4	3
	Update and maintain asset register in line with the National Treasury asset management guidelines.	Quarterly updates of Asset Register in line with the minimum requirements by National Treasury Guideline.	4	4
	Monitor optimal utilization of departmental fleet and subsidized vehicles	Monthly updated report on the utilization of fleet and subsidized vehicles submitted by the 15 <sup>th</sup> of each month	12	12
	Facilitate disposing of redundant assets	Half yearly Disposal reports submitted by the 15 <sup>th</sup> day of the next semester	2	3
	Compile a monthly report on the implementation of SCM compliance with the department.	Monthly Compliance reports submitted by the 15 <sup>th</sup> of each month	12	12
	Review assets management policies and protocols	Reviewed Asset Management policies and protocols	1	0
	Monitor the allocation, movement and condition of departmental assets.	Quarterly Asset Management Utilization Reports submitted by the 15 <sup>th</sup> of next quarter	4	0

## 2.10.2. PROGRAMME 2: SUSTAINABLE RESOURCE MANAGEMENT

### Purpose

To provide professional advice and support on provincial and local government economic analysis, fiscal policy, and public finance development. The programme also manages the annual provincial budget process, monitors budget implementation, assists with and monitors local government budgets and promotes compliance by departments and municipalities with legislation and treasury regulations.

### Measurable Objectives

#### Sub-programme 2.1: Programme Support

- Programme plan and strategy developed and implemented to realise the objectives of the organisation
- Resource management plan and strategy developed and implemented to ensure programme's contribution in realising departmental objectives

- Strategic leadership provided in implementing departmental strategies of improving work processes within the programme
- Change management plan developed and implemented to address changes that are affecting the programme

#### **Sub-programme 2.2: Economic Analysis**

- Quantitative framework developed for analysing and forecasting key economic variables

#### **Sub-programme 2.3: Fiscal Policy**

- Implement financial resource mobilisation strategies for the province

#### **Sub-programme 2.4: Budget Management**

- Budget assessment and evaluation framework implemented to guide budget preparation for provincial departments
- Provincial policy priorities process guided and financial resource allocation recommended to effectively contribute accelerated and shared economic growth in the province
- Facilitate the deployment of financial resources in the province
- Implement the budget management support system to ensure effective budget management
- Effective expenditure and revenue monitoring and evaluation system implemented for provincial departments.
- Facilitate financial accountability through monitoring and reporting
- Policies developed and implemented for the effective budget planning, revenue and expenditure management by provincial departments.
- Inter-sphere stakeholder engagement and collaboration strategy implemented for effective articulation and representation of provincial interests

#### **Sub-programme 2.5: Public Finance**

- Policies for the effective budget planning, revenue and expenditure management developed for municipalities.
- Capacity building initiatives facilitated in the municipalities
- Implemented Integrated Municipal Support Programme to improve financial management capacity of municipalities

### **Service Delivery Achievements and Challenges**

#### **Achievements**

The Programme has made reasonable progress in achieving its measurable objectives; however, the Programme remains heavily dependent on the co-operation needed from line departments and municipalities. The quality, timeliness, relevance and integrity of departmental and municipal submissions continue to be a challenge. This is symptomatic of inadequate human resource capacity within departments and municipalities.

In an effort to improve submissions and develop solid working relationships with departments, several bilateral meetings and workshops have been held to, amongst other things, improve

communication and information sharing, as well as building trust between and among departments. A more detailed progress analysis is presented below.

**(a) Execution of the provincial budget process**

During the year under review, the Programme ensured that the allocation process of resources to departments was aligned with national and provincial policies and the Provincial growth and development strategy and also initiated and drove the provincial Adjustments Estimate process and ensured the timely tabling of Adjusted Appropriation.

The Budget Office also ensured sound financial management through providing technical support towards budget execution by provincial departments and general compliance with Public Finance Management Act (PFMA) and other prescripts.

The Budget support team provided technical support to provincial departments and ensured the smooth running of the budget compilation and tabling.

*Preparation of 2009/10 budget, and tabling by the MEC on 27 February 2009*

Much of the work of the Budget Office is focused on coordinating the budget process, providing advice to departments as well as the executive authority on the Budget, and monitoring of expenditure trends.

The appointment of additional deputy directors in the component led to the all departments receiving the same level of attention as in previous years, in terms of the PFMA. Great strides were made in ensuring all departments adhere to sector policy priorities, budget formats and timeframes. The 2009/10 budget preparations were executed in a more effective and efficient manner resulting in the timeous consolidation, printing and tabling of the budget.

*Medium Term Expenditure Committee (MTEC)*

- Conducted the first MTEC hearing with departments and analysed their reprioritisation with baseline.
- Assessed the current budgets, business plans and bids for additional funding from the departments.
- Collected and collated additional inputs from the departments required for MTEC. Hearings
- Compiled the MTEC report with recommendation on the allocation of funds

**(b) Monitoring the implementation of the provincial budget**

In terms of section 40 of the Public Finance Management Act, Treasury must every year submit to the National Treasury consolidated projected revenue and expenditure for the year in question. For purposes of reliability, the cash flow projections that were received from provincial departments for consolidation purposes were first analyzed. The extent of analysis necessitated that holding of bi-lateral meetings with certain departments, particularly those that accounted for the highest share of the provincial budget. The purpose of these meetings

was to understand the basis upon which cash flow projections were prepared and also assessment the spending capacity of the affected departments.

Consistent with section 32 of PFMA, on a monthly basis, statements of actual receipts and expenditure in the form of the In Year Monitoring (IYM) reports for the Eastern Cape Province were consolidated and submitted to the National Treasury. In the period under review, twelve consolidated IYM were signed off and submitted to the National Treasury. Using the same set of information, on a monthly basis, formal submissions were made to the Provincial Executive Council (EXCO), first to apprise EXCO of the state of the province's finances and secondly to seek guidance on how the financial well being of the province could be improved. The same report was modified and used to brief the Select Committee of Finance in the Provincial Legislature and the National Council of Provinces on transversal financial matters. On a quarterly basis, conditional grants and infrastructure expenditure reports were tabled before the National Council of Provinces.

Reporting on performance information gained momentum in the 2008/09 financial year. National Treasury together with Provincial Treasury agreed on a set of performance indicators to be assessed for the year in question. The focus has been on eight service delivery sectors. A template was developed for quarterly reporting purposes. As at March 2009, four consolidated performance reports were sent to the National Treasury.

#### **(c) Completion of phase one of a baseline study**

The 2009 MTEF budget was underpinned by the national strategic framework for the MTEF period. It was also informed by the global economic downturn and its impact on our economy. It was noted that prices of inputs like food, fuel, agricultural inputs, etc had affected the cost of providing public goods. Inflation on the built environment had also been much higher than provided for in the budget framework. Further, ICS and OSD (Health) continued to put pressure on provincial budgets. Given the tight fiscal constraint that confronted the province, departments were encouraged to reprioritize within their baselines to fund any additional projects they were intending to implement for the MTEF period. However, from the analysis of the budget submissions, very little reprioritization did take place whilst at the same time requests for additional funding were out of proportion to the fiscal resources of the province. Provincial Treasury therefore began a baseline analysis of department's budgets.

The data was used to assess spending patterns with a view to project the expenditure outcome for the current year and to determine the extent to which reprioritisation could be effected in the 2009 MTEF budgets. Non-financial data was identified for aligning expenditure with service delivery outcomes.

The second phase of this study is set to commence in the first quarter of the 2009/10 financial year. It is envisaged that after the completion of this phase of the project, we will have an

enhanced understanding of how funds are allocated in departments and the extent to which priorities are financed. This will provide valuable input towards the 2010 budget process.

**(d) Submission approved comments on the Division of Revenue Bill**

Following the Minister of Finance's National Budget Speech and the tabling of the Division of Revenue Bill thereafter, provinces were given the opportunity to consider the Bill. In line with this, the Portfolio Committee on Finance hosted a public hearing on the Bill. It was in these hearings that the Fiscal Policy Unit made presentations on the Division of Revenue and the Provincial Appropriation Bill.

**(e) Analysis of provincial own revenue**

In an attempt to maximise Provincial Own Revenue, a service provider was commissioned by the department to undertake a study on Provincial Own Revenue. Amongst other things, the objectives of the study was to analyse own revenue trends. The report is in its final stages and it is expected that the recommendation contained therein will be included in departmental revenue enhancement plans to be implemented from the 2009/10 financial year.

**(f) Technical Support to Municipalities**

Treasury provided assistance to 39 delegated municipalities in the province to facilitate the implementation of financial management reforms. A few projects are worth mentioning regarding the type of assistance provided. A team of Treasury officials assisted Camdeboo Local Municipality to compile a 2008/09 budget and also prepare annual financial statements. Intense hands-on support was also given to Gariiep Local Municipality, which, like Camdeboo, had been without a CFO for sometime. In Koukamma Local Municipality, Treasury developed a turn around plan for the municipality to help it improve its financial management capacity. Treasury assisted Alfred Nzo District Municipality and Maletswai Local Municipality with the recruitment and selection of CFOs for the respective municipalities. Based on this experience, Provincial Treasury is developing a document that will serve as a guide to municipalities that enter into the process of recruitment and selection of CFOs.

The National Treasury together with the Provincial Treasury supported and funded by the European Commission introduced a Financial Management Improvement Programme in Inkwanca and Port St Johns Local Municipalities. An Advisor was placed in each municipality for a period of 12 months commencing in January 2009. The aim of the programme is to provide intensive financial management support to the two municipalities.

National Treasury provided a financial management grant to three municipalities in the province (Tsolwana; Sakhisizwe and Koukamma) to assist them to purchase financial management systems that will help improve their financial management and administration. Provincial Treasury assisted the municipalities to develop proper specifications and also participated in the selection of the appropriate service provider for the system. Treasury also

assisted Great Kei Local Municipality to acquire financial management systems. Currently, Treasury is involved in the on-going monitoring of this project.

The department enhanced the capacity building of municipalities through the provision of training to over 300 municipal officials on various local government programmes that include supply chain management, asset management, project management and development of IDPs.

Steady improvement is being noticed from municipalities in response to financial management reform programme, especially with regard to compliance, using appropriate formats, and meeting deadlines for tabling and approving budgets.

#### **(g) Municipal Viability Study**

The department completed a study to assess the financial viability and the capacity of 29 selected municipalities in the province to meet their service delivery obligations.

The study focused broadly on the socio-economic analysis, analysis of service delivery requirements and backlogs, assessment of IDPs including cost and financial estimates of service delivery, assessment of the municipality's capacity to meet service delivery requirements, and recommended solutions to the constraints/challenges experienced by municipalities.

The socio-economic profiles reveal that poverty and unemployment still affect most municipalities. Infrastructure backlogs are experienced largely around water and sanitation including housing. Municipalities lack skilled personnel to be able to meet service delivery demands.

The study made a number of recommendations ranging from strengthening Local Economic Development (LED) initiatives, and establishing CFO Support and Technical Support units that will provide financial management and technical support (architects, engineers, project managers) respectively to municipalities. Supply Chain Management (SCM), training and financial support were identified as areas that also need strengthening. The recommendations of the study are starting to be implemented in order to provide sustainable responses to address the financial challenges currently facing the municipalities.

#### **Service Delivery Challenges**

Capacity constraints were experienced throughout the programme, ranging from vacant posts to limited analytical and technical capacity and inter and intra departmental silos within the Province.

Most municipalities continue to face serious fiscal challenges, despite the growth in government fiscal transfers. Municipalities are unable to generate sufficient revenue to meet

their operating costs. The recommendations of the municipal financial viability study will continue to be implemented to address some of these constraints.

The system of reporting in the MFMA including the verification of the correctness of information is still a challenge to most municipalities. Treasury will continue to enforce the MFMA in order to promote good governance, public accountability, and transparency in the use of public resources.

The implementation of the Budget Support System continued to pose challenges; programme management is currently looking at strategies to implement it effectively.

### **Planned Improvement Measures**

To respond to some of the challenges mentioned above, the programme will implement the following measures:

- Prioritise the filling of all vacant posts
- Create partnerships and networks that will strengthen the links between various components within Provincial Treasury, provincial departments, public entities, municipalities and national counterparts
- Encourage the development of human capital through, amongst others, the Provincial Treasury bursary scheme and accredited training programmes
- Aggressively and correctly implement the Performance Management and Development System

In an effort to improve the budget process, the programme will begin to implement a budget system in the coming financial year. Terms of reference for such a system have been developed and it is envisaged that implementation will begin in earnest.

Most municipalities continue to face serious fiscal challenges, despite the growth in government fiscal transfers. Municipalities are unable to generate sufficient revenue to meet their operating costs. The recommendations of the municipal financial viability study will continue to be implemented to address some of these constraints.

The system of reporting in the MFMA including the verification of the correctness of information is still a challenge to most municipalities. Treasury will continue to enforce the MFMA in order to promote good governance, public accountability, and transparency in the use of public resources, together with enhancing the capacity of Municipal Finance staff through training to facilitate the implementation of financial management reforms.

A key improvement that will constantly be pursued is the alignment of departmental activities with socio-economic goals. Related operational improvements would include:

- Improved coordination and sequencing of research
- Strategic utilisation of researchers
- Acquire and obtain reliable sources of data and relevant software to enhance research capabilities
- Improve relationships with external and internal stakeholders

The Programme will aim to forge partnerships that will:

- Broaden ownership of revenue collection and management across departments, ensuring an expansion of the own revenue envelope
- Raise awareness of the need to generate innovative financing solutions that contribute towards growth and development in the province
- Develop technical skills and expertise through:
  - Improved linkages between the Fiscal Policy unit, Budget Management, Economic Analysis – thereby streamlining departmental revenue and expenditure analysis and advice
  - Enhanced engagement within the intergovernmental system and key stakeholders

The Programme continuously strives towards a better-integrated and informed process of financial resource allocations to departments. These improvements will be addressed through budget reforms and improved interaction and engagement with key stakeholders and utilising the findings of the baseline study to inform the resource allocation process.

In order to improve monitoring of expenditure and budget implementation, the following measures are planned:

- Service delivery site visits
- Develop strong working relationships with counterparts in provincial departments and public entities
- Build internal analytical skills base and teamwork ethos
- Constantly review the non-financial monitoring systems and recommend changes where necessary
- Improved expenditure management resulting in no over-expenditure and limiting under-expenditure to 1% budget overall.
- Facilitate capacity building for departments in critical areas such as finance, supply chain management and internal controls
- Tight implementation of the PFMA in order to enforce transparency and accountability
- Undertake measures to improve the monthly IYM process

Due to the strategic nature of public entities in enhancing service delivery, there is increasing attention being given in regulating the sector. In order to address, amongst others, the financial management and governance challenges facing the sector.

Specific focus will be placed on:

- Streamlining and integrating the budget practices with broader public sector strategy
- Strengthening compliance with the supply chain management framework
- Strengthening governance and internal control structures
- Strengthening general financial management practices within the sector

## Service Delivery Objectives and indicators

Sub-Programmes	Strategies	Performance Indicator	Actual Performance Against Targets	
			Target	Actual
<b>Programme Support</b>	Coordinate the development and the implementation of the programme annual performance plan in support of the departmental strategic plan	Implemented Programme Annual Performance Plan	1	1
	Coordinate the development and implementation of the programme HR plan in support of the departmental objectives	Approved Programme Annual Human Resource Plan	1	1
	Coordinate the development and implementation of the Programme Financial Management plan in support of the departmental objectives	Implemented Programme Annual Financial Management Plan	1	0
	Develop and implement a annual programme service delivery improvement plan to improve programme efficacy in realising the set strategic objectives	Report on service delivery improvement plan for the programme	1	0
	Implement a change management plan for the programme	Report on change management interventions implemented by the programme	1	0
<b>Economic Analysis</b>	Conduct research on socio-economic forecasting models for the province	Publication on provincial economic review and outlook produced	1	1
	Co-ordinate the publication of government budget strategy to encourage budget transparency and public participation	Provincial Medium Term Budget Policy Statement	1	1
<b>Fiscal Policy</b>	Develop and present a provincial proposal for the allocation of financial resources to the province	Approved Provincial Fiscal Framework	1	1
	Facilitate the allocation of financial resources to the province	Approved comments on the Division of Revenue Bill	1	1
	Implement measures to optimize provincial own revenue	Approved revenue enhancement plan	1	0
<b>Budget Management</b>	Conduct assessment of previous year's budget processes	Assessment report	1	1
	Conduct the MTEC hearings	MTEC report and recommendations on equitable allocation of resources developed	1	1
	Coordinate the compilation of the Provincial Budget	Approved Provincial Budget	1	1
	Coordinate the compilation of the Provincial Budget "Adjustment Estimate"	Approved Adjusted Budget	1	1
	Facilitate the development of the Provincial Budget Support System	Approved System in place	1	0
	Provide training on the use of the system	Number of departments with trained staff	14	0

Sub-Programmes	Strategies	Performance Indicator	Actual Performance Against Targets	
			Target	Actual
	Conduct a revenue and expenditure management evaluation to obtain baseline information to advise departments of necessary interventions to improve expenditure.	No of evaluation reports	14	14
	Coordinate non-financial performance information for the province	Approved quarterly non-financial performance information reports	4	4
	Coordinate the provincial In-Year Monitoring (IYM) processes	Approved monthly IYM reports	12	12
	Compile the quarterly conditional grant and expenditure management report	Approved quarterly reports	4	4
	Coordinate Provincial roll-over process of provincial budgets	Approved Cabinet Memo	1	1
	Develop necessary guidelines, circulars and formats and work-shop departments.	Approved guidelines, circulars and formats.	3	3
		Workshop reports submitted 15 days after the workshop.	2	2
	Assess and validate departmental submission for credibility and compliance with guidelines, circulars and formats.	Approved Assessment Report covering: <ul style="list-style-type: none"> <li>• Strategic Plans</li> <li>• Departmental Budgets</li> <li>• APP</li> </ul>	3	3
	Conduct budget road-shows with communities, municipalities and business community	Number of road shows conducted in District Municipalities and the Metro	7	7
	Conduct budget baseline study to facilitate better alignment of budgets by provincial departments and public entities	Number of evaluation reports	14	14
<b>Public Finance</b>	Rollout implementation of the financial management guidelines, circulars and formats to municipalities.	No of workshop conducted with municipalities.	3	2
	Assess and validate municipal submission for credibility and compliance with guidelines, circulars and formats.	Approved Assessment Report covering: <ul style="list-style-type: none"> <li>• IDPs &amp; Budget</li> <li>• SDBIPs</li> <li>• Municipal Budgets</li> </ul>	1	1
	Roll out the CFO support programme to strengthen the functioning of Budget and Treasury Offices in municipalities	Number of municipalities supported	11	25
	Facilitate training of municipal staff in financial management.	Number of training programmes conducted.	5	14
	Assessment of revenue and expenditure reports to advise municipalities of necessary interventions.	No of quarterly assessments reports (per municipality)	4	2
	Introduce effective and efficient systems to enhance revenue mobilization in municipalities	Approved systems for revenue mobilization in municipalities	1	1

## **2.10.3. PROGRAMME 3: ASSET AND LIABILITY MANAGEMENT**

### **Purpose**

This Programme exists to provide policy direction and support to line departments to ensure effective and efficient management of government assets (physical and financial) and liabilities.

### **Measurable Objectives**

#### **Sub-programme 3.1: Programme Support**

- Programme plan and strategy developed and implemented to realise the objectives of the organisation
- Resource management plan and strategy developed and implemented to ensure programme's contribution in realising departmental objectives
- Strategic leadership provided in implementing departmental strategies of improving work processes within the programme
- Change management plan developed and implemented to address changes that are affecting the programme

#### **Sub-programme 3.2: Asset Management**

- Effective asset management compliance monitoring system implemented for departments
- Implement measures to effectively manage the Provincial Revenue Fund
- Ensure effective management and reporting on the PRF
- Measures implemented to monitor infrastructure delivery and DORA
- Measures developed and implemented in accordance Regulation 16 in terms of PPPs
- Consolidated infrastructure development strategy developed and implemented for the province
- Appropriate measures implemented to solicit private sector contribution for infrastructure delivery
- Feasibility of the Shared Services Model determined for the provincial government
- Measures implemented to improve SCM compliance by departments
- Centralised electronic supplier database implemented for the province
- Procurement efficiency improved for common goods and services of departments
- Capacity building initiatives facilitated in the province
- Provision of direct intervention support facilitated for departments

#### **Sub-programme 3.3: Liability Management**

- Implement measures to monitor the effectiveness of provincial creditor payment system
- Provide debt management support to departments
- Facilitate provision of direct interventionist support to departments

#### **Sub-programme 3.4: Supporting and Interlinked Financial Systems**

- Provision of financial management systems to enhance accountability
- Provision of Information for effective decision making
- Capacity building initiatives facilitated in the province
- Support to transversal financial systems and initiatives in the province
- Provision of direct intervention support facilitated to departments

## **Service Delivery Achievements and Challenges**

### **Achievements**

#### **(a) SMME Imbizo**

The Programme conducted SMME Imbizos in all the 6 districts district municipalities. The key objectives of these workshops were: to inform SMMEs of SCM requirements, to explain the latest developments in SCM, and to obtain feedback from suppliers regarding their experiences and frustrations with SCM policies. These Imbizos were advertised in the print media and invitations were extended to all SMMEs who had an interest. On average there were two hundred attendees in each of the workshops.

#### **(b) Centralised Electronic Suppliers Database**

During the period under review, software development was completed and a modern training facility was set-up. This facility will be used to conduct all Suppliers Database training, including transversal training of all departmental users. It is envisaged that the launch of the project would be in the third quarter of the 2009/10 financial year.

#### **(c) Asset Management Workshop**

A two-day workshop on the Asset Management Learner's Guide was hosted by the department. At least 89 officials from the various departments attended the workshop over the two days. Furthermore, the department hosted five Provincial Asset Management Forums aimed at building capacity and information sharing amongst Asset Management Practitioners.

#### **(d) PPP Workshop**

A Municipal PPP regulatory workshop was conducted by the Department for all municipalities in the Province. Emanating from the workshop two municipal projects and five Provincial projects were registered with National Treasury during the year under review. These projects are currently at different stages of the PPP cycle.

#### **(e) Infrastructure Delivery Performance Review Project**

Provincial Treasury undertook a comprehensive Infrastructure Delivery Performance review process in the infrastructure departments in order to improve delivery of the infrastructure facilities, services and the associated financial management. The aim of the study was to:

- Undertake a comprehensive Infrastructure Review.
- Improve delivery of infrastructure facilities and its associated financial management within the targeted Infrastructure Departments

The Infrastructure review started with the Department of Education in February 2007 and was concluded in May 2007. This review was further extended and completed in November 2008, to the departments of Health, Agriculture, Public Works and Roads and Transport.

The final consolidated report arising from the infrastructure review was submitted and is under review for implementation.

The Infrastructure Delivery Improvement Program (IDIP) was rolled out to the Department of Health and institutionalised in the departments of Education and Public Works.

**(f) Sale of Meeg Bank Shares and Management of PMG Accounts**

The Programme further successfully engaged Provincial EXCO to facilitate the sale of Meeg Bank shares. There was also robust engagement with departments to ensure liquidity management of their PMG accounts.

**(g) Asset Management**

The Provincial Treasury assisted in the review of 13 departmental asset management policies as well as providing support to the newly established Department of Housing with guidance on how to develop its policy. Numerous policy guideline documents were developed and the asset management framework was work-shopped to all departments. These included loss control, asset verification, generic MS Excel asset register template and generic asset management procedure manual.

**(h) Financial System Support**

During the 2008/09 financial year, the Interlinked Financial Systems section continued to support departments in the technical and functional use of the three main financial systems (BAS, PERSAL and Logis). Hands-on support and training was given to all line departments in the implementation of the new Standard Chart of Accounts (SCOA) in the financial systems.

In the same period, the Sub-Programme trained over 900 officials in the use of the main financial systems.

Special interventions aimed at addressing department-specific requirements in the use of financial systems were successfully executed. MIS reports to aid decision making were timeously disseminated to departments.

Measures that enable better management of Provincial Government's telecommunications infrastructure were also implemented during the year.

## **Challenges**

There is a lack of relevant infrastructure delivery and monitoring capacity including project management in departments. There is also poor planning and understanding of PPP and infrastructure processes by municipalities and provincial departments that leads to undue delays in the implementation of projects.

The lack of an Asset Management Information System and which needs an implementation of supporting systems and tools to support Asset Management reforms needs to be accelerated

There continues to be a challenge in departments complying with the PFMA in respect of payments within the legislated 30 days timeframe.

Provincial Government's network infrastructure needs to be upgraded to cater for the growing needs of ICT usage. Access to Financial systems is slow especially in peak usage times.

The existing legacy financial systems have certain functional limitations that require addressing by the National Treasury. The lack of capacity to support these systems remains a challenge to the Provincial Treasury and line departments. Often, this manifests itself in the poor quality of data in the financial systems.

The risk of fraud through the use of financial systems still confronts Government departments. In addition, the outdated technology in the Bhisno-based telephone infrastructure requires upgrades.

The SCM Office experienced challenges worthy of being mentioned namely there is a distinct lack of cooperation from many departments. Reports and information is not submitted on time, and there appears to be a lack of urgency in the actions of departmental officials.

The centralised electronic database experienced significant delays in implementation. Considerable progress has been made to address these challenges. It is envisaged that the database will be fully operational during the third quarter of 2009/10 financial year.

## **Planned Improvement Measures**

### **(a) Infrastructure Delivery and PPPs**

The Programme will engage departments and municipalities in the promotion of PPPs in order to promote infrastructure delivery through alternative funding mechanisms in the Eastern Cape.

The IDIP processes will target the infrastructure planning shortfalls. The Programme will engage with the department of Public Works to ensure the finalisation of the infrastructure service delivery model which addresses the capacity and programme management issues.

**(b) Asset Management**

The programme will promote the generic asset management procedure manual to departments to ensure uniform policy implementation procedures. There will also be engagement with departments encouraging them to issues of PFMA compliance such payment within a stipulated period.

The provision of guidance on the development of asset management strategies; which is the only outstanding milestone in the Asset Management Reform planning; will be pursued in the 2009/10 financial year.

**(c) Supply Chain Management**

The SCM Office has identified a few measures to improve performance. Firstly in an effort to improve cooperation from other Departments, the SCM Office will continue holding regular SCM Forums as well as communicating regularly with Departments' Heads of Department, Chief Financial Officers and other senior officials to emphasize the necessity and benefits of better and more regular participations and cooperation from departments' officials.

In order to assist with officials understanding of and skills in SCM, the SCM Office will continue working with PFSA to identify suitable officials to attend training sessions. The SCM Office will also, in collaboration with PFSA, develop further training material on other areas of SCM which will be of benefit to officials.

**(d) Financial Information Systems**

Constraints in the capacity of the campus network managed by the State Information Technology Agency (SITA) have the potential to undermine the efficient operation of financial systems. During the 2009/10 financial year, the Provincial Treasury will seek to improve the network infrastructure that enables connectivity to financial systems.

It is anticipated that the National Treasury will accelerate its efforts towards speedily finalizing the Integrated Financial Management Systems (IFMS) project that seeks to provide new systems to National and Provincial Departments.

The Provincial Treasury will also enhance its capability in generation and availing of useful financial information from the financial systems. This necessarily shall require the compliance with National Minimum Information Requirements (NMIR) as well as correct application and use of the Standard Chart of Accounts (SCOA). To this end, a group of unemployed graduates have been deployed to assist departments in a project aimed at improving the quality of data on the PERSAL system.

Steps will be taken to ensure that Government financial systems do not get misused to commit fraud and corruption. Increased vigilance and monitoring of the financial systems coupled with user- awareness workshops will contribute in mitigating against the risk of fraud. The telephony infrastructure will be reviewed with a view to making it more efficient and cost effective.

During 2009/10, the variety of training offered in financial systems training will be increased. The number of trainees is expected to continue growing making it necessary to expand the capacity of training facilities.

### Service Delivery Objectives and indicators

Sub - Programmes	Strategies	Performance Indicator	Actual Performance Against Targets	
			Target	Actual
<b>Programme Support</b>	Coordinate the development and the implementation of programme annual performance plan in support of the departmental strategic plan	Implemented Programme Annual Performance Plan	1	1
	Coordinate the development and the implementation of programme HR plan in support of the department objectives	Approved Programme Annual Human Resource Plan	1	0
	Coordinate the development and the implementation of programme Financial Management plan in support of the department objectives	Implemented Programme Annual Financial Management Plan	1	1
	Develop and implement a annual programme service delivery improvement plan to improve programme efficacy in realising the set strategic objectives	Report on service delivery improvement plan for the programme	1	1
	Implement a change management plan for the programme	Report on change management interventions implemented by the programme	1	1
<b>Asset Management</b>	Coordinate the development and implementation of Asset Management Policies and guidelines in the Province	Number of departments implementing approved Asset Management Policies	6	10
	Monitor effective management of departmental asset registers	Number of Provincial Asset Management Reports submitted	12	14
	Implement electronic support system for the consolidated asset register	Number of departments utilising Electronic Asset Registers that meet the minimum requirement	6	0
	Implement cash management strategies and process for PRF	Monthly revenue pay-over reports	12	11
	Implement liquidity strategies for the PRF	Outperform current interest income by % rate	5%	7%
		Number of departments with positive balances	14	12
	Recording and reconciliation of PRF transactions	Monthly reconciliation of Revenue Fund leading to production of Annual Financial statements	12	12
	Compile regular reports on PRF transactions	Monthly Cash Management Reports	12	12

Sub - Programmes	Strategies	Performance Indicator	Actual Performance Against Targets	
			Target	Actual
	Facilitate the compilation and submission of quarterly infrastructure report	Quarterly infrastructure reports by the 15 <sup>th</sup> day of the next quarter	4	4
	Monitor expenditure in infrastructure	Monthly infrastructure expenditure spending reports submitted by the 15 <sup>th</sup> of each month	12	12
	Undertake PPP awareness drive with provincial and local government	Number of provincial and municipal PPP interventions conducted	6	7
	Implement measures to monitor PPP compliance during contract management phase	Number of PPP consolidated quarterly compliance reports submitted by the 15 <sup>th</sup> of each month	4	4
	Implement measures to attract private sector funding	Number of PPP projects (phase) approvals by National Treasury	2	2
	Consolidate and coordinate the departmental infrastructure plans	10 year infrastructure plans approved by National Treasury	1	1
	Identify possible sources of private sector funding	Number of workshops and seminars to solicit private sector funding	1	1
	Undertake a study to determine the feasibility of the Shared Services Centre for the province	Report on the outcomes of Provincial Shared Services study	1	1
	Facilitate the process of presenting the outcomes of the Shared Service Centre Model study to EXCO	Cabinet Memo and formal report to EXCO	1	1
	Develop and support the implementation of SCM Provincial Policies and guidelines	Quarterly Reports on the departments supported to implement SCM policies	4	1
	Conduct quarterly provincial SCM compliance monitoring assessment	Quarterly reports of SCM assessment submitted by the 30 <sup>th</sup> day of the next quarter	4	4
	Implement measures to vetting and management of Provincial Suppliers	Fully developed and operational supplier database	1	0
	Implement measures to ensure maintenance and support of the centralised database	Number of departments utilising the database	13	0
	Arrange and manage transversal term contracts	Number contracts finalised	3	0
	Facilitate training of government staff in the following areas : Asset management, PPP, SCM, Contract Management	Number of departments trained: Asset management, PPP, SCM, Contract Management	12	14
	Provide ad-hoc technical support in the following areas: Asset Management, Infrastructure Management Support, PPPs, SCM, Contract Management, Cash Management	Number of advisory interventions: Asset Management, Infrastructure Management Support, PPPs, SCM, Contract Management, Cash Management	12	40
	Facilitate effective functioning of Interim Bid Advisory Committee IBAC	Number of IBAC successful meetings	20	21
<b>Liability Management</b>	Develop and implement monitoring plan for the provincial payment cycle	Approved Monitoring Plan	1	0
	Generate monthly provincial creditor payment reports	Quarterly payment cycle reports	4	4
	Conduct debt management assessment in departments	Number of departments assessed	14	9

Sub - Programmes	Strategies	Performance Indicator	Actual Performance Against Targets	
			Target	Actual
	Facilitate the implementation of debts management solutions in departments	Number of departments assisted	14	8
	Monitor the implementation of debt management in departments	Monthly Debt Management Reports	12	12
	Provide ad-hoc technical support in liability management	Number of advisory interventions in liability management	4	4
<b>Supporting and Interlinked Financial Systems</b>	Provision of financial management systems to enhance accountability	Number of departments with access to financial systems	14	14
	Provision of Information for effective decision making	Number of MIS reports generated and analysed	12	12
	Capacity building initiatives facilitated in the province	Number of departments trained on Financial Systems	14	14
	Support to transversal financial systems and initiatives in the province	Number of departments utilising Electronic Asset Registers that meet the minimum requirement	6	0
	Provision of direct intervention support facilitated to departments	Number of advisory interventions Transversal Systems	4	8

#### 2.10.4. PROGRAMME 4: FINANCIAL GOVERNANCE

##### Purpose

This programme seeks to promote accountability in the use of public resources as well as compliance with financial norms and standards.

##### Measurable Objectives

The measurable objectives for the programme are as follows:

##### Sub-programme 4.1: Program Support

Programme plan and strategy developed and implemented to realise the objectives of the organisation

- Resource management plan and strategy developed and implemented to ensure programme's contribution in realising departmental objectives
- Strategic leadership provided in implementing departmental strategies of improving work processes within the programme
- Change management plan developed and implemented to address changes that are affecting the programme

##### Sub-programme 4.2: Accounting Services

- Technical support provided to departments and municipalities in order to promote implementation of the PFMA, MFMA and all applicable legislation
- Monitoring and reporting mechanisms implemented for the clearance of departmental suspense accounts

- Implementation of accounting reforms promoted for departments, public entities and municipalities
- Prevention of unauthorised, wasteful, fruitless as well as irregular expenditure facilitated with departments and municipalities
- Support provided to departments and municipalities to implement accounting policies, regulations and guidelines
- Implementation of financial management training facilitated for departments and municipalities
- Measures implemented to facilitate the preparation of provincial and departmental AFS
- Implementation of accounting reforms promoted for compliance by departments, municipalities and public entities

#### **Sub-programme 4.3: Norms and Standards**

- Technical support provided to departments, municipalities and public entities in order to promote implementation of the PFMA, MFMA and all applicable legislation
- Implementation of uniform governance framework monitored for compliance to Public Entities
- Provincial departments assisted on transfer of funds to municipalities, public entities and other relevant structures
- Measures to facilitate the regularisation of unauthorised expenditure implemented by departments and municipalities
- Facilitate the investigation and resolution of reported cases of alleged financial irregularities
- Technical support provided to relevant financial management structures and stakeholders in the province
- Support provided to departments and municipalities to implement accounting policies, regulations and guidelines

#### **Sub-programme 4.4: Risk Management**

- Provide technical support to departments and municipalities and Public Entities in order to promote implementation of the PFMA & the MFMA and all applicable legislation
- Design, develop and implement risk management framework
- To render effective risk management in the province to ensure financial, managerial and operating information reported is fair reliable.
- Provide support to establish effective risk management structures and processes of departments and municipalities
- Facilitate the implementation of financial management training for departments and municipalities in risk management.
- Continuous evaluation of risk management in the province. Update risk management framework and align it with new developments in the risk management field

#### **Sub-programme 4.5: Shared Internal Audit Services**

- Assurance provided on the control environment
- Internal Audit operational plans developed and implemented for departments
- Assess and monitor the effectiveness of Internal Audit of the non-shared Internal Audit services and municipalities

## **Service Delivery Achievements**

### **(a) Quality Review on SIAS**

External Quality Assurance Review on SIAS was conducted and results have been communicated to both the Accounting Officer and the Audit Committee. The recommendations were workshopped and the implementation plan developed.

### **(b) Financial Management Training**

As a continuation of accounting reforms in provincial departments, National Treasury revised the structure of SCOA (Standard Chart of Accounts). SCOA Toning workshops training sessions were held in-house for financial management staff of departments and public entities. All districts were visited to ensure that all financial management practitioners were updated on the new structure. Particular reference is made to workshops on SCOA Toning, Suspense Accounts and GRAP.

### **(c) Risk Management**

A Risk Management Framework was developed. The Programme has begun analysing the risk management framework and practices existing in provincial departments with the intention identifying shortcomings and advising on how to improve on them. This will continue into the 2009/10 financial year.

### **(d) Consolidated Financial Statements**

Consolidated Annual Financial Statements for 2006/07 were completed and audited.

### **(e) SIAS Organisational Structure**

The Shared Internal Audit Services (SIAS) was restructured into three sub-units and its organogram was expanded and benchmarked against other provinces. The department has embarked on a recruitment process throughout the 2009/10 financial year.

## **Challenges**

### **(a) Suspense Accounts**

Delay by departments in clearing suspense accounts as required by Chapter 17 of the Treasury Regulations may have an impact on the reliability of the In Year Monitoring Reports which are submitted monthly in terms of section 32 of the PFMA. The non-clearances of suspense accounts on a monthly basis may result in an understatement of expenditure.

### (b) Capacity constraints

National Treasury's new accounting reforms provide a challenge to financial management staff in departments. Training programmes have been designed to bridge the skill gap.

### (c) Staff Turnover

Pervasive high staff turnover rate – A continuous recruitment drive is being implemented, consideration of contract positions, outsourcing and co-sourcing initiatives have been taken.

### Planned improvements measures

Planned targeted interventions to enable achievement of the abovementioned objectives include the following:

- Training programmes are planned to help upgrade the competence of financial management staff in the departments and build capacity. Support will also be provided to departments on financial reporting and control.
- The quality of tools used for monitoring and tracking suspense clearance processes in departments will be improved.
- An over-arching risk management framework will be finalised and implemented in the coming financial year.
- The improvement of the current structure of Shared Internal Audit Services to ensure a functional internal audit unit that performs will be finalized during the first quarter of the 2009/10 financial year.

### Service Delivery Objectives, Indicators and Achievements

Sub- programme	Strategies	Performance Indicator	Actual performance against targets	
			Target	Actual
Programme Support	Coordinate the development and the implementation of the programme annual performance plan in support of the departmental strategic plan	Implemented Programme Annual Performance Plan	1	1
	Coordinate the development and implementation of the programme HR plan in support of the departmental objectives	Approved Programme Annual Human Resource Plan	1	1
	Coordinate the development and implementation of the Programme Financial Management plan in support of the departmental objectives	Implemented Programme Annual Financial Management Plan	1	1
	Develop and implement a annual programme service delivery improvement plan to improve programme efficacy in realising the set strategic objectives	Report on service delivery improvement plan for the programme	1	1
	Implement a change management plan for the programme	Report on change management interventions implemented by the programme	1	1

Sub- programme	Strategies	Performance Indicator	Actual performance against targets	
			Target	Actual
Accounting Services	Monitor department, municipalities and public entities compliance with PFMA, MFMA	Monthly monitoring reports submitted by the 15 <sup>th</sup> day of the next month	12	12
	Report on PFMA, MFMA compliance findings	Quarterly compliance reports submitted on the 15 <sup>th</sup> day of the next quarter	4	4
	Technical support provided to departments, municipalities and public entities	Number of intervention programmes offered to departments / municipalities and public entities	4	4
	Prepare and present quarterly suspense account clearance reports	Quarterly reports submitted on the 15 <sup>th</sup> day of the next quarter	4	4
	Provide technical support training	Number of training workshops	4	4
	Communicate all National Treasury accounting reform initiatives to departments and public entities	No of workshops and sessions with relevant stakeholders	2	2
	Report Provincial accounting reform requirements to National Treasury	Number of reform initiatives reported to National Treasury	2	0
	Implement mechanisms for preventing unauthorised, wasteful, fruitless as well as irregular expenditure by departments and municipalities	Number of workshops conducted with departments and municipalities	2	1
	Review departmental annual reports for accuracy, completeness and compliance with regulations and guidelines	Number of annual reports reviewed	14	14
	Provide feedback to departments in respect of the annual report review	Number of feedback reports prepared and presented to departments	14	14
	Evaluate the Annual Financial Statements	Number of departmental AFS review reports	14	14
	Facilitate the development of appropriate training courses and material for financial management training	No of approved training courses	4	4
	Facilitate the delivery of financial management training to relevant departments and municipalities	Number of approved financial management courses offered	4	4
	Identify new training requirements and communicate to PFSA	No of Approved ToR's (specifications) for new training requirements forwarded to PFSA	2	2
	Conduct training workshops for the National Treasury AFS templates and preparation guidelines in respect of departments and public entities	Number of workshops prepared and presented (i.e. departments and public entities)	2	2
	Develop a project plan for departments, municipalities and public entities to follow in respect of the AFS preparation process	Number of approved project plans prepared and communicated to all departments	2	2
Facilitate the implementation of project plans to departments, municipalities and public entity AFS through query resolution, site visits and preparation advice	Number of official visits to each department, municipality and public entity	12	12	

Sub- programme	Strategies	Performance Indicator	Actual performance against targets	
			Target	Actual
	Prepare the provincial consolidated AFS	Number of consolidated Provincial AFS	2	2
	Prepare an audit outcomes report for presentation to the Portfolio committee	Number of reports presented to the Portfolio committee	1	1
	Report Provincial accounting reform requirements to National Treasury	Number of reform initiatives reported to National treasury	2	0
	Communicate all National Treasury accounting reform initiatives to departments and public entities	No of Workshops and sessions with relevant stakeholders	2	2
<b>Norms &amp; Standards</b>	Review of departmental , municipal and public entity reporting for compliance with the PFMA and MFMA	Number of departmental , municipal and public entity review reports	4	4
	Provide interpretation of financial legislation	Number of interpretation guidelines issued	4	5
	Develop mechanisms to monitor Public Entities compliance with the governance framework	Number of monitoring reports that comply with uniform governance framework	4	0
	Assess compliance of departmental transfers with regulatory frameworks	Number of departmental transfer compliance reports	1	1
	Facilitate the Gazetting of Provincial Government allocations to Municipalities	Publication of the Gazette within 16 days	1	1
	Implement mechanisms for recording departmental unauthorised expenditure	Approved Guidelines for regularisation of unauthorised expenditure	1	1
	Implement mechanisms for dealing with departmental unauthorised expenditure	Tabling of Finance Bill to legislature	1	0
	Facilitate the implementation of the SCOPA resolutions by departments	No of departments supported to implement SCOPA resolutions	14	14
	Report Provincial accounting reform requirements to National Treasury	Number of reform initiatives reported to National treasury	2	0
	Prepare and table a financial misconduct report	Report tabled to EXCO annually	1	0
	Facilitate forensic investigations on a request basis	Number of forensic reports	4	3
	Provide the interpretation and analysis of financial management information to the relevant financial management structures and stakeholders in the province to ensure compliance in all financial related matters	Number of reports submitted to financial management structures	4	4
	Review departmental annual reports for accuracy, completeness and compliance with regulations and guidelines	Number of annual reports reviewed	14	14
	Provide feedback to departments in respect of the annual report review	Number of feedback reports prepared and presented to departments	13	13
	Disseminate information and workshop departments and municipalities on PFMA, DORA, MFMA and other financial prescripts	Number of Acknowledgement receipts by departments and workshops performed	4	4

Sub- programme	Strategies	Performance Indicator	Actual performance against targets	
			Target	Actual
	<i>Issue Treasury Circulars, Instructions and Guidelines where there are gaps in the implementation of PFMA and other financial prescripts</i>	<i>Quarterly compliance reports on circulars and guidelines</i>	4	3
<b>Risk Management</b>	<i>Review of departmental, public entities and municipal reporting for compliance with the PFMA and the MFMA and, to establish a risk profile.</i>	<i>Number of Departmental and municipal Review Reports</i>	4	2
	<i>Facilitate the development of risk profile in provincial departments, public entities and municipalities</i>	<i>Number of departments that have performed risk profiles.</i>	4	1
	<i>Monitor compliance of the risk management framework to departments, public entities and municipalities.</i>	<i>Half yearly reports on risk profiles.</i>	4	0
	<i>Assist in the introduction of risk controls in provincial departments, public entities and municipalities</i>	<i>Risk mitigation strategies are in place.</i>	4	1
	<i>Identify responsible official to each risk area.</i>	<i>Existence of responsible official for each risk area.</i>	1	0
	<i>Assist in the development of a Fraud Prevention Plan</i>	<i>Fraud Prevention Plan in place for all departments and municipalities.</i>	4	1
	<i>Facilitate risk management training for the province</i>	<i>Number of workshops</i>	4	1
	<i>Facilitate the development of appropriate training courses and material for financial management training in risk management.</i>	<i>Number of approved training courses offered</i>	1	0
	<i>Provide inputs on policy reforms including development of norms and standards on risk</i>	<i>Annual risk assessment reports.</i>	4	0
<b>Shared Internal Audit Services</b>	<i>Test effectiveness and adequacy of the internal control system</i>	<i>Number of IA reports</i>	36	35
	<i>Develop an annual IA operational plan</i>	<i>Number of IA operational plans</i>	9	9
	<i>Review IA Charter</i>	<i>Approved reviewed IA Charter</i>	1	1
	<i>Implement monitoring and reporting mechanism</i>	<i>Assessment report of the non-shared IA services functions</i>	4	0

### **3. AUDIT COMMITTEE REPORT**

#### **3.1 Overview**

We are pleased to present our report for the financial year ended 31 March 2009.

#### **3.2 Audit Committee Members and Attendance**

The Audit Committee consists of the following members and meets as per the approved terms of reference. During the period under review, meetings were held as follows:

<b>Name of the Member</b>	<b>Position</b>	<b>Date Appointed</b>	<b>Number of meetings held</b>	<b>Number of meetings attended</b>
Mr. V.G. Magan	Chairperson	December 2005	5	5
Ms. L. Steele	Member	December 2005	5	4
Ms. H.N. Jaxa	Member	December 2005	5	5
Mr. M du Toit	Member	November 2006	5	5

#### **3.3 Audit Committee Responsibility**

The Audit Committee has complied with its responsibilities arising from Section 38(1)(a) of the Public Finance Management Act and 3.1.10 and 3.1.13 of Treasury Regulations. The Audit Committee has adopted a formal terms of reference and complied with its charter, and has discharged its responsibilities as contained therein.

#### **3.4 The Effectiveness of Internal Control**

During the year under review internal audit performed certain assignments. Reports presented to management highlighted that the internal control systems were partially adequate and partially effective. Management acknowledged the findings made by Shared Internal Audit Services and continues to implement the recommendations made. In addition, various interventions are being initiated including the CFO support programme to enhance the internal control environment.

#### **3.5 Internal Audit**

The province has a shared internal audit services (SIAS) and audit committee function in respect of 9 departments which is administered by the Provincial Treasury Department. Audit assignments are conducted in accordance with an approved operational plan and for the 2008/2009 financial year 8 projects were completed including 1 adhoc-assignment.

The issues raised on the external quality assurance review are currently being addressed and will continue to be addressed in the new financial year.

SIAS continues to experience an inherent challenge of high staff turnover and is in the process of identifying means of attending to this matter.

SIAS operated without a Head of Internal Audit for the majority of the year, although a Senior Manager was appointed to act. In our opinion, the absence of strategic leadership at SIAS, affected the performance of the internal audit function negatively.

### **3.6 Governance**

#### **Risk Management**

An annual risk review was undertaken in July 2008 with the assistance of National Treasury. The risk management strategy is still in draft and will be finalized during the following financial year. This includes the departmental Risk Management and Fraud Prevention plans.

### **3.7 Submission of In Year Monitoring and monthly/quarterly reports in terms of the Public Finance Management Act and the Division of Revenue Act**

We have been presented with the In Year Monitoring reports for the period under review. It should be noted that internal audit performed reviews on the format, content and quality of these submissions and various deficiencies were reported. Accordingly, these reports substantially complied with the requirements of the PFMA and the Division of Revenue Act.

### **3.8 Evaluation of Financial Statements**

The Audit Committee concurs and accepts the Auditor Generals' conclusions 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 with the exception of items under matters of governance relating to the Audit Committee and the Internal Audit function, in that, in our opinion, substantial compliance has been achieved.

### **3.9 Appreciation**

The committee expresses its sincere appreciation to the Honourable MEC, Accounting Officer, Senior Management team, Shared Internal Audit Services and the Auditor General.



**Chairperson of the Audit Committee**

**Date: 27 July 2009**

## **4. ANNUAL FINANCIAL STATEMENTS**

### **Report of the Accounting Officer**

#### **4.1 Management Report and Approval for the year ended 31 March 2009**

Report by the Accounting Officer to the Executive Authority and Provincial Legislature of the Eastern Cape.

##### **4.1.1. General Review of the State of Affairs**

During the year under review, the Department has once again prioritized effective and efficient service delivery.

Against the backdrop of the global economic downturn and the tight fiscal constraints faced by the Province as a consequence, departments were encouraged to reprioritize within their baselines to fund any additional projects they were intending to implement for the MTEF period. To take this further, Treasury began a baseline analysis of department's budgets. The data was used to assess spending patterns with a view to project the expenditure outcome for the current year and to determine the extent to which reprioritisation could be effected in the 2009 MTEF budgets. Highlights of the main findings of the study include:

- Requests for additional funding was found to be out of proportion to the fiscal resources of the province
- To fund provincial priorities and to mitigate impact of current year cost pressures further reprioritization led by Treasury was needed.
- Any additions to baselines were limited to specific recommendations by NT
- There were serious cost pressures from the Health sector (R900 million over spending and some carry through costs in 2009 MTEF), Roads Infrastructure, and the Department of Education (Post Provisioning Model)

The National Treasury together with the Provincial Treasury supported and funded by the European Commission, introduced a Financial Management Improvement Programme in Inkwanca and Port St Johns Local Municipalities. These were the two municipalities, amongst others, that were experiencing serious financial problems. An Advisor, who is a local government specialist, was placed in each municipality for a period of 12 months commencing from January 2009. The aim of the programme is to provide intensive financial management support to the two municipalities. Depending on the success of the program and the availability of funding, it will be extended to other municipalities.

A Municipal Viability Study was conducted amongst 29 selected municipalities during the period under review. The study was aimed at assessing the financial viability and the capacity

of 29 selected municipalities in the province. This study was completed during the period under review.

The study yielded, among others, the following results:

- Seven municipalities were technically insolvent i.e. their assets were less than their liabilities.
- There were 21 municipalities that were experiencing short-term liquidity problems. Some of these municipalities were also making use of MIG funding to pay for their salaries and wages.
- The majority of municipalities were unable to generate sufficient revenue to service their operating costs without outside funding.
- There were 27 municipalities that experienced difficulties with the collection of revenue.
- It was noted that Government organisations were also in default of payment for services rendered by municipalities.

A number of recommendations emanated from this study. For example, *amongst others*, was the fact that LED initiatives should be strengthened; CFO Support and Technical Support units should be established to provide financial management and technical support. Such support should include for instance, architects, engineers and project managers respectively. The need for strengthening Supply Chain Management (SCM), training and financial support were also highlighted in the study. Some of the recommendations of the study are currently being implemented.

A two-day workshop on the Asset Management Learner's Guide was hosted by the department. At least 89 officials from various departments attended the workshop. The department also hosted five Provincial Asset Management Forums which were aimed at building capacity and information sharing amongst Asset Management Practitioners.

As an investment in our human capital as well as to demonstrate our commitment to our employees, the Employee Wellness Programme was enhanced through the launch of the ICAS e-Care programme which provides an extensive support service for employees of the department. The programme provides professional counselling services to staff through direct counselling, telephone counselling and access to medical advice 24 hours, seven days a week.

## 4.2 Spending trends

The spending trends of the department and its programmes are indicated in Table 1 below.

**Table 1 Budget vs. actual expenditure**

Programme	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Variance as a % of Final Appropriation %
Administration	129,252	123,014	6,238	4,9
Sustainable Resource Management	60,502	58,302	2,200	3,6
Asset and Liability Management	68,447	60,340	8,107	11,8
Financial Governance	30,959	27,215	3,744	12,1
<b>Total</b>	<b>289,160</b>	<b>268,871</b>	<b>20,289</b>	<b>7,0</b>

### 4.1.2. Reasons for under spending

The department under spent its adjusted budget of R289,2 million by R20,3 million ( 7,0% ) of the adjusted appropriation mainly coming from compensation of employees and goods and services which are the key cost drivers as the department is a service department. The major reason for the under spending on compensation of employees is due to challenges on attracting suitable candidates to join the provincial administration of the Eastern Cape. The budget of goods and services was also under spent by a nominal amount due to delays on the implementation of the Centralised Electronic Suppliers Database, the purchase of capital assets and the leasing of ICT equipment.

### 4.1.3. Impact on programmes and service delivery

The non filling of these posts affected the quality of services in the department.

### 4.1.4. Actions taken or planned to avoid recurrence

In order to address the problems associated with the filling of vacant posts, a recruitment plan has been developed and Retention Strategy has been developed and operationalised during 2008/09 and that will see Treasury filling all vacancies before end of the financial year. An extensive placement of un-employed graduates to various departments under the internship programme has been explored wherein the incumbents gain experiential training that will enable them to compete for positions during the recruitment process.

## 4.3 Virement

No virements were done during the financial year under review.

## **4.4 Services rendered by the department**

In order for the department to fulfil its mandate and achieve the goals and strategic objectives as outlined in the strategic and annual performance plans, the following programmes were adopted in line with the uniform budget structures recommended by the National Treasury as follows;

### **PROGRAMMES**

#### **4.4.1. Programme 1: Administration**

##### **4.4.1.1. Purpose**

The purpose of this program is to provide the leadership, strategic management in accordance with the relevant legislation, regulations, and policies and appropriate support service to all other programs.

##### **4.4.1.2. Measurable Objectives**

###### **Sub-programme 1.1: Office of the MEC**

- The MEC's office managed in an efficient and effective way

###### **Sub-programme 1.2: Management Services**

- HDI's (social responsibility) programme for the department facilitated in line with the political mandates of the province
- An effective communication strategy to promote the image of the department is developed and implemented.
- Departmental processes reviewed to address client needs
- Service delivery monitoring frameworks implemented
- To coordinate and monitor the implementation of the PMDS in the department for SMS members
- Formulation and implementation/ execution of the department's strategy facilitated
- Implement measures to improve knowledge management in the department
- Ensure integrated support to the HOD and other programmes

###### **Sub-programme 1.3: Corporate Services**

- HRD strategy implemented to capacitate employees of the department.
- Conducive working environment cultivated to attract and retain skilled and competent employees.
- An employee relations strategy implemented for the department to promote fair employment relations and work practices.
- Employee Wellness Programmes facilitated for the department
- Human Resource Information Systems implemented (HIRS) for the department.
- Coordinate security and facilities management.

- An effective and efficient records management and Registry system implemented.
- IT strategy and infrastructure programme for the department Implemented
- Organisational Development interventions implemented to improve individual and organisational performance.
- Budget management processes implemented for the department
- Effective payment management system implemented for the department.
- Internal control measures and risk management implemented for the dept
- Financial systems monitored for the department
- Effective financial reporting rendered for the department
- Supply chain management strategy and processes implemented for the department
- Departmental sourcing (Acquisition Management) strategy implemented
- SCM regulations and instructions (SCM Reviews) monitored within the department
- Systems for provision and management of assets to ensure conducive working environment in place

#### **4.4.2. Programme 2: Sustainable Resource Management**

##### **4.4.2.1. Purpose**

This programme provides financial management services through the preparation and planning of budgets monitor the implementation of the budgets and promote compliance by departments and municipalities with legislation and treasury regulations.

##### **4.4.2.2. Measurable Objectives**

###### **Sub-programme 2.1: Programme Support**

- Programme plan and strategy developed and implemented to realise the objectives of the organisation
- Resource management plan and strategy developed and implemented to ensure programme's contribution in realising departmental objectives
- Strategic leadership provided in implementing departmental strategies of improving work processes within the programme
- Change management plan developed and implemented to address changes that are affecting the programme

###### **Sub-programme 2.2: Economic Analysis**

- Quantitative framework developed for analysing and forecasting key economic variables

###### **Sub-programme 2.3: Fiscal Policy**

- Implement financial resource mobilisation strategies for the province

###### **Sub-programme 2.4: Budget Management**

- Budget assessment and evaluation framework implemented to guide budget preparation for provincial departments
- Provincial policy priorities process guided and financial resource allocation recommended to effectively contribute accelerated and shared economic growth in the province

- Facilitate the deployment of financial resources in the province
- Implement the budget management support system to ensure effective budget management
- Effective expenditure and revenue monitoring and evaluation system implemented for provincial departments.
- Facilitate financial accountability through monitoring and reporting
- Policies developed and implemented for the effective budget planning, revenue and expenditure management by provincial departments.
- Inter-sphere stakeholder engagement and collaboration strategy implemented for effective articulation and representation of provincial interests

#### **Sub-programme 2.5: Public Finance**

- Policies for the effective budget planning, revenue and expenditure management developed for municipalities.
- Capacity building initiatives facilitated in the municipalities
- Implemented Integrated Municipal Support Programme to improve financial management capacity of municipalities

### **4.4.3. Programme 3: Asset and Liability Management**

#### **4.4.3.1. Purpose**

This Programme exists to provide policy direction and support to line departments to ensure effective and efficient management of government assets (physical and financial) and liabilities.

#### **4.4.3.2. Measurable Objectives**

##### **Sub-programme 3.1 Programme Support**

- Programme plan and strategy developed and implemented to realise the objectives of the organisation
- Resource management plan and strategy developed and implemented to ensure programme's contribution in realising departmental objectives
- Strategic leadership provided in implementing departmental strategies of improving work processes within the programme
- Change management plan developed and implemented to address changes that are affecting the programme

##### **Sub-programme 3.2 Asset Management**

- Effective asset management compliance monitoring system implemented for departments
- Implement measures to manage effectively the Provincial Revenue Fund
- Ensure effective management and reporting on the PRF
- Measures implemented to monitor infrastructure delivery and DORA

- Measures developed and implemented in accordance Regulation 16 in terms of Public Private Partnerships
- Consolidated infrastructure development strategy developed and implemented for the province
- Appropriate measures implemented to solicit private sector contribution for infrastructure delivery
- Feasibility of the Shared Services Model determined for the provincial government
- Measures implemented to improve SCM compliance by departments
- Central electronic supplier database implemented for the province
- Procurement efficiency improved for common goods and services of departments
- Capacity building initiatives facilitated in the province
- Provision of direct intervention support facilitated for departments

### **Sub-programme 3.3 Liability Management**

- Implement measures to monitor the effectiveness of provincial creditor payment system
- Provide debt management support to departments
- Facilitate provision of direct interventionist support to departments

### **Sub-programme 3.4 Supporting and Interlinked Financial Systems**

- Provision of financial management systems to enhance accountability
- Provision of Information for effective decision making
- Capacity building initiatives facilitated in the province
- Support to transversal financial systems and initiatives in the province
- Provision of direct intervention support facilitated to departments

## **4.4.4. Programme 4: Financial Governance**

### **4.4.4.1. Purpose**

This programme seeks to promote accountability in the use of public resources as well as compliance with financial norms and standards.

### **4.4.4.2. Measurable Objectives**

The measurable objectives are as follows:

#### **Sub-programme 4.1: Program Support**

- Programme plan and strategy developed and implemented to realise the objectives of the organisation
- Resource management plan and strategy developed and implemented to ensure programme's contribution in realising departmental objectives
- Strategic leadership provided in implementing departmental strategies of improving work processes within the programme
- Change management plan developed and implemented to address changes that are affecting the programme

#### **Sub-programme 4.2: Accounting Services**

- Technical support provided to departments and municipalities in order to promote implementation of the PFMA, MFMA and all applicable legislation
- Monitoring and reporting mechanisms implemented for the clearance of departmental suspense accounts
- Implementation of accounting reforms promoted for departments, public entities and municipalities
- Prevention of unauthorised, wasteful, fruitless as well as irregular expenditure facilitated with departments and municipalities
- Support provided to departments and municipalities to implement accounting policies, regulations and guidelines
- Implementation of financial management training facilitated for departments and municipalities
- Measures implemented to facilitate the preparation of provincial and departmental AFS
- Implementation of accounting reforms promoted for compliance by departments, municipalities and public entities

#### **Sub-programme 4.3: Norms and Standards**

- Technical support provided to departments, municipalities and public entities in order to promote implementation of the PFMA, MFMA and all applicable legislation
- Implementation of uniform governance framework monitored for compliance to Public Entities
- Provincial departments assisted on transfer of funds to municipalities, public entities and other relevant structures
- Measures to facilitate the regularisation of unauthorised expenditure implemented by departments and municipalities
- Facilitate the investigation and resolution of reported cases of alleged financial irregularities
- Technical support provided to relevant financial management structures and stakeholders in the province
- Support provided to departments and municipalities to implement accounting policies, regulations and guidelines

#### **Sub-programme 4.4: Risk Management**

- Provide technical support to departments and municipalities and Public Entities in order to promote implementation of the PFMA & the MFMA and all applicable legislation
- Design, develop and implement risk management framework
- To render effective risk management in the province to ensure financial, managerial and operating information reported is fair reliable.
- Provide support to establish effective risk management structures and processes of departments and municipalities
- Facilitate the implementation of financial management training for departments and municipalities in risk management.
- Continuous evaluation of risk management in the province. Update risk management framework and align it with new developments in the risk management field

#### **Sub-programme 4.5: Shared Internal Audit Services**

- Assurance provided on the control environment
- Internal Audit operational plans developed and implemented for departments
- Assess and monitor the effectiveness of Internal Audit of the non-shared Internal Audit services and municipalities

### **4.5 Inventories**

Inventory on hand at year was valued at R389,840. The weighted average method of inventory valuation has been used through LOGIS.

### **4.6 Capacity Constraints**

High staff turnover across programmes, more especially in the Shared Internal Audit Services continued to be a challenge due to transfers on promotion to other departments, provinces and National sphere of governance. The issue of lack of office space continued to pose a constraint on the department to roll out its strategy.

### **4.7 Utilisation of Donor Funds**

The department continued its responsibility of being a Contracting and Implementing Authority in the European Union Donor funded Provincial Local Economic Development (LED) Support Programme. During the year under review, the department managed to award grants to an amount of R7 million under Local Competitive Fund (LCF – CAP Identification and Design). The amounts were awarded to nine beneficiaries.

### **4.8 Public Private Partnerships**

Treasury provides technical support to both provincial departments and municipalities in engagement of public private partnerships to accelerate service delivery.

### **4.9 Corporate Governance Arrangements**

#### **4.9.1. Risk Management and Fraud Prevention**

In terms of legislation, the department has an operative audit committee and internal audit unit. The audit committee exercises its oversight responsibilities by convening regular meetings and communicating its concerns to management in respect of public governance particularly, relating to financial management, risk management and internal control. In addition, the audit committee approves the internal audit unit's annual audit plan after the department has conducted a risk assessment review. The department conducted a strategic risk assessment which was well supported by senior management. The outcome of the risk management efforts was the development of a strategic risk register which identifies the key risks to the achievement of the department's strategic objectives and goals. The key inherent

risks identified include, among others, inability to attract and retain skilled personnel, the underspending and a slow process in achieving of service delivery objective, and poor risk management implementation. Risk response plans have been drafted and improvements are noteworthy. The implementation of the Fraud Prevention Plan has resulted in an improved control environment by the continuous monitoring of the risk of fraud. There are no reported fraud cases during the year under consideration.

#### **4.9.2. Implementation of the code of conduct**

The department has ensured employee awareness concerning the code of conduct by incorporating it into the department's induction programme

#### **4.9.3. Safety, health and environment issues**

An Integrated Employee Health & Wellness Policy has been approved by the Head of Department. Implementation of the policy will unfold in the new financial year. Safety of equipment and other departmental facilities have migrated to the new Security Management function.

#### **4.9.4. Departmental Security Service Administration**

During the year under review the department was able to draft a Departmental Security Policy and Procedure Manuals for the Security Management activities for approval and implementation in 2009/2010 financial year. Pre-employment security screening was also done on the following areas:

- Criminal record checks
- Citizenship verification
- Credit Worthiness
- Qualifications Verification; and
- Previous employment verification

#### **4.9.5. Functioning of Management Committees**

The department has three levels of senior management committees and they are Programme Managers structure which seeks to address strategic programme integration. Secondly, is the General Managers structure which seeks to encourage sub-programme integration and thirdly it is the Senior Management structure which seeks to address the issues of organisational integration. These structure were able to sit during the year under review to address a plethora of issues which sought to advance organizational performance

### **4.10 New/Proposed Activities**

During the coming year, the department will concentrate on the implementation of the outcomes of the studies conducted during the year under review namely the Own Revenue Studies, Municipal Viability Studies, Technical support to municipalities, Infrastructure

Delivery performance review and the CFO support Programme. The department will implement the Budget Systems Support which will seek to improve budget planning and management.

## **4.11 Asset Management - Provincial Treasury**

### **4.11.1. Progress with regard to capturing assets in the Asset Register by the department**

All assets of the department are captured in an Asset Register and assets are categorized into major and minor as required by the National Treasury Guidelines. Asset register is stored in the server in two folders as daily transactions and a master folder to ensure history of assets is maintained since their acquisition. Segregation of duties is maintained at all times by using passwords.

### **4.11.2. Establishment of Asset Management Teams**

Provincial Treasury Asset Management Unit has established Asset Management team which is assisted by the Transversal Asset Management Unit. The primary aim of establishing this team is ensure the completeness and integrity of the asset register.

### **4.11.3. Indication of the extent of compliance with the minimum requirements**

The asset register used by Provincial Treasury complies with the minimum requirements as set out in the Asset Management Framework issued by the Office of the Accountant General: National Treasury.

### **4.11.4. Indication of the extent of compliance with Asset Management Reforms (AMR) Milestones**

Old obsolete assets have been disposed. The control environment has drastically improved.

## **4.12 Asset Management – Transversal**

### **4.12.1. Progress with regards to capturing assets in the Asset Register by provincial departments**

An Excel-based asset register template which meets minimum requirements was developed and introduced to all provincial departments in a workshop held in June 2008 and further discussed with individual departments during subsequent monthly monitoring meetings.

Provincial Treasury assisted the Provincial Department of Public Works in the review of policies to comply with GIAMA and supported other initiatives to roll-out the same Act. E.g.

attending GIAMA User Forums (provincial and districts), assisting in development pilot User Asset Management Plans as well as participation in meetings relating to this initiative.

The policy guideline documents mentioned above were introduced to enhance the completeness and accuracy of the asset registers maintained by the departments.

#### **4.12.2. Establishment of Asset Management Teams**

Provincial Treasury hosted one workshop and six Provincial Asset Management Forums aimed at capacity building and knowledge sharing amongst provincial asset management practitioners. These were conducted in consultation with National Treasury and the Treasury training partner Public Finance Services Agency (PFSA).

Provincial Treasury participated in the workshops based on the request of the departments and made presentation on asset management topics indicated by the requesting department. Over and above these, monthly asset management forums were held during the year as part of information sharing.

#### **4.12.3. Indication of the extent of compliance with the minimum requirements**

Departments are utilizing different asset management Information systems, which complies with the minimum requirements, to record and capture their assets.

#### **4.12.4. Indication of the extent of compliance with Asset Management Reforms (AMR) Milestones**

All departments developed an implementation/project plan and agreed on the two deliverables:

- Develop and implement and approved asset management policy in line with the asset management life cycle;
- Asset registers should comply with the minimum requirements as set out in the Asset Management Guidelines.

To enable the AMU to monitor and evaluate progress on asset management reform in the province, all departments were required to submit monthly reports on progress risk log and project dashboard.

### **4.13 Events after the Reporting Date**

There were no major events after the reporting date.

## 4.14 SCOPA Resolutions

Reference to previous audit report and SCOPA Resolutions	Subject	Findings in progress
<b>Vote 12</b>		
2005/06 2006/07.	Financial misconduct charges against the Accounting Officer in terms of Sec. 81 of the PFMA as amended.	In progress
<b>Transversal issues</b>		
2005/06 2006/07.	Financial misconduct charges against the Accounting Officers responsible for Departments of Health, Education, Social Development, Economic Development, Treasury in terms of Sec. 81 of the PFMA as amended.	In progress
2006/07.	Un-authorized expenditure of R741 000.00 in respect of the department of Safety and Liaison.	Draft Finance Bill awaiting for the Legislature sitting

## 4.15 Approval

The Annual Financial Statements set out on pages 52 to 64 and 70 to 111 have been approved by the Accounting Officer.



**GLQ KALIMASHE**  
**ACTING ACCOUNTING OFFICER**  
**31 MAY 2009**

## 4.16 Report of the Auditor General

### REPORT OF THE AUDITOR-GENERAL TO EASTERN CAPE PROVINCIAL LEGISLATURE ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF VOTE NO.12 EASTERN CAPE PROVINCIAL TREASURY FOR THE YEAR ENDED 31 MARCH 2009

#### REPORT ON THE FINANCIAL STATEMENTS

##### Introduction

1. I have audited the accompanying financial statements of the Provincial Treasury which comprise the appropriation statement, the statement of financial position as at 31 March 2009, and the statement of financial performance and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the accounting officer's report, as set out on pages 52 to 64 and 70 to 107.

##### The Accounting Officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation of these financial statements in accordance with the modified cash basis of accounting determined by the National Treasury as set out in accounting policy note 1.1 and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) 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.

##### The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 24 of 2004) (PAA) and section 40(2) of the PFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards required that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

7. In my opinion the financial statements present fairly, in all material respects, the financial position of the Provincial Treasury as at 31 March 2009 and its financial performance and its cash flows for the year then ended, in accordance with the modified cash basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 and in the manner required by the PFMA and DoRA.

### **Emphasis of matters**

Without qualifying my opinion, I draw attention to the following matters:

#### **Basis of accounting**

8. The department's policy is to prepare financial statements on modified cash basis of accounting determined by the National Treasury, as set out in policy note 1.1.

#### **Material under-spending of the budget**

9. As disclosed in the appropriation statement and the Accounting Officers report, the department has materially underspent their approved budget to the amount R20,3 million. Consequently, the department has not achieved its implementation objectives of a centralized electronic supplier database, purchased all capital assets and leased information and communication technology equipment that were included in their budget. In addition, not all staff budgeted for were appointed due to the scarcity of skills within the province.

### **Other matters**

Without qualifying my opinion, I draw attention to the following matters that relates to my responsibilities in the audit of the financial statements:

#### **Unaudited supplementary schedules**

10. The supplementary information set out on pages 108 to 111 does not form part of the financial statements and is presented as additional information. I have not audited this schedule and accordingly I do not express an opinion thereon.

## Governance framework

11. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the internal control deficiencies and key governance requirements addressed below:

## Key governance responsibilities

12. The PFMA tasks the accounting officer with the number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
<b>Clear trail of supporting documentation that is easily available and provided in a timely manner</b>			
1.	No of significant difficulties were experienced during the audit concerning delays or the availability of requested information.	✓	
<b>Quality of financial statements and related management information</b>			
2.	The financial statements were not subject to any material amendments resulting from the audit.		✓
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	✓	
<b>Timeliness of financial statements and management information</b>			
4.	The financial statements were submitted for auditing as per the legislated deadlines in section 40 of the PFMA.	✓	
<b>Availability of key officials</b>			
5.	Key officials were available throughout the audit process.	✓	
<b>Development and compliance with risk management, effective internal control and government practices</b>			
6.	Audit committee		
	<ul style="list-style-type: none"> <li>The department had an audit committee in operation throughout the financial year.</li> </ul>	✓	
	<ul style="list-style-type: none"> <li>The audit committee operates in accordance with approved, written terms of reference.</li> </ul>	✓	
	<ul style="list-style-type: none"> <li>The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 3.1.10.</li> </ul>		✓
7.	Internal audit		
	<ul style="list-style-type: none"> <li>The department had an internal audit function in operation throughout the financial year.</li> </ul>	✓	
	<ul style="list-style-type: none"> <li>The internal audit function operates in terms of approved internal audit plan.</li> </ul>	✓	
	<ul style="list-style-type: none"> <li>The internal audit function substantially fulfilled its responsibility for the year, as set out in Treasury Regulation 3.2.</li> </ul>		✓
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	✓	
9.	There are no significant deficiencies in the design and implementation of internal control in respect of applicable laws and regulations.	✓	

No.	Matter	Y	N
10.	The information systems were appropriate to facilitate the preparation of financial statements.	✓	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes fraud prevention plan, is documented and used as set out in Treasury Regulation 3.2.	✓	
12.	Powers and duties have been assigned, as set out in section 44 of the PFMA.	✓	
<b>Follow-up of audit findings</b>			
13.	The prior year audit findings have been substantially addressed.	✓	
14.	SCOPA/ Oversight resolutions have been substantially implemented.	✓	
<b>Issues relating to the reporting of performance information</b>			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.	✓	
16.	Adequate control processes and procedures are designed and implemented to ensure accuracy and completeness of reported performance information.	✓	
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the department against its mandate, predetermined objectives, output, indicators and targets, Treasury Regulations 5.1, 5.2 and 6.1.	✓	
18.	There is a functioning performance management bonuses are only paid after proper assessment and approval by those charged with governance	✓	

13. The finance section, particularly financial reporting section has adequate skills and competencies which have been effectively utilised in sustaining an unqualified audit report. However, monitoring controls are not in place to ensure that the information disclosed in the financial statements are accurate and complete as a material adjustment relating to revenue and various immaterial adjustments had to be effected after submission of the financial statement for auditing.
14. The audit committee is a shared service for nine departments and comprises of four members. This resulted in the audit committee not being effective as an oversight body, as they did not have adequate time and resources to engage departments on their internal control, financial and risk management and overall governance processes.
15. Internal audit is also a shared service responsible for nine departments. The internal audit is understaffed, with the result they were not effective and their ability to discharge all their duties was hampered. In addition, the work performed by internal audit was not conducted in accordance with the standards set by the Institute of Internal Auditors, as there was no process in place to ensure that all work performed was reviewed to ensure that it was of high quality required by standards.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Report on performance information

16. I have reviewed the performance information as set out on pages 09 to 49 and there were no material findings

### The accounting officer's responsibility for the performance information

17. The accounting officer has additional responsibilities as required by section 40(3)(a) of PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the department.

### Auditor-General's responsibility

18. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No.31057 of May 2008*.
19. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditors judgement.

### Audit finding (performance information)

20. I believe that the evidence I have obtained is sufficient and appropriate to report that no significant findings have been identified as a result of my audit.

### Performance audits

21. A performance audit report was finalised during the year under review in respect of entities that are connected with government employees and doing business with the departments of the Eastern Cape Provincial Administration. This report covered the period 1 April 2005 to 31 March 2007 and was submitted to Legislature for tabling, but has not yet been tabled at the date of this report.

### Appreciation

22. The assistance rendered by the staff of the Provincial Treasury during the audit is sincerely appreciated.

*Auditor-General*

East London

30 July 2009



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## **4.17 Accounting policies**

The Financial Statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated. However, 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, Act 1 of 1999 (as amended by Act 29 of 1999), and the Treasury Regulations issued in terms of the Act and the Division of Revenue Act, Act 2 of 2006.

### **1. Presentation of the Financial Statements**

#### **1.1 Basis of preparation**

The Financial Statements have been prepared on a modified cash basis of accounting, except where stated otherwise. The modified cash basis constitutes the cash basis of accounting supplemented with additional disclosure items. Under the cash basis of accounting transactions and other events are recognised when cash is received or paid.

#### **1.2 Presentation currency**

All amounts have been presented in the currency of the South African Rand (R) which is also the functional currency of the department.

#### **1.3 Rounding**

Unless otherwise stated all financial figures have been rounded to the nearest one thousand Rand (R'000).

#### **1.4 Comparative figures**

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.

#### **1.5 Comparative figures - Appropriation Statement**

A comparison between actual amounts and final appropriation per major classification of expenditure is included in the Appropriation Statement.

## **2. Revenue**

### **2.1 Appropriated funds**

Appropriated funds are recognised in the financial records on the date the appropriation becomes effective. Adjustments to the appropriated funds made in terms of the adjustments budget process are recognised in the financial records on the date the adjustments become effective.

Total appropriated funds are presented in the Statement of Financial Performance.

Unexpended appropriated funds are surrendered to the Provincial Revenue Fund. Amounts owing to the Provincial Revenue Fund at the end of the financial year are recognised in the Statement of Financial Position.

### **2.2 Statutory Appropriation**

Statutory appropriations are recognised in the financial records on the date the appropriation becomes effective. Adjustments to the statutory appropriations made in terms of the adjustments budget process are recognised in the financial records on the date the adjustments become effective.

Total statutory appropriations are presented in the Statement of Financial Performance.

Unexpended statutory appropriations are surrendered to the Provincial Revenue Fund. Amounts owing to the Provincial Revenue Fund at the end of the financial year are recognised in the Statement of Financial Position.

### **2.3 Departmental revenue**

All departmental revenue is paid into the Provincial Revenue Fund when received, unless otherwise stated. Amounts owing to the Provincial Revenue Fund at the end of the financial year are recognised in the Statement of Financial Position.

Amounts receivable at the reporting date are disclosed in the disclosure notes to the annual financial statements.

#### **Tax revenue**

Tax revenue consists of all compulsory unrequited amounts collected by the department in accordance with laws and or regulations (excluding fines, penalties & forfeits).

Tax receipts are recognised in the Statement of Financial Performance when received.

#### **Sales of goods and services other than capital assets**

The proceeds received from the sale of goods and/or the provision of services is recognised in the Statement of Financial Performance when the cash is received.

**Fines, penalties & forfeits**

Fines, penalties & forfeits are compulsory unrequited amounts which were imposed by a court or quasi-judicial body and collected by the department. Revenue arising from fines, penalties and forfeits is recognised in the Statement of Financial Performance when the cash is received.

**Interest, dividends and rent on land**

Interest, dividends and rent on land is recognised in the Statement of Financial Performance when the cash is received.

**Sale of capital assets**

The proceeds received on sale of capital assets are recognised in the Statement of Financial Performance when the cash is received.

**Financial transactions in assets and liabilities**

Repayments of loans and advances previously extended to employees and public corporations for policy purposes are recognised as revenue in the Statement of Financial Performance on receipt of the funds.

Cheques issued in previous accounting periods that expire before being banked are recognised as revenue in the Statement of Financial Performance when the cheque becomes stale. When the cheque is reissued the payment is made from Revenue.

**Transfers received (including gifts, donations and sponsorships)**

All cash gifts, donations and sponsorships are paid into the Provincial Revenue Fund and recorded as revenue in the Statement of Financial Performance when received. Amounts receivable at the reporting date are disclosed in the disclosure notes to the financial statements.

All in-kind gifts, donations and sponsorships are disclosed at fair value in an annexure to the financial statements.

**2.4 Direct Exchequer receipts**

All direct exchequer receipts are recognised in the Statement of Financial Performance when the cash is received.

All direct exchequer payments are recognised in the Statement of Financial Performance when final authorisation for payment is effected on the system (by no later than 31 March of each year).

## **2.5 Aid assistance**

Local and foreign aid assistance is recognised as revenue when notification of the assistance is received from the National Treasury or when the department directly receives the cash from the donor(s).

All in-kind local and foreign aid assistance are disclosed at fair value in the annexure to the annual financial statements

The cash payments made during the year relating to local and foreign aid assistance projects are recognised as expenditure in the Statement of Financial Performance. The value of the assistance expensed prior to the receipt of the funds is recognised as a receivable in the Statement of Financial Position

Inappropriately expensed amounts using local and foreign aid assistance and any unutilised amounts are recognised as payables in the Statement of Financial Position.

## **3. Expenditure**

### **3.1 Compensation of employees**

#### **Short-term employee benefits**

Salaries and wages comprise payments to employees (including leave entitlements, thirteenth cheques and performance bonuses). Salaries and wages are recognised as an expense in the Statement of Financial Performance when final authorisation for payment is effected on the system (by no later than 31 March of each year). Capitalised compensation forms part of the expenditure for capital assets in the Statement of Financial Performance.

All other payments are classified as current expense.

Short-term employee benefits that give rise to a present legal or constructive obligation are disclosed in the disclosure notes to the financial statements. These amounts are not recognised in the Statement of Financial Performance or Position.

#### **Post retirement benefits**

The department provides retirement benefits (pension benefits) for certain of its employees through a defined benefit plan for government employees. These benefits are funded by both employer and employee contributions.

Employer contributions (i.e. social contributions) to the fund are expensed when the final authorisation for payment to the fund is effected on the system (by no later than 31 March of each year). No provision is made for retirement benefits in the financial statements of the department. Any potential liabilities are disclosed in the financial statements of the Provincial Revenue Fund and not in the financial statements of the employer department.

The department provides medical benefits for certain of its employees. Employer contributions to the medical funds are expensed when final authorisation for payment to the fund is effected on the system (by no later than 31 March of each year).

#### **Termination benefits**

Termination benefits such as severance packages are recognised as an expense in the Statement of Financial Performance as a transfer (to households) when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

#### **Other long-term employee benefits**

Other long-term employee benefits (such as capped leave) are recognised as an expense in the Statement of Financial Performance as a transfer (to households) when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

Long-term employee benefits that give rise to a present legal or constructive obligation are disclosed in the disclosure notes to the financial statements. These amounts are not recognised in the Statement of Financial Performance or Position.

### **3.2 Goods and services**

Payments made for goods and/or services are recognised as an expense in the Statement of Financial Performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year). The expense is classified as capital if the goods and services were used for a capital project or an asset of R5000 or more is purchased. All assets costing less than R5000 will also be reflected under goods and services.

### **3.3 Interest and rent on land**

Interest and rental payments are recognised as an expense in the Statement of Financial Performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year). This item excludes rental for the use of buildings or other fixed structures. If it is not possible to distinguish between payment for the use of land and the fixed structures on it, the whole amount should be recorded under goods and services.

### **3.4 Financial transactions in assets and liabilities**

**Debts are written off** when identified as irrecoverable. Debts written-off are limited to the amount of savings and/or under spending of appropriated funds. The write off occurs at year-end or when funds are available. No provision is made for irrecoverable amounts but amounts are disclosed as a disclosure note.

All **other losses** are recognised when authorisation has been granted for the recognition thereof.

### **3.5 Transfers and subsidies**

Transfers and subsidies are recognised as an expense when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

### **3.6 Unauthorised expenditure**

When discovered unauthorised expenditure is recognised as an asset in the statement of financial position until such time as the expenditure is either approved by the relevant authority, recovered from the responsible person or written off as irrecoverable in the Statement of Financial Performance.

Unauthorised expenditure approved with funding is recognised in the Statement of Financial Performance when the unauthorised expenditure is approved and the related funds are received. Where the amount is approved without funding it is recognised as expenditure, subject to availability of savings, in the Statement of Financial Performance on the date of approval.

### **3.7 Fruitless and wasteful expenditure**

Fruitless and wasteful expenditure is recognised as expenditure in the Statement of Financial Performance. If the expenditure is recoverable it is treated as an asset until it is recovered from the responsible person or written off as irrecoverable in the Statement of Financial Performance.

### **3.8 Irregular expenditure**

Irregular expenditure is recognised as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority it is treated as an asset until it is recovered or written off as irrecoverable in the Statement of Financial Performance.

### **3.9 Expenditure for capital assets**

Payments made for capital assets are recognised as an expense in the Statement of Financial Performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

## **4. Assets**

### **4.1 Cash and cash equivalents**

Cash and cash equivalents are carried in the Statement of Financial Position at cost.

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.

## **4.2 Other financial assets**

Other financial assets are carried in the Statement of Financial Position at cost.

## **4.3 Prepayments and advances**

Amounts prepaid or advanced are recognised in the Statement of Financial Position when the payments are made.

Pre-payments and advances outstanding at the end of the year are carried in the Statement of Financial Position at cost.

## **4.4 Receivables**

Receivables included in the Statement of Financial Position arise from cash payments made that are recoverable from another party.

Receivables outstanding at year-end are carried in the Statement of Financial Position at cost plus any accrued interest.

## **4.5 Loans**

Loans are recognised in the Statement of Financial Position at the nominal amount when cash is paid to the beneficiary. Loan balances are reduced when cash repayments are received from the beneficiary. Amounts that are potentially irrecoverable are included in the disclosure notes.

Loans that are outstanding at year-end are carried in the Statement of Financial Position at cost.

## **4.6 Inventory**

Inventories purchased during the financial year are disclosed at cost in the notes.

## **4.7 Capital assets**

### **Movable assets**

A capital asset is recorded on receipt of the item at cost. Cost of an asset is defined as the total cost of acquisition. Where the cost cannot be determined accurately, the movable capital asset is stated at fair value. Where fair value cannot be determined, the capital asset is included in the asset register at R1.

Subsequent expenditure of a capital nature is recorded in the Statement of Financial Performance as "expenditure for capital asset" and is capitalised in the asset register of the department on completion of the project.

Repairs and maintenance is expensed as current “goods and services” in the Statement of Financial Performance.

### **Immovable assets**

A capital asset is recorded on receipt of the item at cost. Cost of an asset is defined as the total cost of acquisition. Where the cost cannot be determined accurately, the immovable capital asset is stated at R1 unless the fair value for the asset has been reliably estimated.

Work-in-progress of a capital nature is recorded in the Statement of Financial Performance as “expenditure for capital asset”. On completion, the total cost of the project is included in the asset register of the department that legally owns the asset or the provincial/national department of public works.

Repairs and maintenance is expensed as current “goods and services” in the Statement of Financial Performance.

## **5. Liabilities**

### **5.1 Voted funds to be surrendered to the Revenue Fund**

Unexpended appropriated funds are surrendered to the Provincial Revenue Fund. Amounts owing to the Provincial Revenue Fund at the end of the financial year are recognised in the Statement of Financial Position.

### **5.2 Departmental revenue to be surrendered to the Revenue Fund**

Amounts owing to the Provincial Revenue Fund at the end of the financial year are recognised in the Statement of Financial Position at cost.

### **5.3 Direct Exchequer receipts to be surrendered to the Revenue Fund**

All direct exchequer fund receipts are recognised in the Statement of Financial Performance when the cash is received.

Amounts received must be surrendered to the relevant revenue fund on receipt thereof. Any amount not surrendered at year end is reflected as a current payable in the Statement of Financial Position.

### **5.4 Payables**

Recognised payables mainly comprise of amounts owing to other governmental entities. These payables are recognised at historical cost in the Statement of Financial Position.

## **5.5 Contingent liabilities**

Contingent liabilities are included in the disclosure notes to the financial statements.

## **5.6 Commitments**

Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance but are included in the disclosure notes.

## **5.7 Accruals**

Accruals are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance but are included in the disclosure notes.

## **5.8 Employee benefits**

Short-term employee benefits that give rise to a present legal or constructive obligation are disclosed in the disclosure notes to the financial statements. These amounts are not recognised in the Statement of Financial Performance or the Statement of Financial Position.

## **5.9 Lease commitments**

Lease commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance but are included in the disclosure notes.

Operating and finance lease commitments are expensed when the payments are made. Assets acquired in terms of finance lease agreements are disclosed in the annexure and disclosure notes to the financial statements.

## **6. Receivables for departmental revenue**

Receivables for departmental revenue are disclosed in the disclosure notes to the annual financial statements.

## **7. Net Assets**

### **Capitalisation reserve**

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 transferred to the Provincial Revenue Fund on disposal, repayment or recovery of such amounts.

**Recoverable revenue**

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.

**8. Related party transactions**

Specific information with regards to related party transactions is included in the disclosure notes.

**9. Key management personnel**

Compensation paid to key management personnel including their family members where relevant, is included in the disclosure notes.

**10. Public private partnerships**

A description of the PPP arrangement, the contract fees and current and capital expenditure relating to the PPP arrangement is included in the disclosure notes.

## 4.18 Appropriation statement

Appropriation per programme									
Appropriate Statement	2008/09							2007/08	
	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
<b>1. Administration</b>									
Current payment	121,468	(152)	-	121,316	116,073	5,243	95.7%	80,899	74,054
Transfers and subsidies	150	135	-	285	285	-	100.0%	-	56
Payment for capital assets	6,306	17	-	6,323	5,416	907	85.7%	4,082	1,947
<b>2. Sustainable Resource Management</b>									
Current payment	50,502	(10)	-	50,492	48,292	2,200	95.6%	40,837	31,370
Transfers and subsidies	10,000	10	-	10,010	10,010	-	100.0%	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	255
<b>3. Asset &amp; Liability Management</b>									
Current payment	59,833	1,051	-	60,884	53,143	7,741	87.3%	39,752	38,701
Transfers and subsidies	645	13	-	658	657	1	99.8%	-	-
Payment for capital assets	7,969	(1,064)	-	6,905	6,540	365	94.7%	-	-
<b>4. Financial Governance</b>									
Current payment	30,592	(110)	-	30,482	26,738	3,744	87.7%	27,319	19,623
Transfers and subsidies	367	110	-	477	477	-	100.0%	-	415
Payment of capital assets	-	-	-	-	-	-	-	101	81
<b>Subtotal</b>	<b>287,832</b>	<b>-</b>	<b>-</b>	<b>287,832</b>	<b>267,631</b>	<b>20,201</b>	<b>93.0%</b>	<b>192,990</b>	<b>166,502</b>
<b>Statutory Appropriation</b>									
Current payment	1,328	-	-	1,328	1,240	88	93.4%	869	869
<b>TOTAL</b>	<b>289,160</b>	<b>-</b>	<b>-</b>	<b>289,160</b>	<b>268,871</b>	<b>20,289</b>	<b>93.0%</b>	<b>193,859</b>	<b>167,371</b>
<b>Reconciliation with Statement of Financial Performance</b>									
<b>ADD:</b>									
Departmental receipts				61,122				153,289	
<b>Actual amounts per statement of financial performance (total revenue)</b>				<b>358,282</b>				<b>347,148</b>	
<b>ADD</b>									
<b>Actual amounts per statement of financial performance (total expenditure)</b>					268,871				167,371

Appropriation per economic classification									
2008/09								2007/08	
	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
<b>Current payments</b>									
Compensation of employees	139,729	1	-	139,730	135,363	4,367	96.9 %	108,592	89,612
Goods and services	122,666	778	-	123,444	108,877	14,576	88.2 %	80,215	70,843
Interest	-	-	-	-	6	(6)	-	-	-
Financial transactions in assets and liabilities	-	-	-	-	-	-	-	-	3,293
<b>Transfers and subsidies</b>									
Provinces and municipalities	10,000	-	-	10,000	10,000	-	100.0 %	-	-
Households	1,162	268	-	1,430	1,429	1	99.9 %	-	726
<b>Payments for capital assets</b>									
Machinery and equipment	14,275	(1,047)	-	13,228	10,814	2,414	81.8 %	4,183	2,028
Software & Intangible Assets	-	-	-	-	1,142	(1,142)	-	-	-
<b>Total</b>	<b>287,832</b>	<b>-</b>	<b>-</b>	<b>287,832</b>	<b>267,631</b>	<b>20,201</b>	<b>93.0%</b>	<b>192,990</b>	<b>166,502</b>

Statutory Appropriation									
2008/09								2007/08	
Direct changes against the Provincial Revenue Fund	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
Member of executive committee	1,328	-	-	1,328	1,240	88	93.4%	869	869
<b>Total</b>	<b>1,328</b>	<b>-</b>	<b>-</b>	<b>1,328</b>	<b>1,240</b>	<b>88</b>	<b>93.4%</b>	<b>869</b>	<b>869</b>

Statutory Appropriation per economic classification									
2008/09								2007/08	
	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
<b>Current payments</b>									
Compensation of employees	1,328	-	-	1,328	1,240	88	93.4%	869	869
<b>Total</b>	<b>1,328</b>	<b>-</b>	<b>-</b>	<b>1,328</b>	<b>1,240</b>	<b>88</b>	<b>93.4%</b>	<b>869</b>	<b>869</b>

### Detail per Programme 1 – Administration

2008/09								2007/08	
Detail per sub-programme	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
<b>1.1 Office of the MEC</b>									
Current payment	2,953	(223)	-	2,730	2,491	239	91.8%	2,021	2,104
<b>1.2 Management Services</b>									
Current payment	52,676	2,676	-	55,352	54,283	1,069	98.1%	35,473	32,503
<b>1.3 Corporate Services</b>									
Current payment	26,399	(1,510)	-	24,889	22,604	2,285	90.8%	14,381	13,408
Transfers and subsidies	-	15		15	15	-	100.0%		
Payment for capital assets	2,100	1,048	-	3,148	2,942	206	93.5%	1,050	1,388
<b>1.4 Financial Management</b>									
Current payment	39,440	(1,095)	-	38,345	36,695	1,650	95.7%	29,024	26,039
Transfers and subsidies	150	120	-	270	270	-	100.0%	-	56
Payment of capital assets	4,206	(1,031)	-	3,175	2,474	701	77.9 %	3,032	559
<b>Total</b>	<b>127,924</b>	<b>-</b>	<b>-</b>	<b>127,924</b>	<b>121,774</b>	<b>6,150</b>	<b>95.2%</b>	<b>84,981</b>	<b>76,057</b>

Appropriation per economic classification									
Economic classification	2008/09							2007/08	
	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
<b>Current payments</b>									
Compensation of employees	44,168	134	-	44,302	43,241	1,061	97.6%	33,660	27,933
Goods and services	77,300	(286)	-	77,014	72,826	4,188	94.6	47,239	46,121
Interest	-	-	-	-	6	(6)	-	-	-
Transfers & subsidies									
Households	150	135	-	285	285	-	100.0%	-	56
<b>Payment for capital assets</b>									
Machinery and equipment	6,306	17	-	6,323	5,416	907	85.8%	4,082	1,947
<b>Total</b>	<b>127,924</b>	<b>-</b>	<b>-</b>	<b>129,924</b>	<b>121,774</b>	<b>6,150</b>	<b>95.2%</b>	<b>84,981</b>	<b>76,057</b>

### Detail per Programme 2 – Sustainable Resource Management

Detail per sub-programme	2008/09							2007/08	
	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
<b>2.1 Programme Support</b>									
Current payment	2,637	(10)	-	2,627	2,421	206	92.2%	1,688	1,509
Transfers and subsidies	-	10	-	10	10	-	100.0%	-	-
<b>2.2 Economic Analysis Unit</b>									
Current payment	1,957	-	-	1,957	1,802	155	92.1%	937	620
<b>2.3 Fiscal Policy Unit</b>									
Current payment	5,324	-	-	5,324	4,893	431	91.9%	6,114	3,941
<b>2.4 Budget Management</b>									
Current payment	11,456	-	-	11,456	11,061	395	96.6%	10,231	6,558
<b>2.5 Public Finance</b>									
Current payment	29,128	-	-	29,128	28,115	1,013	96.5%	21,867	18,742
Transfers and subsidies	10,000	-	-	10,000	10,000	-	100.0%	-	255
<b>Total</b>	<b>60,502</b>	<b>-</b>	<b>-</b>	<b>60,502</b>	<b>58,302</b>	<b>2,200</b>	<b>96.4%</b>	<b>40,837</b>	<b>31,625</b>

Appropriation per economic classification									
2008/09								2007/08	
Economic classification	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual expenditure R'000
<b>Current payments</b>									
Compensation of employees	38,826	(10)	-	38,816	37,613	1,203	96.9%	30,839	24,616
Goods and services	11,676	-	-	11,676	10,679	997	91.5%	9,998	3,461
Financial transactions in assets and liabilities	-	-	-	-	-	-	-	-	3,293
<b>Transfers and subsidies to:</b>									
Provinces and municipalities	10,000	-	-	10,000	10,000	-	100.0%	-	-
Households	-	10	-	10	10	-	100.0%	-	255
<b>Total</b>	<b>60,502</b>	<b>-</b>	<b>-</b>	<b>60,502</b>	<b>58,302</b>	<b>2,200</b>	<b>96.4%</b>	<b>40,837</b>	<b>31,625</b>

### Detail per Programme 3 – Assets and Liability Management

2008/09								2007/08	
Detail per sub-programme	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual expenditure R'000
<b>3.1 Programme Support</b>									
Current payment	1,230	8	-	1,238	1,039	199	83.9%	917	1,162
<b>3.2 Assets Management</b>									
Current payment	44,197	85	-	44,282	38,084	6,198	86.0%	30,262	28,623
Transfers and subsidies	171	13	-	184	184	-	100.0%	-	-
Payment for capital assets	7,969	(1,064)	-	6,905	6,461	444	93.6%	-	-
<b>3.3 Liability Management</b>									
Current payment	4,082	(7)	-	4,075	4,049	26	99.4%	2,924	2,903
Transfers and subsidies	474	-	-	474	473	1	99.8%	-	-
<b>3.4 Financial Systems</b>									
Current payment	10,324	965	-	11,289	9,971	1,318	88.3%	5,649	6,013
Payments of capital assets	-	-	-	-	79	(79)	-	-	-
<b>Total</b>	<b>68,447</b>	<b>-</b>	<b>-</b>	<b>68,447</b>	<b>60,340</b>	<b>8,107</b>	<b>88.2%</b>	<b>39,752</b>	<b>38,701</b>

Appropriation per economic classification									
2008/09								2007/08	
Economic classification	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
<b>Current payments</b>									
Compensation of employees	32,426	(13)	-	32,413	31,283	1,130	96.5%	20,311	20,377
Goods and services	27,407	1,064	-	28,471	21,860	6,611	76.8%	19,441	18,324
<b>Transfers and subsidies to</b>									
Households	645	13	-	658	657	1	99.8%	-	-
<b>Payment for capital assets</b>									
Machinery and equipment	7,969	(1,064)	-	6,905	5,398	1,507	78.2%	-	-
Software & other intangible assets	-	-	-	-	1,142	(1,142)	-	-	-
<b>Total</b>	<b>68,447</b>	<b>-</b>	<b>-</b>	<b>68,447</b>	<b>60,340</b>	<b>8,107</b>	<b>88.2%</b>	<b>39,752</b>	<b>38,701</b>

### Detail per Programme 4 – Financial Governance

2008/09								2007/08	
Detail per sub-programme	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
<b>4.1. Programme Support</b>									
Current payment	555	-	-	555	238	317	42.9%	648	486
<b>4.2. Accounting Services</b>									
Current payment	6,184	(110)	-	6,074	5,100	974	84.0%	5,517	4,125
Transfers and subsidies	367	110	-	477	477	-	100.0%	-	-
<b>4.3. Risk Management</b>									
Current payment	1,837	(301)	-	1,536	1,362	174	88.7%	633	8
<b>4.4. Norms and Standards</b>									
Current payment	4,906	301	-	5,207	5,076	131	97.5%	3,183	2,482
<b>4.5. Provincial Internal Audit</b>									
Current payment	17,110	-	-	17,110	14,962	2,148	87.4%	17,338	12,522
Transfers and subsidies	-	-	-	-	-	-	-	-	415
Payment of capital assets	-	-	-	-	-	-	-	101	81
<b>Total</b>	<b>30,959</b>	<b>-</b>	<b>-</b>	<b>30,959</b>	<b>27,215</b>	<b>3,744</b>	<b>87.9%</b>	<b>27,420</b>	<b>20,119</b>

Appropriation per economic classification									
Economic classification	2008/09							2007/08	
	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
<b>Current payments:</b>									
Compensation of employees	24,309	(110)	-	24,199	23,226	973	96.0%	23,782	16,686
Goods and services	6,283	-	-	6,283	3,512	2,771	55.9%	3,537	2,937
<b>Transfers and subsidies to:</b>									
Households	367	110	-	477	477	-	100.0%	-	415
<b>Payment for capital assets:</b>									
Machinery and equipment	-	-	-	-	-	-	-	101	81
<b>Total</b>	<b>30,959</b>	<b>-</b>	<b>-</b>	<b>30,959</b>	<b>27,215</b>	<b>3,744</b>	<b>87.9%</b>	<b>27,420</b>	<b>20,119</b>

## Notes to the Appropriation Statement

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

Detail of these transactions can be viewed in note 8 (Transfers and subsidies) and Annexure 1 (A-B) 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 financial transactions in assets and liabilities

Detail of these transactions per programme can be viewed in note 7 (Financial transactions in assets and liabilities) to the Annual Financial Statements.

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

4.1 Per Programme	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000 R'000	Variance as a % of Final Appropriation %
Administration	129,252	123,014	6,238	4,9%
Sustainable Resources	60,502	58,302	2,200	3,6%
Assets and Liability Management	68,447	60,340	8,107	11,8%
Financial Governance	30,959	27,215	3,744	12,1%
<b>Total</b>	<b>289,160</b>	<b>268,871</b>	<b>20,289</b>	<b>7,0%</b>

4.2 Per Economic classification	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000 R'000	Variance as a % of Final Appropriation %
<b>Current payments:</b>				
Compensation of employees	141,057	136,603	4,455	3,2%
Goods and services	123,444	108,877	14,567	11,8%
Interest	-	6	(6)	(100%)
<b>Transfers and subsidies:</b>				
Provinces and municipalities	10,000	10,000	-	-
Households	1,430	1,429	1	0,1%
<b>Payments for capital assets:</b>				
Machinery and equipment	13,228	10,814	2,414	18,2%
Software and other intangible Assets	-	1,142	(1,142)	(100%)
<b>Total</b>	<b>289,160</b>	<b>268,871</b>	<b>20,289</b>	<b>7,0%</b>

## **Programme 1- Administration**

### **Compensation of employees**

Variance: R 1,149 million

The variance is due to the challenges with the recruitment process resulting in delays in the filling of vacant posts.

### **Goods and Services**

Variance: R4,197 million

Services for March 2009 with respect to PFSA were invoiced in May 2009. There were delays in procurement process for the Electronic Document Management Systems.

Machinery and Equipment

Variance: R 898 thousand

Due to the delays in the procurement process as orders for furniture will be issued in the next financial year.

## **Programme 2 – Sustainable Resources Management**

### **Compensation of employees**

Variance: R 1,203 million

The variance is due to the challenges with the recruitment process resulting in delays in the filling of vacant post.

### **Goods and Services**

Variance: R 997 thousand

The variance is caused by retention fees on the Municipality Viability and Revenue Studies that have not yet been released.

## **Programme 3 – Assets and Liability Management**

### **Compensation of Employees**

Variance: R1,130 million

The variance is due to the challenges with the recruitment process resulting in delay in the filing of vacant post.

### **Good and Services**

Variance: R 6,611 million

The variance is caused by the delays in the implementation of the Centralised Electronic Supplier Database.

### **Payment for Capital Assets**

Variance: R 365 thousand

The variance is due to the delays in the procurement of the equipment for the Centralised Electronic Supplier Database

### **Programme 4 – Financial Governance**

#### **Compensation of employees**

Variance: R 973 thousand

The variance is due to the challenges with the recruitment process resulting in delays in the filling of vacant posts.

#### **Goods and Services**

Variance: R 2,771 million

The delays in the completion of the bids for the performance Audit of SIAS.

## 4.19 Statement of Financial Performance

	Note	2008/09 R'000	2007/08 R'000
<b>REVENUE</b>			
Annual appropriation	1	287,832	192,990
Statutory appropriation	2	1,328	869
Departmental revenue	3	69,122	153,289
<b>TOTAL REVENUE</b>		<b>358,282</b>	<b>347,148</b>
<b>EXPENDITURE</b>			
<b>Current expenditure</b>			
Compensation of employees	4	136,603	90,481
Goods and services	5	108,878	70,843
Interest and rent on land	6	6	
Financial transactions in assets and liabilities	7	-	3,293
Unauthorised expenditure approved without funding			
<b>Total current expenditure</b>		245,487	164,617
<b>Transfers and subsidies</b>		11,428	726
Transfers and subsidies	8	11,428	726
<b>Expenditure for capital assets</b>			
Tangible capital assets	9	10,814	2,028
Software and other intangible assets	9	1,142	-
<b>Total expenditure for capital assets</b>		11,965	2,028
<b>TOTAL EXPENDITURE</b>		<b>268,871</b>	<b>167,371</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>89,411</b>	<b>179,777</b>
<b>Reconciliation of Net Surplus/(Deficit) for the year</b>			
Voted funds		20,289	26,488
Departmental revenue	16	69,122	153,289
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>89,411</b>	<b>179,777</b>

## 4.20 Statement of Financial Position

	<i>Note</i>	2008/09 R'000	2007/08 R'000
<b>ASSETS</b>			
<b>Current assets</b>		54,502	97,867
Unauthorised expenditure	10	7,605	7,605
Fruitless and wasteful expenditure	11	14,195	14,195
Cash and cash equivalents	12	252	20,618
Prepayments and advances	13	12	83
Receivables	14	32,438	55,366
<b>TOTAL ASSETS</b>		<b>54,502</b>	<b>97,867</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		54,502	97,867
Voted funds to be surrendered to the Revenue Fund	15	32,315	48,090
Departmental revenue to be surrendered to the Revenue Fund	16	21,710	45,840
Payables	17	477	3,937
<b>TOTAL LIABILITIES</b>		<b>54,502</b>	<b>97,867</b>
<b>NET ASSETS</b>		<b>-</b>	<b>-</b>

## 4.21 Cash Flow Statement

	<i>Note</i>	2008/09	2007/08
		R'000	R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
		647,442	679,123
Annual appropriated funds received	1.1	287,832	191,549
Statutory appropriated funds received	2	1,328	869
Departmental revenue received	3	<u>358,282</u>	<u>486,705</u>
Net (increase)/decrease in working capital		19,539	6,449
Surrendered to Revenue Fund		(418,476)	(469,622)
Current payments		(245,487)	(164,617)
Transfers and subsidies paid		<u>(11,428)</u>	<u>(726)</u>
<b>Net cash flow available from operating activities</b>	<b>18</b>	<b><u>(8,410)</u></b>	<b><u>50,607</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for capital assets	9	<u>(11,956)</u>	<u>(2,028)</u>
<b>Net cash flows from investing activities</b>		<u>(11,956)</u>	<u>(2,028)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase/(decrease) in net assets		<u>-</u>	<u>-</u>
<b>Net cash flows from financing activities</b>		<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		(20,366)	48,579
Cash and cash equivalents at the beginning of the period		20,618	(27,961)
<b>Cash and cash equivalents at end of period</b>	<b>12</b>	<b><u>252</u></b>	<b><u>20,618</u></b>

## 4.22 Notes to the Annual Financial Statements

### 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 Appropriation R'000	Actual Funds Received R'000	Funds not requested/ not received R'000	Appropriation received 2007/08 R'000
Administration Sustainable Resources	127,924	127,924	-	84,981
Assets & Liability Financial Governance	60,502	60,502	-	40,837
	68,447	68,447	-	39,752
	30,959	30,959	-	25,979
	-	-	-	-
<b>Total</b>	<b>287,832</b>	<b>287,832</b>	<b>-</b>	<b>191,549</b>

### 2. Statutory Appropriation

	2008/09 R'000	2007/08 R'000
Member of executive committee/parliamentary officers	1,328	869
<b>Total</b>	<b>1,328</b>	<b>869</b>
Actual Statutory Appropriation received	<b>1,328</b>	<b>869</b>

### 3. Departmental revenue

Tax revenue			
Sales of goods and services other than capital assets	3.1	128	114
Interest, dividends and rent on land	3.2	357,495	486,323
Financial transactions in assets and liabilities	3.3	659	268
Total revenue collected		<b>358,282</b>	<b>486,705</b>
Less: Own revenue included in appropriation		289,160	333,416
<b>Departmental revenue collected</b>		<b>69,122</b>	<b>153,289</b>

#### 3.1 Sales of goods and services other than capital assets

Sales of goods and services produced by the department	125	114
Other sales	125	114
Sales of scrap, waste and other used current goods	3	-
<b>Total</b>	<b>128</b>	<b>114</b>

### 3.2 Interest, dividends and rent on land

	Note	2008/09 R'000	2007/08 R'000
Interest		357,495	486,323
<b>Total</b>		<b>357,495</b>	<b>486,323</b>

### 3.3 Financial transactions in assets and liabilities

Receivables		82	40
Other Receipts including Recoverable Revenue		577	228
<b>Total</b>		<b>659</b>	<b>268</b>

## 4. Compensation of employees

### 4.1 Salaries and Wages

Basic salary		93,067	61,982
Performance award		1,797	782
Service Based		757	400
Compensative/circumstantial		485	381
Other non-pensionable allowances		25,257	16,221
<b>Total</b>		<b>121,363</b>	<b>79,766</b>

### 4.2 Social contributions

#### Employer contributions

Pension		11,508	7,730
Medical		3,719	2,974
Bargaining council		13	11
<b>Total</b>		<b>15,240</b>	<b>10,715</b>

#### Total compensation of employees

		<b>136,603</b>	<b>90,481</b>
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Average number of employees		496	431
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## 5. Goods and Services

Administrative fees		72	59
Advertising		1,002	1,224
Assets less than R5,000	5.1	1,277	876
Bursaries (employees)		2,418	747
Catering		737	783
Communication		6,534	4,249
Computer Services	5.2	628	-
Consultants, contractors and agency/outsourced services	5.3	71,440	41,833

<b>Goods and services (cont.)</b>	<i>Note</i>	<b>2008/09</b>	<b>2007/08</b>
		<b>R'000</b>	<b>R'000</b>
Entertainment		341	264
Audit cost – external	5.4	3,054	3,088
Inventory	5.5	4,563	3,344
Maintenance, repairs and running costs		653	500
Operating leases		3,953	2,458
Owned and leasehold property expenditure	5.6	1,408	1,361
Travel and subsistence	5.7	5,959	5,727
Venues and facilities		1,474	894
Training and staff development		992	921
Other operating expenditure	5.8	2,373	2,515
<b>Total</b>		<b>108,878</b>	<b>70,843</b>

### 5.1 Assets less than R5,000

#### Tangible assets

Machinery and equipment		1,277	876
<b>Total</b>		<b>1,277</b>	<b>876</b>

### 5.2 Computer Services

#### Computer Services

External Computer Service Providers		628	-
<b>Total</b>		<b>628</b>	<b>-</b>

### 5.3 Consultants, contractors and agency/outsourced services

Business and advisory services		70,917	39,246
Legal costs		523	-
Agency and support/outsourced services		-	2,587
<b>Total</b>		<b>71,440</b>	<b>41,833</b>

### 5.4 Audit cost – External

Regularity audits		3,054	3,088
<b>Total</b>		<b>3,054</b>	<b>3,088</b>

### 5.5 Inventory

Other consumable materials		52	1,449
Stationery and printing		4,511	1,422
<b>Total</b>		<b>4,563</b>	<b>2,871</b>

## 5.6 Owned and leasehold property expenditure

	Note	2008/09 R'000	2007/08 R'000
Other		1,408	1,361
<b>Total</b>		<b>1,408</b>	<b>1,361</b>

## 5.7 Travel and subsistence

Local		5,852	5,135
Foreign		107	592
<b>Total</b>		<b>5,959</b>	<b>5,727</b>

## 5.8 Other operating expenditure

Professional bodies, membership and subscription fees		15	16
Resettlement costs		2,302	2,499
Other		56	-
<b>Total</b>		<b>2,373</b>	<b>2,515</b>

## 6. Interest

Interest paid		6	-
<b>Total</b>		<b>6</b>	<b>-</b>

## 7. Financial transactions in assets and liabilities

Debts written off	7.1	-	3,293
<b>Total</b>		<b>-</b>	<b>3,293</b>

### Debts written off

#### Nature of debts written off

Transfer to debts written off		-	3,293
<b>Total</b>		<b>-</b>	<b>3,293</b>

## 8. Transfers and subsidies

Provinces and municipalities	Annex 1A	10,000	-
Households	Annex 1B	1,428	726
<b>Total</b>		<b>11,428</b>	<b>726</b>

## 9. Expenditure for capital assets

	<i>Note</i>	<b>2008/09</b> <i>R'000</i>	<b>2007/08</b> <i>R'000</i>
<b>Tangible assets</b>		<b>10,814</b>	<b>2,028</b>
Machinery and equipment		10,814	2,028
<b>Software and other intangible assets</b>		<b>1,142</b>	<b>-</b>
Computer software		1,142	-
<b>Total</b>		<b>11,965</b>	<b>2,028</b>

### 9.1 Analysis of funds utilised to acquire capital assets – 2008/09

	<b>Voted funds</b> <i>R'000</i>	<b>Aid assistance</b> <i>R'000</i>	<b>Total</b> <i>R'000</i>
<b>Tangible assets</b>	<b>10,814</b>		<b>10,823</b>
Machinery and equipment	10,814	-	10,823
<b>Software &amp; Intangible Assets</b>	<b>1,142</b>		<b>1,142</b>
Computer Software	1,142	-	1,142
<b>Total</b>	<b>11,965</b>	<b>-</b>	<b>11,965</b>

### 9.2 Analysis of funds utilised to acquire capital assets – 2007/08

	<b>Voted funds</b> <i>R'000</i>	<b>Aid assistance</b> <i>R'000</i>	<b>Total</b> <i>R'000</i>
<b>Total assets acquired</b>	<b>2,028</b>	<b>-</b>	<b>2,028</b>

## 10. Unauthorised expenditure

### 10.1 Reconciliation of unauthorised expenditure

Opening balance	7,605	32,168
Unauthorised expenditure – discovered in current year	-	-
Less: Amounts approved by Parliament/Legislature (with funding)	-	(24,563)
<b>Unauthorised expenditure awaiting authorisation</b>	<b>7,605</b>	<b>7,605</b>
<b>Analysis of awaiting authorisation per economic classification</b>		
Current	7,605	7,605
<b>Total</b>	<b>7,605</b>	<b>7,605</b>

## 11. Fruitless and wasteful expenditure

### 11.1 Reconciliation of fruitless and wasteful expenditure

	<i>Note</i>	<b>2008/09</b> <i>R'000</i>	<b>2007/08</b> <i>R'000</i>
Opening balance		14,195	14,195
<b>Fruitless and wasteful expenditure awaiting condonement</b>		<b>14,195</b>	<b>14,195</b>
<b>Analysis of awaiting condonement per economic classification</b>			
Current		14,195	14,195
<b>Total</b>		<b>14,195</b>	<b>14,195</b>

## 12. Cash and cash equivalents

Consolidated Paymaster General Account	247	20,616
Cash receipts	3	-
Cash on hand	2	2
<b>Total</b>	<b>252</b>	<b>20,618</b>

## 13. Prepayments and advances

Travel and subsistence	12	83
<b>Total</b>	<b>12</b>	<b>83</b>

## 14. Receivables

	<i>Note</i>	2008/09			2007/08	
		<i>R'000</i> Less than one year	<i>R'000</i> One to three years	<i>R'000</i> Older than three years	<i>R'000</i> Total	<i>R'000</i> Total
Claims recoverable	14.1 <i>Annex 4</i>	31,120	904		32,024	55,121
Staff debt	14.2	40	-	-	40	8
Other debtors	14.3	246	63	65	374	237
<b>Total</b>		<b>31,406</b>	<b>967</b>	<b>65</b>	<b>32,438</b>	<b>55,366</b>

### 14.1 Claims recoverable

National departments	14	-
Provincial departments	32,010	55,121
<b>Total</b>	<b>32,024</b>	<b>55,121</b>

## 14.2 Staff debt

	Note	2008/09 R'000	2007/08 R'000
Private Telephone		40	8
<b>Total</b>		<b>40</b>	<b>8</b>

## 14.3 Other debtors

Debt Account	315	158
Income tax debt	24	17
Salary Reversal Account	34	52
Salary Deduction Disallowance	-	7
Salary medical Aid	1	2
Salary Financial Institution Study Loan	-	1
<b>Total</b>	<b>374</b>	<b>237</b>

## 15. Voted funds to be surrendered to the Revenue Fund

Opening balance	48,090	23,043
Transfer from statement of financial performance	20,289	26,488
Voted funds not requested/not received	-	(1441)
Paid during the year	(36,064)	-
<b>Closing balance</b>	<b>32,315</b>	<b>48,090</b>

## 16. Departmental revenue to be surrendered to the Revenue Fund

Opening balance	45,840	28,757
Transfer from Statement of Financial Performance	69,122	153,289
Own revenue included in appropriation	289,160	333,416
Paid during the year	(382,412)	(469,622)
<b>Closing balance</b>	<b>21,710</b>	<b>45,840</b>

## 17. Payables – current

Description	Note	30 Days	30+ Days	2008/09 Total	2007/08 Total
Amounts owing to other entities	<i>Annex</i>				
	5	-	6	6	40
Clearing accounts	17.1	-	383	383	76
Other payables	17.2	-	88	88	3,821
<b>Total</b>		<b>-</b>	<b>477</b>	<b>477</b>	<b>3,937</b>

### 17.1 Clearing accounts

	Note	2008/09 R'000	2007/08 R'000
Sal: Pension Fund CL		4	64
Sal: Income Tax		379	4
Sal: Disallowance Account		-	3
Sal: ACB Recall		-	5
<b>Total</b>		<b>383</b>	<b>76</b>

### 17.2 Other payables

Disallowance Miscellaneous	-	3
Receivable income	88	36
Telephone Control	-	3,782
<b>Total</b>	<b>88</b>	<b>3,821</b>

### 18. Net cash flow available from operating activities

Net surplus/(deficit) as per Statement of Financial Performance	89,411	179,777
Add back non cash/cash movements not deemed operating activities	(97,821)	(129,170)
(Increase)/decrease in receivables – current	22,928	(21,658)
(Increase)/decrease in prepayments and advances	71	(83)
(Increase)/decrease in other current assets	-	24,563
Increase/(decrease) in payables – current	(3,460)	3,627
Expenditure on capital assets	11,956	2,028
Surrenders to Revenue Fund	(418,476)	(469,622)
Voted funds not requested/not received	-	(1,441)
Own revenue included in appropriation	289,160	-
Other non-cash items	-	333,416
<b>Net cash flow generated by operating activities</b>	<b>(8,410)</b>	<b>50,607</b>

### 19. Reconciliation of cash and cash equivalents for cash flow purposes

Consolidated Paymaster General account	247	20,616
Cash receipts	3	-
Cash on hand	2	2
<b>Total</b>	<b>252</b>	<b>20,618</b>

## 20. Contingent liabilities

		Note	2008/09 R'000	2007/08 R'000
<b>Liable to</b>	<b>Nature</b>			
Motor vehicle guarantees	Employees	Annex 2A	266	-
Housing loan guarantees	Employees	Annex 2A	115	290
Other guarantees			-	-
Claims against the department		Annex 3A	5,575	12,871
<b>Total</b>			<b>5,956</b>	<b>13,161</b>

## 21. Commitments

<b>Current expenditure</b>			
Approved and contracted		12,815	34,232
		<u>12,815</u>	<u>34,232</u>
<b>Capital expenditure</b>			
Approved and contracted		295	-
		<u>295</u>	<u>-</u>
<b>Total Commitments</b>		<b>13,110</b>	<b>34,232</b>

## 22. Accruals

			2008/09 R'000	2007/08 R'000
<b>Listed by economic classification</b>	<b>30 Days</b>	<b>30+ Days</b>	<b>Total</b>	<b>Total</b>
Compensation of employees	-	-	-	-
Goods and services	4,332	2,427	6,759	8,080
Machinery and equipment	-	59	59	107
<b>Total</b>	<b>4,332</b>	<b>2,486</b>	<b>6,818</b>	<b>8,187</b>

### Listed by programme level

Administration	4,986	5,549
Sustainable Resources Management	112	1,613
Assets and Liability Management	256	1,015
Financial Governance	1,464	10
<b>Total</b>	<b>6,818</b>	<b>8,187</b>

Confirmed balances with other departments	Annex 5	25	666
<b>Total</b>		<b>25</b>	<b>666</b>

## 23. Employee benefits

	<i>Note</i>	<b>2008/09</b>	<b>2007/08</b>
		<b>R'000</b>	<b>R'000</b>
Leave entitlement		4,688	6,143
Thirteenth cheque		3,413	2,808
Performance awards		6,413	4,984
Capped leave commitments		21,035	19,098
<b>Total</b>		<b><u>35,549</u></b>	<b><u>33,033</u></b>

## 24. Lease commitments

### 24.1 Operating leases expenditure

	<b>Motor Vehicles</b>	<b>Machinery and equipment</b>	<b>Total</b>
<b>2008/09</b>			
Not later than 1 year	1,901	1,294	3,195
Later than 1 year and not later than 5 years	-	1,462	1,462
<b>Total lease commitments</b>	<b><u>1,901</u></b>	<b><u>2,756</u></b>	<b><u>4,657</u></b>

	<b>Motor Vehicles</b>	<b>Machinery and equipment</b>	<b>Total</b>
<b>2007/08</b>			
Not later than 1 year	1,087	1,228	2,315
Later than 1 year and not later than 5 years	470	850	1,320
<b>Total lease commitments</b>	<b><u>1,557</u></b>	<b><u>2,078</u></b>	<b><u>3,635</u></b>

### 24.2 Finance leases expenditure

	<b>Cell phone</b>	<b>Total</b>
<b>2008/09</b>		
Not later than 1 year	495	495
Later than 1 year and not later than 5 years	119	119
Later than five years	-	-
<b>Total lease commitments</b>	<b><u>614</u></b>	<b><u>614</u></b>
LESS: finance costs	-	-
<b>Total present value of lease liabilities</b>	<b><u>614</u></b>	<b><u>614</u></b>

	<b>Cell phone</b>	<b>Total</b>
<b>2007/08</b>		
Not later than 1 year	92	92
Later than 1 year and not later than 5 years	28	28
Later than five years	-	-
<b>Total lease commitments</b>	<b><u>120</u></b>	<b><u>120</u></b>
LESS: finance costs	-	-
<b>Total present value of lease liabilities</b>	<b><u>120</u></b>	<b><u>120</u></b>

## 25. Irregular expenditure

### 25.1 Reconciliation of irregular expenditure

	<i>Note</i>	<b>2008/09</b>	<b>2007/08</b>
		<i>R'000</i>	<i>R'000</i>
Opening balance		12,918	12,918
Add: Irregular expenditure – relating to prior year			
<b>Irregular expenditure awaiting condonation</b>		<b>12,918</b>	<b>12,918</b>
<b>Analysis of awaiting condonation per age classification</b>			
Prior years		12,918	12,918
<b>Total</b>		<b>12,918</b>	<b>12,918</b>

### 25.2 Details of irregular expenditure – prior year

<b>Incident</b>	<b>Disciplinary steps taken/criminal proceedings</b>	<b>2008/09</b>
		<i>R'000</i>
Overspending personnel exp.	Under investigation	5,250
Payment to RIDA	Under investigation	7,668
<b>Total</b>		<b>12,918</b>

### 25.3 Reconciliation of fruitless and wasteful expenditure

	<i>Note</i>	<b>2008/09</b>
		<i>R'000</i>
Fruit and wasteful expenditure-relating to current year		137
Fruitless and wasteful expenditure awaiting condonement		137
<b>Analysis of awaiting condonation per age classification</b>		
Current		137
<b>Total</b>		<b>137</b>

### 25.4 Analysis of Current Year's Fruitless and wasteful expenditure

<b>Incident</b>	<b>Disciplinary steps taken/criminal proceedings</b>	<b>2008/09</b>
		<i>R'000</i>
Interest to be paid to GEPP for late payment.	Under investigation	6
Interest to be paid to Fleet Africa for late payment.	Under investigation	131
<b>Total</b>		<b>137</b>

## 26. Key management personnel

	No. of Individuals	2008/09 <i>R'000</i>	2007/08 <i>R'000</i>
Political office bearers (provide detail below)	1	1,240	869
Officials:			
Level 15 to 16	4	5,694	3,207
Level 14 (incl. CFO if at a lower level)	11	6,574	6,150
Family members of key management personnel	2	479	465
<b>Total</b>		<b>13,987</b>	<b>10,691</b>

## 27. Provisions

Staff debtors	15	-
Other debtors	32	-
Claims recoverable	174	166
<b>Total</b>	<b>221</b>	<b>166</b>

## 28. Movable Tangible Capital Assets

### MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2009

	Opening balance <i>R'000</i>	Curr Year Adjustments to prior year balances <i>R'000</i>	Additions <i>R'000</i>	Disposals <i>R'000</i>	Closing Balance <i>R'000</i>
<b>MACHINERY AND EQUIPMENT</b>	<b>13,100</b>	<b>-</b>	<b>10,814</b>	<b>2,158</b>	<b>21,756</b>
Computer equipment	10,594	-	8,340	2,158	16,776
Furniture and office equipment	-	-	2,474	-	2,474
Other machinery and equipment	2,506	-	-	-	2,506
<b>TOTAL MOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>13,100</b>	<b>-</b>	<b>10,814</b>	<b>2,158</b>	<b>21,756</b>

## 28.1 Additions

### ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2009

	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
<b>MACHINERY AND EQUIPMENT</b>	<b>10,814</b>				<b>10,814</b>
Transport assets					
Computer equipment	8,340	-	-	-	8,340
Furniture and office equipment	2,474	-	-	-	2,474
Other machinery and equipment		-	-	-	
<b>TOTAL ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>10,814</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,814</b>

## 28.2 Disposals

### DISPOSALS OF MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2009

	Sold for cash	Transfer out or destroyed or scrapped	Total disposals	Cash Received Actual
	R'000	R'000	R'000	R'000
<b>MACHINERY AND EQUIPMENT</b>	<b>-</b>	<b>2,158</b>	<b>2,158</b>	
Computer equipment	-	2,158	2,158	-
<b>TOTAL DISPOSAL OF MOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>-</b>	<b>2,158</b>	<b>2,158</b>	<b>-</b>

### 28.3 Movement for 2007/08

#### MOVEMENT IN MOVALE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2008

	Opening balance	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000
<b>MACHINERY AND EQUIPMENT</b>	<b>10,065</b>	<b>3,035</b>	-	<b>13,100</b>
Computer equipment	8,325	2,269	-	10,594
Other machinery and equipment	1,740	766	-	2,506
<b>TOTAL MOVABLE TANGIBLE ASSETS</b>	<b>10,065</b>	<b>3,035</b>	-	<b>13,100</b>

### 28.4 Minor assets

#### MINOR ASSETS OF THE DEPARTMENT FOR THE YEAR ENDED 31 MARCH 2009

	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
	R'000	R'000	R'000	R'000	R'000
Minor assets	-	-	879	-	879
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>879</b>	<b>-</b>	<b>879</b>

	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
Number of minor assets	-	-	445	-	445
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>445</b>	<b>-</b>	<b>445</b>

## 29. Intangible Capital Assets

#### MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2009

	Opening balance	Current Year Adjustments to prior year balances	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
<b>COMPUTER SOFTWARE</b>	<b>2,099</b>	-	<b>1,142</b>	-	<b>3,241</b>
<b>TOTAL INTANGIBLE CAPITAL ASSETS</b>	<b>2,099</b>	<b>-</b>	<b>1,142</b>	<b>-</b>	<b>3,241</b>

## 29.1 Additions

### ADDITIONS TO INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2009

	Cash	Non-Cash	(Development work in progress – current costs)	Received current year, not paid (Paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
COMPUTER SOFTWARE	1,142	-	-	-	1,142
<b>TOTAL ADDITIONS TO INTANGIBLE CAPITAL ASSETS</b>	<b>1,142</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,142</b>

## 29.2 Movement for 2007/08

### MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2008

	Opening balance	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000
CAPITALISED DEVELOPMENT COSTS	2,008	91	-	2,099
<b>TOTAL</b>	<b>2,008</b>	<b>91</b>	<b>-</b>	<b>2,099</b>

ANNEXURE 1A TO THE ANNUAL FINANCIAL STATEMENTS

STATEMENT OF UNCONDITIONAL GRANTS AND TRANSFERS TO MUNICIPALITIES

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER		SPENT			2007/08
	Amount	Roll-Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	Total Available
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	R'000
Blue Crane Route					679		679	679		
Elundini					142		142	142		
Engcobo					99		99	99		
Gariep					468		468	468		
Great Kei					49		49	49		
Ikwezi					58		58	58		
Inkwanca					148		148	148		
Inxuba Yethemba					206		206	206		
King Sabata Dalindyebo					224		224	224		
Kouga					389		389	389		
Koukamma					251		251	251		
Makana					592		592	592		
Mbizana					626		626	626		
Mhlontlo					22		22	22		
Mnquma					201		201	201		
Ngqushwa					101		101	101		
Nkonkobe					217		217	217		
Ntabankulu					435		435	435		
Nxube					1,094		1,094	1,094		
Nyandeni					55		55	55		
Port St Johns					1,027		1,027	1,027		
Qaukeni					477		477	477		
Sakisizwe					244		244	244		
Senqu					25		25	25		
Sundays River Valley					560		560	560		
Umzimvubu					180		180	180		
Alfred Nzo					483		483	483		
Ukhahlamba					948		948	948		
<b>Total</b>					<b>10,000</b>		<b>10,000</b>	<b>10,000</b>		

**ANNEXURE 1B TO THE ANNUAL FINANCIAL STATEMENTS  
STATEMENT OF TRANSFER TO HOUSEHOLDS**

	TRANSFER ALLOCATION			EXPENDITURE		2006/07 Final Appropriation Act R'000
	Adjusted Appropriation Act R'000	Roll-Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	
<b>HOUSEHOLDS</b>						
<b>Transfers</b>						
Payment of leave gratuity	-	-	-	-	1,428	(100%)
<b>Total</b>	-	-	-	-	<b>1,428</b>	<b>(100%)</b>
						<b>726</b>

**ANNEXURE 2A TO THE ANNUAL FINANCIAL STATEMENTS  
STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2009 – LOCAL**

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount R'000	Opening balance 1 April 2008 R'000	Guarantees draw downs during the year R'000	Guarantees cancelled/ released during the year R'000	Guarantees repayments/ reduced/ during the year R'000	Revaluations R'000	Closing balance 31 March 2009 R'000	Guaranteed interest for year ended 31 March 2009 R'000	Realised losses not recoverable i.e. claims paid out R'000
	<b>Motor vehicles</b>									
Standard Bank	Motor vehicle	271	-	271	-	5	-	266	-	-
	<b>Subtotal</b>	<b>271</b>	<b>-</b>	<b>271</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>266</b>	<b>-</b>	<b>-</b>
	<b>Housing</b>									
Absa	Housing	-	89	-	-	37	-	52	-	-
First Rand Bank	Housing	-	187	22	-	146	-	63	-	-
Nedbank	Housing	-	14	-	-	14	-	-	-	-
	<b>Subtotal</b>	<b>-</b>	<b>290</b>	<b>22</b>	<b>-</b>	<b>197</b>	<b>-</b>	<b>115</b>	<b>-</b>	<b>-</b>
<b>Total</b>		<b>271</b>	<b>290</b>	<b>293</b>	<b>-</b>	<b>202</b>	<b>-</b>	<b>381</b>	<b>-</b>	<b>-</b>

**ANNEXURE 3A TO THE ANNUAL FINANCIAL STATEMENTS**

**STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2009**

Nature of Liability	Opening Balance	Liabilities incurred during the year	Liabilities paid/ cancelled/ reduced during the year	Liabilities recoverable	Closing Balance
	01/04/2008 R'000	R'000	R'000	R'000	31/03/2009 R'000
<b>Claims against the department</b>					
Litigations	-	2,503	-	-	2,503
Eastern Cape Development Corporation	3,072	-	-	-	3,072
South African Revenue Services	423	-	423	-	-
Department of Justice	250	-	250	-	-
Browde Commission / HROPT	9,126	-	9,126	-	-
	<b>12,871</b>	<b>2,503</b>	<b>9,799</b>	<b>-</b>	<b>5,575</b>
<b>Total</b>	<b>12,871</b>	<b>2,503</b>	<b>9,799</b>	<b>-</b>	<b>5,575</b>

**ANNEXURE 4 TO THE ANNUAL FINANCIAL STATEMENTS**

**CLAIMS RECOVERABLE**

Government Entity	Confirmed balance outstanding		Unconfirmed balance outstanding			
	31/03/2009 R'000	31/03/2008 R'000	31/03/2009 R'000	31/03/2008 R'000	31/03/2009 R'000	31/03/2008 R'000
<b>Departments</b>						
Agriculture & Land Affairs	214	367	368	-	582	367
Economic Affairs, Environment & Tourism	(17)	99	-	-	(17)	99
Education	331	67	-	179	331	246
Health	8,457	6,565	-	-	8,457	6,565
Housing, Local Government & Traditional Leaders		952	52	-	52	952
Office of the Premier	395	282	-	-	395	282
Provincial Legislature	-	-	7	7	7	7
Public Works	302	195	-	-	302	195
Safety & Security	126	48	-	-	126	48
Social Development	-	358	71	-	71	358
Provincial Protection	-	-	100	100	100	100
SASSA	17	-	-	-	17	-
The Presidency	14	-	-	-	14	-
Mpumalanga: Dept of Finance	10	-	-	-	10	-
Provincial Revenue Fund	21,479	-	-	-	21,479	-
<b>Sub total</b>	<b>31,328</b>	<b>8,933</b>	<b>598</b>	<b>286</b>	<b>31,926</b>	<b>9,219</b>
<b>Other Government Entities</b>						
SITA	3	10	-	-	3	10
MTN	95	-	-	-	95	-
<b>Sub total</b>	<b>98</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>98</b>	<b>10</b>
<b>Total</b>	<b>31,426</b>	<b>8,943</b>	<b>598</b>	<b>286</b>	<b>32,024</b>	<b>9,229</b>

**ANNEXURE 5 TO THE ANNUAL FINANCIAL STATEMENTS  
INTER-GOVERNMENT PAYABLES**

GOVERNMENT ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/03/2009	31/03/2008	31/03/2009	31/03/2008	31/03/2009	31/03/2008
	R'000	R'000	R'000	R'000	R'000	R'000
<b>DEPARTMENTS</b>						
<b>Current</b>						
Western Cape Province:	-					
Department of Public Works		20	-	-	-	20
KZN Provincial Treasury	-	9	-	-	-	9
Free State: Public Works	-	11	-	-	-	11
					-	-
<b>Subtotal</b>	-	40	-	-	-	40
<b>Included in accruals</b>						
Department of Justice	-	118			-	118
Department of Education	-	505	-	-	-	505
SAPS	-	3	-	-	-	3
Western Cape: Provincial Treasury	17	-	-	-	17	-
SASSA	4	-	-	-	4	-
Office of The Premier	4	-	-	-	4	-
<b>Subtotal</b>	25	626	-	-	25	626
<b>Total</b>	<b>25</b>	<b>666</b>	<b>-</b>	<b>-</b>	<b>25</b>	<b>666</b>

## 5. HUMAN RESOURCE MANAGEMENT

### 5.1 Service Delivery

All departments are required to develop a Service Delivery Improvement (SDI) Plan. The following tables reflect the components of the SDI plan as well as progress made in the implementation of the plans.

*Table 5.1.1 – Main services provided and standards*

Main services	Actual customers	Potential customers	Standard of service	Actual achievement against standards
Budget Planning	Provincial Departments	Municipalities	<ul style="list-style-type: none"> <li>Assistance with budget processes shall be provided to Departments throughout the financial year.</li> <li>Budget submissions from Departments shall be evaluated and feedbacks given within 30 working days on the extent to which these conform to Treasury guidelines.</li> </ul>	Assistance provided, budget submissions evaluated, and feedback given.
Financial Management Training	Provincial Departments	Municipalities	Provincial Treasury shall facilitate the identification of training needs for public finance management officials within all provincial departments throughout the year.	Training needs identified and training provided.
Monitor monthly expenditure (IYM)	Provincial Departments	Municipalities	The Monthly expenditure of Departments shall be monitored and advice given accordingly within 5 working days of submission of reports	Monthly expenditure of departments monitored and advice given accordingly.
Ensure compliance with SCM regulations and instructions	Provincial Departments	Municipalities	An analysis of Supply Chain Management reports from Departments shall be done monthly to ensure compliance with SCM regulations and instructions, and feedback given to them within 10 working days.	SCM reports analysed and feedback provided to departments.
Monitor infrastructure spending	Provincial Departments		Provincial Treasury shall analyse departmental infrastructure monthly reports to ensure proper spending of the infrastructure budget	Monthly infrastructure reports analysed and feedback provided
Assist municipalities on budget processes	Municipalities		Provincial Treasury shall deploy fulltime financial management officers at all municipalities throughout the province to assist with budget processes	Financial Management officers were deployed for all municipalities and assistance provided

**Table 5.1.2 – Consultation arrangements with customers**

Type of arrangement	Actual Customers	Potential Customers	Actual achievements
CFO Forum	CFO's from all departments	Relevant Senior Managers	Regular CFO forums
Budget Hearings & Reviews	Accounting Officers	CFO's and relevant Senior Managers	Budget in compliance with National Guidelines
Municipal Budget Reviews	Municipal Managers	CFO's and relevant Senior Managers	Budgets analysed and feedback provided for improved budget management
Audit Steering Committee	Accounting Officers, CFOs, and Auditor-General	Accounting Officers, CFOs, and Auditor-General	The Audit Steering Committee successfully held meetings during the year under review
Management Committee	Departmental Managers	All Employees	Periodic meetings held with various levels of employees
Correspondence: E-mails, Memoranda, Circulars	All staff members	-	Improved communication of decisions and clear objective setting

**Table 5.1.3 – Service delivery access strategy**

Access Strategy	Actual achievements
Taking budget to the people (District Municipalities, local communities and other stakeholders)	Developed a conceptual framework for implementation in the new financial year

**Table 5.1.4 – Service information tool**

Types of information tool	Actual achievements
Newsletters/Pamphlets	Distributed widely to stakeholders
Website	Significant number of visits to the website (Planned redesign to a more interactive and informative site)
Annual Report	Distributed widely to stakeholders
Annual Performance Plan	Distributed widely to stakeholders
Strategic Plan	Distributed widely to stakeholders

**Table 5.1.5 – Complaints mechanism**

Complaints Mechanism	Actual achievements
There is a formal complaints and grievance handling mechanism process in place in terms of Grievance Rules of 2003. Aggrieved parties may submit a grievance to designated officials in terms of the rule.	Formal feedback was given to employees who lodged complaints or grievances.
Other complaints may still be directed to either the Director Human Resource Management or to the Accounting Officer of the department	
Those complaints that were received from other clients, e.g. (service providers or the general public) were channelled through the customer care centre and resolved by the relevant officials.	Reference numbers were given to each complaint and saved on the database. Progress reports were kept and follow-up maintained

## 5.2 Expenditure

Departments budget in terms of clearly defined programmes. The following tables summarise final audited expenditure by programme (Table 5.2.1) and by salary bands (Table 5.2.2). In particular, it provides an indication of the amount spent on personnel costs in terms of each of the programmes or salary bands within the department.

The increase in expenditure evident in this section is partly due to the implementation of the EXCO resolution on non implementation of Judge Browde-White findings and rulings and the HROPT decisions and the increase in medical aid tariffs.

**Table 5.2.1 – Personnel costs by programme, 2008/09**

Programme	Total Expenditure (R'000)	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Professional and Special Services (R'000)	Personnel cost as a % of total expenditure	Average personnel cost per employee (R'000)
Strategic Management Services	123,008	44,481			36,2	106
Sustainable Resource Management	58,296	37,607			64,5	90
Asset and Liability Management	60,344	31,287			51,8	75
Financial Governance	27,213	23,224			85,3	55
<b>Total</b>	<b>268,860</b>	<b>136,598</b>			<b>50,8</b>	<b>326</b>

**TABLE 5.2.2 – Personnel costs by salary bands, 2008/09**

Salary bands	Personnel Expenditure (R'000)	% of total personnel cost	Average personnel cost per employee (R'000)
Lower skilled (Levels 1-2)	-	-	-
Skilled (Levels 3-5)	4,159	3,0	109,447
Highly skilled production (Levels 6-8)	31,870	23,1	250,945
Highly skilled supervision (Levels 9-12)	60,908	44,1	320,568
Senior management (Levels 13-16)	25,746	18,7	677,526
Contract (Levels 3-5)	40	-	20,000
Contract (Levels 6-8)	1,492	1,1	186,500
Contract (Levels 9-12)	2,598	1,9	236,182
Contract (Levels 13-16)	4,109	3,0	821,800
Abnormal Appointment	4,194	3,0	38,833
<b>Total</b>	<b>135,116</b>	<b>97,9</b>	<b>256,387</b>

The following tables provide a summary per programme (Table 5.2.3) and salary bands (Table 5.2.4), of expenditure incurred as a result of salaries, overtime, home owners allowance and medical assistance. In each case, the table provides an indication of the percentage of the personnel budget that was used for these items.

**Table 5.2.3 – Salaries, Overtime, Home Owners Allowance and Medical Assistance by programme, 2008/09**

Programme	Salaries		Overtime		Home Owners Allowance		Medical Assistance	
	Amount	Salaries as a % of personnel cost	Amount	Overtime as a % of personnel cost	Amount	HOA as a % of personnel cost	Amount	Medical Assistance as a % of personnel cost
	(R'000)	%	(R'000)	%	(R'000)	%	(R'000)	%
P1: Administration	37,716	78,6	4	-	966	2,0	1,389	2,9
P2: Sustainable resource management	29,186	78,1	-	-	941	2,5	979	2,6
P3: Asset and liability management	22,878	76,9	-	-	815	2,7	800	2,7
P4: Financial governance	17,668	77,2	-	-	459	2,0	536	2,3
<b>Total</b>	<b>107,448</b>	<b>77,9</b>	<b>4</b>	<b>-</b>	<b>3,181</b>	<b>2,3</b>	<b>3,704</b>	<b>2,7</b>

**Table 5.2.4 – Salaries, Overtime, Home Owners Allowance and Medical Assistance by salary bands, 2008/09**

Salary Bands	Salaries		Overtime		Home Owners Allowance		Medical Assistance	
	Amount	Salaries as a % of personnel cost	Amount	Overtime as a % of personnel cost	Amount	HOA as a % of personnel cost	Amount	Medical Assistance as a % of personnel cost
	(R'000)	%	(R'000)	%	(R'000)	%	(R'000)	%
Skilled (Levels 3-5)	2,943	67,5	-	-	214	4,9	318	7,3
Highly skilled production (Levels 6-8)	24,555	76,9	-	-	677	2,1	1,389	4,4
Highly skilled supervision (Levels 9-12)	47,332	75,1	4	-	1,132	1,8	1,578	2,5
Senior management (Levels 13-16)	20,724	79,3	-	-	1,004	3,8	400	1,5
Contract (Levels 3-5)	37	92,5	-	-	-	-	-	-
Contract (Levels 6-8)	1,436	95,2	-	-	5	0,3	5	0,3
Contract (Levels 9-12)	2,468	93,3	-	-	62	2,3	4	0,2
Contract (Levels 13-16)	3,759	90,2	-	-	87	2,1	11	0,3
Abnormal Appointment	4,194	99,7	-	-	-	-	-	-
<b>Total</b>	<b>107,448</b>	<b>77,9</b>	<b>4</b>	<b>-</b>	<b>3,181</b>	<b>2,3</b>	<b>3,705</b>	<b>2,7</b>

## 5.3 Employment and vacancies

The following tables summarise the number of posts on the establishment, the number of employees, the vacancy rate, and whether there are any staff that are additional to the establishment. This information is presented in terms of three key variables: - programme (Table 5.3.1), salary band (Table 5.3.2) and critical occupations (Table 5.3.3). Departments have identified critical occupations that need to be monitored. Table 5.3.3 provides establishment and vacancy information for the key critical occupations of the department.

The reduction in posts indicated in this section is due to the abolishment of 64 posts.

The vacancy rate reflects the percentage of posts that are not filled.

**Table 5.3.1 – Employment and vacancies by programme, 31 March 2009**

Programme	Number of posts	Number of posts filled	Vacancy Rate	Number of posts filled additional to the establishment
P1: Administration, Permanent	177	133	24,9	2
P2: Sustainable Resource Management, Permanent	162	123	24,1	2
P3: Asset and Liability Management, Permanent	115	94	18,3	1
P4: Financial Governance, Permanent	110	69	37,3	0
<b>Total</b>	<b>564</b>	<b>419</b>	<b>25,7</b>	<b>5</b>

Out of 628 posts on the structure 64 posts were abolished from the establishment.

**Table 5.3.2 – Employment and vacancies by salary bands, 31 March 2009**

Salary band	Number of posts	Number of posts filled	Vacancy Rate	Number of posts filled additional to the establishment
Skilled (Levels 3-5)	42	37	11,9	-
Highly skilled production (Levels 6-8)	176	132	25,0	-
Highly skilled supervision (Levels 9-12)	268	187	30,2	-
Senior management (Levels 13-16)	52	37	28,8	-
Contract (Levels 3-5),Permanent	2	2	-	1
Contract (Levels 6-8),Permanent	8	8	-	-
Contract (Levels 9-12),Permanent	11	11	-	1
Contract (Levels 13-16),Permanent	5	5	-	3
<b>Total</b>	<b>564</b>	<b>419</b>	<b>25,7</b>	<b>5</b>

**Table 5.3.3 – Employment and vacancies by critical occupation, 31 March 2009**

Critical occupations	Number of posts	Number of posts filled	Vacancy Rate	Number of posts filled additional to the establishment
Administrative related	50	39	22,0	-
Cleaners in offices workshops hospitals etc, perm	3	3	-	-
Client inform clerks(switchboard, receptionist, inform clerks), Permanent	1	1	-	-
Communication and information related	2	2	-	-
Finance and economics related	117	76	35,0	1
Financial and related professionals	148	115	22,3	1
Financial clerks and credit controllers	37	36	2,7	-
Food services aids and waiters	2	2	-	-
Head of department/chief executive officer	2	1	50,0	-
Human resources & organisational development & related prof, Permanent	13	10	23,1	1
Human resources clerks	9	6	33,3	-
Human resources related	31	20	35,5	-
Information technology related	21	16	23,8	-
Library mail and related clerks	7	5	28,6	-
Light vehicle drivers	3	3	-	-
Logistical support personnel	12	8	33,3	-
Material-recording and transport clerks	1	1	-	-
Messengers porters and deliverers	4	4	-	-
Other occupations	6	6	-	1
Secretaries & other keyboard operating clerks	46	29	37,0	-
Senior managers	49	36	26,5	1
<b>Total</b>	<b>564</b>	<b>419</b>	<b>25,7</b>	<b>5</b>

The information in each case reflects the situation as at 31 March 2009. For an indication of changes in staffing patterns over the year under review, please refer to section 5 of this report.

## 5.4 Job evaluation

The Public Service Regulations, 1999 introduced job evaluation as a way of ensuring that work of equal value is remunerated equally. Within a nationally determined framework, executing authorities may evaluate or re-evaluate any job in his or her organisation. In terms of the Regulations all vacancies on salary levels 9 and higher must be evaluated before they are filled. This was complemented by a decision by the Minister for the Public Service and Administration that all SMS **Total** jobs must be evaluated before 31 December 2002.

The following table (Table 5.4.1) summarises the number of jobs that were evaluated during the year under review. The table also provides statistics on the number of posts that were upgraded or downgraded.

**Table 5.4.1 – Job Evaluation, 1 April 2008 to 31 March 2009**

Salary band	Number of posts	Number of Jobs Evaluated	% of posts evaluated by salary bands	Posts Upgraded		Posts downgraded	
				Number	% of posts evaluated	Number	% of posts evaluated
Contract (Levels3-5)	2	-	-	-	-	-	-
Contract (Levels6-8)	8	-	-	-	-	-	-
Contract (Levels9-12)	11	-	-	-	-	-	-
Contract (Band B)	4	-	-	-	-	-	-
Contract (Band D)	1	-	-	-	-	-	-
Skilled (Levels 3-5)	42	-	-	-	-	-	-
Highly skilled production (Levels 6-8)	176	-	-	-	-	-	-
Highly skilled supervision (Levels 9-12)	268	8	2,99	8	100	-	-
Senior Management Service Band A	14	-	-	-	-	-	-
Senior Management Service Band B	26	1	3,85	-	-	-	-
Senior Management Service Band C	8	-	-	-	-	-	-
Senior Management Service Band D	4	-	-	-	-	-	-
<b>Total</b>	<b>564</b>	<b>9</b>	<b>6,84</b>	<b>8</b>	<b>100</b>	<b>-</b>	<b>-</b>

The following table provides a summary of the number of employees whose salary positions were upgraded due to their posts being upgraded. The number of employees might differ from the number of posts upgraded since not all employees are automatically absorbed into the new posts and some of the posts upgraded could also be vacant.

**Table 5.4.2 – Profile of employees whose salary positions were upgraded due to their posts being upgraded, 1 April 2008 to 31 March 2009**

Beneficiaries	African	Asian	Coloured	White	Total
Female	-	-	-	-	-
Male	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Employees with a disability</b>					<b>-</b>

Three upgraded posts were recently advertised on upgraded levels and have not been filled as yet.

The following table summarises the number of cases where remuneration levels exceeded the grade determined by job evaluation. Reasons for the deviation are provided in each case.

**Table 5.4.3 – Employees whose salary level exceed the grade determined by job evaluation, 1 April 2008 to 31 March 2009 (in terms of PSR 1.V.C.3)**

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
Female	-	-	-	
Male	-	-	-	
Female	-	-	-	
<b>Total</b>	-	-	-	
Employees with a Disability	-	-	-	
Total Number of Employees whose salaries exceeded the level determined by job evaluation in 2007/08				
Percentage of total employment				

Table 5.4.4 summarises the beneficiaries of the above in terms of race, gender, and disability.

**Table 5.4.4 – Profile of employees whose salary level exceed the grade determined by job evaluation, 1 April 2008 to 31 March 2009(in terms of PSR 1.V.C.3)**

Beneficiaries	African	Asian	Coloured	White	Total
Female	-	-	-	-	-
Male	-	-	-	-	-
<b>Total</b>	-	-	-	-	-
Employees with a disability					-

## 5.5 Employment changes

This section provides information on changes in employment over the financial year.

Turnover rates provide an indication of trends in the employment profile of the department. The following tables provide a summary of turnover rates by salary band (Table 5.1) and by critical occupations (Table 5.2).

The changes in the number of employees per salary band in comparison to the previous year in this section is due to the implementation of the EXCO resolution on non-implementation of Judge Browde-White findings and rulings and HROPT decision whose effect was promotions.

**Table 5.5.1 – Annual turnover rates by salary band for the period 1 April 2008 to 31 March 2009**

Salary Band	Number of employees per band as on 1 April 2008	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate
Lower skilled (Levels 1-2)	-	-	-	-
Skilled (Levels 3-5)	48	1	6	12,5
Highly skilled production (Levels 6-8)	152	7	20	13,2
Highly skilled supervision (Levels 9-12)	171	33	22	12,9
Senior Management Service (13-16)	34	6	4	11,8
Contract (Levels 3-5)	-	2	-	-
Contract (Levels 6-8)	11	7	17	154,5
Contract (Levels 9-12)	7	8	4	57,1
Contract (13-16)	5	3	3	60,0
<b>Total</b>	<b>428</b>	<b>67</b>	<b>76</b>	<b>17,8</b>

**Table 5.5.2 – Annual turnover rates by critical occupation for the period 1 April 2008 to 31 March 2009**

Occupation	Number of employees per occupation as on 1 April 2008	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate
Administrative related, Permanent	36	11	3	8,3
All artisans in the building, metal, machinery etc	-	1	-	-
Client information clerks (switchboard, receptionist, info clerks), Permanent	8	-	6	75,0
Communication and information related, Permanent	2	-	-	-
Finance and economics related, Permanent	91	7	16	17,6
Financial and related professionals, Permanent	108	21	22	20,2
Financial clerks and credit controllers, Permanent	28	-	-	-
Food services aids and waiters, Permanent	4	-	-	-
Head of department/Chief Executive Officer, Permanent	1	-	1	100,0
Human resources & organisational development & relate prof, Permanent	8	3	5	62,5
Human resources clerks, Permanent	7	-	-	-
Human resources related, Permanent	23	-	-	-
Information technology related, Permanent	10	8	2	20,0
Library mail and related clerks, Permanent	7	-	-	-
Light vehicle drivers, Permanent	3	2	-	-
Logistical support personnel, Permanent	17	-	-	-
Material-recording and transport clerks, Permanent	1	-	-	-
Messengers porters and deliverers, Permanent	3	-	-	-
Other occupations, Permanent	5	-	-	-
Secretaries & other keyboard operating clerks, Permanent	33	5	8	24,2
Senior managers, Permanent	33	9	13	39,4
<b>Total</b>	<b>428</b>	<b>67</b>	<b>76</b>	<b>17,8</b>

Table 5.5.3 identifies the major reasons why staff left the department.

**Table 5.5.3 – Reasons why staff are leaving the department**

Termination Type	Number	% of total
Death	4	5,1
Resignation	30	38,0
Expiry of contract	3	3,8
Retirement	8	10,1
Transfer to other departments	31	39,2
<b>Total</b>	<b>76</b>	
<b>Total number of employees who left as a % of the total employment</b>		<b>17,8%</b>

**Table 5.5.4 – Promotions by critical occupation**

Occupation	Employees as at 1 April 2008	Promotions to another salary level	Salary level promotions as a % of employees by occupation	Progressions to another notch within a salary level	Notch progressions as a % of employees by occupation
Administrative related	36	3	8,3	7	19,4
All artisans in the building, metal, machinery, etc	1	-	-	1	100,0
Client inform clerks (switchb./ recept. Inform clerks)	8	-	-	-	-
Communication and information related	2	-	-	-	-
Finance and economics related	91	7	7,7	8	8,8
Financial and related professionals	109	-	-	27	25,0
Financial clerks and credit controllers	28	-	-	8	28,6
Food services aids and waiters	3	-	-	3	100,0
Head of department/chief executive officer	1	-	-	-	-
Human resources & org development & related prof	8	1	12,5	13	162,5
Human resources clerks	7	-	-	1	-
Human resources related	23	2	8,7	-	-
Information technology related	10	-	-	-	-
Library mail and related clerks	7	-	-	1	14,3
Light vehicle drivers	3	-	-	1	33,3
Logistical support personnel	17	-	-	2	11,8
Material-recording and transport clerks	1	-	-	-	-
Messengers, porters and deliverers	3	-	-	1	33,3
Other administration & related clerks and organisers	-	-	-	-	-
Other administrative policy and related officers	-	-	-	-	-
Other occupations	5	-	-	5	100,0
Secretaries & other keyboard operating clerks	33	2	6,1	8	24,2
Senior managers	33	-	-	8	24,2
<b>Total</b>	<b>428</b>	<b>15</b>	<b>3,5</b>	<b>96</b>	<b>22,4</b>

**Table 5.5.5 – Promotions by salary band**

Salary Band	Employees 1 April 2008	Promotions to another salary level	Salary bands promotions as a % of employees by salary level	Progressions to another notch within a salary level	Notch progressions as a % of employees by salary band
Skilled (Levels 3-5), Permanent	48	-	-	18	37,5
Highly skilled production (Levels 6-8), Permanent	152	10	6,6	37	24,3
Highly skilled supervision (Levels 9-12), Permanent	171	5	2,9	31	18,1
Senior management (Levels 13-16), Permanent	34	-	-	8	23,5

**Table 5.5.5 – Promotions by salary band (continued)**

Salary Band	Employees 1 April 2008	Promotions to another salary level	Salary bands promotions as a % of employees by salary level	Progressions to another notch within a salary level	Notch progressions as a % of employees by salary band
Contract (Levels 6-8)	11	-	-	-	-
Contract (Levels 9-12)	7	-	-	-	-
Contract (Levels 13-16),	5	-	-	2	40,0
<b>Total</b>	<b>428</b>	<b>15</b>	<b>3.5</b>	<b>96</b>	<b>22,4</b>

## 5.6 Employment equity

The tables in this section are based on the formats prescribed by the Employment Equity Act, 55 of 1998.

**Table 5.6.1 – Total number of employees (including employees with disabilities) in each of the following occupational categories as on 31 March 2009**

Occupational categories (SASCO)	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	19	1	2	3	4	-	1	3	33
Professionals	111	4	3	3	149	1	-	7	278
Clerks	6	-	-	-	57	1	1	7	72
Service and sales workers, Permanent	-	-	-	-	-	-	-	-	-
Craft and related trades workers	1	-	-	-	-	-	-	-	1
Plant and machine operators and assemblers	2	-	-	-	-	-	-	-	2
Elementary occupations	17	-	-	1	15	-	-	-	33
Others Permanent	0	-	-	-	-	-	-	-	-
Abnormal Appointments	0	-	-	-	-	-	-	-	-
<b>Total</b>	<b>156</b>	<b>-</b>	<b>5</b>	<b>7</b>	<b>225</b>	<b>2</b>	<b>2</b>	<b>17</b>	<b>419</b>
<b>Employees with disabilities</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7</b>

**Table 5.6.2 – Total number of employees (including employees with disabilities) in each of the following occupational bands as on 31 March 2009**

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management, Permanent	8	-	-	1	3	-	-	-	12
Senior Management	15	2	3	1	4	-	1	-	26
Professionally qualified and experienced specialists and mid-management	82	2	1	3	98	1	-	3	190
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	27	-	-	-	87	1	1	11	127

**Table 5.6.2 – Total number of employees (including employees with disabilities) in each of the following occupational bands as on 31 March 2009 (continued)**

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Semi-skilled and discretionary decision making	11	-	-	-	27	-	-	-	38
Unskilled and defined decision making	-	-	-	-	-	-	-	-	-
Other, Permanent	-	-	-	-	-	-	-	-	-
Contract (Top Management)	-	-	-	1	-	-	-	-	1
Contract (Senior Management)	2	-	1	-	-	-	-	1	4
Contract (Professionally qualified)	4	1	-	1	3	-	-	2	11
Contract (Skilled technical)	5	-	-	-	3	-	-	-	8
<b>Abnormal Appointments</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>
<b>Total</b>	<b>156</b>	<b>5</b>	<b>5</b>	<b>7</b>	<b>225</b>	<b>2</b>	<b>2</b>	<b>17</b>	<b>419</b>

**Table 5.6.3 – Recruitment for the period 1 April 2008 to 31 March 2009**

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
<b>Top management</b>	-	-	-	-	1	-	-	-	1
Senior Management	3	-	1	-	1	-	-	-	5
Professionally qualified and experienced specialists and mid-management	10	1	-	1	6	-	-	-	18
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	7	-	-	-	11	-	-	-	18
Semi-skilled and discretionary decision making	4	-	-	-	5	-	-	-	9
Contract (Senior management)Permanent	2	-	1	-	-	-	-	-	3
Contract (Professionally qualified) permanent	2	-	-	-	1	-	-	-	3
Contract (Skilled technical)	4	-	-	-	4	-	-	2	8
Contract Semi skilled)	2	-	-	-	-	-	-	-	2
<b>Total</b>	<b>34</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>29</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>67</b>
Employees with disabilities	-	-	-	-	-	-	-	-	-

**Table 5.6.4 – Promotions for the period 1 April 2008 to 31 March 2009**

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management, Permanent	-	-	-	-	-	-	-	-	-
Senior Management	-	-	-	-	-	-	-	-	-
Professionally qualified and experienced specialists and mid-management	2	-	-	-	3	-	-	-	5
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	2	-	-	-	6	-	-	-	8
Semi-skilled and discretionary decision making	1	-	-	-	-	1	-	-	2
Contract (Top management)	-	-	-	-	-	-	-	-	-
Contract (Senior management), Permanent	-	-	-	-	-	-	-	-	-
Contract (Professionally qualified) permanent	-	-	-	-	-	-	-	-	-
Contract (Skilled technical)Permanent	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>15</b>
Employees with disabilities	-	-	-	-	1	-	-	-	1

**Table 5.6.5 – Terminations for the period 1 April 2008 to 31 March 2009**

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
<b>Top management</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>
Senior Management	1	-	-	-	1	-	-	-	2
Professionally qualified and experienced specialists and mid-management	9	1	-	1	11	1	-	-	23
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	11	-	-	-	9	1	-	-	21
Semi-skilled and discretionary decision making	2	-	-	-	5	-	-	2	9
Contract (Top management)	1	-	-	-	-	-	-	1	2
Contract (Senior Management)	1	-	-	-	-	-	-	1	2
Contract (Professionally qualified),	1	-	-	-	-	-	-	-	1
Contract (skilled, technical). Permanent	5	-	-	-	8	-	-	-	13
<b>Total</b>	<b>32</b>	<b>1</b>	<b>-</b>	<b>2</b>	<b>35</b>	<b>2</b>	<b>-</b>	<b>4</b>	<b>76</b>
Employees with disabilities	-	-	-	-	-	-	-	-	-

**Table 5.6.6 – Disciplinary action for the period 1 April 2008 to 31 March 2009**

	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Disciplinary action	-	-	-	-	-	-	-	-	-

**Table 5.6.7 – Skills development for the period 1 April 2008 to 31 March 2009**

Occupational categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	13	2	1	2	5	-	-	-	23
Professionals	33	4	-	1	34	-	3	-	75
Technicians and associate professionals	24	-	-	-	26	-	-	-	50
Clerks	22	-	-	-	89	1	1	1	114
Craft and related trades workers	-	-	-	-	-	-	-	-	-
Plant and machine operators and assemblers	-	-	-	-	-	-	-	-	-
Elementary occupations	-	-	-	-	-	-	-	-	-
Others Occupations	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>91</b>	<b>6</b>	<b>1</b>	<b>3</b>	<b>153</b>	<b>-</b>	<b>1</b>	<b>7</b>	<b>262</b>
Employees with disabilities	-	-	-	1	-	-	-	-	-

## 5.7 Signing of Performance Agreements by SMS Members

**Table 5.7.1– Signing of Performance Agreements by SMS Members as on 30 September 2008**

SMS Level	Total Number of Funded SMS Posts Per Level	Total Number of SMS Members Per Level	Total Number of Signed Performance Agreements Per Level	Signed Performance Agreements as % of Total Number of SMS Members Per Level
Director-General/ Head of Department	1	1	1	100%
Salary Level 16, but not HOD	-	-	-	-
Salary Level 15	3	3	3	100%
Salary Level 14	12	12	8	67%
Salary Level 13	38	38	29	76%
<b>Total</b>	<b>54</b>	<b>54</b>	<b>41</b>	<b>76%</b>

**Table 5.7.2 – Reasons for not having concluded Performance Agreements for all SMS Members as on 30 September 2008**

Four (4) General Managers and nine (9) Senior Managers posts were vacant in the Approved Structure of the Department
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**Table 5.7.3 – Disciplinary steps taken against SMS members for not having concluded Performance Agreements as on 30 September 2008**

Nil
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## 5.8 Filling of SMS Posts

*Table 5.8.1. SMS posts information as on 31 March 2009*

SMS Level	Total Number of Funded SMS Posts Per Level	Total Number of SMS Filled Members Per Level	% of SMS Posts Filled Per Level	Total Number of SMS posts Vacant per Level	% of SMS Posts Vacant Per Level
Director-General/ Head of Department	1	-	-	-	-
Salary Level 16, but not HOD	-	-	-	-	-
Salary Level 15	3	3	100%	-	-
Salary Level 14	12	7	58%	5	42%
Salary Level 13	38	29	76%	9	24%
<b>Total</b>	<b>54</b>	<b>39</b>	<b>72%</b>	<b>14</b>	<b>26%</b>

*Table 5.8.2. SMS posts information as on 30 September 2008*

SMS Level	Total Number of Funded SMS Posts Per Level	Total Number of SMS Members Per Level	% of SMS Posts Filled Per Level	Total Number of SMS posts Vacant per Level	% of SMS Posts Vacant Per Level
Director-General/ Head of Department	1	1	100%	-	-
Salary Level 16, but not HOD	-	-	-	-	-
Salary Level 15	3	3	100%	-	-
Salary Level 14	12	8	67%	4	33%
Salary Level 13	38	29	76%	9	24%
<b>Total</b>	<b>54</b>	<b>41</b>	<b>76%</b>	<b>13</b>	<b>24%</b>

*Table 5.8.3 – Advertising and Filling of SMS posts information as on 31 March 2009*

SMS Level	Advertising	Filled of Posts	
	Number of Vacancies Per Level Advertised in 6 Months of Becoming Vacant	Number of Vacancies Per Level Filled in 6 Months of Becoming Vacant	Number of Vacancies Per Level <u>not</u> Filled in 6 Months of Becoming Vacant
Director-General/ Head of Department	1	-	1
Salary Level 16, but not HOD	-	-	-
Salary Level 15	-	-	-
Salary Level 14	1	-	1
Salary Level 13	1	-	1
<b>Total</b>	<b>3</b>	<b>-</b>	<b>3</b>

**Table 5.8.4 – Reasons for not having complied with the Filling of Funded vacant SMS - Advertised within 6 months and filled within 12 months after becoming vacant**

<b>Reasons for vacancies not advertised within six (6) months</b>
N/A
<b>Reasons for vacancies not filled within twelve (12) months</b>
1. Post of HOD was advertised, however no suitable candidates could be found. A suitable candidate will be head hunted.
2. One post has been filled and the candidate will be assuming duties on 1 October 2009.
3. The candidate for the other post declined after being counter-offered. The post has been re-advertised.

**Certification of correctness of information**

The above Information contained in section 5.7 and 5.8 is certified as correct



**QONDA KALIMASHE  
ACTING ACCOUNTING OFFICER  
31 AUGUST 2009**

## 5.9 Performance rewards

To encourage good performance, the department has granted the following performance rewards during the year under review. The information is presented in terms of race, gender, and disability (Table 5.9.1), salary bands (table 5.9.2) and critical occupations (Table 5.9.3).

**Table 5.9.1 – Performance Rewards by race, gender, and disability, 1 April 2008 to 31 March 2009**

Race / gender	Beneficiary Profile			Cost	
	Number of beneficiaries	Total number of employees in group	% of total within group	Cost (R'000)	Average cost per employee
African, Female	76	222	34,2	804	10,583
African, Male	49	154	31,8	665	13,568
Asian, Female	2	2	100,0	65	32,458
Asian, Male	-	5	-	-	-
Coloured, Female	-	2	-	-	-
Coloured, Male	1	5	20,0	9	9,433
White, Female	5	17	29,4	110	21,974
White, Male	1	5	20,0	16	16,353
Employees with a disability	3	7	42,9	25	8,291
<b>Total</b>	<b>137</b>	<b>419</b>	<b>32,7</b>	<b>1,695</b>	<b>12,369</b>

The figures above and below exclude interns (abnormal appointments) who were appointed during the period under review but inclusive of additional officials.

**Table 5.9.2– Performance Rewards by salary bands for personnel below Senior Management Service, 1 April 2008 to 31 March 2009**

Salary Bands	Beneficiary Profile			Cost	
	Number of beneficiaries	Number of employees	% of total within salary bands	Total Cost (R'000)	Average cost per employee
Skilled (Levels 3-5)	16	38	42,1	49	3,063
Highly skilled production (Levels 6-8)	49	127	38,6	352	7,184
Highly skilled supervision (Levels 9-12)	59	190	31,1	903	15,305
Contract (Levels 3-5)	-	2	-	-	-
Contract (Levels 6-8)	-	8	-	-	-
Contract (Levels 9-12)	-	11	-	-	-
Abnormal Appointments	-	108	-	-	-
<b>Total</b>	<b>124</b>	<b>484</b>	<b>25,6</b>	<b>1,304</b>	<b>10,516</b>

**Table 5.9.3 – Performance Rewards by critical occupations, 1 April 2008 to 31 March 2009**

Critical Occupations	Beneficiary Profile			Cost	
	Number of beneficiaries	Number of employees	% of total within occupation	Total Cost (R'000)	Average cost per employee
Administrative related	7	35	20,0	132	18,857
All artisans in the building metal machinery etc.	-	1	-	-	-
Cleaners in offices workshops hospitals etc.	-	3	-	-	-
Client inform clerks (switchboard reception, inform clerks)	1	7	14,3	5	5,000
Communication and Information related	-	1	-	-	-
Finance and economics related	8	53	15,1	166	20,750
Financial and related professionals	54	125	43,2	597	11,056
Financial clerks and credit controllers	7	20	35,0	35	5,000
Food services aids and waiters	2	5	40,0	5	2,500
Head of department/chief executive officer	-	2	-	-	-
Human resources & org development & related professions	11	31	35,5	139	12,636
Human resources clerks	2	5	40,0	16	8,000
Human resources related	8	18	44,4	81	10,125
Information technology related	1	9	11,1	9	9,000
Legal related	-	2	-	-	-
Library mail and related clerks	3	6	50,0	7	2,333
Light vehicle drivers	1	2	50,0	3	3,000
Logistical support personnel	2	4	50,0	25	12,500
Material-recording and transport clerks	1	3	33,3	9	9,000
Messengers porters and deliverers	-	4	-	-	-
Other administration & related clerks and organisers	1	2	50,0	5	5,000
Other occupations	7	21	33,3	45	6,429
Secretaries & other keyboard operating clerks	10	29	34,5	70	7,000
Senior managers	10	30	33,3	342	34,200
Trade labourers	1	1	100,0	2	2,000
<b>Total</b>	<b>137</b>	<b>419</b>	<b>32,7</b>	<b>1,693</b>	<b>12,358</b>

**Table 5.9.4 – Performance related rewards (cash bonus), by salary band, for Senior Management Service**

Salary Band	Beneficiary Profile			Total Cost (R'000)	Average cost per employee	Total cost as a % of the total personnel expenditure
	Number of beneficiaries	Number of employees	% of total within band			
Band A	8	1	80,0	162	2,025	13,990
Band B	3	29	10,3	115	3,833	8,843
Band C	2	8	25,0	114	5,700	5,318
Band D	-	5	-	-	-	-
<b>Total</b>	<b>13</b>	<b>43</b>	<b>30,2</b>	<b>391</b>	<b>3,007</b>	<b>28,151</b>

## 5.10 Foreign workers

The tables below summarise the employment of foreign nationals in the department in terms of salary bands and by major occupation. The tables also summarise changes in the total number of foreign workers in each salary band and by each major occupation.

**Table 5.10.1 – Foreign Workers, 1 April 2008 to 31 March 2009, by salary band**

Salary Band	1 April 2008		31 March 2009		Change	
	Number	% of total	Number	% of total	Number	% change
Highly skilled supervision (Levels 9-12)	-	-	1	100	-	-
Senior management (Levels 13-16)	-	-	-	-	-	-
Contracts (Levels 13-16)	-	-	-	-	-	-
<b>Total</b>	-	-	<b>1</b>	<b>100</b>	-	<b>100</b>

**Table 5.10.2– Foreign Worker, 1 April 2008 to 31 March 2009, by major occupation**

Major Occupation	1 April 2008		31 March 2009		Change	
	Number	% of total	Number	% of total	Number	% change
Professionals and managers	-	-	1	100	-	-
<b>Total</b>	-	-	<b>1</b>	<b>100</b>	-	-

## 5.11 Leave utilisation for the period 1 January 2008 to 31 December 2008

The Public Service Commission identified the need for careful monitoring of sick leave within the public service. The following tables provide an indication of the use of sick leave (Table 9.1) and disability leave (Table 9.2). In both cases, the estimated cost of the leave is also provided.

**Table 5.11.1– Sick leave, 1 January 2008 to 31 December 2008**

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)
Skilled (Levels 3-5)	252	81,3	32	8,8	8	54
Highly skilled production (Levels 6-8)	1,071	80,6	126	34,7	9	477
Highly skilled supervision (Levels 9-12)	1,235	79,4	163	44,9	8	1,165
Senior management (Levels 13-16)	131	86,3	21	5,8	6	284
Contract (Levels 6-8)	42	81,0	9	2,5	5	17
Contract (Levels 9-12)	28	57,1	8	2,2	4	33
Contract (Levels 13-16)	52	78,8	4	1,1	13	133
<b>Total</b>	<b>2,811</b>	<b>80,1</b>	<b>363</b>	<b>100</b>	<b>8</b>	<b>2,163</b>

**Table 5.11.2 – Disability leave (temporary and permanent), 1 January 2008 to 31 December 2008**

Salary Band	Total days taken	% days with medical certification	Number of Employees using disability leave	% of total employees using disability leave	Average days per employee	Estimated Cost (R'000)
Highly skilled production (Levels 6-8)	35	100	2	40	18	13
Highly skilled supervision (Levels 9-12)	116	100	3	60	39	134
<b>Total</b>	<b>151</b>	<b>100</b>	<b>5</b>	<b>100</b>	<b>30</b>	<b>147</b>

**Table 5.11.3 – Annual Leave, 1 January 2008 to 31 December 2008**

Table 5.11.3 summarises the utilisation of annual leave. The collective agreement concluded with trade unions in the PSCBC in 2000 requires management of annual leave to prevent high levels of accrued leave being paid at the time of termination of service.

Salary Bands	Total days taken	Average per employee
Skilled (Levels 3-5)	974	23
Highly skilled production (Levels 6-8)	3,392	23
Highly skilled supervision (Levels 9-12)	4,222	20
Senior management (Levels 13-16)	718	18
Contract (Levels 6-8)	157	10
Contract (Levels 9-12)	151	14
Contract (Levels 13-16)	116	17
<b>Total</b>	<b>9,730</b>	<b>21</b>

**Table 5.11.4 – Capped leave, 1 January 2008 to 31 December 2008**

Table 5.11.4 summarises the utilisation of capped leave. The management of capped leave is intended to prevent high levels of accrued leave being paid at the time of termination of service.

Salary Bands	Total days of capped leave taken	Average number of days taken per employee	Average capped leave per employee as at 31 December 2007
Skilled (Levels 3-5)	24	8	131
Highly skilled production (Levels 6-8)	66	4	147
Highly skilled supervision (Levels 9-12)	61	7	147
<b>Total</b>	<b>151</b>	<b>6</b>	<b>144</b>

**Table 5.11.5 – Leave payouts for the period 1 April 2008 to 31 March 2009**

The following table summarises payments made to employees as a result of leave that was not taken.

Reason	Total Amount (R'000)	Number of Employees	Average payment per employee
Leave payout for 2008/09 due to non-utilisation of leave for the previous cycle	348	18	19,333
Capped leave payouts on termination of service for 2008/09	1,197,655	10	119,765
Current leave payout on termination of service for 2007/08	119,743	11	10,885
<b>Total</b>	<b>1,665,398</b>	<b>39</b>	<b>149,983</b>

## 5.12 HIV and AIDS & health promotion programmes

**Table 5.12.1 – 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
No specific group has been identified.	Conducting awareness campaigns and workshops

**Table 5.12.2 – Details of Health Promotion and HIV and AIDS Programmes (tick the applicable boxes and provide the 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.	Yes		SM:HRD,EWP &ER
2. Does the department have a dedicated unit or has it designated specific staff members to promote the health and well being of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose.	Yes		The Employee Wellness Unit. Four staff members
3. Has the department introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key elements/services of this Programme.	Yes		Referring employees to external service providers. Educating and promoting good health amongst the employees.
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.	Yes		The Employee Health and Wellness Committee is constituted by the following: <b>Management:</b> Mr I Koranteng; Mr M Tuswa Mr J Seaworyeh; Mr M Dukuza Mr C Weimers; <b>Employees:</b> Ms Gomba; Ms N Ngumbela Ms N Majokweni <b>HRM/Secretariat:</b> Mr T Memani; Ms N Msutu Ms Z Sizani; Ms N Kom

**Table 5.12.2 – Details of Health Promotion and HIV and AIDS Programmes (tick the applicable boxes and provide the required information) (continued)**

Question	Yes	No	Details, if yes
5. Has the department reviewed its employment policies and practices 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.	Yes		EWP policy approved
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.	Yes		Non-discrimination is covered in the EHWP policy and other employment related policies of the department.
7. Does the department encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have you achieved.	Yes		Employees have participated in VCT performed on confidential basis by the Department of Health.
8. Has the department developed measures/indicators to monitor & evaluate the impact of its health promotion programme? If so, list these measures/indicators.	Yes		Participation in campaigns, workshops and increased use of preventative measures

## 5.13 Labour relations

The following collective agreements were entered into with trade unions within the department.

**Table 5.13.1 – Collective agreements, 1 April 2008 to 31 March 2009**

<b>Total collective agreements</b>	None
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The following table summarises the outcome of disciplinary hearings conducted within the department for the year under review.

**Table 5.13.2 – Misconduct and disciplinary hearings finalised, 1 April 2008 to 31 March 2009**

Outcomes of disciplinary hearings	Number	% of total
Demotion	0	0
Dismissal	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**Table 5.13.3 – Types of misconduct addressed at disciplinary hearings**

Type of misconduct	Number	% of total
Refuse to obey lawful instructions	0	0
Disrespect towards senior official	0	0
Dishonesty	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>

**Table 5.13.4 – Grievances lodged for the period 1 April 2008 to 31 March 2009**

Below is the number of grievances lodged in terms of the Grievance Rules.

	Number	% of Total
Number of grievances resolved	2	100
Number of grievances not resolved	0	0
<b>Total number of grievances lodged</b>	<b>2</b>	<b>100</b>

**Table 5.13.5 – Disputes lodged with Councils for the period 1 April 2008 to 31 March 2009**

The table below indicates disputes that were lodged with or were decided by the GPSSBC or the Labour Court during the year under review.

	Number	% of Total
Number of disputes upheld	1	25
Number of disputes dismissed	3	75
<b>Total number of disputes lodged</b>	<b>4</b>	<b>100</b>

**Table 5.13.6 – Strike actions for the period 1 April 2008 to 31 March 2009**

Total number of person working days lost	-
Total cost (R'000) of working days lost	-
Amount (R'000) recovered as a result of no work no pay	-

No strikes took place during the year under review.

**Table 5.13.7 – Precautionary suspensions for the period 1 April 2008 to 31 March 2009**

Number of people suspended	-
Number of people whose suspension exceeded 30 days	-
Average number of days suspended	-
Cost (R'000) of suspensions	-

No persons were placed on suspension during the year under review.

## 5.14 Skills development

This section highlights the efforts of the department with regard to skills development.

*Table 5.14.1 – Training needs identified 1 April 2008 to 31 March 2009*

Occupational Categories	Gender	Number of employees as at 1 April 2008	Training needs identified at start of reporting period			
			Learnerships	Skills Programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	10	-	10	1	11
	Male	29	-	15	4	19
Professionals	Female	51	-	30	3	33
	Male	55	-	28	3	31
Technicians and associate professionals	Female	56	-	16	1	17
	Male	46	-	24	1	25
Clerks	Female	111	-	46	13	59
	Male	33	-	21	2	23
Service and sales workers	Female	-	-	-	-	-
	Male	-	-	-	-	-
Skilled agriculture and fishery workers	Female	-	-	-	-	-
	Male	-	-	-	-	-
Craft and related trades workers	Female	-	-	-	-	-
	Male	-	-	-	-	-
Plant and machine operators and assemblers	Female	-	-	-	-	-
	Male	4	-	-	-	-
Elementary occupations	Female	28	-	-	-	-
	Male	5	-	-	-	-
<b>Sub Total</b>	<b>Female</b>	<b>256</b>	-	102	18	120
	<b>Male</b>	<b>172</b>	-	88	10	98
<b>Total</b>		<b>428</b>	-	<b>190</b>	<b>28</b>	<b>218</b>

**Table 5.14.2 – Training provided 1 April 2008 to 31 March 2009**

This table indicates all training provided by the department during this period including bursaries awarded to full time employees.

Occupational Categories	Gender	Number of employees as at 1 April 2008 (including 18.2 learners)	Training provided within the reporting period				Total
			Training provided for Unemployed Graduates	Skills Programmes and other short courses	Other forms of training		
					Workshops	Bursaries	
Legislators, senior officials and managers	Female	10	-	4	-	1	5
	Male	29	-	14	-	4	18
Professionals	Female	51	-	34	-	3	37
	Male	55	-	35	-	3	38
Technicians and associate professionals	Female	56	-	24	-	2	26
	Male	46	-	24	-	0	24
Clerks	Female	111	12	67	-	13	92
	Male	33	7	13	-	2	22
Service and sales workers	Female	-	-	-	-	-	-
	Male	-	-	-	-	-	-
Skilled agriculture and fishery workers	Female	-	-	-	-	-	-
	Male	-	-	-	-	-	-
Craft and related trades workers	Female	-	-	-	-	-	-
	Male	-	-	-	-	-	-
Plant and machine operators and assemblers	Female	-	-	-	-	-	-
	Male	4	-	-	-	-	-
Elementary occupations	Female	28	-	-	-	-	-
	Male	5	-	-	-	-	-
Sub Total	Female	<b>256</b>	<b>12</b>	<b>129</b>	-	<b>17</b>	<b>160</b>
	Male	<b>172</b>	<b>7</b>	<b>86</b>	-	<b>11</b>	<b>102</b>
<b>Total</b>		<b>428</b>	<b>19</b>	<b>215</b>		-	<b>262</b>

## 5.15 Injury on duty

The following tables provide basic information on injury on duty.

**Table 5.15.1 – Injury on duty, 1 April 2008 to 31 March 2009**

Nature of injury on duty	Number	% of total
Required basic medical attention only	1	0,2
Temporary Total Disablement	-	-
Permanent Disablement	-	-
Fatal	-	-
<b>Total</b>	<b>1</b>	<b>0,2</b>

## 5.16 Utilisation of consultants

**Table 5.14.2 – Report on consultant appointments using appropriated funds**

Project Title	Total number of consultants that worked on the project	Duration: Hours	Contract value in Rand
CFO Support	17	21,760	19,216,356
24 Hour Employee Wellness Support Programme (ICAS)	1	8,760	125,692
Skills Audit Exercise (Ilanga)	1	240	300,000
<b>Total number of projects</b>	<b>Total individual consultants</b>	<b>Total duration: Hours</b>	<b>Total contract value in Rand</b>
3	19	30,760	19,642,048

**Table 5.14.3 – Analysis of consultant appointments using appropriated funds, in terms of Historically Disadvantaged Individuals (HDIs)**

Project Title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of Consultants from HDI groups that work on the project
CFO Support	10	10	8
24 Hour Employee Wellness Support Programme (ICAS)	49	49	2
Skills Audit Exercise (Ilanga)	100	100	100

**Table 5.14.4– Report on consultant appointments using Donor funds**

Project Title	Total Number of consultants that worked on the project	Duration: Work days	Donor and Contract value in Rand
None			
<b>Total number of projects</b>	<b>Total individual consultants</b>	<b>Total duration: Work days</b>	<b>Total contract value in Rand</b>
None			

**Table 5.14.5– Analysis of consultant appointments using Donor funds, in terms of Historically Disadvantaged Individuals (HDIs)**

Project Title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of Consultants from HDI groups that work on the project
None			

