

nt  
2010/11  
Annual Report



**national treasury**

Department:  
National Treasury  
**REPUBLIC OF SOUTH AFRICA**

**NATIONAL TREASURY  
ANNUAL REPORT 2010/11**

Published by National Treasury

Private Bag X115

Pretoria

0001

South Africa

.....

**Tel:** +27 12 315 5526

**Fax:** +27 12 315 5126

.....

The 2010/11 National Treasury  
Annual Report is also available on

*[www.treasury.gov.za](http://www.treasury.gov.za)*

.....

**Editorial, coordination and layout:**

National Treasury Communications

Chief Directorate

.....

**Printing and binding:**

Formset Printers

.....

**ISBN:** 978-0-621-40142-4

**RP:** 104/2011

# nt

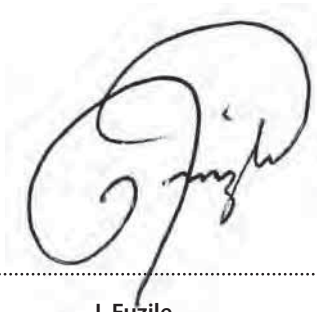
2010/11

## Annual Report

**Mr P Gordhan**

Minister of Finance

I have the honour  
of submitting the Annual Report  
of the National Treasury for the period  
1 April 2010 to 31 March 2011.



**L Fuzile**

Director-General



**national treasury**

Department:  
National Treasury  
**REPUBLIC OF SOUTH AFRICA**



## CONTENTS

Accounting Officer's Overview	2
The Ministry	5
Mission Statement	8
Minister's Statement on policy and commitment	11
Legislative Mandate	14
Legislation Enacted	15
Programme 1: <i>Administration</i>	17
Programme 2: <i>Public Finance and Budget Management</i>	24
Programme 3: <i>Asset and Liability Management</i>	43
Programme 4: <i>Financial Management and Systems</i>	58
Programme 5: <i>Financial Accounting and Reporting</i>	65
Programme 6: <i>Economic Policy and International Financial Relations</i>	74
Programme 7: <i>Provincial and Local Government Transfers</i>	86
Programme 8: <i>Civil and Military Pensions</i>	91
Programme 9: <i>Fiscal Transfers</i>	96
Annual Financial Statements	99
Report of the Audit Committee	100
Annual Financial Statements of the Project Development Facility	211
Annual Financial Statements of the Technical Assistance Unit	242
Human Resources Management	261
Annexures	289



**ACCOUNTING OFFICER'S OVERVIEW**

## ACCOUNTING OFFICER'S OVERVIEW

In 2010, Cabinet adopted 12 outcomes to address government's strategic priorities in a practical and meaningful manner. The National Treasury fully adopted the outcomes approach in crafting our strategic document last year. This allowed us to refocus our energies and to further align ourselves with the government programme of action. In undertaking our work, and as part of the rigorous expenditure reprioritisation, we were able to further give effect to government's strategic priorities.

This document covers the period 1 April 2010 to 31 March 2011. The period tells a story of a post crisis recovery which, though still somewhat fragile, is beginning to strengthen, paving the way for a growth friendly fiscal consolidation. Our economy gradually recovered from the devastating 2008 financial crisis, growing at 2.7 per cent in 2010. Our February forecast projects GDP growth at 3.4 per cent this year and is set to rise to 4.4 per cent by 2013. The International Monetary Fund also raised our growth forecast to 4.0 per cent this year. Inflation remained within the target band with interest rates at 30 year lows of 5.5 per cent, having been last reduced by 50 basis points in November 2010. In recent months, domestic economic activity also gathered pace with a pickup in business confidence. Private gross fixed-capital formation increased in the second and third quarters of 2010 – a marked turnaround after five successive quarters of decline. Importantly, our prudent debt management structure coupled with sound macro-economic fundamentals ensured that major credit rating agencies affirmed our country's investment grade rating and the removal of the negative outlook on our rating by Fitch and Standard & Poor.

On the downside, the country continues to face chronic unemployment made worse by the massive job losses caused by the recession, totalling about one million by June 2010. The debt stock also continued to rise which also meant rising debt service costs.

As part of our work during the reporting period, we continued to respond to the 2008 recession with appropriate fiscal and monetary measures to ensure that growth returns to pre-recession levels, and accelerates even further. With government having placed job creation at the heart of policy formulation, we are aiming to create many more jobs as economic growth picks up, with a particular focus on increasing employment among the young who, at about 50 per cent of the unemployed, bear the heaviest burden of unemployment.

Over the past financial year, the department supported the reprioritisation of spending in line with outcomes, a process which resulted in reprioritisation and reallocation of R30.6 billion identified and included in the 2011 Budget. The divisions also developed a framework which provided for a shift in expenditure planning such that budgeting occurs by function rather than by department. We also focused our attention on working on several health financing initiatives including on the National Health Insurance with the first set of budget allocations made in this year's Budget.

The department also continued to play a leading role in advising and providing project management support and technical assistance to other public sector departments. This support included assistance provided to the Technical Co-ordination Committee, Inter-Ministerial Committee and Organising Committee ahead and during the successful 2010 FIFA World Cup. In its support for infrastructure planning and implementation, the Infrastructure Development Improvement Programme developed a quality assurance model to further improve infrastructure delivery and ensure increased contribution to sustainable capacity building in departments.

## ACCOUNTING OFFICER'S OVERVIEW - *continued*

During the reporting period we revised the provincial and local government equitable share formulae, resulting in the addition of a new health component and more funds being directed towards poor rural municipalities. Further, conditional grants for infrastructure were restructured and new conditional grants introduced to provide for infrastructure priorities in education and to upgrade informal settlements in metropolitan municipalities.

Promoting greater accountability and transparency in government remains one of our key focus areas. We developed fraud detection guidelines and successfully conducted 20 investigations into supply chain management practices. In addition, we issued instruction notes that dealt with prohibiting collusive bidding or bid-rigging and also amended guidelines to include functionality as a criterion for evaluating the status of recommended bidders on the database of restricted suppliers and the Register for Tender Defaulters.

National Treasury continues to be the centre for economic policy formulation and over the past year we continued to provide advice on and co-ordinate growth-enhancing policies. This included contributing to the G20 Mutual Assessment Process and Framework for Strong, Sustainable and Balanced growth and providing input to the Economic Sectors and Employment cluster on Outcome 4 – Decent employment through inclusive growth.

Work continued on environmental fiscal reform with a particular focus on the possible use of taxes and incentives to deal with environmental challenges such as climate change. In December 2010, we published for public comment a discussion paper titled "Reducing Greenhouse Emissions: The Carbon Tax Option" and we aim to provide the design features of this proposed tax when we table the 2012 Budget. We also concluded tax treaties with Seychelles, Sweden, the United Kingdom and Kenya.

Our relationship with multilateral institutions such as the World Bank, International Monetary Fund and African Development Bank remains sound. We continued to participate in the G-20, G-24 and BRICS for global coordination of economic and financial policy issues. Our contribution within regional economic groupings of SADC and SACU remains strong and relevant.

Having assumed my role as Accounting Officer on 16 May 2011, I wish to thank the previous Director-General, Lesetja Kganyago, for the leadership he demonstrated during his tenure in the department. The achievements during the period under review were with him at the tiller of this steady ship.

Finally, I wish to thank the Minister and Deputy Minister of Finance, and the Treasury team, for the profoundly warm welcome which I have come to enjoy in my new role in the organisation.



Lungisa Fuzile

**Director-General**  
National Treasury



## THE MINISTRY



## THE MINISTRY

The Finance Ministry is a leading centre of specialised finance, economic and accounting public sector organisations. Finance Minister Pravin Gordhan and his deputy Nhlanhla Nene, the two political heads of these organisations continued to steer and provide political guidance during the reporting period. This ensured high levels of consistent service delivery, for anything short of hard work short-changes the public.

South Africa continues to have the most transparent budget when surveyed against 94 other countries including the most powerful economies in the world. The National Treasury continued to improve the quality of information presented in the Budget – the 2011 Budget included more detailed trendable service delivery information. This will ensure better accountability by those entrusted with managing public funds.

A recovery in the domestic economy is underway and macro-economic and fiscal policies continue to support stronger and faster economic growth. Unemployment, especially with the youth remains a challenge. The National Treasury released a discussion document which sought to contribute toward government's multi-pronged strategy to tackle youth unemployment. All stakeholders should move with speed to ensure that debate moves to implementation phase such that those waiting on government are not further disadvantaged.

The ministry remains committed to having conversations about crucial issues in society especially in the economic environment.

**INTERNATIONAL VISITS UNDERTAKEN BY THE MINISTER OF FINANCE, PRAVIN GORDHAN, DURING THE 2010/11 FINANCIAL YEAR**

2010		
Date	Country	Reason
21-27 April 2010	Washington, USA	IMF /WB spring Meetings
4-7 May 2010	Dar es Salaam, Tanzania	WEF Africa
27-28 May 2010	Abidjan, Cote d'Ivoire	AFDB Meetings
2-7 June 2010	Busan, Korea	G20 Finance Ministers and Central Bank Governors Meetings
26-27 June 2010	Toronto, Canada	G-20 Summit
13 Aug 2010	Windhoek, Namibia	SADC Summit of Heads of State
14-18 Aug 2010	Freetown, Sierra Leone	African Caucus Meeting
13 – 17 Sept 2010	London, UK	UK State Visit with Deputy-President Motlanthe
5-10 Oct 2010	Washington, USA	C10, IMF / WB - Africa Group I Constituencies Meetings and IMF / WB - Annual Meeting Plenary Session
20-24 Oct 2010	Korea, Gyeongju,	G-20 FM / CBG Meetings
31 Oct – 2 Nov 2010	London, United Kingdom	Keynote address at FT: Private Equity in Africa
9 – 13 Nov 2010	Seoul, Hong Kong	G-20 Summit
10-12 Nov -2010	Seoul, Hong Kong	G-20 Business Summit
24 Nov – 1 Dec 2010	London, UK	Investec CEO's Conference and Royal African Society Breakfast
2011		
24 – 30 Jan 2011	Davos, Switzerland	WEF Meetings
17 – 20 Feb 2011	Paris, France	G-20 FM & CBG Meeting
28 Feb – 4 Mar 2011	Paris, France	State Visit to Paris with President Zuma
21 – 23 Mar 2011	London, UK	The Times CEO Business Summit
29 Mar – 2 Apr 2011	Nanjing, China	High Level Seminar

**INTERNATIONAL VISITS UNDERTAKEN BY THE DEPUTY MINISTER OF FINANCE, NHLANHLA NENE, DURING THE 2010/11 FINANCIAL YEAR**

2010		
Date	Country	Meeting
29 March 2010	Singapore	The Signing Ceremony between OM Holdings Limited and Ntsimbintle Mining (OM Holdings Limited)
19 April 2010	Windhoek, Namibia	The 21st Meeting of the SACU Council of Ministers Summit
21 to 22 April 2010	Windhoek, Namibia	The SACU Heads of State and Government Meeting
27 to 28 May 2010	Paris, France	The OECD Ministerial Council Meeting
12 to 13 August 2010	Windhoek, Namibia	SADC Ministerial Task Force Regional Economic Integration Council Meeting
16 to 17 August 2010	Freetown, Sierra Leone	Meeting of African Governors of the African Caucus
14 to 17 September	Seoul, Korea	2010 Korea-Africa Economic Cooperation (KOAFEC) Ministerial Conference
06 to 10 October 2010	Washington, D.C, USA	Commonwealth Ministers of Finance Meeting and the Annual Meetings of the IMF and World Bank
2011		
31 March to 01 April 2011	London	2nd Commonwealth Secretariat Stakeholders Conference on Debt Management
13 to 15 April 2011	Sanya Hainan Island, China	The BRICS Summit
26 to 28 May 2011	Rio de Janeiro, Brazil	High Level Seminar on Managing Capital Flows in Emerging Markets



## MISSION STATEMENT

# MISSION STATEMENT

## VISION

National Treasury is the custodian of the nation's financial resources. We hold ourselves accountable to the nation to discharge our responsibilities professionally and with humility, with the aim of promoting growth and prosperity for all.

We aspire to excellence in the quality of our analysis, our advice and the execution of our financial management responsibilities. We aim to realise the full potential of South Africa's economy and people and to mobilise the resources of the state, business enterprises and the wider community in a partnership of trust and mutual respect.

---

## MISSION AND OBJECTIVES

National Treasury aims to promote economic development, good governance, social progress and rising living standards through accountable, economic, efficient, equitable and sustainable management of South Africa's public finances.

We endeavour to advance economic growth, broad-based empowerment, progressive realisation of human rights and the elimination of poverty. We are responsible for preparing a sound and sustainable national Budget and an equitable division of resources among the three spheres of government.

We strive to raise fiscal resources equitably and efficiently and to manage government's financial assets and liabilities soundly. We promote transparency and effective financial management.

---

## VALUES

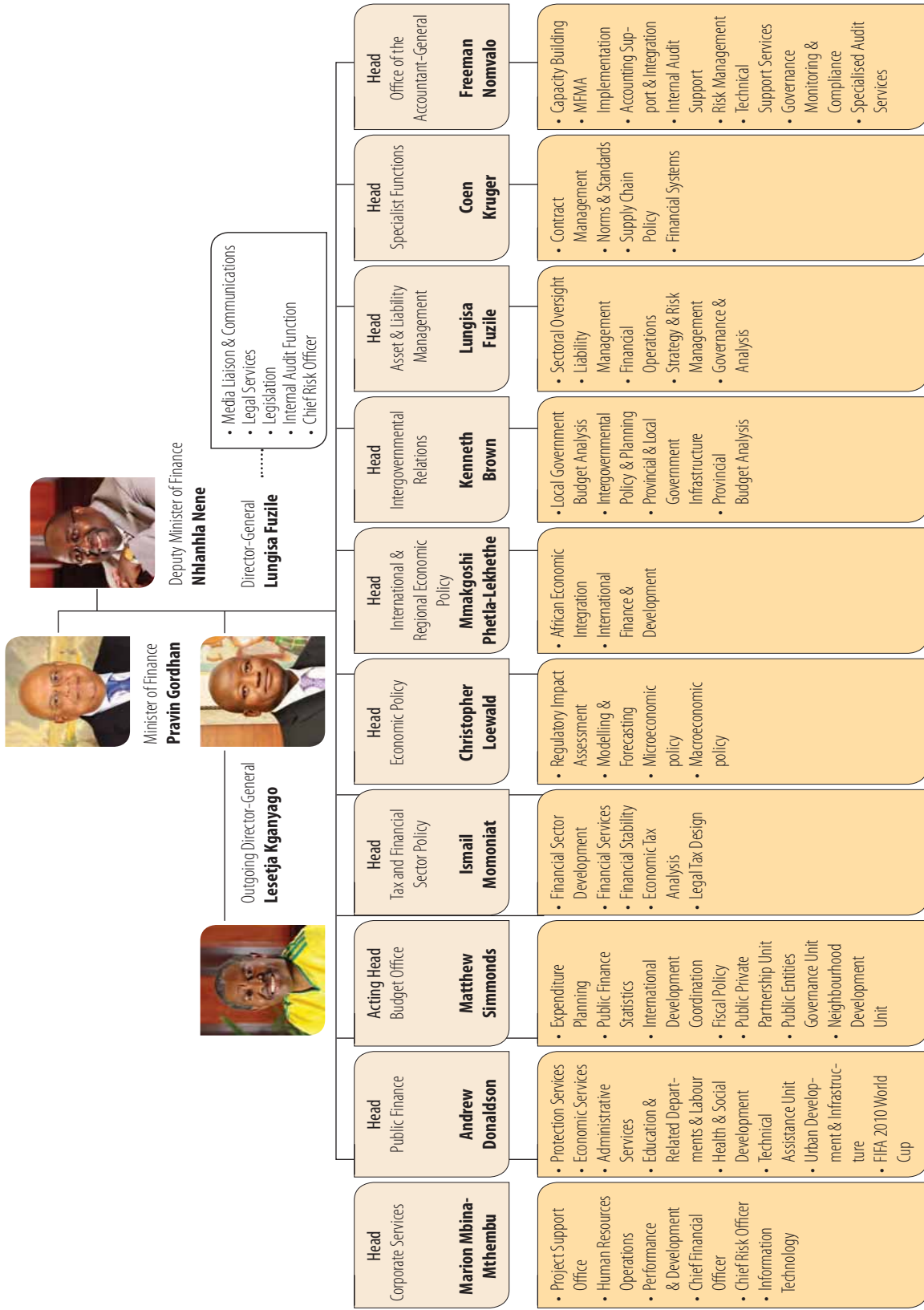
As custodians of the nation's financial resources, the National Treasury acknowledges the authority of Parliament through whom we are accountable to the nation. We value teamwork, sound planning and enthusiasm and strive continually to improve the quality, accuracy and reliability of our service delivery.

Our people are our most valued assets. We seek to be an employer of choice, we invest in the education and training of our staff, we cultivate a learning and consultative environment, we make use of the best available technological support and we aim to mobilise the full potential of our people.

In our dealings with the public and with our colleagues we act transparently and with integrity, showing respect and demonstrating fairness and objectivity.

In achieving these things, we will honour the faith that the South African public has placed in us.

# ORGANOGRAM





**MINISTER'S STATEMENT ON POLICY AND COMMITMENT**



## MINISTER'S STATEMENT ON POLICY AND COMMITMENT

The past year represents our first year of recovery from the deep recession of 2009 but the global environment remains uncertain. While rapid growth in the developing countries continues, the pace of recovery in the developed economies is worryingly slow. At this time of global transition we can expect continuing volatility and frequent set-backs. In recent months the source of concern has shifted from the private financial systems of the world to the management of public resources.

In South Africa, by contrast, the commitment to careful management of the fiscus has been strengthened over the last few years, as we have witnessed the benefits of creating space for effective fiscal action in times of crisis. Thus National Treasury has played a central role in helping South Africa navigate this difficult global environment thus far, and in spite of the global risks, our domestic economy continues to recover and our public finances remain strong and robust.

With economic growth of 3.4% projected for 2011, increasing to 4.4% by 2013, we have the challenge of ensuring that this growth is inclusive so that all our citizens feel its positive effects. To ensure that the next round of growth is truly inclusive we must act to restructure the economy and maximize the job-intensity of our growth. This is the key to reducing the unacceptably high level of inequality that exists in our society. From the point of view of the budget, the over-riding concern should be to ensure that we prioritise spending in areas that will deliver the kind of growth we seek, and act decisively to shift the composition of our spending towards further infrastructure development.

Whilst the present realities serve to fortify our determination as the political leadership to move with determination and in unison, they also offer a sobering view of the challenges that lay before us. They validate the notion that, for many years ahead, employment will have to be at the centre of South Africa's growth and development path – especially the creation of work and learning opportunities for young people.

South Africa's New Growth Path is focussed job creation that forms part of a broad framework for improving living conditions, greater social cohesion, a competitive economy and a more equal and inclusive society.

Alongside job-creation initiatives, steps are under way to improve income security and social protection of employees, and to construct an NHI system. These are long-term objectives, yet they must proceed with vigour. Success rests on stronger economic growth, effective implementation, and sound fiscal and financial management of the economy.

The year was also marked by several achievements such as our exemplary hosting of the Fifa 2010 Soccer World Cup and being ranked as the top country out of 94 countries in the Open Budget Survey 2010. Our focus on improving value received for public funds spent, has begun yielding results. The fight against corruption is continuing, and we remain steadfast in our aim to eliminate this form of wastage over the medium-term. The focus on improving the approach to procurement is also continuing. Early indications are that improvements are being yielded, with substantial savings realised in the recent procurement of antiretrovirals (ARV's).

Whilst the world is recovering from the greatest recession since the Great Depression, the fragility and unevenness of the recovery promises to remain for a while to come. Although South Africa was relatively well positioned as a result of several years of prudent fiscal policy, consistently improving revenue collection rates and pro-poor resource focus, we should remain mindful that the rules of the global economic "game" are being re-written on a daily basis.

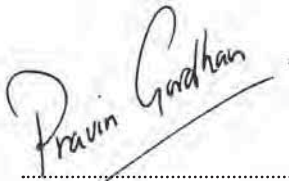
Our hard-won gains will be quickly reversed if we as a collective are not strongly committed to taking steps that would advance us further.

## MINISTER'S STATEMENT ON POLICY AND COMMITMENT - *continued*

We also have, as a collective, to carefully consider our strategy going forward. We have to recognise that traditional drivers of economic growth are no longer the preserve of developed economies. Indications are that growth will be driven in a multipolar fashion, distributed amongst developed and developing economies, and it is important to recognise it in this context. Various observations relating to the period covered by this report have demonstrated this notion.

I take this opportunity to thank the National Treasury leadership and staff for their unwavering support during these trying economic times. My sincere thanks and gratitude go to the previous Director-General, Mr. Lesetja Kganyago, whose commitment and sincerity inspired the rest of the Treasury team. We are already enjoying engaging with him in his capacity as Deputy-Governor at the SA Reserve Bank.

Finally, I would like to welcome Mr. Lungisa Fuzile as the Director-General of the National Treasury. He assumed this role on the 16th of May 2011 and has had to acclimatise very quickly, given present turbulent and challenging economic circumstances.



Pravin Gordhan

**Minister of Finance**





## **LEGISLATIVE MANDATE AND LEGISLATION ENACTED**

## LEGISLATIVE MANDATE

The National Treasury's mandate is to promote the national government's fiscal policy and to coordinate macroeconomic policy, intergovernmental financial and fiscal relations, manage the preparation of the budget, and to ensure that revenue and expenditure, assets and liabilities, public entities and constitutional institutions are managed in a transparent and effective manner.

### PARLIAMENTARY SERVICES

As the political principal of the department, the Minister of Finance regards collaboration with Parliament as vital. Consequently, National Treasury continued during the period under review interactions with parliamentary committees, chief among which include the Standing Committee on Finance; the Standing Committee on Appropriations; Select Committee on Finance and Select Committee on Appropriations. Other committees also include the the Standing Committee on Public Accounts and all other relevant portfolio committees in parliament

The Parliamentary Service Office (PSO) is at the core of maintaining this relationship. The Office is also a vehicle through which financial policies and pieces of legislation are presented to Parliament for consideration and approval.

During the period under review the PSO coordinated work processes between policy makers and public representatives. Information continued to flow between the Ministry through Cabinet to Parliament and vice versa.

Other clients of this office include but are not limited to:

- Members of Parliament;
- Parliamentary Committees;
- Parliamentary Administrative Staff;
- Civil society institutions; and
- Members of the public.

The PSO also maintains collegial and cooperative relationships on behalf of the Ministry with political structures as well as offices of the Presiding Officers, the Secretary to Parliament and Leader of Government Business.

# LEGISLATIVE ENACTED

## 1. Appropriation Act, 2010 (Act No. 3 of 2010)

Bill enacted: Appropriation Bill [B 3 – 2010]

English text signed by the President. Assented to 15 June 2010

Published in Government Gazette No.33314, dated 17 June 2010

## 2. South African Reserve Bank Amendment Act (Act No. 4 of 2010)

Bill enacted: South African Reserve Bank Amendment Bill [B10 – 2010]

English text signed by the President. Assented to 8 September 2010

Published in Government Gazette No.33538, dated 9 September 2010

## 3. Taxation Laws Amendment Act, (Act No. 7 of 2010)

Bill enacted: Taxation Laws Amendment Bill [B 28 – 2010]

English text signed by the President. Assented to 31 October 2010

Published in Government Gazette No.33726, dated 2 November 2010

## 4. Voluntary Disclosure Programme and Taxation Laws Second Amendment Act, (Act No. 8 of 2010)

Bill enacted: Voluntary Disclosure Programme and Taxation Laws Second Amendment Bill [B 29 – 2010]

English text signed by the President. Assented to 31 October 2010

Published in Government Gazette No.33727, dated 2 November 2010

## 5. Division of Revenue Amendment Act, (Act No. 15 of 2010)

Bill enacted: Division of Revenue Amendment Bill [B 35 – 2010]

English text signed by the President. Assented to 26 November 2010

Published in Government Gazette No.33830, dated 2 December 2010

## 6. Adjustments Appropriation Act, 2010 (Act No. 23 of 2010)

Bill enacted: Adjustments Appropriation Bill [B 34 – 2010]

English text signed by the President. Assented to 1 December 2010

Published in Government Gazette No.33840, dated 3 December 2010



**PROGRAMME 1**  
**ADMINISTRATION**

# PROGRAMME 1 ADMINISTRATION

**Purpose:** Provide strategic management and administrative support to the National Treasury, giving managerial leadership to the work of the department.

**Measurable objective:** to provide effective leadership, management and administrative support to the core business divisions of the National Treasury, through the continuous refinement of organisational strategy and structure, to ensure compliance with applicable legislation and alignment with appropriate best practice.

The programme is divided into four subprogrammes:

- The *Minister* subprogramme provides for the Office of the Minister of Finance and includes parliamentary and ministerial support services.
- The *Deputy Minister* subprogramme provides for the Office of the Deputy Minister of Finance and related support services.
- The *Management* subprogramme incorporates the Office of the Director-General and related support services.
- The *Corporate Services* subprogramme supports the administration and effective operation of the department.

## SERVICE DELIVERY OBJECTIVES AND INDICATORS

### RECENT OUTPUTS

The *Minister* and *Deputy Minister* subprogrammes provide administrative support and report directly to the two political heads. The *Parliamentary Office* assisted the Minister and the two organisations under his executive authority (the National Treasury and the South African Revenue Service) with parliamentary responsibilities, such as the passage of legislation. The office also co-ordinated interaction between the ministry and the relevant committees in Parliament.

The *Management* subprogramme is made up of the Office of the Director-General and provided strategic direction and leadership to the National Treasury during the review period. The *Communications*, *Legal Services*, *Internal Audit* and *Enterprise Risk and Security Management* units report directly to this office.

The *Communications* unit maintained the reliable media liaison service it provides to the department and ministry. It also continued to manage the editing, layout and design, and printing of key documents. Events managed in the period under review included the Medium Term Budget Policy Statement in October and the annual Budget tabled in February. The marketing campaign for the RSA Retail Savings Bond continues to yield positive results, and investments in these savings products stood at R5.2 billion by the end of March 2011, representing a R2 billion increase from the previous year. The unit also responded to a high volume of public queries on a range of issues related to the work of the department.

The *Legal Services* unit provided comprehensive legal support to the department and ministry. It managed more than a hundred litigations, and continued to provide, procure and manage professional legal advice for the department. The unit also oversaw the passage of legislation proposed by the department and made comments on legislation proposals from other ministries.

The *Internal Audit* unit is in the process of implementing a Shared Service Internal Audit for entities that report to the Minister of Finance.

## PROGRAMME 1 ADMINISTRATION - continued

All audits planned were conducted within the set period. The unit also conducted adhoc audits at the request of management.

The *Enterprise Risk and Security Management* unit reviewed and implemented a departmental Enterprise Risk Management strategy in line with the Public Sector Risk Management Framework. Adherence to the strategy continues to be monitored closely by management and the Audit and Risk Management Committees. Additional enterprise risk management support was provided to the Accounting Standards Board and the Co-operative Banks Development Agency during the year. The Fraud Prevention Plan was reviewed in line with Minimum Anti-Corruption Capacity requirements, and was implemented in support of the department's zero tolerance to corruption. The Security Management structure was reviewed, a process which culminated in the establishment of the Vetting Fieldwork unit. The unit also appointed a new Guarding Service provider to provide physical security within the department.

The *Corporate Services* subprogramme comprises of the following units: *Human Resources, Financial Management, Information Technology (IT), Facilities Management, and Strategic Projects and Support*. The units provided a range of innovative solutions that enabled the department to achieve its strategic and operational goals.

The *Human Resources* unit continued to strengthen its partnership with business through its human resources-business partnership model. The partnership approach contributed to an increase in adherence to performance management principles. Internal appointments increased to 54 per cent against the target of 45 per cent. The unit continued to improve the skills of employees by running a successful Leadership Development Programme for senior management, and increased the number of training days per employee to an average of 8 days per employee. The unit established a skills database to assist in identifying and recruiting requisite skills.

During the review period the internship programme continued to grow, such that the department's employee base now comprises 6 per cent interns. The Employee Wellness Programme was enhanced through the adoption of the SIYAPHILA initiative that created greater awareness of the services provided and also serves as a health awareness platform in educating employees.

The *Financial Management* unit processed all transactions before 31 March 2011. The National Treasury once again, closed its financial books ahead of all national and provincial departments. The unit implemented demand management and spend analysis plans to improve financial planning and management. This improved turnaround times of tender processes from an average of 91 days (2009/10) to 60 days during the reporting period. The unit also managed an asset disposal plan which included donations to underprivileged educational institutions. In addition, the unit submitted accurate bi-annual and annual tax reconciliations two weeks before the due date.

The *Facilities Unit* continued to provide adequate accommodation for the department.

The *Information and Communications Technology (ICT)* unit established an Enterprise Architecture capability in ICT to align business processes to technology, allowing for cost savings, standardisation and reduced duplication. The unit also developed solutions to enhance ICT operations. An archiving capability was implemented by management for better rewards. The unit also developed a number of solutions to ensure proper records management.

The *Project Support Office* extended its support function and provided project management support and coaching on request.

# PROGRAMME 1 ADMINISTRATION

- continued

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 1: Administration

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
Management	Ensure that the department adheres to an integrated risk management system	Develop and implement a comprehensive enterprise-wide risk management strategy that promotes and upholds a culture of risk awareness within the department	Enterprise Risk Management Strategy reviewed annually and any changes implemented	The Enterprise Risk Management Strategy was approved and effectively implemented. Risk assessments were conducted for all divisions and a consolidated Risk Assessment Report was developed. Risk assessments were further conducted for the ASB and CBDA. Monitored departmental Risk Treatment Action plans
			Pilot the Business Continuity Management strategy	Business Continuity Management plans were developed and implemented
			Fraud Prevention Plan reviewed annually and any changes implemented	The Fraud Prevention Plan reviewed and implemented. A corruption case management framework was also developed. Cases from the Public Service Commission fraud line were investigated and a report submitted to the PSC
	Ensure a secure and enabling working environment for staff	Providing appropriate physical security for employees and assets	Ongoing	Conducted 2 emergency evacuation drills on NT buildings and also conducted formal security awareness sessions for employees. Minimised breakdowns on the electronic security system
		Securing the annual budget process	Secure MTBPS and budget day	Improved security measures and no information leaks

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 1: Administration - Continued

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
<p><b>Measurable objective:</b> To ensure effective leadership, management and administrative support to the department through the continuous refinement of organisational strategy and structure, in compliance with appropriate legislation and best practice.</p>				
Management	Provide an effective internal audit unit	Develop and implement a risk based annual and three year audit plan in consultation with stakeholders	70% client satisfaction achieved	75% client satisfaction was achieved (measured through feedback forms). A risk based annual and three year audit plan was developed in consultation with relevant stakeholders
Corporate Services (CS)	Efficient HR function	Develop, implement and maintain an integrated, progressive and innovative HR strategy	70% Audit Committee satisfaction achieved	88.5% Audit Committee satisfaction was achieved
			Efficiency increased to 50%	HR efficiency increased as follows: 85.44% of new employees attained A&B performance scores in their first year with the department (quality of hire) 54% of vacancies have been filled with internal employees (internal hire rate: lateral and promotional movements) 71% of interns were placed into permanent positions in the department Training and development interventions aligned to organisational needs resulted in an average of 8.15 training days per employee. 53% of Directors & Chief Directors attended the Leadership Development Programme



# PROGRAMME 1 ADMINISTRATION

- continued

			Acquisition process fully implemented in all divisions. The recruitment operating model ensured focus on critical and scarce skills and helped to reduce turnaround times and high vacancy rate. Vacancy rate is at 1.4% with turnaround times of an average of 14 weeks due to competitiveness in the area of critical and scarce skills (economics, finance and accounting)
Roll out of the talent management programme	Acquisition process initiated and rolled out to 70% of the department		Development of the Enterprise Architecture framework underway ICT operational plan has been revised
Ensure an integrated business solutions approach to improve knowledge management	Creation of a stabilised cost effective ICT infrastructure to accommodate the strategic business objectives Develop a platform where information can be deposited and shared (knowledge sharing platform)	Approved enterprise architecture baseline Revised and approved ICT operational plan Piloted with 40% of users	Developed an information platform consisting of a Central Registry for physical documents, the electronic registry for electronic records and the Paper Trail document tracking system for current business documents. Platform used by more than 40% of employees
Sound financial management and governance according to best practice	Progressive development of analytical reporting and enhancing management accounting	Changes to the in-year monitoring tool to improve turnaround reporting from 6 days to 2 days Report on the assessment of implementation of policies on a quarterly basis	Implemented the in-year monitoring tool to improve the turnaround reporting from 6 days to 2 days
	Financial governance compliance and sound control environment	Reduce by 60% the findings on compliance by Internal Audit and Auditor General resulting in unqualified audit report	An assessment tool has been developed, implementation commenced during the first quarter of the 2011/12 financial year Reduced by 71% the findings on compliance by Internal Audit and Auditor General

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 1: Administration - Continued

<b>Measurable objective:</b> To ensure effective leadership, management and administrative support to the department through the continuous refinement of organisational strategy and structure, in compliance with appropriate legislation and best practice.		<b>Actual performance against target</b>	
<b>Subprogramme</b>	<b>Output</b>	<b>Measure / indicator</b>	<b>Actual</b>
Corporate Services (CS)	Sound financial management and governance according to best practice	Ensure that all statutory reporting regulations and deadlines are met	31 March 2011 Ensured that all transactions are processed before 31 March 2011 Closed the financial records on 6 April 2011
	Develop and maintain a sound supply chain management strategy	Strategic supply chain principles implemented	60% implemented
		Electronic procurement system implemented	60% implemented
		Policies and procedures updated for supply chain management principles	Ongoing



**PROGRAMME 2**  
**PUBLIC FINANCE AND BUDGET MANAGEMENT**

## PROGRAMME 2

### PUBLIC FINANCE AND BUDGET MANAGEMENT

**Purpose:** Provide analysis and advice on fiscal policy and public finances, intergovernmental financial relations, and expenditure planning and priorities. Manage the annual budget process and provide public finance management support.

**Measurable objective:** To promote growth, social development and poverty reduction through sound fiscal and financial policies, and the effective, efficient and appropriate allocation of public funds. Specific aims are to:

- Prepare a national budget that gives effect to government's economic, fiscal, social and developmental goals under the umbrella of the outcomes approach.
- Publish the *Budget Review, Estimates of National Expenditure (ENE), Medium Term Budget Policy Statement (MTBPS)* and appropriation legislation containing relevant, accurate and clear financial information, and associated indicators of service delivery and performance.
- Contribute to public policy and programme development, sound planning, budgeting and project management, including increased support to public finance reform in provinces and municipalities.
- Support improved monitoring and analysis of public expenditure and service delivery, and the appropriate use of public and private financial resources for social and economic development and infrastructure investment.
- Ensure that all official development assistance (ODA) provided to government is aligned with budget priorities and is channelled through South Africa's public finance management system.

## SERVICE DELIVERY OBJECTIVES AND INDICATORS

### RECENT OUTPUTS

#### Budget Office

The *Budget Office* coordinates the budget process, provides advice to the Ministers' Committee on the Budget, and monitors fiscal and public expenditure trends.

The division produced, on time, the framework for the MTBPS, the Budget Review and an estimate of the structural balance. The budget documentation was comprehensive and remains widely respected for its quality of coverage, including an improved set of measurable objectives and trends-based performance indicators.

The *Fiscal Policy* unit monitors economic and fiscal trends, researches policy issues and models medium to long-term fiscal scenarios. The unit advises the Minister of Finance on policy options and the budget framework.

In the 2010/11 financial year, the unit developed additional capacity for considering long-term fiscal planning issues. It also continued to monitor the impact of the economic crisis on the fiscus thereby ensuring appropriate measures were instituted to deal with the effects of the crisis.

The *Expenditure Planning* unit manages the medium-term expenditure framework (MTEF) budget process, which culminates in the publication of the Estimates of National Expenditure (ENE) and the main Appropriation Bill tabled on the day of the budget. The unit also manages the in-year adjustments process. The Adjustments Budget and the Adjustments Appropriation Bill is tabled together with the *Medium Term Budget Policy Statement (MTBPS)*. The unit is also responsible for the medium term expenditure and division of revenue discussions in the MTBPS and the Budget Review.

## PROGRAMME 2

### PUBLIC FINANCE AND BUDGET MANAGEMENT

- continued

In developing the 2011 medium term expenditure framework there was a shift towards budgeting by function rather than by department to align to the outcomes approach adopted by government. The functional approach focuses on the purpose for which funds are to be used, and groups together national, provincial and local government, and government agencies, in terms of the function of government they perform. This means a consolidated functional expenditure amount is calculated, and monies transferred from one arm of government to another are more transparent to all stakeholders in the budget process when they are offset against each other. More effective comparison of allocations against service delivery trends, and assessment of spending proposals and trade-offs between different options, are carried out within a given function in support of reprioritising funds in line with outcomes. This approach provides more transparency and better coordination in the budget process. Savings of R30.6 billion were identified by national and provincial government departments and reprioritised to key outcomes.

The unit also issued the Framework for Strategic Plans and Annual Performance Plans to departments and public entities and provided training on the framework. The Framework aims to improve the quality of departmental performance information contained in planning documents. A Performance Information handbook that provides techniques and tools on how to develop performance information was distributed to departments and public entities.

The *Public Finance Statistics* unit produces all fiscal data and public finance statistics used in National Treasury publications. The aim is to improve transparency and accountability by providing the public with information on government revenue and expenditure outcomes. The data is also submitted to international organisations such as the International Monetary Fund.

The unit published a consolidated government account in the 2011 Budget which included details of payments and revenues of state entities largely financed by government (either through taxes, levies and administrative or service fees, or by direct transfers from the budget) and also provided information on consolidated government borrowing.

In support of the shift towards functional budgeting, the unit produced a revised classification of the programme data of national and provincial departments and entities for the 2011 budget process. The unit also continued to improve the quality of existing databases, data collection processes, and models used for data reporting in the consolidated government account. Combined with the on-going capacity building initiatives at national and provincial departments, these efforts have resulted in improved quality and accuracy of information.

During the reporting period, the unit together with the Public Administration Leadership and Management Academy (PALAMA) implemented a training programme on the Standard Chart of Accounts (SCOA), and trained 1 800 officials at national and provincial government level. Following the receipt of SAQA accreditation and the approval of five unit standards, the training initiative will be formalised.

The *International Development Cooperation* (IDC) unit is responsible for coordinating, mobilising and managing official development assistance (ODA). Work is in progress on a revised framework and procedural guidelines for the management of ODA, which will lead to better alignment of ODA with the budget, appropriate skills development, and better monitoring and reporting systems.

The unit focused on:

- Acquiring resources in support of interventions that address developmental challenges and are aligned to the priorities of South Africa;
- Increasing funding for infrastructure projects from development finance institutions including the European Investment

## PROGRAMME 2 PUBLIC FINANCE AND BUDGET MANAGEMENT - continued

Bank, German Development Bank, and the French Development Bank, to help cushion the impact of the global financial crisis on government's reduced revenue and spending on infrastructure;

- Improving the quality of information on ODA, especially the assistance that is provided "in kind" and is therefore funding that flows through government financial systems;
- Developing specific plans that ensure that ODA partners comply with global frameworks on aid effectiveness such as the Paris Declaration.

ODA programmes worth more than R3 billion over the MTEF will be implemented through South Africa's financial and procurement systems. This includes support for primary education, improving health systems of delivery, enhancing the role of the legislature in the democracy, restorative justice and job creation.

The IDC also sought to align ODA with priorities outlined in the budget. This included improved reporting on ODA through the ENE (2011/12) and the use of ODA information from government departments in planning for the MTEF. The information system on development cooperation is also being upgraded so it can also be used as a management information system.

The *Public Entities Governance (PEGU)* unit implements the recommendations of the public entities governance framework review. The unit continued to roll-out the budgeting framework for all public entities. The unit assisted with preparing consolidated financial accounts, maintaining budget databases, administrative records of the general government sector, including public entities. The unit continued with efforts to enhance a coherent regulatory environment that promotes a consistent approach to governance, human resource management (including development of remuneration frameworks) and financial management in public entities.

The unit also provided analysis on the government wage bill and worked with other budget group units to ensure that wages and employment growth is effectively budgeted for. It also consulted with departments on budgets and policy, including support to the DPSA during public-service wage talks.

### Public Finance

The *Public Finance* division advises the Minister of Finance on sectoral policies and departmental spending programmes; evaluates budget submissions by national departments, public entities, state-owned enterprises and constitutional institutions; monitors spending and service delivery trends, and supports improvements to financial administration, including the implementation of the standard chart of accounts and compliance with the Public Finance Management Act (PFMA).

Within the division, policy work over the reporting period included the following:

The Administrative Services unit oversees the finances and budgets of a number of central government departments and entities. Key areas of work in 2010/11 included:

- *Department of Monitoring and Evaluation:* The unit ensured that the department was established as a separate budget vote and assisted with budgeting, finalisation of their budget structure and the implementation of financial systems.
- *Department of International Relations and Cooperation:* The unit participated in working group discussions on the implementation challenges of the Pan African Parliament (PAP) and the establishment of the South African Development Partnership Agency. The construction of the PAP building was put on hold while a possibility of funding construction through a PPP arrangement is explored.

## PROGRAMME 2 PUBLIC FINANCE AND BUDGET MANAGEMENT

- continued

- *Department of Home Affairs:* Assisted the department to roll out a new movement control system to 34 ports of entry in preparation for the 2010 FIFA World Cup. The roll-out of the system to the remaining 38 ports of entry planned for 2010/11 was delayed due to the department's rationalisation exercise. The roll-out will continue in the 2011/12 financial year.
- *Stats SA:* Assisted in budgeting and planning for household surveys and the 2011 national census. Assisted Stats SA to find head office accommodation; Treasury approval was granted to obtain the new accommodation through a PPP agreement.
- *National Treasury:* Supported initiatives by the South African Revenue Service to strengthen capacity, modernise systems and improve project management as well as provided support for funding initiatives of the Neighbourhood Development Partnership Grant. The department's budget programme structure was amended to improve the presentation of the National Treasury's functions.
- *Department of Public Works:* Participated in a task team advising on the operationalisation of the Property Management Trading Entity (PMTE) as well as working within the structures of the Border Control Operational Coordinating Committee (BCOCC) to lead the formulation of a policy on one-stop border posts.
- *Department for Women, Children and People with Disabilities:* Advised the department on baseline reprioritisation and affordable approaches for capacity building plans to ensure expenditure remains within the allocated budget.

The *Justice and Protection Services (JPS)* unit oversees planning, expenditure and service delivery by departments in this sector. In 2010/11, the unit provided technical assistance and expertise on a number of projects, including:

- *Independent Complaints Directorate:* assisted with the transformation of the directorate into the Independent Policy Investigative Directorate.
- Amendment of the Private Security Industry Regulatory Authority Act.
- The review of the Correctional Services budget programme structure.
- The drafting and costing of the Military Veterans Bill.
- Oversight of the special arms procurement programme and evaluation of a new salary dispensation for the Department of Military Veterans,
- Support and guidance to the Office of the Chief Justice and the Department of Military Veterans,
- Managing of Third Party Funds by the Department of Justice and Constitutional Development, and
- Support to the Department of Justice and Constitutional Development on the acquisition and development of Constitutional Hill as a Justice Precinct.

The *Education and Related Departments* unit monitors and advises government on several functions, largely implemented by provinces. During the review period, the unit's efforts focused on supporting the development of policy and funding norms, improved monitoring of service delivery, and the costing of services. Key areas of work in 2010/11 included:

- Monitoring and evaluation of the following items: national standards for school funding; implementation of the workbooks project and administration of the Mpumalanga grade 12 examinations. and provided assistance and advice on developing norms and standards for school infrastructure;
- Assistance and advice on shifting responsibility for the FET colleges to the national Department of Higher Education and Training; review of the funding of training for the health sciences professions; proposals for the funding of higher education and FET College students.
- Strengthening the management and oversight of capital works projects of Arts and Culture entities; resolution of the Financial Services Board directive to close the Pension Fund for the Performing Arts Institutions by 2010/11; ongoing advice and support in developing norms and standards for library services.
- Monitoring and evaluation of the conditional grants to facilitate the final preparation for the hosting of the 2010 FIFA World Cup; monitoring of the grants to increase participation in sport for school sport and the 2010 FIFA World

## PROGRAMME 2 PUBLIC FINANCE AND BUDGET MANAGEMENT - continued

Cup legacy projects; and advising the department of Sport and Recreation on the support and oversight of sports federations and entities.

- Review of Department of Labour's public-private partnership deal for the supply of IT services to the department; assistance and advice on the professionalisation of the labour inspectorate, including revisions to salary levels and job descriptions.
- Advised and supported to the Department of Public Work's Expanded Public Works Programme unit in the design of a new EPWP social sector incentive grant, including its funding model, and monitored and advised on the implementation of the environment and culture sector incentive model.

The *Health and Social Development* worked on several health financing initiatives particularly on National Health Insurance and supported development of new tax dispensation around medical expenses; Work on the new health component of equitable share formula was completed and implemented in Budget 2011/12. The unit supported the Department of Health on various initiatives, some of which also resulted in additional budget allocations. These include new diagnostic tests for TB (GeneXpert), expansion of antiretroviral therapy, male circumcision and HIV Counselling and Testing (HCT); introduction of a third Health OSD which covered 40 therapeutic personnel groups; Provided support for revitalisation of nursing colleges; stabilisation of provincial finances, establishment of an Office of Standards Compliance (OSC) to enforce standards in public facilities and supported establishment of a new medicines regulatory body (South African Health Products Regulatory Authority, SAHPRA). A new Health Infrastructure grant was initiated for the Department of Health (DOH) and the unit supported measures to strengthen infrastructure delivery programmes.

Policy work on higher old age grant for over 75s was implemented in Budget 2011. The Unit assisted SASSA with renegotiating extensions of the social grant payment contracts at a reduced price, while developing a concept proposal for the new payment system; assisted the agency with the tender specification for the request for proposals advertised toward the end of the year. Improved financial monitoring tools were implemented enabling the unit to track expenditure in line with the SASSA's accrual accounting systems. Increased support for SASSA and monitored spending and the austerity measures implemented to reduce the cumulative deficit. The unit contributed to broader policy work to develop a contributory social security system for South Africa with improved retirement, death and disability and unemployment benefits

The *Economic Services* unit analyses policy proposals, funding requests and expenditure plans of departments and state entities. The focus is on economic development outcomes that would enhance employment and economic growth. Environmental protection, land reform, agricultural and industrial development, support for distressed sectors and regulatory oversight is central to the work programme.

Activities over the past year included:

- Transfers of programmes between departments and transfers of agencies between departments.
- Assessment of the New Growth Path and the Industrial Policy Action Plan.
- Assessed private sector investment proposals in the land reform programme.
- Analysed proposals that led to the announcement of the Green Fund.
- Assessed the scope for funding of post-graduate research.

The *Urban Development and Infrastructure* unit provides public finance support to national departments and their associated public entities involved in infrastructure provision. Key areas of delivery includes expenditure analysis, policy and programme support and budget analysis to support the delivery of network and social infrastructure in sectors such as transport, electricity, water and sanitation, telecommunications, municipal infrastructure and human settlements.



## PROGRAMME 2 PUBLIC FINANCE AND BUDGET MANAGEMENT

- continued

Over the last year the focus was on the following issues:

- A new sector specific grant for provincial road maintenance was created to improve efficiency of road investment and enhance the focus on preventative maintenance. A funding mechanism for the coal haulage network was put in place. The no-fault policy has been finalised for the creation of the Road Accident Benefit Scheme and regulatory framework with FSB put in place. The feasibility for the rail rolling stock procurement programme has been finalised and will inform the funding approach. Support to the department on the reprioritisation of the Public Transport Infrastructure and Systems Grant. To support the upgrading of informal settlements and improve human settlement development at municipal level, the Urban Settlement Development Grant was created. This approach also supports the devolution of housing planning, management and funding to local government.
- Support to the restructuring of the Water Trading Account and a review of the Regional Bulk Infrastructure Grant to ensure greater value for money in infrastructure investments. Economic and financial analysis on De Hoop dam project. Refocusing the Bekkersdal/Westonaria wastewater treatment works.
- Review of SALGA's financial position with the Department of Cooperative Governance.
- Participation in the national electricity advisory committee, part of the Integrated Nuclear Infrastructure Review process. Support in establishment of the National Radioactive Waste Disposal Institute.
- Supported the establishment of an entity oversight unit at the Department of Communications.

The *Project Management Unit* for Social Security and Retirement Reform (PMU) provides administrative support to the inter-departmental task team on social security and retirement reform. It manages and co-ordinates research, analysis and technical advice on social security and retirement reform on behalf of the IMC, IDTT, National Treasury and the Minister of Finance. It is also responsible for co-ordinating communication and engagement with stakeholders, media, as well as the consideration of public comments on reform options.

During 2010/11 the unit assisted with the preparation of a consolidated government paper, coordinated the work of several interdepartmental sub-committees and research projects, and advised the Inter-Ministerial Committee responsible for overseeing the reform, of social security and retirement and National Health Insurance.

### Technical and Management Support

The work of the *Technical Assistance Unit* (TAU) is reflected in the number of projects supported during the 2010/11 financial year – the target of 73 projects supported, was exceeded by 26 per cent, as the TAU provided support to a total of 92 projects. TAU's work is aligned to the priorities of government, but primarily supports Outcome 12, namely the creation of an efficient, effective and development orientated public service.

Responding to government priorities by ensuring that it informs criteria for decisions regarding provision of support to government departments, the following development focus areas were covered: Employment Creation; Rural Development; Education; Health and Crime.

Projects supported, during the year include the following:

- The Economic Development and International Relations (EDIR) portfolio supported the DTI Donor-funded Cluster Support Programme which entailed developing an Employment Creation Fund programme management framework, toolkit and standard documentation, procurement procedure and monitoring and evaluation system.
- The Governance and Administration (GA) portfolio supported the DPME in fulfilling a key part of their mandate to provide support to departments and coordinating structures in develop delivery agreements for each of the 12 outcome areas.

## PROGRAMME 2 PUBLIC FINANCE AND BUDGET MANAGEMENT - continued

- The Infrastructure and Rural Development (IRD) portfolio supported the infrastructure Delivery Improvement Programme (IDIP) by developing a Quality Assurance Model that ensures that the Technical Assistants appointed add value to provinces, by helping departments resolve key barriers to infrastructure delivery in a manner that contributes to sustainable capacity building in infrastructure units.
- The Justice, Crime Prevention and Security (JCPS) portfolio supported the Office of the Chief Justice through the Interim Strategic Management Team in establishing the critical strategic framework, organisational structure and required support service systems and to flesh out its support service functions and accompanying post establishment.
- The Social Services (SS) portfolio supported the Community Libraries Recapitalisation Programme of the Department of Arts and Culture in the Eastern Cape with the implementation of the Conditional Grant for Library Recapitalisation. This cluster also supported the Council for Medical Schemes with the development of an implementable three-year strategic plan.

During the course of the year, increasing numbers of requests were received for support with organisational development, change management, executive coaching and leadership development. There was interest in TAU's capacity to support the results based management (RBM) approach that aligns with the required Strategic Planning and Annual Performance Plan formats. Mainstreaming of gender issues has improved over the past financial year, both within TAU and in work with clients. TAU's annual Client Survey confirmed continued high levels of client satisfaction.

TAU hosts a community of practice network, the Project Management Interest Group (PMIG), which was attended by TAU clients and public service managers with an interest in or responsibility for project management in the public sector. During the 2010/11 financial year, a total of 275 people (136 females and 139 males) attended the PMIG sessions. The TAU Programme and Project Management (PPM) Toolkit was also launched.

The *2010 FIFA World Cup* unit provided support to the Minister and Deputy Minister of Finance, the Technical Co-ordination Committee, Inter-Ministerial Committee and Organising Committee, regarding the hosting of the 2010 FIFA World Cup. It was phased out in July 2010 with the successful completion of the 2010 FIFA World Cup.

Building on the capacity established in supporting the 2010 FIFA World Cup, a *National Capital Projects* Unit has been established. It provides support in assessing feasibility studies for major national infrastructure reports, and managing participation in interdepartmental task teams on individual strategic projects. The initial focus has been on capacitating the unit with new staff, becoming fully functional as a new unit, determining the need for additional outsourced expertise and setting up new work streams with other units across the National Treasury that deal with infrastructure.

Within the 2010/11 period, studies were undertaken in the water, energy and transport sectors, as a precursor to undertaking capital project appraisals. As such, appraisals of liquid fuels refinery expansion projects, solar power generation, a regional infrastructure review and a major bulk water infrastructure project were completed.

The *Public Private Partnership* (PPP) unit ensures that PPPs are delivered in terms of applicable legislation. It also provides technical assistance to institutions in all spheres of government for the appraisal and procurement of PPPs. During 2010/11, the unit issued the draft revised Standardised PPP contractual provisions for public comment. Comments were collated and a revised document will be issued.

The unit provided contract management support to a number of PPP projects, including the Gautrain, which was accelerated so that the OR Tambo Airport-Sandton link could open in time for the 2010 World Cup, and Chapman's Peak Drive, which was reopened for traffic after a long closure.

## PROGRAMME 2 PUBLIC FINANCE AND BUDGET MANAGEMENT

- continued

In the period under review transaction advisors were appointed for both Chris Hani Baragwanath and Limpopo Academic hospitals. Work on the feasibility studies commenced and will be completed in 2011. There were delays in concluding agreements with the Development Bank of Southern Africa resulting in one project not being completed at financial close. The unit also continued assisting the Department of Energy with the procurement of renewable energy programme. Procurement documents and the legislative review were completed. The unit also provided technical assistance to the Passenger Rail Agency of South Africa with undertaking the feasibility study for the procurement of rolling stock.

The *Neighbourhood Development Programme* (NDP) Unit administers the Neighbourhood Development Partnership Grant (NDPG). The NDPG is structured as a conditional grant that primarily focuses on stimulating and accelerating investment in poor, marginalised and undeserved neighbourhoods by providing Technical Assistance (TA) and Capital Grant (CG) for municipal projects that have either a distinct private sector element or an intention to do so. The NDPG target areas include dormitory townships, low-income housing estates and informal settlements. The TA assists municipalities to develop long term township regeneration strategies, area based implementable plans and to identify catalytic projects that could be funded by the NDPG. The CG is used to implement the identified catalytic projects by the municipalities. The NDPG funds community infrastructure, places and facilities that will attract private and public sector investment and enable better access to government services. It strives to create a balance between township economic development and the quality of life of residents. The NDPG targets over 60 per cent of the country's poorest people, with R5.2 billion allocated to metros and secondary cities, and R3.6 billion allocated to rural large and small towns.

The unit's achievements include:

- A portfolio of 90 awards (valued at R8.8 billion to be expended over the next 10 years) in 57 municipalities;
- Expenditure of more than R831m, or 76 per cent of budgeted expenditure during the review period;
- Facilitation of 185 projects since the inception of the NDPG in 2006;
- Review of the NDPG's grant framework and award structure on an annual basis
- Development of a Management Information System and a monitoring and evaluation approach to improve performance indicators and consolidate programme data and reporting; and
- The co-ordination of training programmes to enhance and streamline the process of NDPG management.

### Neighbourhood development partnership grant

Key performance indicator*	2006/07		2007/08		2008/09		2009/10		2010/2011	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
No. of NDP awards funded	35	33	60	72	80	86	90	90	90	90
No. of NDP projects approved	-	-		4	20	27	70	92	100	185
No. of projects commenced construction	-	-	2	4	7	27	30	47	35	67
Expenditure (technical assistance) (Rm) (Schedule 7)	50.0	0.0	63.8	3.8	85.0	67.6	110	89.9	125	50
Expenditure (capital grant) (Rm) (Schedule 6)	0.0	0.0	231.2	41.4	289.0	181.5	551.0	508.0	1030	832
Expenditure (NDPG Total) (Rm)	50.0	0.0	295.0	45.1	374.0	249	661.0	597.9	1155	882

## PROGRAMME 2 PUBLIC FINANCE AND BUDGET MANAGEMENT - continued

The *Infrastructure Delivery Improvement Programme* (IDIP) provides technical support to provincial departments of education, health, public works and treasury to help these departments to improve on their infrastructure planning and the management of the Infrastructure Delivery Management System (IDMS). IDIP support has also been extended to the national department of Basic Education and the national department of Health.

Following the completion of phase II in March 2010, the programme was extended for another three years. The extension is informed by the review of phase II of the programme which found that there was a need for the programme to build sustainable systems and skills capacity in departments. The need to build sustainable systems is evident in the performance of infrastructure budgets in the 2009/10 financial year where a number of departments underspent due to the six months gap in the deployment process of technical assistants for the start of Phase III. The “gap period” delayed the re-establishment of IDIP in departments resulting in poor performance. Poor performance was as a result of departments not having built internal capacity during IDIP II – instead they relied on IDIP technical assistance to fill capacity gaps. The design of phase IDIP III deepens the capacity building in addressing organisational and skills development as well as institutionalisation of best practises.

Key achievements during the review period include:

- The deployment of 34 long term technical assistants in 34 departments (health, education, public works and treasury) in all provinces.
- Five long term technical assistants appointed into the national departments as follows:
- Two in the national department of Health to help with the formulation of infrastructure norms and standards for the health infrastructure.
- One in the department of Basic Education to conduct quality checks and oversee the implementation of norms and standards for the education infrastructure.
- Two appointed in the IDIP programme management Unit in the National Treasury; one is responsible for rolling out of the IDM Toolkit and the institutionalisation thereof, and to assist with formulating the Strategic Human Resource Framework for infrastructure personnel.
- The revision and approval of the Infrastructure Delivery Management Toolkit as the best practice tool for delivering infrastructure.

### Intergovernmental Relations

The *Intergovernmental Relations* (IGR) division coordinates fiscal relations between the national, provincial and local spheres of government, an important function given that R384.2 billion or 51.7 per cent of non-interest expenditure in 2010/11 was allocated to provinces and municipalities. The bulk of this expenditure went to priority programmes such as education, health care and the provision of free basic services.

The division coordinates inputs to the division of revenue, the annual Division of Revenue Bill and the development of the framework for the management of conditional grants. The 2011 Division of Revenue Act was refined in a number of sections to align planning and reporting requirements with provincial and local government fiscal reforms, especially regarding infrastructure and the built environment. The provincial equitable share formula was revised and a new health component was introduced while some of the components were re-weighted. The local government equitable share formula was also adjusted to direct more funds towards poor rural municipalities. In addition, conditional grants for infrastructure were restructured and new conditional grants were introduced to cater for specific infrastructure priorities in education and the upgrading of informal settlements in metropolitan municipalities.

## PROGRAMME 2 PUBLIC FINANCE AND BUDGET MANAGEMENT

*- continued*

The division has an internet-based training programme on the essentials of budget formulation and analysis. About 221 officials applied for the programme and 129 completed the training. In addition, there were 170 applicants for the budget analysis course, with only 88 officials successfully completing the training. The decline in the number of officials who participated in and completed the training is in part as a result of the roll-out in Limpopo being cancelled. Delays in other provinces were as a result of the public sector labour actions. The division continued to build financial management capacity through a number of interventions and provided guidelines, with continuous inputs from stakeholders, to ensure consistency in the manner budget information is consolidated. In addition, four provincial quarterly reports, in terms of section 32 of the PFMA, were published.

The local government fiscal framework has been amended to take into account the differences in the capacity of large urban and smaller rural municipalities to deliver services. The municipal infrastructure grant was amended to take into account differences in integrated planning, the leveraging of municipal resources to eradicate backlogs, improved performance in developing integrated human settlements, and effective asset management for cities. The Urban Settlement Grant has been established to enhance MIG Cities objectives of managing the built environment. For rural municipalities, the amendments are meant to address infrastructure needs for basic services and rural development. In this regard the Rural Household Infrastructure Grant was created to attend to the needs of water and sanitation infrastructure in rural areas. This household infrastructure grant supports the objectives of the original MIG with specific focus on onsite solutions needed.

During the reporting period, IGR increased its capacity to provide effective budget support to local government. For the 2010/11 local government financial year, 94 per cent or 272 of the 283 municipalities complied with the Municipal Budget and Reporting Regulations. In addition, the division commenced with the institutionalisation of the Municipal Budget and Benchmarking Exercise for the 17 metro and large urban municipalities that report to the National Treasury. The funding compliance methodology was again successfully applied to all these municipalities' budgets with an independent assessment of the results undertaken by IGR. Improvements were noted in the level of understanding demonstrated by municipalities in the application of the methodology and the requirements for a funded municipal budget. Only two provincial treasuries applied the methodology to the assessment of municipal budgets for delegated municipalities in 2010/11. Further training will be provided to the remaining provincial treasuries to ensure the roll-out of the methodology to all municipalities.

The division has ensured steady progress on the development of the Standard Chart of Accounts for local government. In the period under review, the design of the chart was completed and stakeholder consultation processes in preparation for the piloting phase commenced.

The Local Government Budgets and Expenditure Review highlighting the performance of local government for the period 2005/06 to 2011/12 was prepared during the reporting period. The Review to be primarily used as an induction tool for new councillors is scheduled to be published by August 2011.

All quarterly in-year expenditure reports for local government in terms of section 71 of the MFMA were published within the required timeframes and posted on the departmental website. There was notable progress in improving the coverage and quality of the in-year reports. An average of 280 municipalities reported in each quarter. Further, a number of processes were implemented during the reporting period to improve the overall quality of in-year reporting.

# PROGRAMME 2 PUBLIC FINANCE AND BUDGET MANAGEMENT

- continued

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 2: Public Finance and Budget Management

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
<p><b>Measurable objective:</b> To promote growth, social development and poverty reduction through sound fiscal and financial policies, and the effective, efficient and appropriate allocation of public funds</p>				
Budget Office	Annual budget framework and division of revenue	Integrity of national budget framework	MTBPS in October of each year setting out the framework for the Budget, including the vertical division of revenue	High-quality budget framework with accurate numbers, completed in line with macroeconomic objectives and budget process dates. The Budget framework and division of revenue was based on government's outcomes. Allocations across national, provincial and local spheres were guided by the newly developed functional budgeting approach
	<i>Budget Review, Estimates of National Expenditure, appropriation legislation and public finance statistics</i>	Quality of budget documentation	Timely publication, accuracy, scope and quality of content. Improved quality of measurable objectives and selected performance indicators by departments and public entities in the Estimates of National Expenditure	High-quality Budget Review and ENE published on time. Expenditure and performance information published by programme. Objectives, measures and performance indicators in line with key mandates and government's outcomes were published. Savings and cost effectiveness measures were published
	Expenditure planning and budget process management	Departmental and agency spending plans and submissions to Ministers' Committee on the Budget	Improved quality of performance information for departments and public entities used in budget decision making	There was a shift towards functional budgeting in developing the 2011 medium term expenditure framework. This approach groups together national, provincial and local government, and government agencies, in terms of the function of government they perform

# PROGRAMME 2 PUBLIC FINANCE AND BUDGET MANAGEMENT

- continued

			Improved emphasis and focus on savings and cost effective service delivery by departments and public entities. More extensive analysis of baselines of all departments and entities	The Budget process focused extensively on finding savings within departmental and agency budget baselines. The funds identified (R30.6 billion) were mostly reallocated within the functional budget baselines, curbing unnecessary and wasteful expenditure
Capital expenditure planning and evaluation	Improved quality of capital planning leading to more efficient budget allocations and capital expenditure	Rollout of appraisal framework with initial narrow focus, broadening inclusion as capacity develops	Initial implementation of framework, including the development of a project driven database	Consolidation process and alignment with the Construction Industry Development Board (CIDB) gateway underway
		Changes to regulations (where necessary)	Development and publication of appraisal guidelines	Discussions held with the Presidency, Intergovernmental Relations division and CIDB on a single database
			Continued roll-out and broadening of training	Drafting process on-going and internal legal advice being obtained
Official Development Assistance (ODA) resources aligned to and mobilised for government policies and priorities	Alignment of ODA funding decisions with the budget process	Focus will be broadened to include economic and rural development		Completed the first phase of improving the appraisal guidelines
Improved programme structure of departmental votes	Supporting departments in improving structuring programmes in departmental votes			Interacted with Palama to develop a project appraisal course
				Alignment was achieved with programmes in areas of economic development, health and education.
			Completion of project in support of the correct implementation of guidelines	Alignment with the rural development programme has not commenced
				Project completed. Guidelines used to review and make improvements to 29 of 38 votes

# PROGRAMME 2 PUBLIC FINANCE AND BUDGET MANAGEMENT

- continued

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 2: Public Finance and Budget Management - Continued

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
Public Finance	Sectoral and departmental policy advice	Timely and relevant analysis and advice	Targeted sectoral studies as part of comprehensive expenditure review	Medium term expenditure planning process restructured to comprise nine functional clusters. Baseline analysis for sectoral clusters was completed in collaboration with Budget Office, and sectoral review reports prepared for the Medium Term Expenditure Committee and Ministers' Committee on the Budget
	Expenditure analysis	Monthly and quarterly monitoring of expenditure; analysis of expenditure trends	Phasing in of consolidated departmental and agency estimates and expenditure reports	An improved and extended quarterly expenditure reporting system was developed for national departments, and presented to the Standing Committee on Appropriations. Analysis and consolidation of agency and public entity accounts is underway
	Medium-term expenditure recommendations	Inputs to the medium term expenditure committee on departmental budget submissions	Improved prior consultation with departments, phasing in of measurable objectives and indicators of service delivery and improved long-term expenditure planning	Prior consultation with departments implemented as part of the expenditure planning process. 29 national budget programme structures were reviewed and amended, and measurable objectives and indicators improved to contribute to better long-term expenditure planning



# PROGRAMME 2 PUBLIC FINANCE AND BUDGET MANAGEMENT

- continued

	Social security and retirement reform (jointly with Financial Sector Policy - Programme 6)	Policy framework and implementation road-map	Phased implementation of contributory social security reforms and retirement industry legislative amendments	Draft discussion document prepared and considered by the Inter Ministerial Committee. Revisions requested being actioned
	Comprehensive public expenditure review (in consultation with Intergovernmental Relations and Budget Office)	Overview paper on expenditure priorities and options for savings to be considered in 2011 budget process	Sectoral expenditure reviews compiled in consultation with Presidency and line departments	Overview papers on expenditure priorities and recommendations for Medium Term Savings were prepared for Medium Term Expenditure Committee and Ministers' Committee on the Budget. Preliminary sectoral expenditure reviews were compiled in the new functional clusters agreed for the MTEC process
Intergovernmental Relations	Provincial budget framework	Integrity of the framework: fiscal sustainability, structure and trends in fiscal indicators	Provincial budget framework finalised by September of budget planning year	Provincial budget framework finalised in September 2010. Preliminary allocations were communicated to provinces in December 2010. Final allocation was communicated to provinces in January 2011 and tabled as part of the 2011 Budget
	Local government budget framework	Integrity of the framework: fiscal sustainability, structure and trends in fiscal indicators	Local government framework finalised by September of budget planning year	Local government budget framework finalised in September 2010. The final allocations were communicated to municipalities on Budget Day, 23 February 2011
	Preparation of the Division of Revenue Bill and accompanying explanatory memorandum and implementation of the Act	Timely publication and quality of the Division of Revenue Bill and explanatory memorandum (Annexure W1)	Tabled on budget day with no errors	2011 Division of Revenue Bill was tabled on Budget Day, 23 February 2011. Minor amendments were made to the Annexures to the Bill (such as conditional grant frameworks) during parliamentary process

# PROGRAMME 2 PUBLIC FINANCE AND BUDGET MANAGEMENT

- continued

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 2: Public Finance and Budget Management - Continued

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
Intergovernmental Relations	Support provincial government with: Financial management reforms Service delivery	Number of provincial departments in which financial management programmes and reforms are implemented in terms of the Public Finance Management Act (PFMA)	Financial management reforms implemented in 40 provincial departments	Budget & Programme Structures review undertaken (40 provincial departments) Financial Management Improvement Forum established (9 provincial treasuries) Support for implementation of new Strategic Performance Plan and Annual Performance Plan framework (120 provincial departments) Estimates of Provincial Revenue and Expenditure Guideline reviewed and implemented (120 provincial departments)
			Implementation programme extended to 15 municipalities	Implementation programme extended to 188 municipalities through the Siyenza Manje programme implemented by DBSA The programme was restructured and will continue under a different name and form
			500 officials on both the budget formulation and budget analysis courses per year	129 participants completed the Budget Formulation course out of 221 88 participants completed the Budget Analysis course out of 170
	Support municipal government with: Infrastructure planning Service delivery	Number of municipalities in which infrastructure planning and service delivery initiatives are implemented		
	Building further capacity in budget formulation and budget analysis	Number of officials trained		

# PROGRAMME 2 PUBLIC FINANCE AND BUDGET MANAGEMENT

- continued

Roll out Municipal Budget and Reporting Regulations	Number of municipalities complying with new formats	Budgets of 283 municipalities in accordance with formats	94 per cent success rate in the roll out of formats for the 2010/11 budgets (272 municipalities). Municipal Benchmark Exercise for 17 non-delegated municipalities
Funding compliance methodology implemented in line with Sections 17 and 18 of the MFMA	Number of municipalities using the methodology	Apply to 17 non-delegated municipalities Oversee application of the methodology to all other municipalities by provincial treasuries	In-depth analysis conducted for 17 non-delegated municipalities. Only Gauteng and Western Cape Provincial Treasuries have started to assess the funding compliance of delegated municipalities
Provincial and local government Budget and Expenditure Reviews	Quality and scope of reviews	Publish updated provincial data in June Publish Local Government Budget and Expenditure Review by end of August	Published updated provincial data in June 2010 Completed, awaiting publication
Publication of provincial and local government expenditure reports in terms of the PFMA (section 32) and MFMA (section 71) and DORA (Section 44(3))	Timely and accurate reports	Publish provincial quarterly reports a month after the end of the quarter	Published four provincial quarterly reports in terms of Section 32 of the PFMA published Published four municipal quarterly section 71 reports on average 60 days after the end of each quarter
Coverage and reliability of municipal information	Publish municipal reports 45 days after the end of each quarter	Maintain coverage at 283 municipalities Improve reliability of data	Maintained average quarterly coverage of 280 municipalities in section 71 reports

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 2: Public Finance and Budget Management - Continued

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
<p><b>Measurable objective:</b> To promote growth, social development and poverty reduction through sound fiscal and financial policies, and the effective, efficient and appropriate allocation of public funds</p>				
Technical and Management Support	Infrastructure delivery improvement programme	Technical assistants deployed in targeted provincial departments	Technical support given to three departments (education, health, public works) in all nine provinces	34 technical assistants deployed across nine provinces (four TAs in each province except Mpumalanga and Eastern Cape where only three were deployed per province)
		Timely submission of infrastructure plans by provinces that comply with guidelines developed by National Treasury	Infrastructure plans for targeted departments comply with Division of Revenue Act requirements	Infrastructure plans submitted for 25 provincial departments in compliance with the Division of Revenue Act
	Project management support	Number of projects	73 technical assistance projects to improve the efficacy of government institutions	86 projects aimed at improving the efficiency of government institutions
	Oversight of national government funding to institutions implementing 2010 FIFA World Cup projects	Compliance with financial management legislation, practices and procedures	Oversee, monitor and report on expenditure of national government funding to institutions and host cities	Oversee, monitored and reported on expenditure of national government funding to institutions and host cities implementing 2010 FIFA World Cup projects until June 2010. The unit was phased out in July 2010 and was replaced by the Capital Projects Unit assisting with the assessment of major capital projects
	Neighbourhood development projects that attract private sector investment into townships	Number of projects granted award status	100	185
		Number of projects where construction has commenced	35	67

# PROGRAMME 2

## PUBLIC FINANCE AND BUDGET MANAGEMENT

- continued

	Public Private Partnership agreements	Increased PPP oversight capacity	Provide advisory support to all PPPs in development and implementation, and assist National Treasury in regulation function	Provided advisory support to all PPPs
		Number of hospital PPP projects completing feasibility studies	Two projects	2 projects; Chris Hani Baragwaneth and Limpopo Academic hospitals
		Number of hospital PPP projects reaching financial close	One project	Delays in concluding agreements with Provincial Health Departments and Treasuries resulted in late start of the projects. All agreements are in place and the target will be met in the next 18 months
Public Entities Governance Unit	Legislative reform in governance and financial management issues	Amendments to PFMA and Treasury Regulations	Sound regulatory environment and consistency in governance, human resource management and financial management in the public sector, including 'extra-budgetary' entities	Implemented the recommendations of the public entities governance framework review Advised on improving understanding of the wage bill and future spending pressures
	Deepen the principles of governance and accountability in public entities, government agencies and departmental business enterprises. Institutionalise budgeting, reporting and change management processes	Implement a governance and financial management monitoring and compliance system for government agencies, public entities and departmental business enterprises	Sustained sound planning, budgeting, governance and financial management in government agencies and public entities	Assisted with the preparation of consolidated financial accounts, maintained a budget database and appropriated administrative records of the general government sector, including public entities



**PROGRAMME 3**  
**ASSET AND LIABILITY MANAGEMENT**

# PROGRAMME 3

## ASSET AND LIABILITY MANAGEMENT

**Purpose:** Prudent management of government's financial assets and liabilities.

**Measurable objective:** prudent cash and financial management; oversight of state-owned entities (SOEs); and optimal management of government's domestic and foreign debt.

There are six subprogrammes:

- *Management* provides strategic guidance and direction to the overall programme, including managing the divisional budget.
- *Governance and Financial Analysis* promotes the optimal allocation and use of financial resources and sound corporate governance by SOEs, through financial oversight in accordance with government policy.
- *Sectoral Oversight* promotes SOE restructuring and regulatory and financial oversight, by ensuring alignment with government policy, conducting sectoral research, and providing required interventions where necessary.
- *Liability Management* provides for government's long-term funding needs, manages domestic and foreign debt, and contributes to the development of domestic capital and retail markets.
- *Financial Operations* provides for government's short-term funding needs, the prudent management of cash in all spheres of government, the efficient accounting for debt and investment transactions, the supply of reliable systems, and the provision of quality information.
- *Strategy and Risk Management* develops and maintains a risk management framework for the debt and contingent liability of the state and SOEs respectively.

## SERVICE DELIVERY OBJECTIVES AND INDICATORS

### RECENT OUTPUTS

The division financed government's gross borrowing requirement and maintained a positive cash position to meet government's daily requirements. It also provided support to the development finance institutions (DFIs) and state-owned entities through guarantees and capital injections to ensure that they deliver on their development mandate.

The *Governance and Financial Analysis* and *Sectoral Oversight* units monitored SOEs and development finance institutions, particularly on progress made in line with agreed strategies by SOEs whose debt had been guaranteed by government. The units participated in work streams and clusters that contribute to ensuring an efficient, competitive and responsive economic infrastructure network, and led a work stream on financing, regulation, pricing and procurement.

Further work included:

- Granted approval to increase the guarantee facility provided to Eskom by R174 billion to a total of R350 billion, to roll-over Denel's R1.85 billion guarantee for a period of eighteen months, and to reallocate R615 million of South African Airways' R1.6 billion in perpetual guarantees.
- Transferred two payments of R103 million and R78 million respectively to Denel for the government indemnity provided to Denel Saab Aerostructures.
- Approved borrowing limits for the Bloem Water and Trans Caledon Tunnel Authority to undertake the Mokolo and Crocodile (West) Water Augmentation Project.
- Established a monitoring task team to assess progress made by the SABC in meeting the guarantee conditions and implementation of a turnaround strategy. Findings were reported to the Ministers of Finance and Communications.

# PROGRAMME 3

## ASSET AND LIABILITY MANAGEMENT

- *continued*

- Reviewed corporate plans of the PIC, SASRIA, DBSA and Land Bank and tabled in Parliament through the Minister of Finance
- Reviewed applications for tariff increases from water boards, considering their socio-economic impact and the financial sustainability of water boards.
- Provided input to and participated in seminars convened by the Presidential Review Commission on state owned enterprises.
- Key recommendations of the DFI Review regarding the deepening of the DFI development impact, including their financial sustainability, risk management, operational effectiveness and governance being implemented by the Land Bank and the DBSA. In particular, the DBSA is continuously challenged to extend support to low and medium capacity municipalities through credit enhancement measures such as committing conditional grant funds to service DBSA loans.
- The Land Bank guarantee of R3.5 billion was reduced to R1.35 billion after the Bank received capital transfers of R2.51 billion from government. The Coordinating Committee comprising of the National Treasury; the Department of Rural Development and Land Reform; and the Department of Agriculture, Forestry and Fisheries, succeeded in obtaining approval for a Pilot Curatorship and Emerging Farmers Support Facility aimed at assisting qualifying farmers that are indebted to the Land Bank. The Pilot Curatorship and Emerging Farmers Support Facility is currently being implemented.
- In the 2010/11 financial year, it was estimated that SOEs were going to raise R124.5 billion to finance infrastructure capital investment programmes. SOEs however, raised about R107.5 billion resulting in a shortfall of R17.4 billion. The shortfall is as a result of delays in draw downs of ECA and multilateral funding mainly by Eskom. DBSA and Transnet exceeded their funding targets by R2.4 billion and R4.3 billion respectively. Continuous monitoring and co-ordination of the treasury operations of SOEs continued to take place, complementary to the SOEs being supported to access funding from multilateral organisations, export credit agencies, and project financing arrangements. All these processes were aimed at reducing SOE borrowing costs and ease their demand for debt in the domestic market.
- In 2010/11 the division reviewed a total of 24 corporate plans and 39 annual reports of SOEs and consulted stakeholders on the findings of the reviews.

The *Liability Management* unit successfully financed the gross borrowing requirement of R190.9 billion, originally budgeted at R192 billion. Government raised US\$750 million in the international capital market and R185.3 billion in the domestic capital market, which includes R5.4 billion from retail bond investors.

Following a surge in capital inflows, the division accumulated foreign exchange reserves to pre-fund future foreign currency commitments and partly to build up foreign exchange reserves. This contributed to achieving a more competitive currency and strengthened South Africa's ability to respond to sudden changes in market conditions, such as the reversal in capital flows. During the review period the division purchased US\$6 billion of foreign exchange reserves. Debt service costs dropped from the projected 2.6 per cent of GDP to 2.5 per cent owing to the strong levels of the rand, and a lower than forecast interest rate environment.

South Africa's bond market is one of the most liquid in the world. To maintain this liquidity, issuance was concentrated in benchmark bonds. The repo and scrip lending facilities amounting to R1.6 billion were also provided to ensure the availability of scrip in the local domestic market. To reduce refinancing risk in 2012/13, R20 billion of the R189 (6.25%; 2013) bond was exchanged for longer-dated bonds before its (R189) due date.



## PROGRAMME 3

### ASSET AND LIABILITY MANAGEMENT

- continued

In the *Financial Operations* unit, efficient forecasting of cash flows ensured that government had sufficient money to meet its daily cash requirements and that surplus cash was optimally invested. Short-term investment and lending between the national government, provincial government and related SOEs within the Corporation of Public Deposits, saved up to 3.4 per cent on borrowing cost compared to borrowing from commercial banks.

The foreign debt module of the new back office system was implemented while the remaining modules of the new back office system are on schedule. The construction of the investor relations website is at its final stages and is expected to be implemented in July 2011.

The *Strategy and Risk Management* unit ensured that Government's funding strategy continued to take into account domestic and foreign debt risk benchmarks.

Increased issuance of inflation-linked bonds due to market demand resulted in a composition of government's domestic debt portfolio of 63.2 per cent in fixed and 36.8 per cent in non-fixed rate instruments. Government's foreign debt exposure of 9.9 per cent of total gross debt remained well below the set risk benchmark of a maximum of 20-25 per cent. Net debt and contingent liabilities amounted to 44 per cent of GDP.

The major credit rating agencies reviewed South Africa's rating and affirmed its investment grade rating. The rating reflects the sound and prudent management of the economy including its public finances, and the underlying attractiveness of the country as an investment destination.

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 3: Asset and Liability Management

<b>Measurable objective:</b> Ensure prudent cash and financial management, oversight of state-owned entities and optimal management of the state's domestic and foreign debt		<b>Actual performance against target</b>	
<b>Subprogramme</b>	<b>Output</b>	<b>Measure / indicator</b>	<b>Actual</b>
		<b>Target</b>	
Governance and Financial Analysis	Strengthen financial oversight over Development Finance Institutions (DFIs)	Reporting and resolving DFI issues regarding cost effectiveness, development effectiveness and financial sustainability	<p>Analysis of corporate plans and annual reports of DBSA, Land Bank, IDC, NHFC and IDT completed and recommendations made to the Minister of Finance and shared with stakeholders</p> <p>DBSA submitted a performance report in October 2010 on key performance indicators stipulated in the MOU. Comments on the reports communicated to DBSA</p> <p>Comments and advice provided, including on development of Emerging Farmers Support Facility, establishment of Land Bank Insurance Company, review of DBSA's International Fund and capital structure</p> <p>Reviewed six Section 54 PFMA applications for DFI programmes, projects and funding</p> <p>Target achieved</p>
		<p>Annually report on the review of corporate plans and financial statements to ensure financial sustainability and alignment with mandates</p> <p>Monitor and report on achievement of targets (shareholder compact) by the Land Bank and Development Bank of Southern Africa</p> <p>Provide advice and commentary on all DFI related matters</p> <p>Provide support to DFIs in the implementation of mandates</p> <ul style="list-style-type: none"> <li>Analyse all DFI related applications</li> <li>Facilitate the establishment of the DFI Council</li> </ul>	

# PROGRAMME 3 ASSET AND LIABILITY MANAGEMENT

- continued

# PROGRAMME 3

## ASSET AND LIABILITY MANAGEMENT

- continued

<ul style="list-style-type: none"> <li>Facilitate the establishment of the monitoring and evaluation framework for DFIs</li> <li>Facilitate the approval process of the DFI policy by Cabinet</li> </ul>	<ul style="list-style-type: none"> <li>A draft Monitoring and Evaluation Framework developed and submitted to Inter-Ministerial Committee (IMC)</li> <li>Memos motivating importance of the establishment of the DFI Council approved by the Minister of Finance</li> </ul>
<ul style="list-style-type: none"> <li>Promote appropriate treasury management policies and practices in SOEs and major municipal treasuries (metros)</li> </ul>	<ul style="list-style-type: none"> <li>Conduct reviews of SOEs with new treasuries after six months of operation and compile individual reports within a month after each review</li> </ul>
<ul style="list-style-type: none"> <li>Adherence to treasury guidelines by SOEs and metros</li> </ul>	<ul style="list-style-type: none"> <li>Conducted reviews and compiled reports for Mhlathuzi Water Board, National Empowerment Fund (NEF) and South African Express (SAX)</li> <li>NEF assisted with drafting of treasury policies, strategies and structure</li> <li>Assisted SAX in drafting treasury policies, reviewing contract agreement with outsourced service provider and assisted on risk strategies to ensure best practice</li> </ul>
<ul style="list-style-type: none"> <li>Review three major metros (Cape Town, Durban and Johannesburg) and compile individual reports within a month of the review</li> </ul>	<ul style="list-style-type: none"> <li>Conducted follow up reviews on 18 entities regarding implementation of previous recommendations on treasury structure, policies, governance and risk frameworks</li> <li>Target not met due to challenges faced in obtaining understanding and municipal stakeholder buy-in</li> <li>Held meetings with Port Elizabeth, Cape Town, Tshwane and Johannesburg to explain proposed treasury review project</li> </ul>

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 3: Asset and Liability Management - Continued

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
<b>Measurable objective:</b> Ensure prudent cash and financial management, oversight of state-owned entities and optimal management of the state's domestic and foreign debt				
Governance and Financial Analysis	Coordinate borrowing programmes of SOEs	Compilation of borrowing calendar and consolidated maturity profile	Quarterly meetings with SOEs to update borrowing programmes	Held four Public Sector Borrowers Forum meetings linked to MTPBS, foreign roadshow, Budget Speech, and domestic roadshow: Valuable information on the market was obtained and it informed the timing and size of issuance by SOEs
	Coordinate borrowing programmes of SOEs	Compilation of borrowing calendar and consolidated maturity profile	Annual publication of borrowing calendar by March	The 2011/12 borrowing calendar for government and SOEs was published in March 2011
	Determine optimal capital structure and appropriate dividend policies for SOEs	Benchmark to determine appropriate target capital structure for SOEs	Quarterly report on SOEs capital expenditure and borrowing programmes 67% (12 SOEs) completed	Compiled quarterly reports on capex and borrowing tracking performance  Completed the benchmarking phase of the capital structure and dividend policy project  The completion of the financial modelling phase of the project delayed due to detailed technical work requiring completion, and subsequent extensive consultation with relevant stakeholders which took longer than anticipated  Completed the financial modelling phase of the capital structure and dividend policy project

# PROGRAMME 3

## ASSET AND LIABILITY MANAGEMENT

- continued

	Shareholder compliance	Compliance with Public Finance Management Act and Report on Governance for South Africa 2009	Semi-annual reporting on compliance of major SOEs	<p>Schedule 2 and 3B public entities: 98% (44/45) of corporate plans received. Namakwa Water Board (Schedule 3B Public Entity) did not submit as Department of Water and Environmental Affairs was in the process of disestablishing it</p> <ul style="list-style-type: none"> <li>96% (43/45) of draft financial statements received. Namakwa Water Board did not submit due to the disestablishment process; Overberg did not submit because it was under the impression that their auditors would submit on their behalf. Non-compliance brought to the attention of the Auditor-General</li> <li>93% (42/45) of the Annual Reports were received from the public entities; Namakwa, Botshelo and Magalies did not submit annual reports. Namakwa's reason was that the Auditors could not finish the audit on time, Botshelo's non-compliance was difficulties experienced due to its change of accounting system, and that of Magalies was due to challenges in its finance division. Non-compliance was brought to the attention of the Auditor-General</li> </ul>
--	------------------------	--	---	--

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 3: Asset and Liability Management - Continued

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
<b>Measurable objective:</b> Ensure prudent cash and financial management, oversight of state-owned entities and optimal management of the state's domestic and foreign debt				
Governance and Financial Analysis		Financial oversight over SOEs	Annual report on review of corporate plans and financial instruments	Corporate plans and annual financial statements of targeted SOEs reviewed. Consulted internal stakeholders, shareholders departments and SOEs on the findings of the review Findings of reviews presented to the Minister of Finance as part of oversight at the executive level
Sectoral Oversight	Strengthen financial oversight over Schedule 2 and 3B entities	Financial oversight over SOEs	Standardised processes implemented for assessing and monitoring guarantees and evaluating Section 54 of PFMA applications Review PFMA applications and applications for guarantees as received	Document outlining responsibilities in guarantee process has been compiled and a framework for quarterly reporting has been developed Approved Denel rollover of R1.85 billion in guarantees for 18 months, and increased Eskom guarantees by R174 billion to R350 billion Reallocated a portion of SAA's perpetual guarantee to cover air services council requirements Applications for water board borrowing limits approved

# PROGRAMME 3 ASSET AND LIABILITY MANAGEMENT

- continued

# PROGRAMME 3 ASSET AND LIABILITY MANAGEMENT

- continued

			Reviewed corporate plans and annual reports of Sasria and PIC	Reviewed water and electricity price applications in terms of Section 42 of the MFMA and provide comments	Reviewed corporate plans and annual reports of Sasria and PIC
			Ongoing monitoring of Eskom, SAA, Denel and SABC, including monitoring compliance with guarantee conditions and providing semi-annual updates to the Minister and Cabinet	Structured monitoring of Eskom, SAA, Denel and SABC in place. A process has been initiated to report to Cabinet on guarantees extended to SOEs	
			Report on funding model and administered prices	Review of funding model for capital expenditure in electricity, transport and water sectors	Completed draft international benchmarking report on sector structure and financing models in rail, ports and water sector
			Develop policy framework within which SOEs are managed	Investigated funding options for Eskom culminating in increase in guarantees. Engaging in and providing inputs to task team dealing with SANRAL tolling issues	Completed evaluation of current regulatory models
				Review of administered prices/regulatory model for electricity, water pipelines, aviation	Completed evaluation of current regulatory models
				Participate in the review of SOEs and provide input to the inter-ministerial committee on SOEs for which terms of reference have been developed	Provided input to and participated in all seminars convened by the Presidential Review Commission on SOEs and other SOE-related forums

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 3: Asset and Liability Management - Continued

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
<b>Measurable objective:</b> Ensure prudent cash and financial management, oversight of state-owned entities and optimal management of the state's domestic and foreign debt				
Sectoral Oversight	Restructuring of SOEs to improve performance and efficient use of government resources	Progress on restructurings	Participate in and lead major interventions and restructuring with a particular focus on Eskom, Pebble Bed Modular Reactor (PBMR), CEF/ PetroSA, Transnet, Water Sector	Worked with the Department of Public Enterprises on solutions for the Denel Saab Aerostructures business, and Transnet Second Defined Benefit Fund deficit of R1.984 billion. PBMR placed into care and maintenance
Liability Management	Finance government's gross borrowing requirement	Annual total government borrowing needs fully met	Gross issuance of R191.7 billion	Review of CEF/PetroSA underway including proposed refinery and renewable projects and the funding thereof Obtained Cabinet approval for the establishment of an Independent System and Market Operator (ISMO) as a ring fenced entity within Eskom Analysed various proposals for funding of Eskom (including special purpose vehicle and preference shares) Initiated review of Interest Make-up Scheme of the Export Credit Insurance Corporation Revised gross borrowing requirement of R156.2 billion financed

# PROGRAMME 3 ASSET AND LIABILITY MANAGEMENT

- continued



# PROGRAMME 3

## ASSET AND LIABILITY MANAGEMENT

- continued

<p>Sound domestic and foreign debt management policies</p>	<p>Enhanced liquidity</p>	<p>Concentrate issuance in benchmark bonds</p>	<p>Of the 78% domestic bond funding in fixed-income bonds, 77% was concentrated in the R203 (8.25%; 2017), R204 (8.0%; 2018), R207 (7.25%; 2020), R208 (6.75%; 2021) and R209 (6.25%; 2036) bonds Inflation-linked issuance was focused in the R202 (3.45%; 2033), R210 (2.60%; 2028) and R212 (2.75%; 2022) bonds Scrip lending and repo facilities of R1.6 billion provided</p>
<p>Active debt management</p>	<p>Buyback and switches/exchanges in domestic debt to reduce loan redemptions by R8 billion (2011/12) and R35 billion (2012/13)</p>	<p>Reduce redemption in 2012/13 by R20 billion through switch auctions in the R189 (6.25%; 2013) bond</p>	<p>2.5% of GDP, mainly due to the strong rand</p>
<p>Manage debt service cost</p>	<p>Maintain debt service cost as percentage of GDP at sustainable levels</p>	<p>2.6% of GDP</p>	<p>Domestic financing of R185.3 billion comprised short-term loans of R34.9 billion and long-term loans of R150.4 billion</p>
<p>Contribute to the development of financial markets</p>	<p>Diversification of funding instruments</p>	<p>Domestic funding in fixed-income, inflation-linked and retail bonds, floating rate notes and treasury bills</p>	<p>Long-term domestic issuance included R5.4 billion in retail bonds, and a further R28 billion in the 4 newly introduced domestic bonds</p>
<p>International funding through capital market and export credit agency loans</p>	<p>International funding through capital market and export credit agency loans</p>	<p>R5.2 billion (US\$750 million) was raised in the international capital markets</p>	<p>and R470 million through export credit agency loans</p>

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 3: Asset and Liability Management - Continued

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
<b>Measurable objective:</b> Ensure prudent cash and financial management, oversight of state-owned entities and optimal management of the state's domestic and foreign debt				
Liability Management	Sound investor relations	Retain current investors and attract new ones	Conduct two domestic and two foreign roadshows Timely dissemination of reliable information	Target met Filled the 18k disclosure document with the US Securities of Exchange Commission (SEC), Kanto local finance bureau in Japan and filled the prospectus supplement with the Luxembourg stock exchange
Financial Operations	Sound cash forecasts	Government's liquidity requirements met every time	Forecasting R2.5 trillion of cash flows	Target met
	Optimise return on investments subject to credit limits	Investment of surplus cash at market-related rates	Quarterly analysis and review of investment rates	Tax & loan account investment rates reviewed quarterly Interest earned was on average equal to Treasury bill yield less 34 basis points
	Optimise use of public sector cash	Public sector cash coordinated	Ongoing broadening of the coordination of public sector cash	Borrowing and lending between national government, provincial government and related SOEs, taking place under the umbrella of the Corporation for Public Deposits (CPD) Utilised R13.3 billion of public sector investments with CPD for short-term financing

# PROGRAMME 3 ASSET AND LIABILITY MANAGEMENT

- continued

# PROGRAMME 3

## ASSET AND LIABILITY MANAGEMENT

- continued

		Saving on borrowing cost by national and provincial governments	Saving of up to 3% on borrowing costs compared to borrowing from commercial banks	Saving of up to 3.4% on borrowing costs compared to borrowing from commercial banks achieved
	Annual financial statements and market reports	Timely and accurate reporting	Compliance with PFMA reporting requirements regarding annual financial statements	PFMA reporting requirements met
	Treasury management systems	Reliable, automated and integrated systems to be implemented	Timely dissemination of reliable market information	Reporting requirements for the special data dissemination standards of the IMF met and reliable market information timely disseminated
			Implementation of the foreign debt module on the new back office system	The foreign debt module is fully operational Progress on domestic and retail bond modules are on schedule
			Implementing and actively managing the revised systems integration strategy	Collaborating with the Commonwealth Secretariat to assist with the end-user requirements for the development of a new Public Debt Analytical Tool which will be piloted in South Africa
Strategy and Risk Management	Minimise and mitigate risks emanating from government debt portfolio (market risk) and from the investment of surplus cash	Performance against benchmarks: <ul style="list-style-type: none"> <li>• Non-fixed versus fixed debt</li> <li>• Foreign debt versus domestic debt</li> </ul>	Review of strategic benchmarks of 70/30 fixed versus non-fixed rate domestic debt and 20-25% maximum foreign debt exposure as a percentage of total debt	A sensitivity analysis was performed to determine how the volume and cost of debt change when portfolio ratios are altered As at 31 Mar 2011 fixed rate debt comprised 63.2 per cent and non-fixed rate debt 36.8 per cent of domestic debt. Foreign debt comprised 9.9 per cent of total gross debt, well below risk guidelines of 20-25 per cent

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 3: Asset and Liability Management - Continued

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
<b>Measurable objective:</b> Ensure prudent cash and financial management, oversight of state-owned entities and optimal management of the state's domestic and foreign debt				
Strategy and Risk Management	Minimise and mitigate risks emanating from government debt portfolio (market risk) and from the investment of surplus cash	Adherence to surplus cash benchmark investment ratios and total limits per counterparty	Annual review of investment ratios and limits per counterparty Semi-annual reports on adherence to ratios and limits	Investment ratios and counterparty limits reviewed Semi-annual reports on adherence conducted
	Minimise and mitigate sovereign credit rating risks	Quantitative indicators of sovereign risk	Semi-annual sovereign credit rating reviews	PFMA reporting requirements met Reporting requirements for the special data dissemination standards of the IMF met and reliable market information timely disseminated
	Manage contingent liabilities appropriately	Capping total government debt plus contingent liabilities as a percentage of GDP	Review and monitor benchmark of net government debt and contingent liabilities not exceeding 50% of GDP	Review and monitoring conducted quarterly with the update of the contingent liability register The net debt plus contingent liabilities was about 44% of GDP as at 31 March

# PROGRAMME 3 ASSET AND LIABILITY MANAGEMENT

- continued



**PROGRAMME 4**  
**FINANCIAL MANAGEMENT AND SYSTEMS**

# PROGRAMME 4

## FINANCIAL MANAGEMENT AND SYSTEMS

**Purpose:** Manage and regulate government's supply chain processes, implement and maintain standardised financial systems.

**Measurable objective:** regulate and oversee public-sector supply chain management, and standardise the financial systems of national and provincial government.

Managed by the *Specialist Functions* division, activities are carried out under the following subprogrammes:

- *Supply Chain Management (SCM)* consists of Supply Chain Policy, Norms and Standards, and Contract Management. SCM develops policy that regulates supply chain management processes in the public sector, monitors policy outcomes, facilitates and manages transversal term contracts.
- *Financial Systems* maintains and enhances financial management systems to ensure they comply with the Public Finance Management Act (PFMA) and Generally Recognised Accounting Practice (GRAP).

## SERVICE DELIVERY OBJECTIVES AND INDICATORS

### RECENT OUTPUTS

During the 2010/11 financial year *Supply Chain Policy* implemented the item identification policy which entails uniform classification and identification of items for procurement purposes. The unit also undertook regular enhancements and maintenance of corporate reference data, including the completion of the Oracle vanilla software configuration. The Supply Chain Management User Requirement for the Integrated Financial Management System (IFMS) was completed for the Asset Management, Catalogue Management and Inventory Management modules. The generic template for the Procurement Management Module has also been completed.

The implementation of the strategic sourcing principles was delayed following a decision to reprioritise the IFMS Procurement Management Module. A new comprehensive roll-out plan will be finalised and executed in 72 municipalities by March 2012.

*Norms and Standards* monitored SCM compliance and continued to improve transparency and accountability in terms of SCM prescripts. The unit issued three instruction notes in terms of the PFMA and two in terms of the MFMA. These dealt with prohibiting collusive bidding or bid-rigging in the supply chain management environment; they also amended guidelines to include functionality as a criterion for evaluating the status of recommended bidders on the database of restricted suppliers and the Register for Tender Defaulters. This will ensure that bidders listed on the databases are prohibited from doing business with government.

There were delays with aligning the Preferential Procurement Regulations with the aims of the Broad-Based Black Economic Empowerment Act, (53 of 2003). The draft revised Preferential Procurement Regulations were approved by Cabinet on 2 March 2011, subject to legal refinement. The draft was submitted to the Office of the Chief State Law Adviser for legal refinement. The revised regulations will be promulgated by the Minister of Finance and will come into effect in the third quarter of the 2011/12 financial year.

## PROGRAMME 4 FINANCIAL MANAGEMENT AND SYSTEMS - *continued*

*Contract Management* facilitates transversal term contracts on behalf of government departments. Thirty (30) out of the fifty seven (57) transversal term contracts were due for renewal during the review period. Of these, twenty-six (26) were renewed and the remaining four (4) will be renewed in the 2011/12 financial year. One contract (RT58 – insurance for subsidised vehicles) was extended to end in March 2012. Another contract (RT21 – radiographic material) was extended to end in June 2011 and was awarded in May 2011. Two contracts (RT13 – respiratory aids and RT253 – catheters and tubes) expired and were renewed in May 2011.

The quantification of two (2) strategic transversal term contracts, namely RT71-antiretroviral drugs and RT57-motor vehicles, was completed.

In the *Financial Systems* subprogramme, the financial management systems (BAS, PERSAL, LOGIS and Vulindlela) continued to operate optimally.

The implementation of the Asset Management Module was completed at four (4) Limpopo Provincial departments (Provincial Treasury, Roads and Transport, Local Government and Housing and Agriculture) and the National Treasury. The Human Resource Management Module has been implemented at the Department of Public Service and Administration. The implementation of the Human Resource Management Module at the Free State Provincial Department of Education commenced, but is progressing slowly due to inadequate infrastructure within the department and the province.

The National Treasury also experienced delays with implementing the Procurement Management Module due to insufficient hosting infrastructure at SITA. There was a delay in implementing both the Procurement Management Module and Asset Management Module at the Department of Defence (DoD); however, implementation of both modules has commenced.

Following the completion of specifications for the development of the Payroll, Finance and Inventory Management Modules, SITA will in the 2011/12 financial year publish requests for bids.

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 4: Financial Management and Systems

<b>Measurable objective:</b> regulate and oversee public-sector supply chain management, and standardise the financial systems of national and provincial government.		<b>Actual performance against target</b>	
<b>Subprogramme</b>	<b>Output</b>	<b>Measure / Indicator</b>	<b>Actual</b>
Supply Chain Policy	Overall user requirement statement (URS) and updated supply chain management (SCM) URS	Maintain and enhance URS	Supplier Database Management Application installed and operating at lead site (National Treasury) The first three prioritized Procurement Modules (Procurement Management Module; Catalogue Management System (CMS) and Asset Register) installed and running at lead site. The upgraded version II Asset register has also been implemented at three provincial departments in Limpopo (Roads, Housing and Agriculture)
	Implement item identification policy	Implementation of item identification at lead sites	Version II Application Tool installed at National Treasury as the lead site
	Establish corporate reference data functionality	Establish URS repository	Corporate reference data (CRD) functionality established Financial Management change controls established Change control templates updated Oracle Vanilla Software configuration of the CRD has been completed

# PROGRAMME 4 FINANCIAL MANAGEMENT AND SYSTEMS - continued



# PROGRAMME 4 FINANCIAL MANAGEMENT AND SYSTEMS - *continued*

	Introduction of strategic sourcing principles to all spheres of government	Roll out strategic sourcing principles to the public sector and assist institutions with implementation	40 national departments 4 provincial treasuries 4 constitutional institutions 20 high capacity municipalities Introduce strategic sourcing principles to 32 medium capacity municipalities and 38 low capacity municipalities in conjunction with the relevant provincial treasuries	Not achieved due to a decision to reprioritise implementation of the IFMS Procurement Management Module
Norms and Standards	SCM compliance monitoring and combating SCM related corruption	Extent of compliance to SCM procedures and prescripts Administration of grievance mechanism	Operationalise the SCM compliance monitoring unit Ongoing investigation of SCM related grievances	Operational within the Office of the Accountant General Worked with the OAG to investigate and finalise grievances related to non-compliance with SCM prescripts
	Roll out revised SCM framework	Successful implementation throughout government	Issue at least four practice notes for implementing the revised SCM framework	Issued three instruction/practice notes and two circulars
	Align preferential procurement with the aims of the BBBEE Act and its related strategy	Extent of alignment	Issue SCM framework to align Preferential Procurement Policy Framework Act with BBBEEA by July 2010	Draft regulations approved by Cabinet on 2 March 2011 and referred to State Law Advisors for legal refinement. Delay due to protracted processes

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 4: Financial Management and Systems - Continued

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
Contract Management	Facilitate and manage transversal term contracts	Number of transversal term contracts facilitated per year	30 transversal term contracts due for renewal during 2010/11 out of a total of 57 transversal term contracts	Finalised 26 transversal term contracts successfully <b>Two contracts were not renewed but extended:</b> RT58-2006: Extended to end in March 2012 RT21-2009: Extended to end June 2011 and was only awarded in May 2011 <b>Two contracts expired:</b> RT13-2009 and RT253-2009
			Quantify economic benefits for applying strategic sourcing methods to certain strategic transversal term contracts	Completed economic benefit quantification on 2 strategic transversal term contracts, namely supply of Anti-retrovirals and Motor vehicles contracts
Financial Systems	Apply strategic sourcing to enhance value for money applicable to all transversal term contracts	Number of transversal term contracts on which strategic sourcing is applied	98% availability of systems during working hours	Achieved
			Implement lead solutions	The Asset Management module was implemented at NT and in 4 provincial departments in Limpopo. There were delay experienced with DoD signing the Project Charter
Financial Systems	Maintain and support current financial management systems Roll out the Integrated Financial Management System (IFMS)	Percentage availability of systems within working hours	Implement the Asset Management Module in the following departments: NT DoD Limpopo (4 provincial departments)	The Asset Management module was implemented at NT and in 4 provincial departments in Limpopo. There were delay experienced with DoD signing the Project Charter
			Implement lead solutions	The Asset Management module was implemented at NT and in 4 provincial departments in Limpopo. There were delay experienced with DoD signing the Project Charter

# PROGRAMME 4 FINANCIAL MANAGEMENT AND SYSTEMS - *continued*

				Implement the Procurement Management Module in: NT DoD	The Procurement Management Module was not implemented at the NT and DoD due to delays experienced with SITA procuring the required operating infrastructure
				Implement the Human Resources Management Module in: DPSA FS DoE	The Human Resources Management Module was implemented at the DPSA. Experienced challenges with FS DoE due to capacity constraints at FS DoE
	Contract system development partners	Develop IFMS in-house solutions		Develop a BI platform	The development of the BI platform is underway
				Develop a payroll module develop inventory management module	Payroll and inventory management modules - the tender specifications for these modules have been developed
	Develop an approach for data migration	Successful data migration or system switch-over		Migrate departments to completed IFMS modules	Achieved primarily on sites where IFMS implementation has commenced
	Create a user support capacity at SITA	Establish an IFMS User Support Centre		Set up a call centre for IFMS	SITA is in the process of establishing a User Support Centre



**PROGRAMME 5**  
**FINANCIAL ACCOUNTING AND REPORTING**

# PROGRAMME 5

## FINANCIAL ACCOUNTING AND REPORTING

**Purpose:** Enhance accountability and governance by promoting the transparent, efficient and prudent management of revenue, expenditure, assets and liabilities.

**Measurable objective:** aims to promote accountability to the public by encouraging transparency and effective management of revenue, expenditure, assets, and liabilities in the public sector.

*Financial Accounting and Reporting* develops frameworks, guidelines, practice notes and transversal policies for internal auditing, risk management and accounting for the public service. It sets new government accounting policies and practices and improves existing ones to ensure compliance with the Generally Recognised Accounting Practice (GRAP). It also prepares consolidated financial statements for national departments and seeks to improve the timeliness and accuracy of financial reporting.

The programme consists of eight subprogrammes:

- *Technical Support Services* develops and publishes frameworks, policies and guidelines on accounting, internal audit and the management of risks associated with revenue, expenditure, assets and liabilities (REAL).
- *Accounting Support and Reporting* provides accounting and reporting support to clients in all spheres of government in respect of REAL management; manages and reports on the National Revenue Fund and the Reconstruction and Development Fund; renders banking services to all national departments and prepares their annual consolidated financial statements.
- *Internal Audit Support* provides departments, constitutional institutions, public entities and municipalities with an independent assurance of the quality of their business processes.
- *Risk Management Support* helps departments, constitutional institutions, public entities and municipalities improve their capacity to manage risks that would otherwise hobble their performance, and ultimately that of the state.
- *Capacity Building* manages, coordinates, monitors and facilitates the building of financial management capacity within government.
- *Governance Monitoring and Compliance* monitors financial management governance and compliance with legislation by all spheres of government.
- *MFMA Implementation* develops regulations, co-ordinates, monitors and reports on the implementation of the Municipal Finance Management Act, and administers the financial management grant in support of financial reforms in local government.
- *Specialised Audit Services* provides performance auditing and investigative capacity in all three spheres of government on a broad range of financial management issues.

### POLICY DEVELOPMENTS

The *Technical Support Services* unit developed the financial reporting pack for financial statements for national and provincial departments and provided training and support during implementation.

The *Accounting Support and Reporting* unit monitored expenditure through the Section 32 reports which are published monthly. In addition, the unit prepared and tabled the consolidated annual financial statements for national departments and public entities and the RDP Fund document. The unit also developed accounting manuals for GRAP standards and offered training to 1 024 officials to assist with implementing the standards in provincial treasuries, municipalities and public entities.

## PROGRAMME 5 FINANCIAL ACCOUNTING AND REPORTING - *continued*

The *Internal Audit* unit monitored the performance of audit committees through the attendance of meetings and made interventions where necessary. Following requests for training, ten audit committees were trained. The unit also conducted 26 internal audit reviews in municipalities. Officials were trained in 20 priority entities identified for support with the implementation of the internal audit framework and guidelines.

The *Risk Management Support* unit provided support for the implementation of the revised Risk Management Framework. A number of officials (744) were trained on the revised Public Sector Risk Management Framework. In addition, 376 officials obtained the Certificate of Competency in Risk Management, an e-learning course offered by the unit. There were delays with the implementation of the Learnership. However, negotiations with other potential funders are underway.

The *Capacity Building* unit continued to support efforts for building a pool of financial management skills through the Chartered Accountancy Academy. In the public sector 15 participants were put through the support programme conducted in partnership with the University of Pretoria. Three metros were identified as primary sites for the extension of the skills building programme. The participants achieved a pass rate of 62.5 per cent. The unit also finalised the donor-funded Financial Management Improvement Programme, delivering 12 projects as planned. In support of the strategy to address financial management capacity constraints, the unit surveyed 96 government entities and developed a strategy to address the identified problems.

The *Governance Monitoring and Compliance* submitted reports to the Standing Committee on Public Accounts and to the Standing Committee on Finance on progress made with the improvement of financial management in terms of the financial management capability maturity model as planned. The submission of the Public Finance Management Bill to Cabinet was deferred pending supply chain management reforms.

The *MFMA Implementation* unit continued to support municipalities with implementing the MFMA, including hosting quarterly meetings for municipalities. In addition, 30 new monitoring indicators were instituted to ensure effective monitoring and reporting. A series of guideline documents have been developed to assist municipalities to comply with the legislation. The unit is also consulting with relevant stakeholders on the draft financial misconduct regulations.

The unit also hosted an asset management seminar attended by 594 officials from all municipalities. The seminar provided diagnostic tools and solutions for challenges related to asset management in municipalities.

The *Specialised Audit Services* unit conducted 20 investigations into supply chain management practices. Further, the unit developed and discussed fraud detection guidelines for supply chain management processes with law enforcement agencies.

# PROGRAMME 5 FINANCIAL ACCOUNTING AND REPORTING - *continued*

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 5: Financial Accounting and Reporting

<b>Measurable objective:</b> To facilitate accountability, governance and oversight by promoting transparent, economic, efficient and effective management in respect of revenue, expenditure, assets and liabilities in the public sector		<b>Actual performance against target</b>	
<b>Subprogramme</b>	<b>Output</b>	<b>Measure / indicator</b>	<b>Actual performance against target</b>
			<b>Target</b>
Technical Support Services	Develop an annual financial statements reporting pack for national and provincial departments	Timeous publication	2011/12 reporting framework published by 31 March 2011
	Develop accounting manuals for GRAP standards	Timeous publication	31 March 2011
	Contribute towards developing of local and international standards on accounting, auditing and risk management	Attendance at meetings and reports produced	All IPSASB meetings attended and reports submitted within 7 days of attendance
	Align the Cash to Accrual Implementation Plan with the IFMS roll-out plan	Percentage of comments accepted by International Public Sector Accounting Standards Board (IPSASB)	50%
Accounting Support and Reporting	Monthly statements of actual revenue and expenditure for the National Revenue Fund	Monitor implementation of the IFMS roll-out plan	On-going monitoring, refinement and implementation
		Timeous publication of accurate reports	Last working day of each month

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 5: Financial Accounting and Reporting - Continued

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
Accounting Support and Reporting	Publish consolidated annual financial statements for national departments; consolidated annual financial information for public entities and publication of annual financial statements for the RDP Fund	Timeous tabling in Parliament	31 October 2010	Consolidations completed and presented on time
			672 trainees in provincial treasuries, municipalities and public entities	1 024 trainees trained
Internal Audit Support	Support to provincial treasuries for preparation of provincial consolidated financial statements, provincial revenue fund statements and implementation of GRAP standards	Number of trainees	70 workshops	Workshops were abandoned because the need had been reduced, as most audit committees had been trained in the previous year. Training occurred on a needs basis and 10 audit committees were trained
			26 municipalities completed	29 reviews were conducted for municipalities
	Report on the status of internal auditing in national and provincial departments and in municipalities	Timeous production of reports	January 2011	Published in January 2011



# PROGRAMME 5

## FINANCIAL ACCOUNTING AND REPORTING - *continued*

	Support for the roll out of the Internal Audit Framework and Guidelines	Number of trainees	1 900 trainees (the target was reflected incorrectly and is amended in the 2011/14 Strategic Plan)	The mass training of officials has been de-emphasised in favour of targeted support. Officials were trained in 20 priority entities, which was the target envisaged
Risk Management Support	Support for the roll out of the Public Sector Risk Management Framework	Number of trainees	600 trainees	744 officials were trained on the revised Public Sector Risk Management Framework
	Deliver risk management training	Number of officials obtaining the Certificate of Competency in Risk Management per the e-Learning Module	200 officials	376 officials completed the course
	Risk Management Learnership (RML) implemented	Number of learners in the SAQA accredited programme	15 learners	All preparations for the roll out of the course have been put in place. Due to funding constraints the Learnership was delayed. Negotiations with other potential funders underway
Capacity Building	Develop a risk management modelling tool	Project progress	Develop the modelling tool by 31 March 2011	The tool was developed and was piloted in two entities
	Implementation of a financial management capacity building model	Develop a strategy to address financial management staff shortages	June 2010	Implemented by 30 June 2010
		Develop a financial management capacity building strategy	July 2010	Strategy developed and consulted with stakeholders
		Reports submitted to departments reflecting the identified skills gaps	Reports to 96 departments surveyed by March 2011	96 departments surveyed
	Academic support programme for Chartered Accountants Academy (CAA) and other accountants in government	Number of participants	15 participants	15 participants in the programme

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 5: Financial Accounting and Reporting - Continued

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
Capacity Building	Train CAA stakeholders at participating primary sites	Timeous training of reviewers, supervisors and mentors	30 September 2010	All primary sites trained by 30 September
	Conclude memorandum of understanding (MOU) with CAA participating primary sites	Signing of MOU with participating primary sites	30 November 2010	The MOUs were signed by 30 November 2010
Governance Monitoring and Compliance (PFMA Unit)	Implementation of the Financial Management Improvement Programme II (Programme ends in June 2010, closure activities to be concluded by December 2010)	Number of agreed upon projects	12 projects	12 projects agreed were all completed in time
	Review of and amendments to the Public Finance Management Act and Treasury Regulations	Timeous implementation of Public Finance Management (PFM) reforms in selected provinces	2 provinces. To be completed during the financial year but no later than 30 June 2010	Implementation was carried out as planned, and the final evaluation and audit was done as well.
	Monitor the improvement of financial management in national and provincial institutions	Timeous implementation of PFM reforms in selected municipalities	4 municipalities. To be completed during the financial year but no later than 30 June 2010	Implementation was carried out as planned, and the final evaluation and audit was done as well.
	Submission of the Public Finance Management Bill to Cabinet	Submission of the Public Finance Management Bill to Cabinet	November 2010	Submission held in abeyance pending SCM reforms
	Revision of Treasury Regulations issued in terms of the PFMA	Revision of Treasury Regulations issued in terms of the PFMA		The revision was to be based on the enactment of the PFMA bill

# PROGRAMME 5

## FINANCIAL ACCOUNTING AND REPORTING - *continued*

			Reports to Standing Committee on Public Accounts and to the Standing Committee on Finance on progress made with the improvement of financial management in terms of the financial management capability maturity model	August 2010	Reports submitted to the committees as required
MFMA Implementation			Report to Cabinet on the audit outcomes of national and provincial PFMA compliant institutions	November 2010	Cabinet Memorandum on Audit Outcomes and tabling of annual reports done by due date
		Enhance coordination across government for effective implementation of MFMA	An agenda that ensures alignment of activities of departments consistent with agreed priorities	Quarterly meetings convened and resolutions implemented. Follow up visits to 4 provinces and 10 municipalities	Hosted 4 quarterly MFMA Co-ordination meetings and undertook 16 follow up visits to 16 municipalities
		Assess financial management skills in municipal budget and Treasury offices	Reports produced on financial management skills in municipalities	November 2010	Report on the Budget and Treasury Office skills survey finalised for 283 municipalities by November 2010
		Respond to enquiries, comments, advice and support towards implementation of the MFMA	Timeous responses	Finalise responses within 7 days	All responses finalised within 7 days
		Refinement of financial management indicators for effective monitoring and reporting	Report produced on implementation	March 2011	New MFMA monitoring indicators consisting of 30 indicators have been prepared and the report produced by due date
		Review of MFMA regulations	Timeous publication of reviewed regulations	Draft regulations published by March 2011	Developed and drafted Financial Misconduct regulations State Law advisor inputs obtained and awaiting finalisation of MSA regulations currently before Parliament

# PROGRAMME 5 FINANCIAL ACCOUNTING AND REPORTING - *continued*

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 5: Financial Accounting and Reporting - Continued

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
<b>Measurable objective:</b> To facilitate accountability, governance and oversight by promoting transparent, economic, efficient and effective management in respect of revenue, expenditure, assets and liabilities in the public sector.				
MFMA Implementation	Develop supporting guides/tools	Timeous development of guides/tools	March 2011	Finalised guide in support of the Asset Transfer Regulations, Financial Recovery Model and Annual Report Template Developed electronic interface for easy compilation and aggregation of municipal departmental information into the annual report Costing and Cash Management Guides revised Provincial Oversight Guide on municipal reports finalised
	Review and respond to requests for the development of financial recovery plans	Financial recovery plans	Developed recovery plans issued within 90 days	All recovery plan issues were handled within 45 days of request for assistance
Specialised Audit Services	Customise a Performance Audit methodology for special audit	Timeous development and approval of the methodology	April 2010	Methodology developed and implemented
	Conduct performance audits in targeted entities	Number of entities targeted	4	Investigations were done at 20 institutions.
	Develop fraud detection guidelines for supply chain management processes	Timeous development of guidelines	November 2010	Developed guidelines and conducted information sessions mainly with police investigators and prosecutors. A new instruction note was finalised and will be implemented in the 2011/2012 financial year
	Provide fraud awareness and investigative capacity to departments	Number of workshops conducted on the fraud prevention guidelines	-	Conducted workshops with the police and the NPA to ensure an understanding of the PFMA and its prescripts
		Number of investigations conducted	4	Assisted police in numerous investigations, many resulting in successful outcomes



**PROGRAMME 6**  
**ECONOMIC POLICY AND INTERNATIONAL FINANCIAL RELATIONS**

# PROGRAMME 6

## ECONOMIC POLICY AND INTERNATIONAL FINANCIAL RELATIONS

**Purpose:** Provide specialist policy analysis and advisory services in macroeconomics, microeconomics, tax policy, financial and banking sector policy, regulatory reform, regional integration and international financial relations.

**Measurable objective:** The programme provides advice on policy to promote growth, employment, macroeconomic stability and regional integration.

There are five subprogrammes:

- *Management and Research* funds the department's economic research programme, including international research on growth, and the promotion of local research capacity.
- *Financial Sector Policy* provides financial sector policy advice and is responsible for related legislation, regulations and the regulatory framework. Key strategic focus areas include retirement reform, financial sector transformation, and improvements to the financial regulatory system to maintain financial stability.
- *Tax Policy* provides advice on the formulation of tax policy, is responsible for drafting tax legislation, revenue analysis and forecasting.
- *International and Regional Economic Policy* focuses on improving South Africa's participation in international economic institutions and debates. It facilitates the deepening of South Africa's role in regional integration (Southern African Development Community and Southern African Customs Union) and in promoting economic development via African institutions like the African Development Bank. Outside of Africa, the division facilitates South Africa's participation in the IMF, World Bank and G20.
- *Economic Policy* provides macroeconomic and microeconomic analysis and policy advice, economic forecasting, regulatory assessment and policy review for the annual budget and other government processes.

## SERVICE DELIVERY OBJECTIVES AND INDICATORS

### RECENT OUTPUTS

Programme 6 covers the functions of three National Treasury divisions: *Economic Policy*, *Tax and Financial Sector Policy*, and *International and Regional Economic Policy*. These divisions coordinate the National Treasury's interaction with:

- The Reserve Bank on the framework and conduct of macroeconomic policy, supervision and regulation of banking, and exchange controls.
- The Financial Services Board on the regulation of non-banking financial services.
- The Financial Intelligence Centre on anti-money-laundering and combating the financing of terrorism.
- The Cooperative Banks Development Agency, established after the proclamation of the Cooperative Banks Act (40 of 2007) on 1 August 2008.

Together with the *Asset and Liability* division, *Economic Policy* and *Tax and Financial Sector Policy* co-chair three standing committees with the Reserve Bank on macroeconomics, financial regulation and financial markets, and prepare recommendations for bilateral meetings between the Minister of Finance and the Governor of the Reserve Bank.

## PROGRAMME 6

### ECONOMIC POLICY AND INTERNATIONAL FINANCIAL RELATIONS - *continued*

#### Economic Policy

*Economic Policy* conducted research and also provided advice on and co-ordinated growth-enhancing policies. Areas of work included:

- Assessment of policies to achieve higher sustainable economic growth and job creation.
- Drafting South Africa's contribution to the G20 Mutual Assessment Process and Framework for Strong, Sustainable and Balanced growth.
- Analysis of exchange rate trends, impact on the economy and policy options for a more stable and competitive exchange rate.
- Analysis and monitoring of capital flows and capital account management issues.
- Evaluation of the optimal level of foreign exchange reserves for the South African economy.
- Inputs to the Economic Sectors and Employment cluster on Outcome 4 – Decent employment through inclusive growth.
- Research into the drivers of commodity price volatility and mitigating policies.
- Publication of discussion paper entitled *Confronting youth unemployment: policy options for South Africa*, which forms the basis for debate with social partners on the proposed youth employment incentive.
- Research into single-payer and multiple payer National Health Insurance models.
- Daily, weekly, monthly and quarterly monitoring and reporting of economic developments.

The division also engaged with a number of international organisations, including the IMF, World Bank, and the Organisation for Economic Cooperation and Development (OECD).

Together with the *Public Finance, Tax Policy* and *Asset and Liability* divisions, *Economic Policy* assessed and advised on departmental policy proposals and initiatives of state-owned enterprises.

The quarterly forecast, a key output of the *Modelling and Forecasting* unit, feeds into the budget framework and is accompanied by other analysis provided to policy makers. Studies conducted in the review period include estimating the economic impact of National Health Insurance, developing climate change economic modeling capacity and analysis of the effect of carbon taxes, and modeling on employment scenarios.

The economic forecast for the medium-term expenditure framework and the macroeconomic chapter of the *Medium Term Budget Policy Statement (MTBPS)* and *Budget Review* are key outputs of the work of the division. The division monitors various economic sectors. The methodology to calculate the structural budget balance and to enhance the accuracy of tax forecasts continued to be improved upon. The division contributed two chapters to the 2011 Budget Review, on the economic policy and outlook, and employment.

#### Tax and Financial Sector Policy

In the *Tax Policy* unit, work continued on environmental fiscal reform, and the possible use of taxes and incentives to deal with environmental challenges such as climate change. A discussion paper titled "Reducing Greenhouse Emissions: The Carbon Tax Option" was finalised and published in December 2010 for public comments. The unit also prepared the Tax Laws Amendment Bill which was tabled in Parliament in September 2010.

## PROGRAMME 6

### ECONOMIC POLICY AND INTERNATIONAL FINANCIAL RELATIONS - *continued*

The publication "2010 Tax Statistics" was released during the year, as a joint project between the National Treasury and the SA Revenue Service. This publication has been enhanced from the previous two publications in that the document and data tables have been published electronically as well and this will make the data more accessible to researchers and analysts.

The Mineral and Petroleum Royalty Act was implemented on 01 April 2010. This has resulted in new revenue to the fiscus. Tax treaties were concluded with Seychelles, Sweden, the United Kingdom and Kenya.

The *Financial Sector Policy* unit's extensive work in response to the global financial crisis culminated in the publication of a policy document containing proposals for financial sector regulatory reform entitled "*A safer financial sector to serve South Africa better*". This document is significant in that it sets out the road map in terms of which the National Treasury will fulfil its obligation to ensure that a vibrant financial sector continues to serve the economy and that everyone is able to benefit from, and have access to, reliable financial services.

The unit published two discussion documents entitled "*The prudential regulation of foreign exposure for SA institutional investors*" and "*A review framework for cross-border direct investment in South Africa*", and developed two pieces of legislation aimed at transforming the regulatory framework in the financial sector, namely the Financial Markets Bill and the Credit Ratings Services Bill.

The unit also published Regulation 28 that gives effect to Section 36 (1) (bB) of the Pension Funds Act of 1956. The aim of this regulation is to ensure that the savings South Africans contribute towards their retirement are invested in a prudent manner that not only protects the retirement fund member, but is channelled in ways that achieve economic growth and development.

#### International and Regional Economic Policy

The *International and Regional Economic Policy* division manages South Africa's relationship with multilateral institutions such as the World Bank, International Monetary Fund (IMF) and African Development Bank (AfDB); it also ensures high-level participation in key caucus groups such as the G-20, G-24 and BRICS for global coordination of economic and financial policy issues, and is a leading player within regional economic groupings of SADC and SACU. The division also worked closely with departments like DIRCO, DTI and the Presidency to coordinate the country's international participation on policy issues relating to G-20, African Union and the United Nations.

Following two SACU Summits and meetings of the SACU Council of Ministers, South Africa ensured that the review of the SACU revenue-sharing formula was included in the new vision and mission of SACU, where revenue collected by the customs arrangement will support regional growth and development. A study that was completed in January 2011 will form the basis of the negotiations between member states.

South Africa's investment in the African Development Bank was further enhanced with the election of a South African to the permanent position on the Board of Directors of the Bank. The Collaborative Africa Budget Reform Initiative (CABRI) actively strengthened its relationship with several regional and international institutions, such as the AfDB, Organisation for Economic Cooperation and Development, the World Bank Institute and the IMF's AfriTAC. Outputs by CABRI covered work in good public financial governance, aid and fiscal relationship, health financing and programme budgeting.

Following intensive engagements with the World Bank an agreement was reached in December 2010 for the replenishment of IDA16 without moving beyond the country's burden share.



# PROGRAMME 6 ECONOMIC POLICY AND INTERNATIONAL FINANCIAL RELATIONS - *continued*

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 6: Economic Policy and International Financial Relations

<b>Measurable objective:</b> The programme provides advice on policy to promote growth, employment, macroeconomic stability and regional integration.		<b>Actual performance against target</b>	
<b>Subprogramme</b>	<b>Output</b>	<b>Measure / indicator</b>	<b>Actual</b>
		<b>Target</b>	
Management and Research	Publish and promote economic research relevant to South Africa	Number of papers published	<p>ERSA: 41 papers published.</p> <p>CREFSA: Paper on prudential regulation of foreign exposure for SA institutional investors published</p> <p>Departmental papers:</p> <ul style="list-style-type: none"> <li>• A safer financial sector to serve South Africa better</li> <li>• Reducing greenhouse emissions: The carbon tax option</li> <li>• Two papers on savings vehicles for housing and education (presented at a savings workshop in September 2010)</li> </ul>
Financial Sector Policy	Financial stability	Stability of financial system including first-tier banks	<p>Published a policy document containing proposals for financial sector regulatory reform entitled A safer financial sector to serve South Africa better with the 2011 Budget</p> <p>To finalise the prudential regulatory regime for foreign exposure, published a discussion document entitled The prudential regulation of foreign exposure for SA institutional investors</p>

# PROGRAMME 6 ECONOMIC POLICY AND INTERNATIONAL FINANCIAL RELATIONS - *continued*

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 6: Economic Policy and International Financial Relations - Continued

Subprogramme	Output	Measure / indicator	Measurable objective: The programme provides advice on policy to promote growth, employment, macroeconomic stability and regional integration.	
			Target	Actual performance against target
Financial Sector Policy	Financial stability	Stability of financial system including first-tier banks	Support financial regulatory agencies to ensure that they perform effectively in regulating the financial sector	Developed two pieces of legislation aimed at transforming the regulatory framework in the financial sector: Financial Markets Bill and the Credit Ratings Services Bill Second draft of Banks Amendment Bill, and regulations, published for comment on 31 March 2011 National Treasury also led the Basel
			Support the work of the Financial Intelligence Centre to ensure effective implementation of government-wide strategy on Anti Money Laundering / Combating the Financing of Terrorism	Continued to attend international and local AML/CFT meetings together with the Financial Intelligence Centre
	Reform the system of retirement funding, including governance reforms (Jointly with Public Finance – Programme 2)	Formulation of policy framework and project plan	Publication of policy framework for retirement reform	Partially achieved. First draft of Approved Funds Framework (AFF) paper finalised by IDTT Task Team in December 2010. AFF paper will be published together with the Consolidated Government Position Paper on Social Security and Retirement Reform by June/July 2011
			Publish proposals to improve trustee performance over governance of pension funds	Partially achieved. Released document on 2011 Budget Day titled A safer financial sector to serve South Africa better laying out broad proposals on Trustee education. New Regulation 28 also provides guiding principles in terms of trustee conduct

**PROGRAMME 6**  
**ECONOMIC POLICY AND**  
**INTERNATIONAL FINANCIAL**  
**RELATIONS - continued**

				Finalisation of proposals published in 2010 Budget to update Regulation 28 of the Pension Fund Act	Final Regulation 28 issued on Budget Day 2011 for implementation in July 2011
Promote financial sector transformation and access	Broadened and improved access	Finalise response of government to Banking Enquiry recommendations on bank charges	Monitor implementation of the Financial Sector Charter's transformation targets	Banking Enquiry dashboard to report progress/closure has been drafted and is with banks, Competition Commission and SARB (NPSD) for comment	Ongoing participation in weekly Financial Sector Charter Gazetting Committee meetings to take forward development of Financial Sector Code with revised access targets. The draft code is expected in May 2011
Promote competition and entry into financial sector	Entry of smaller banks and non-banks, including dedicated and co-operative banks	Table Dedicated Banks Bill in Parliament	Support and monitor implementation of the Co-operative Banks Act	Two co-operative banks were licensed in 2011	Ongoing participation in CBDA board meetings
Tax proposals and revenue forecasts for the annual budget	High quality chapter in the annual Budget Review	Publication on Budget Day 2011	Discussion paper on carbon pricing	Contributed a high quality chapter in the Budget Review timeously	
Investigate options to price carbon, a carbon tax, and/or emissions trading	Mitigate the impact of carbon emissions and address concerns relating to climate change through environmental fiscal reform	Draft policy paper on carbon pricing		Discussion paper entitled "Reducing Greenhouse Emissions: The Carbon Tax Option" was finalised and published in December 2010 for public comment	Preparation and finalisation of carbon tax workshop which was held on 16th March 2011
					Engaged with SARB and industry to finalise policy and completion of legislative amendments to effect implementation of the tax

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 6: Economic Policy and International Financial Relations - Continued

<b>Measurable objective:</b> The programme provides advice on policy to promote growth, employment, macroeconomic stability and regional integration.		<b>Actual performance against target</b>		
<b>Subprogramme</b>	<b>Output</b>	<b>Measure / indicator</b>	<b>Target</b>	
Tax Policy	The taxation of financial instruments, differentiating debt versus equity, as well as limiting excessive debt deductions	Review of strategy to effectively tax financial instruments, limit tax avoidance and create a level playing field in the tax treatment of debt and equity	Publish a discussion document to explore options dealing with the tax treatment of financial instruments, carried interest in private equity transactions and the deductibility of interest payments	Not achieved. Discussion document to be completed in the 2011/12 financial year
	Tax incentives to support industrial policy	Framework to respond to various requests for incentives and other government support for large scale investment projects	Engage the Department of Trade and Industry and the Departments of Minerals and Energy to address the request to support the industrial policy strategy, mineral beneficiation and fuel /energy security	Draft regulations completed, published in early 2010
	Complete the conversion of the STC regime into the new Dividend Tax	Implementation of new Dividend Tax	Signing of revised tax treaty protocols	The following treaties were signed during the reporting period: Seychelles 04 April 2010 Sweden 07 July 2010 United Kingdom 08 November 2010 Kenya 26 November 2010
	Death taxes	Review of all death taxes for simplification and equity	Discussions to be held; possible discussion document	Estate duty paper was presented at a savings workshop, and a discussion paper completed. Discussion paper to be expanded into a policy paper in next financial year
Tax legislation and amendments	Taxation Laws Amendment Bill		Brief Committee by June 2010	Tabled September 2010

# PROGRAMME 6

## ECONOMIC POLICY AND INTERNATIONAL FINANCIAL RELATIONS - *continued*

International and Regional Economic Policy	Promote Southern African economic integration	Interactive Gambling Bill Initiate a pilot project to rewrite the Income tax Act, or parts thereof	Outline of the proposed rewrite of sections of the Income Tax Act dealing with employment income and depreciations allowances	A draft bill has been completed. The process has been stalled pending the outcome of the Gambling Review Commission Process outline has been prepared
	Promote the development of African countries and attainment of Millennium Development Goals	Agreement and implementation of a road map for integration and review of SACU revenue-sharing formula	Finalise agreement on a new revenue-sharing formula in SACU	Proposed new formula for revenue sharing arrangement has been finalised and will be presented to SACU Council at the end of June 2011
	Support South Africa's participation in international finance and development policy and institutions, including the IMF, World Bank, G20 and Organisation for Economic Co-operation and Development (OECD), and linking these to national and regional interests	Playing a catalyst role with donor countries and in capacity-building initiatives	Participate in African Development Bank, UN Economic Commission for Africa and Collaborative African Budget Review Initiative	Attended regular statutory meetings and also participated in a number of joint projects undertaken. These include: projects on Good Public Financial Governance, setting up a budget resource centre and a study on regional public goods
		Engagements between these institutions and the Minister of Finance and National Treasury Policy memos and proposals for tiating positions and discussion points on issues tabled for discussion at various meetings and events	Maintain the focus of G20 countries on the challenges facing emerging markets and developing countries as a result of the global financial crisis.	Participated in establishment of G20 Development Working Group which South Africa co-chairs

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 6: Economic Policy and International Financial Relations - Continued

Subprogramme	Output	Measure / indicator	Target	Actual performance against target
International and Regional Economic Policy		The position of the Minister of Finance and the National Treasury is represented at these institutions	Increase current levels of coordination and cooperation with other emerging market and developing countries particularly through the opportunities offered for this in the G4, G5 and G24, in areas of common interest including reform of the Bretton Woods Institutions, modalities of G20 engagement and OECD outreach.	Leadership of the G24 used as platform for viable caucus / pressure group on G20 outcomes; higher than expected outcome for the replenishment of IDA 16 in Dec 2010 as a result of intensive lobbying for support of the financing of low-income countries – without moving beyond South Africa's burden share; membership of the BRICS in 2010 and close cooperation with other member countries through working groups and data exchange Africa Group 3 constituency office established and staffed with three South Africans and leading on key issues
			Lead in the discussion within the Africa Group 1 constituency about proposals to reform the constituency arrangements and reconfigure the Africa chairs at the World Bank (Phase 1 of reform)	

# PROGRAMME 6

## ECONOMIC POLICY AND INTERNATIONAL FINANCIAL RELATIONS - *continued*

<p>Economic Policy</p>	<p>Economic policy analysis, research, assessment and advice covering economic growth, employment and labour markets, trade and balance of payments dynamics, monetary and exchange rate policies, inflation, credit extension and consumption, investment and savings, industrial sectors, network infrastructure, and development finance institutions</p>	<p>Quality policy memos and economic assessment of policy proposals with appropriate turnaround times</p>	<p>Institutional development of divisional capacity in macro and micro. Quality benchmarking and coverage of issues</p>	<p>Assessment of policies to achieve higher, sustainable economic growth and job creation in South Africa undertaken</p> <p>Drafting South Africa's contribution to the G-20 Mutual Assessment process and Framework for Strong, Sustainable and Balanced Growth</p> <p>Analysis of exchange rate trends and impacts on the economy and the assessment of policy options to promote a more stable and competitive exchange rate</p> <p>Analysis and monitoring of capital flows: trends, composition, costs and benefits thereof and capital account management issues</p> <p>Assessment of savings trends in South Africa and analysis of policies to increase private sector savings.</p> <p>An evaluation of the optimal level of reserves for South Africa</p> <p>Discussion paper entitled Confronting youth unemployment: policy options for South Africa</p> <p>Analysis and research into the drivers of commodity price volatility and policies to mitigate effects</p> <p>Research note on a single and multiple payer NHI model - cluster inputs and monitoring progress on Outcome 4: Decent employment through inclusive growth</p> <p>Daily, weekly, monthly and quarterly analysis of economic data and international factors affecting financial markets</p>
------------------------	--	---	---	--

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 6: Economic Policy and International Financial Relations - Continued

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
<b>Measurable objective:</b> The programme provides advice on policy to promote growth, employment, macroeconomic stability and regional integration.				
	Macroeconomic forecasts	Quarterly economic forecasts and high-quality policy and scenario modelling	Staffing and capacity development for modelling and forecasting	Macroeconomic forecasts for Budget Review & MTBPS prepared Quarterly macroeconomic forecast updates to Minister Quarterly tax forecasts and Structural Budget Balance forecasts Estimating the economic impacts of National Health Insurance Developing climate change economic modelling capacity and do analysis on the economic impact of carbon taxes Employment scenarios modelling
	Macroeconomic perspective and analytics	High quality Chapter 2 of MTBPS, Budget Review and Budget presentations	Budget Day and MTBPS Day	High quality inputs into Chapter 2 and Chapter 3 of the Budget Review covering economic developments and the outlook and issues around employment
	Speeches, presentations and briefing notes	Speeches and presentations for the Minister, Deputy-Minister and Director-General published on the NT website	Improving speech-writing skills through training initiatives	Speeches, briefing notes and presentations prepared by staff covering topics such the impact of the financial crisis on South Africa, the economic outlook for South Africa; prospects for investment in South Africa and Africa, South Africa's fiscal challenges, policy actions to reduce inflation in Africa, youth employment subsidy
	Meetings with investors on the economic outlook	Impact on investor analysis	Made-to-measure analytics prepared for meetings	Various meetings with foreign and domestic investors including domestic investor road show with ALM to visit domestic institutional investors and fund managers after the Budget





**PROGRAMME 7**  
**PROVINCIAL AND LOCAL GOVERNMENT TRANSFERS**

# PROGRAMME 7

## PROVINCIAL AND LOCAL GOVERNMENT TRANSFERS

**Purpose:** Manages three conditional grants to provinces and local governments. These grants are in addition to the equitable share allocations and constitute only a portion of the many conditional grants administered by national departments.

**Measurable objective:** improve the pace and quality of provincial infrastructure investment and asset maintenance, promote financial management reforms in municipalities, and restructure service delivery in municipalities with large budgets.

This programme includes three conditional grants:

- The *infrastructure grant to provinces* supplements provincial infrastructure budgets, and is intended to accelerate the building and maintenance of social and economic infrastructure such as hospitals, clinics, schools, roads and agricultural infrastructure. The grant also assists provinces in funding labour-intensive infrastructure projects.
- The *local government financial management grant* provides financial assistance to municipalities to help them implement the Municipal Finance Management Act (MFMA) as part of capacity-building efforts to modernise financial management in local government.
- The *neighbourhood development partnership grant* (NDPG) supports projects that provide community infrastructure, create platforms for private-sector development and improve the quality of life of residents in targeted areas. The unit administering this grant is discussed in Programme 2.

## SERVICE DELIVERY OBJECTIVES AND INDICATORS

### RECENT OUTPUTS

#### Infrastructure grant to provinces

The *Infrastructure grant to provinces* is (was) a supplementary grant aimed at accelerating the construction of new infrastructure and the maintenance, upgrading and rehabilitation of existing infrastructure in education, health, roads and agriculture. The grant grew from R9.2 billion in 2009/10 to R11.3 billion in 2010/11. The increase was mainly due to additional allocations towards the expansion of Grade R space and to support schools in upgrading infrastructure, providing secure facilities, building and refurbishing libraries and laboratories and increasing maintenance. The increase was also due to the maintenance of coal haulage routes in Mpumalanga and Limpopo. An amount of R8.8 billion (78.2 per cent of the R11.3 billion allocation) was transferred to provinces in five instalments. Portions of the instalments were withheld due to non-compliance with the conditions of the grant framework and under-expenditure. A total of R2.47 billion of the IGP was stopped in 2010/11 due to under-expenditure on provincial infrastructure budgets. Total expenditure registered by provinces against the grant was R7.2 billion. Therefore, R1.7 billion of the funds that were transferred were left unspent within provincial accounts.

The provinces affected by the withholding and the amounts withheld are outlined below:

- Eastern Cape (R502.7 Million)
- Free State (R391.2 Million)
- Gauteng (R285.7 Million)
- Kwazulu-Natal (R119.8 Million)
- Limpopo (R261.6 Million)

## PROGRAMME 7

### PROVINCIAL AND LOCAL GOVERNMENT TRANSFERS

- continued

- Mpumalanga (R439.4 Million)
- Northern Cape (R275.4 Million)
- North West (R194.6 Million)

Preliminary (un-audited) total infrastructure expenditure in the education, health and roads sectors amounted to R26.5 billion or 86.1 per cent of the total allocation for 2010/11. There were significant improvements in spending trends in KwaZulu-Natal, Limpopo, North West and Western Cape. These provinces spent more than 90 per cent on their overall infrastructure budgets, while the remaining provinces spent less than 90 per cent.

#### Local government financial management grant

The *local government financial management grant* helps municipalities to improve their budgeting, in-year reporting, accounting, asset management, supply chain management, internal auditing, annual financial statements and annual reports. It also supports municipalities in the appointment of suitably qualified Chief Finance Officers and addresses weaknesses in financial functions. Focus continues to be on assisting municipalities in appointing and training previously unemployed graduates as part of the financial management internship programme. This will assist in sustaining financial management skills at a municipal level. To enhance accountability and transparency, the resources are also used to support municipalities to post relevant information on their websites and to improve general compliance with the MFMA and its regulations.

An amount of R365 million was transferred to all 283 municipalities in terms of the Division of Revenue Act.

The skills development programme included the facilitation and accreditation of 42 independent service providers, and the development of quality training material to support the rollout of the minimum competency regulations. Municipalities also used the grant to fund the graduate internship programme and increased the intake of graduates from 537 in 2009 to 1 298 by the end of the 2010/11 financial year. The National Treasury will continue to use the grant to accelerate skills development, and develop further training material and guidelines.

#### Neighbourhood development partnership grant

Since the start of the *NDPG*, R730.8 million has been disbursed to local government for township capital investment (see Programme 2 for more details).

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 7: Provincial and Local Government Transfers

<b>Measurable objective:</b> Improve the pace and quality of provincial infrastructure investment and asset maintenance, promote financial management reforms in municipalities and restructure service delivery in municipalities with large budgets		<b>Actual performance against target</b>	
<b>Subprogramme</b>	<b>Output</b>	<b>Measure / indicator</b>	<b>Actual</b>
		<b>Target</b>	
Infrastructure Grant to Provinces	Monitoring provincial infrastructure development	Transfers in compliance with conditions	Transfers made in compliance with the Division of Revenue Act. Transfers amounting to R2.47 billion stopped due to non-compliance by grant receiving departments
	Report on compliance, transfers and spending	Quarterly reporting by nine provinces on aggregate infrastructure spending and outputs	Quarterly reports submitted by all provinces on aggregate infrastructure spending and outputs
	Improve infrastructure delivery management systems, through implementation of IDIP in provinces	Technical assistance teams appointed to assist education, health and public works departments in nine provinces	34 technical assistants deployed across nine provinces (four TAs in each province except in Mpumalanga and Eastern Cape where three were deployed to each province)
		Technical support will also be extended to national health and education to strengthen sector policy development and oversight capacity	One technical assistant deployed to the national Basic Education department and the two technical assistants deployed to national Department of Health
		Education sector develops and pilots norms and standards for school infrastructure	Basic Education developed school infrastructure norms and standards. These will be implemented as part of the planning process for 2011/12
		Timely submission of infrastructure plans by provinces which comply with guidelines developed by National Treasury	25 provincial departments submitted infrastructure plans in compliance with the set guidelines. Only 2 did not comply

# PROGRAMME 7 PROVINCIAL AND LOCAL GOVERNMENT TRANSFERS

- continued

# PROGRAMME 7

## PROVINCIAL AND LOCAL GOVERNMENT TRANSFERS

- continued

Local Government Financial Management Grant	Monitor of municipal financial management reforms	Transfers made according to conditions	Division Revenue will require improvement in the quality of plans with improved information and institutionalisation of sector norms and standards	Division of Revenue for 2011 sets requirements for infrastructure plans, but sector norms and standards not institutionalised
			Transfers made by 31 March 2011 Appoint at least four interns in each of the 283 municipalities (a total of 1132 interns) Improved reporting in all municipalities Progressive implementation of MFMA in all municipalities	All transfers made by 31 March 2011 1 298 interns appointed Improved reporting and spending on the grant as reported monthly 252 municipalities or 89 per cent tabled budgets on time. 233 municipalities or 82 per cent adopted budgets within the prescribed period



**PROGRAMME 8**  
**CIVIL AND MILITARY PENSIONS, CONTRIBUTIONS TO FUNDS**  
**AND OTHER BENEFITS**

# PROGRAMME 8

## CIVIL AND MILITARY PENSIONS, CONTRIBUTIONS TO FUNDS AND OTHER BENEFITS

**Purpose:** Payment and administration of special pensions, military pensions, other statutory pensions, and post-retirement medical subsidies

**Measurable objective:** The programme aims to ensure the payment of benefits and awards to beneficiaries of departments, state-aided entities and other specified bodies in terms of various statutes, collective bargaining agreements and other commitments.

There are two subprogrammes:

- *Civil Pensions and Contributions to Medical Aid Schemes* provides for the payment of pensions and contributions to medical aid schemes for pensioners, surviving spouses, dependants and civil pensioners who were not members of medical schemes during their period of service (by special concession). It ensures payment to medical schemes for pensioners and widows in the former Development Boards and the National Film Board. The subprogramme also provides for payment of special pensions to persons who have made sacrifices or served the public interest in the establishment of the democratic constitutional order.
- *Military Pensions and Other Benefits* provides for the payment of military pensions and medical claims arising from treatment for disability, medical assistance devices, and other related expenses in terms of statutory commitments. The sub programme is responsible for payment of compensation benefits to government employees in cases of temporary, total or partial disablement; as a result of injuries sustained on duty; and in cases of death to dependants of such beneficiaries in accordance with the Compensation for Occupational Injuries and Diseases Act (1993). In addition, it provides for the payment of former presidents, retired judges (pre-1994), parliamentarians, and Venda and Gazankulu parliamentarians.

## SERVICE DELIVERY OBJECTIVES AND INDICATORS

### RECENT OUTPUTS

The following was achieved during the review period:

- Shortening of time taken to process applications.
- The Military Pensions and the Post-Retirement Medical benefits units eradicated their backlog. Special Pensions has reduced their backlog from 4 103 to 190.

The *Injury-on-Duty* unit improved its processes for the payment of client benefits, and implemented set increases on time. The unit initiated regular meetings with the Compensation Commissioner to discuss challenges and to improve stakeholder relations.

*Government contributions to medial schemes* made payments on behalf of 73 246 members. The amount paid to the members was R1.6 billion and about 60 per cent went to Medihelp members.

## **PROGRAMME 8**

### **CIVIL AND MILITARY PENSIONS, CONTRIBUTIONS TO FUNDS AND OTHER BENEFITS - *continued***

The targets in the *Special Pensions Unit (SP)* were met and some exceeded due to improved processes and more capacity in the unit. The Special Pensions Appeal Board reduced the appeal backlog by 96 per cent. The applications in terms of the 2008 amendment to the SP Act closed on 31 December 2010.



# PROGRAMME 8

## CIVIL AND MILITARY PENSIONS, CONTRIBUTIONS TO FUNDS AND OTHER BENEFITS - *continued*

### SERVICE DELIVERY ACHIEVEMENTS

#### Programme 8: Civil and Military Pensions, Contributions to Funds and Other Benefits

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
Civil Pensions and Contributions to Medical Schemes	Payment of pension benefits and contributions to funds (including special pensions)	Timeous and accurate payment of benefits	IOD beneficiaries: 9 045 special pensions beneficiaries: 6 486 Ex Presidents : 2	IOD Beneficiaries :10 688 Special Pensions Beneficiaries :6 746 Ex Presidents : 2
	Payment of contributions to medical aid schemes	All contributions paid timeously	71 117 members per month	73 246 members paid per month
	Payment of risk and administration fees to the Political Office Bearers' Pension Fund	Timeous and accurate payment of risk and administration fees in respect of all members monthly	Payment of risk and administration fees in respect of 900 members monthly	Risk and administration fees in respect of 900 members paid every month
	Notify beneficiaries of special pensions amendments	Successful national awareness campaign	Process all applications by March 2011	26% (2 460) of applications were processed. The remaining 74% of applications were received on the closing date of 31 December 2010, and had outstanding information

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 8: Civil and Military Pensions, Contributions to Funds and Other Benefits

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
<p><b>Measurable objective:</b> To ensure the payment of benefits and awards to beneficiaries of departments, state-aided bodies and other specified entities in terms of various statutes, collective-bargaining agreements and other commitments</p>				
Military Pensions and Other Benefits	Payment of military pension benefits	Timeous and accurate payment of benefits	Beneficiaries : 7 022	6 834 Beneficiaries paid. (reduced as a result of non-activation of life certificates)
	Payment to service providers for medical expenses	All claims paid to service providers monthly	Timeous and accurate payment to service providers for medical expenses	9 518 invoices paid accurately
	Reduce backlog	Develop processes to eradicate backlog	Backlog reduced to: • IOD: 1 500 • Special Pensions: 4 103 • Military Pensions: 0 • Medical Subsidies: 0	Backlog reduced to: • IOD: 817 • Special Pensions: 190 • Military Pension: 0 • Medical Subsidies: 0
	Provide input to the revision of Military Pensions Act of 1976	Quality of information provided	Accuracy, scope and quality of content provided	GPAA in process of consolidating comments from stakeholders to ensure a quality input into the Act
	Develop VIP customer care strategy for Presidents, Parliamentarians, Magistrates, Judges and former TBVC's.	Approved VIP customer care strategy Implementation of the VIP customer care strategy	Successful implementation of the VIP customer care strategy	Special Pensions: Dedicated VIP support based in Parliament



**PROGRAMME 9**  
**FISCAL TRANSFERS**

## PROGRAMME 9

### FISCAL TRANSFERS

- *continued*

**Purpose:** Finances public authorities and other institutions in terms of legal provisions governing financial relations between government and the relevant authority or institution, including multilateral development banks and international development bodies of which South Africa is a member.

**Measurable objective:** To meet international and other statutory financial obligations, to meet the costs of effectively and efficiently raising revenue for the state, and to finance intelligence-gathering and other secret services in the national interest.

Domestic transfers are made to:

- The South African Revenue Service (SARS), which is responsible for collection of revenue in terms of the South African Revenue Service Act (34 of 1997).
- The Financial and Fiscal Commission, a constitutional body charged with making recommendations about the equitable division of revenue between the three spheres of government.
- The Secret Services account, used to finance the activities of the National Intelligence Agency, the South African Secret Service, and certain activities of the Detective Service of the South African Police Service.
- The Financial Intelligence Centre, which combats money-laundering and works to strengthen financial regulation capacity.

To fulfil government's international obligations, foreign transfer payments are made to:

- The World Bank Group
- The African Development Bank
- Member states of the Common Monetary Area – Lesotho, Namibia and Swaziland
- The Commonwealth Fund for Technical Cooperation
- The Global Alliance for Vaccines and Immunisation

## SERVICE DELIVERY OBJECTIVES AND INDICATORS

### RECENT OUTPUTS

South Africa contributes to the World Bank Group's International Development Association (IDA), which is replenished by donors every three years. Fifty per cent of IDA's resources are ring-fenced for expenditure in Sub-Saharan Africa. South Africa is the only Sub-Saharan African country that contributes to IDA resources, and continues to lobby for additional resources for IDA and improved processes for their effective use.

During the reporting period, South Africa made its last payment to the IDA15 replenishment. The 16th replenishment of IDA was negotiated during 2010 and totaled US\$49.8 billion. South Africa's share of the donor component of this total envelope is R242.7 million, with the first payment due in January 2012. IDA 17 will be negotiated by donors in 2014.

South Africa is the only African country that donates to the African Development Fund (ADF) of the African Development Bank (AfDB), and has been contributing to ADF replenishments since 1998. The fund lends money at reduced interest rates to low-income African countries in support of poverty alleviation and to foster economic growth and development. During the 12th ADF replenishment, South Africa increased its contribution by 30 per cent to R120 million over the 2011 MTEF. This contribution is payable in instalments of R40.1 million per year over a three year period. South Africa's shareholding in the AfDB currently stands at 4.6 per cent and total transfers to the AfDB for the 2010/11 period stood at R 55.5 million.

## PROGRAMME 9

### FISCAL TRANSFERS

- continued

The *Common Monetary Area* is made up of South Africa, Lesotho, Namibia and Swaziland. Its purpose is to implement a common monetary policy. South Africa compensates the other countries for rands circulating in their territories as legal tender in terms of Article 6 of the Multilateral Monetary Agreement. The compensation is based on the understanding that South Africa, as the issuing country, benefits from this through seigniorage collection. In 2010/11, R398 million was transferred for this purpose.

*Commonwealth Fund for Technical Cooperation* (CFTC) resources are used to further the Commonwealth Secretariat's goals and programmes, which are closely aligned to the Millennium Development Goals (MDGs). The fund aims to assist developing member countries in acquiring the knowledge and institutional capacity needed to address their development priorities. Public sector development is a central theme of the fund-sponsored activities. The CFTC provides funding to technical advisors, and funding or scholarships for workshops, seminars, study tours and study programmes. South Africa contributed R3.5 million to this fund during the review period.

South Africa acceded to the *International Finance Facility for Immunisation* (IFFIm) in 2007 with a US\$ 20 million pledge over 20 years. The IFFIm is a unique and successful approach to mobilise additional resources to finance the MDGs by frontloading future flows of ODA. This ensures predictability of aid flows to recipient countries. According to the *Global Alliance for Vaccinations and Immunisation* (GAVI) Alliance, which receives the funds, funds provided by IFFIm from its inception in 2006 have helped to save more than three million lives by accelerating access to immunisation in developing countries. The total fiscal transfer from South Africa during the 2010-11 fiscal year was \$ 970 000 (R9.6 million).

#### Transfer payments

Name of institution	R'000
African Development Bank and African Development Fund	55 080
Commonwealth Fund for Tech Cooperation	3 029
Common Monetary Area Compensation	397 792
Development Bank of Southern Africa (Siyenza Manje)	290 295
Eskom	20 000 000
Financial and Fiscal Commission	31 391
Financial Intelligence Centre	181 414
International Funding Facility for Immunisation	7 086
Secret Services	3 306 752
South African Revenue Service	8 142 208
World Bank Group and IDA	68 000
<b>Total:</b>	<b>32 483 047</b>



## ANNUAL FINANCIAL STATEMENTS

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

## TABLE OF CONTENTS

1. Report of the Audit Committee.....	100
2. Report of the Accounting Officer.....	102
3. Report of the Auditor General.....	123
4. Accounting Policies.....	127
5. Appropriation Statement.....	137
6. Notes to the Appropriation Statement.....	148
7. Statement of Financial Performance.....	151
8. Statement of Financial Position.....	152
9. Statement of Changes in Net Assets.....	153
10. Cash Flow Statement.....	154
11. Notes to the Annual Financial Statements.....	155
12. Disclosures Notes to the Annual Financial Statements.....	164
13. Annexures.....	170

# REPORT OF THE AUDIT COMMITTEE

FOR THE YEAR ENDED 31 MARCH 2011

We are pleased to present our report for the financial year ended 31 March 2011.

## AUDIT COMMITTEE MEMBERS AND ATTENDANCE:

The Audit Committee consists of the members listed hereunder and has met as reflected below, in line with its approved terms of reference.

Audit Committee Meetings 2011		
Name of member	*Number of meetings attended	Remarks
Mr Vuyo Jack (Chairperson)	6 of 6	Appointment as Chairperson effective from 1 October 2010
Ms Mamoroke Lehobye	4 of 6	Contract renewed effective from 1 October 2010
Ms Lesibana Fosu	4 of 6	Contract renewed effective from 1 October 2010
Mr Joe Lesejane	5 of 6	Appointment effective 1 March 2010
Mr Zach Le Roux	6 of 6	Appointment effective
Ms 'Berenice Francis'	3 of 6	Appointment effective 2 July 2010

*Note: The 6 audit committee meetings include two special meetings, one to discuss the Department's Financials and the Consolidated Financial Statements and other to discuss the progress on IFMS and Programme 8 issues.*

## AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee reports that it has complied with its responsibilities arising from section 38(1)(a) of the PFMA and Treasury Regulation 3.1.13.

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

## THE EFFECTIVENESS OF INTERNAL CONTROL

The Audit Committee is of the opinion, based on the information and explanations given by management, the internal auditors, and discussions with the independent external auditors (Auditor-General) on the results of its audits, that the internal accounting controls are operating to ensure that the financial records may be relied upon for preparing the annual financial statements, and accountability for assets and liabilities is maintained. From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements and the management letter of the Auditor-General, it was noted that no significant or material non compliance with prescribed policies and procedures have been reported. We can report that the system of internal control for the period under review was effective. However, attention is drawn to the following areas of concern:

- There were two findings raised with regard to (i) An irregular expenditure that occurred in contravention of of the Special Pensions Act, Act 69 of 1996, (as amended) (Special Pensions Act) and Treasury Regulation (TR) 8.2.1 and 8.2.2 and (ii) Material losses which was incurred as a result of criminal conduct and ineffectiveness of control activities within Programme 8: Special Pensions. In order to address this concern, a forensic review is being commissioned to assess if there were any fraudulent activities that took place relating to the missing files and progress on this will be provided to the Audit Committee; and
- The State Information Technology Agency (SITA) is responsible for the Wide Area Network (WAN), security and related controls, such as firewalls for National Treasury. The auditor-General audits this area and provides assurance to the audit Committee of SITA only. We therefore did not review the IT controls as they relate to SITA and SITA's functions at National Treasury.



## REPORT OF THE AUDIT COMMITTEE - *continued*

FOR THE YEAR ENDED 31 MARCH 2011

- The Audit Committee is concerned about the slow progress of the implementation of the Integrated Financial Management system (IFMS) project. On the recommendation of the Audit Committee, the Auditor-General has been appointed by National Treasury during 2010 as the assurance provider to express a view on the adequacy and effectiveness of the governance and project management processes, as well as internal controls for the different modules that form part of the IFMS project. The Audit Committee are engaging with the Auditor-General with regards to this project on a regular basis along with the Audit Committees of SITA and the Department of Public Service and Administration.

Other than these matters nothing significant has come to the attention of the Audit Committee to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

### THE EFFECTIVENESS OF INTERNAL AUDIT

The Audit Committee reviewed the effectiveness of internal audit. Internal audit will be merged with the internal audit function of SARS to increase its independence, capacity and access to specialists especially on the IT risks of the National Treasury.

### THE RISK AREAS OF THE INSTITUTION'S OPERATIONS

Risk management is still relatively new in National Treasury. However there is a Risk Management Committee that meets on a regular basis and shares its reports with the Audit Committee. A risk register is kept and updated continuously to ensure that all the major risks facing the programs and entities under the National Treasury are recorded.

### ACCOUNTING AND AUDITING CONCERNS IDENTIFIED AS A RESULT OF INTERNAL AND EXTERNAL AUDITS

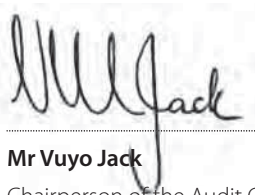
From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements and the management letter of the Auditor-General, it was noted that no significant or material accounting or auditing concerns were identified other than those mentioned above relating to Programme 8 which were adequately resolved.

### THE INSTITUTION'S COMPLIANCE WITH LEGAL AND REGULATORY PROVISIONS

From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements and the management letter of the Auditor-General, it was noted that no significant or material non-compliance with legal and regulatory provisions have been reported.

### EVALUATION OF FINANCIAL STATEMENTS

The Audit Committee has evaluated the annual financial statements of the National Treasury for the year ended 31 March 2011 and, based on the information provided to the Audit Committee, concurs and accepts the Auditor-General's 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.



Mr Vuyo Jack

Chairperson of the Audit Committee

Date: 4 August 2011

# REPORT OF THE ACCOUNTING OFFICER

FOR THE YEAR ENDED 31 MARCH 2011

Report by the Accounting Officer to the Executive Authority and Parliament of the Republic of South Africa.

## 1. GENERAL REVIEW OF THE STATE OF FINANCIAL AFFAIRS

### 1.1 STRATEGIC OVERVIEW

The overarching aim of the National Treasury is to support and promote economic development, good governance, social progress and rising standards of living through the accountable, economical, equitable, and sustainable management of public finances. During the period under review, the National Treasury continued to accelerate its coordinated implementation of the key strategic priorities, as depicted in the Department's Strategic Plan and Estimates of National Expenditure: promoting the fiscal policy framework of the government, coordinating intergovernmental financial and fiscal relations, managing the budget preparation process which encompass revenue, expenditure, assets and liability management, exercise control on the implementation of the national budget, facilitate the implementation of the Division of Revenue Act, enforce effective financial management practices and contribute meaningfully towards employment creation. The National Treasury will continue to build on its past achievements and good performance by giving effect to government commitment of rooting out wastage, promoting cost efficiency and phasing out of ineffective programmes.

Significant strides have been made in strengthening intergovernmental fiscal relations through Siyenza Manje capacity building and support programme implemented in municipalities by the Development Bank of Southern Africa which is co-funded by the National Treasury. The National Treasury also seeks to ensure prudent management of government's financial assets and liabilities through financing government borrowing requirements at the lowest possible cost and within market risk benchmarks, while leveraging the broader macroeconomic objectives. Attention is also given to operational efficiency of and coordinated borrowing by the state owned entities as well as review of development finance institutions in their role to provide strategic direction in the delivery of infrastructure. Key among challenges facing the National Treasury is the attraction and retention of scarce skills despite the successful internship programme, however, the Chartered Accountants Academy (CAA) programme which provides an opportunity for prospective chartered accountants to receive training suggests a real potential for more collaboration between National Treasury, South African Institute of Chartered Accountants and the local government metros to expand the programme to the wider public sector.

For a more detailed discussion on the outcome of the aforementioned strategic activities, please refer to the relevant chapters dealing with programme performance included in the Annual Report.

### 1.2 KEY POLICY DEVELOPMENTS

#### Social security and retirement reform

The deepening income inequality necessitates reforms that are focusing on reducing this imbalance through sustained job creation, combating the abuse of market power and realisation of greater income security. Through

advancing the work currently in progress on social security and retirement reforms, the National Treasury will continue to utilise its influence to enhance adequate coverage of all citizens on retirement. As part of the reform process, education, health, retirement and social security must be sharpened and enhanced to provide the required balancing mechanisms.

#### **Review of the Division of Revenue Bill**

The annual Division of Revenue Bill continues to evolve to ensure that the grant system contributes to improved accountability and accelerated service delivery. The continuing review process remains a priority in ensuring that the grant system contributes to better and quicker decision making in tandem with the implementation of the Municipal Finance Management Act (2003).

#### **Monitoring compliance with the Public Finance Management Act and the Municipal Finance Management Act**

The National Treasury has undertaken various initiatives to monitor the implementation of the two Acts. Amongst these was the introduction of a Financial Management Capability Maturity Model which culminated in identification of areas that need further attention to accelerate momentum in implementation of the Acts. These results will be utilised to inform National and Provincial Treasuries including accounting officers on strategies that need to be put in place to upgrade financial management methodologies within departments.

National Treasury will also assist provincial and municipal accounting officers and develop corrective plans to address areas of concern in order to ensure a structured and coherent approach. Analysis of the results will also be used to compile detailed reports to the Standing Committee on Public Accounts (SCOPA) and to the Portfolio Committee on Finance on progress made with implementation of the Acts.

#### **Strengthening global financial regulation**

The introduction of the Financial Stability Board in 2009 in response to the global economic meltdown by the G20 necessitated the alignment of South African financial sector policy to the global regulation of the financial services industry. The rationale is to sharpen and strengthen regulation in significant areas through bolstering a methodical risk approach to mitigate risks posed by hedge funds and over the counter derivatives, improving bank resilience to market volatility by raising the quality and level of capital held by these institutions, encouraging transparent peer review mechanism aimed at adherence to international standards, and improving universal accounting standards.

#### **Regional integration in the Southern African Development Community and support development of African countries**

Emphasis will be placed by the National Treasury on encouraging integration and development through the Southern African Development Community and fostering new partnerships. Consistent with the regional integration political, social and economic deliberations, requisite strategic plans are expected to be implemented soon. This is applicable to the southern and eastern parts of Africa in particular and the Common Market for Eastern and Southern Africa.

### 1.3 ANNUAL APPROPRIATION AND VOTE STRUCTURE

The total appropriation for National Treasury for the year ending 31 March 2011 amounted to **R50.2 billion** (2009/10: R62.8 billion) and is divided into two main components namely: the operational budget and transfers. Programmes 1 to 6 constitute National Treasury's operational budget, which amounted to **R1.4 billion** (2009/10: R1.3 billion). The operational budget comprised **R552 million** (2009/10: R408 million) for compensation of employees, **R810 million** (2009/10: R788 million) for goods and services and **R16 million** (2009/10: R16 million) for the acquisition of capital assets.

The remaining budget of **R48.8 billion** (2009/10: R61.6 billion) falls under Programmes 7, 8 and 9 and includes transfers to provinces, municipalities, universities and technikons, departmental agencies, foreign institutions, payments of post retirement benefits for a specific category of former employees and members of liberation movements.

### 1.4 PROGRAMME STRUCTURE

There are nine programmes which fall under Vote 9: National Treasury: *Administration, Public Finance and Budget Management, Asset and Liability Management, Financial Management and Systems, Financial Accounting and Reporting, Economic Policy and International Financial Relations, Provincial and Local Government Transfers, Civil and Military Pensions, Contributions to Funds and Other Benefits, and Fiscal Transfers.*

**Administration** provides strategic management and administrative support to the entire department. This is achieved by ensuring that activities carried out by the department are mutually aligned and coordinated within the context of departmental strategy and structure, in compliance with relevant legislation and best practices. The Administration Programme comprises the *Minister, Deputy Minister, Management, Corporate Services and Office Accommodation* sub programmes.

The total appropriation for this Programme amounted to **R277 million** (2009/10: R247 million). Expenditure for Administration totalled **R249 million** (2009/10: R243 million). Expenditure incurred on compensation of employees was **R109 million** (2009/10: R92 million), goods and services **R134 million** (2009/10: R143 million), transfers **R2 million** (2009/10: R1.4 million) and capital expenditure **R4 million** (2009/10: R7.6 million).

**Public Finance and Budget Management** provides financial and budgetary analysis of government programmes, advises on fiscal policy and public finance matters, coordinates intergovernmental fiscal relations and manages the annual budget process as well as expenditure planning. These activities are organised into four sub programmes: *Public Finance, Budget Management, Intergovernmental Relations and Technical and Management Support.*

The total appropriation for this Programme amounted to **R315 million** (2009/10: R265 million). Current expenditure incurred totalled **R230 million** (2009/10: R242 million) and comprised compensation of employees **R144 million** (2009/10: R123 million) and goods and services **R86 million** (2009/10: R119 million). Capital expenditure amounted to **R1 million** (2009/10: R1 million). Transfer payments amounted to **R22 million** (2009/10: R20 million).

**Asset and Liability Management** manages government's asset and liability portfolio, which includes amongst others prudent cash management, asset restructuring and optimal management of government debt portfolio both domestic and foreign. There are five sub programmes namely: *Management, Asset Management, Liability Management, Financial Operations and Strategy and Risk Management.*

## REPORT OF THE ACCOUNTING OFFICER - *continued*

FOR THE YEAR ENDED 31 MARCH 2011

The total appropriation amounted to **R73 million** (2009/10: R61 million). Total expenditure incurred amounted to **R67 million** (2009/10: R53 million) and consists of compensation of employees **R47 million** (2009/10: R38 million), goods and services **R19 million** (2009/10: R15 million) and payments for capital expenditure **R0.6 million** (2009/10: R0.1 million).

*Financial Management and Systems* manage and regulate government's supply chain processes. It also implements and maintains standardised financial systems in the national and provincial spheres of government. This will culminate in the migration from the outdated systems to the new integrated financial management system. The Programme consists of three sub programmes namely: *Management, Supply Chain Management and Financial Systems*.

The total appropriation for this Programme amounted to **R433 million** (2009/10: R459 million). The total expenditure incurred amounted to **R395 million** (2009/10: R406 million) and comprises compensation of employees **R43 million** (2009/10: R40 million), goods and services **R352 million** (2009/10: R365 million) and payments for capital expenditure **R1 million** (2009/10: R1 million). The major cost pressure on this Programme relates to professional service providers for maintaining the transversal systems and the development of the Integrated Financial Management Systems (IFMS) project.

*Financial Accounting and Reporting* enforces and encourages accountability, transparency and effective management of revenue, expenditure, assets and liabilities of departments, public entities, constitutional institutions and local government, thus ensuring effective service delivery. The Programme consists of six sub programmes: *Financial Reporting for National Accounts, Financial Management Improvement, Investment of Public Monies, Service Charges (Commercial Banks), Audit Statutory Bodies and Contingent Liabilities: Reinsurance Liabilities*.

The total appropriation for this Programme amounted to **R206 million** (2009/10: R139 million) and consisted of an operational budget of **R144 million** (2009/10: R86 million). The total amount spent by the Programme was **R164 million** (2009/10: R137 million), comprised compensation of employees **R66 million** (2009/10: R51 million), goods and services **R35 million** (2009/10: R33 million), and capital expenditure **R1.2 million** (2009/10: R1 million). Transfer payments amounted to **R62 million** (2009/10: R53 million).

In addition, this Programme is responsible for transfer payments to the Auditor-General of South Africa (AGSA) in terms of the Public Audit Act (2004), whereby National Treasury is obliged to pay audit costs in respect of the auditing of statutory bodies for any financial year concerned where such costs exceeds one per cent of the total expenditure of such bodies. The transfer payments in respect of these statutory audit costs amounted to **R21 million** (2009/10: R19 million).

*Economic Policy and International Financial Relations* is responsible for specialist policy analysis and advisory services in the areas of macroeconomics, microeconomics, financial sector, regulatory reform, tax policies, regional integration and international financial relations. The Programme is made up of five sub programmes namely: *Management and Research, Financial Sector Policy, Tax Policy, International Economics and Economic Policy*.

The total appropriation for this Programme amounted to **R130 million** (2009/10: R96 million). Total expenditure incurred amounted to **R104 million** (2009/10: R94 million) and comprised compensation of employees **R68 million** (2009/10: R59 million), goods and services **R31 million** (2009/10: R30 million) and capital expenditure **R0.5 million** (2009/10: R0.5 million). Transfer payments amounted to **R5.3 million** (2009/10: R5 million) for economic research.

## REPORT OF THE ACCOUNTING OFFICER - *continued*

FOR THE YEAR ENDED 31 MARCH 2011

*Provincial and Local Government Transfers* facilitates and manages the transfer of conditional grants to the provincial and local spheres of government. The final adjusted appropriation for this programme amounted to **R12.8 billion** (2009/10: R14.4 billion). The total expenditure amounted to **R10.1 billion** (2009/10: R14.3 billion) and included conditional grants transferred directly from National Treasury's vote to provinces and municipalities amounting to **R8.8 billion** (2009/10: R9.2 billion) and **R365 million** (2009/10: R300 million) respectively. The balance of **R882 million** (2009/10: R578 million) was in respect of the Neighbourhood Development Partnership grant to municipalities.

*Civil and Military Pensions, Contributions to Funds and Other Benefits* provides for non-contributory pensions and post retirement medical benefits to former government employees and retired members of the military; and the payment of compensation benefits to government employees in respect of temporary, total or partial disablement.

The total appropriation for this Programme amounted to **R2.7 billion** (2009/10: R4.9 billion). Expenditure for the period under review amounted to **R2.7 billion** (2009/10: R4.9 billion) which comprised civil pensions and other contributions **R2.5 billion** (2009/10: R4.8 billion) and military pensions and other contributions **R164 million** (2009/10: R164 million) and goods and service amount to **R38 million** (2009/10: R25 million).

*Fiscal Transfers* transfer funds to other countries and multilateral and domestic institutions and public entities, including international development institutions of which South Africa is a member. This Programme comprises the following sub programmes: *Eskom, Domestic Budgetary Transfers, Domestic Programme Transfers, African Integration and Support, Multilateral Institutions and International Projects*.

Transfers are made to the South African Revenue Service, Financial Intelligence Centre and the Financial and Fiscal Commission for the fulfilment of their statutory obligations, and to the Development Bank of Southern Africa for specified government programmes. In addition, funds are also paid to augment the Secret Services Account. Domestic transfers accounted for 96 per cent of the total transfers allocated to this programme and amounted to **R12.7 billion** (2009/10: R41.6 billion), of which the largest transfers went to the South African Revenue Service, Secret Services and Eskom totalling **R20 billion** (2009/10: R40.2 billion).

Foreign transfer payments were made to:

- The World Bank Group;
- The African Development Bank (AfDB) and African Development Fund;
- Common Monetary Area Compensation to Lesotho, Namibia and Swaziland;
- The African integration and support programmes; and
- Various international programmes, such as Common Wealth Fund for Technical Cooperation, the Investment Climate Facility, and the International Funding Facility for Immunisation.

The total foreign transfers made by National Treasury amounted to **R532 million** (2009/10: R554 million) of which the transfer to Lesotho, Namibia and Swaziland makes up the largest portion of foreign transfers totalling **R397 million** (2009/10: R410 million).

For more details on the Vote structures, annual appropriation and summarised explanations for variances please refer to the Appropriation Statement and related notes thereto.

**REPORT OF THE ACCOUNTING  
OFFICER - *continued***

FOR THE YEAR ENDED 31 MARCH 2011

**1.5 DEPARTMENTAL REVENUE**

Departmental revenue received during the reporting period amounted to **R3.3 billion** (2009/10: R3.5 billion) and consisted of sales of goods and services of **R51 million** (2009/10: R300 million), fines, interest and dividends of **R2.6 billion** (2009/10: R2 billion) and other recoveries amounting to **R0.7 million** (2009/10: R1.2 billion).

For more details on departmental revenue, please refer to Note 2 of the Notes to the Financial Statements.

**1.6 UTILISATION OF DONOR FUNDS**

Local and foreign assistance received in cash during the reporting period amounted to **R11 million** (2009/10: R15 million). Expenditure incurred amounted to **R12 million** (2009/10: R16 million). Other funds amounting to **R34.2 million** (2009/10: R10.3 million) were transferred to external spending agencies on behalf of the Reconstruction and Development Fund.

However, these amounts are not disclosed on the face of the Annual Financial Statements because National Treasury was only channelling the funds as a link between the donors and spending agencies.

**1.7 EVENTS AFTER THE REPORTING DATE**

Payments amounting to **R193 million** (2009/10: R71 million) were processed during April 2011, which relate to the 2010/11 financial year. These payments were not included in the financial statements for the 2010/11 financial year, which were prepared on the modified cash basis of accounting. (Refer to Note 22). Departmental revenue amounting to **R190 million** (2009/10: R203 million) was received after year-end and surrendered to the National Revenue Fund. (Refer to note 24).

**1.8 2010 WORLD CUP TICKET EXPENDITURE**

During the period under review there was no expenditure incurred on 2010 World Cup ticket or clothing by National Treasury, TAU and PDF.

**2. SERVICE RENDERED BY THE DEPARTMENT**

The core business of the National Treasury is of a fiscal and financial policy nature, servicing organs of the state in all three spheres of government and foreign multilateral and national institutions with the exception of Programme 8 which provides pensions and post retirement civil and military benefits. National Treasury is not a service delivery department and does not render any services in the public domain on a recoverable basis.

Other technical assistance is disclosed with the Project Development Facility (PDF) and the Technical Assistance Unit (TAU) trading accounts.

### 3. CAPACITY CONSTRAINTS

#### Human Resources

The human resources business unit has continued strengthening its partnership with business through its human resources business partnership model. This has highlighted the benefits of internal mobility with internal hires increasing significantly during the past year (54% against a target of 45%). Although the quality of hire of new employees has improved to 85.44% (target 85%), there is still a need to focus on the critical and scarce skills to maintain the human capability and capacity that the organisation needs to operate effectively. A skills database is being implemented to assist in the identification, possible sourcing and recruitment of required skills.

The Internship programme has shown rewards with the intern conversion rate improving to 71%; the National Treasury's employee base now comprises 6% interns which is 4% higher than the 2% recommended by the DPSA. The improvement can be assigned to the attention that is given to structured and targeted training initiatives that meet the intern's personal development needs as well as those of the organisation.

The Employee Wellness Programme was enhanced through the adoption of the SIYAPHILA initiative that created greater awareness of the services this programme offers and also served as an important health awareness vehicle in the education of employees regarding their health and the maintenance thereof.

Training remains an important element in capacitating the National Treasury and providing its employees with the skills and competencies that it needs. The Human Resources Development business unit has expanded its training portfolio and provided an average of 8.15 training days per employee during the year under review. New training courses have been added whilst existing course content has been revised in order to provide the correct level of training. The business unit also introduced its Leadership Development Programme (LDP) for senior management; from Deputy-Director to DDG level. 53% of staff in these positions has already attended the training.

The human resources management business unit continues to improve its performance management process through the active engagement of its human resources business partners. This engagement has improved submission of performance agreements to 95% whilst escalating the submission of performance reviews to 78%.

#### Information and Communication Technology (ICT)

The ICT business unit has adopted the COBIT compliance framework as recommended by the DPSA, as its operational standard. This is in line with the business unit's strategy of developing its strategic information systems plan that includes revision of existing ICT governance policies, processes and procedures that will also support its implementation of an Enterprise Architecture.

An ICT forum was established with representatives of all business divisions to assist ICT to understand the real requirements of business correctly and in so doing help it in the execution of its strategic objectives. ICT forum outcomes, in collaboration with the knowledge management business unit has resulted in the re-development of the National Treasury Intranet, the implementation of knowledge portal sites, research sites and ring-fenced project management sites that provide business with a shared knowledge and secure working work space that was not previously available. Stakeholder meetings were conducted with SITA to promote the upgrading of the



external network infrastructure in order to provide management with the access that is needed, not only for the improved business support model, but also to accommodate the requirements of National Treasury's business continuity plan.

An audit was conducted on all operating systems and application software licenses to facilitate the implementation of the Software Lifecycle Asset Management System, the implementation of which will provide centralised control of software licenses and resultant cost savings.

### **Facilities Management**

Being in the central business district of Pretoria presents significant challenges to this business unit, specifically in the provision of parking and conducive working environments. Facilities Management is now providing an ergonomic working environment in all business environments as well as 100% subsidised parking for all of National Treasury's level 9 and above employees. It also achieved a 100% effectiveness rating for its delivery against occupational health and safety standards and building management and maintenance. The business unit also achieved a client satisfaction rating of 84% on its services calls resolution and will be implementing a preventative building maintenance plan to further enhance the customer service experience.

Meeting accommodation requirements remains a priority, with the National Treasury's employee base expanding in order to meet its strategic objectives. Although the property portfolio was already rated at 80% above industry standards, facilities management will continue striving for perfection through the revision of its service level agreements and creating more awareness of its services and striving towards a better understanding of business needs.

### **Project Support Office**

The project support office has successfully expanded its services by offering basic project management and workplace management by project, training. It has also extended its support function into other business units to provide project management coaching, project administration support, as well as assistance with project initiation, facilitation of project planning, and work break-down structures. It also provides the implementation and maintenance of secure project collaboration and management sites in conjunction with the knowledge management and ICT business units.

### **Knowledge Management**

The core function of this business unit is the implementation of an integrated Information and Document Management System (IDMS) as well as creating an effective environment for the capture and dissemination of the intellectual capital and institutional memory of the National Treasury. It successfully implemented the PaperTrail document tracking system and an electronic signature capability that not only enhances the tracking and management of important business documents but also facilitates a fast and effective approval thereof through the embedded electronic signature capability.

The National Treasury's now has a fully functional archiving capability with the implementation of approved divisional file plans and the establishment of two strategically located central registries to take care of all physical records (mainly paper) of the organisation. A production-line scanning facility has been established to manage the bulk scanning of documents as well as facilitating the conversion of paper-based information into text-searchable

electronic documents that comply with the international electronic archiving standards. Electronic records will henceforth become available to business via the recently implemented electronic records management system that was designed and developed to meet the business' need for rapid access to information. The central registry has extended its services into the operational environments of all business units in the organisation by providing effective training of registry staff and office managers in the correct management and maintenance of their records and files as well as providing guidance and hands-on support to emerging operational registries.

Some business-specific portal sites have already been developed in the Corporate Services division in conjunction with the ICT business unit for the dissemination of information relating to the products and services that this division offers. This service has already been extended to other business units in National Treasury and will continue to grow as the value of these portal sites is being experienced.

## 4. TRADING ENTITIES AND PUBLIC ENTITIES

### 4.1 TRADING ENTITIES

#### Project Development Facility

The Project Development Facility (PDF) is a single function trading entity in the National Treasury's Public Private Partnership (PPP) unit, created in accordance with the PFMA. Its mandate is to assist national, provincial and municipal spheres of government to pay for services provided by consultants (transaction advisors) to conduct feasibility studies for PPP projects. After the financial closure of the PPP, the funds are recovered from the successful private party bidder, allowing the PDF to fund further projects. The PDF also disburses technical assistance funds for municipalities wishing to access capital grants from the Neighbourhood Development Partnership grant.

#### Technical Assistance Unit

The Technical Assistance Unit (TAU) is a facility that was established in 2001 in the National Treasury. It provides project management support and technical assistance through a wide range of services to all spheres of government, it was created as a trading entity. The TAU trading entity plays a major role in the fields of institutional strengthening, organizational development and strategic, operational and project management support and capacity building and development at an organizational, team and individual level by improving management practices and thus contributing to value for money.

### 4.2 PUBLIC ENTITIES AND BUSINESS ENTERPRISES REPORTING TO THE MINISTER OF FINANCE

Various public entities report to the Minister of Finance. This takes place through governance arrangements that allow reporting institutions the autonomy that they require to meet their mandates. Their links to the Ministry enable them to develop strategic alignment with Government's policy goals.

Each entity produces, operates and reports according to its own strategic plan, and its inclusion in this section is to reflect briefly on the broad approach of each entity and its relevance to the National Treasury's strategic goals and business.

The South African Revenue Service, the Accounting Standards Board, and the Financial Intelligence Centre receive transfers from the National Treasury. Other entities that report to the Minister of Finance, but which do not receive transfers from the National Treasury, are the Development Bank of Southern Africa, the Financial Services Board, the Public Investment Corporation and the South African Special Risk Insurance Association (SASRIA).

### **The Development Bank of Southern Africa (Schedule 2: Major public entity)**

The DBSA's primary purpose is to promote sustainable economic development and growth, and human resource development and institutional capacity building by mobilising financial and other resources from the national and international private and public sectors. Given the scope of the development challenge, and limited financial, institutional and human capital in the SADC region, the Bank aims to proactively broaden and deepen its development impact to support government in accelerating service delivery, job creation, integrated spatial development and regional integration. In this context, the Bank is also redefining its role as a government delivery agent and assuming the role as "Centre of Excellence for Infrastructure Development" focusing on:

- Catalytic interventions to enhance national competitiveness and social equity;
- Planning and design of programmes to boost changes in structure of economy;
- High impact, scalable infrastructure projects;
- Support plan and design of infrastructure; and
- Being a lead arranger for Government.

Government and the DBSA have agreed that the Bank will work to improve infrastructure delivery, operations and maintenance, with spinoffs for local employment and capacity development. The Bank is also encouraged to champion a model that involves private sector co-financing of infrastructure projects. To support these initiatives, government committed to raise the Bank's callable capital by R15.2 billion to R20 billion, increasing its lending capacity to R140 billion. Government is also exploring ways to reduce the DBSA's exposure when lending to municipalities that are credit risks. This will help to accelerate municipal infrastructure programmes.

The DBSA has developed three strategic perspectives that inform the organisation's Key Performance Indicators (KPIs) and these will guide delivery in 2011/12 financial year. These three strategic perspectives are:

- Development Impact (weighted at 50%);
- Sustainability, both developmental and financial (weighted at 30%); and
- Organisational capability (weighted at 20%).

The strategy still involves a strong focus on municipal support through the provision of infrastructure funding and capacity building support (especially to under resourced municipalities) to increase delivery capacity and reduce implementation risks in under developed regions. Key capacity building initiatives include Siyenza Manje (the project implementation task force), Sustainable Communities and the Vulindlela Academy.

Over the medium term, the Bank's strategic goals are to:

- Catalyse, expand and enable delivery of basic and social services;
- Provide and build human and institutional capacity;
- Promote broad-based economic growth (job creation, efficiency, fixed capital formation and regional integration); and
- Engender sustainability, internally and externally, in financial, environmental, institutional, social and economic terms.

**South African Revenue Service (Schedule 3A: National public entity)**

As an innovative revenue and customs agency, South African Revenue Service (SARS) vision is to enhance economic growth and social development in a manner which supports the country's integration into the global economy to the benefit of all South Africans.

Strategically, SARS has distilled its key objectives into four core outcomes, namely:

- Increased customs compliance;
- Increased tax compliance;
- Increased ease and fairness of doing business with SARS; and
- Increased cost effectiveness, internal efficiency and institutional respectability.

Detailed and tangible measurables have been developed for each of these four core outcomes. These are outlined in the strategic plan for SARS.

**Financial Services Board (Schedule 3A: National public entity)**

The Financial Services Board is an independent body which supervises and regulates non-banking financial services and is responsible for ensuring that regulated entities comply with the relevant legislation thereby protecting the investing community and financial services customers.

The focus of the FSB for the period ahead will be to:

- Facilitate communication processes with clients and partners in order to enhance performance, accountability and public confidence;
- Protect all investors by ensuring integrity and confidence in financial services; and
- Implement organisational development strategies that will positively impact the work environment.

**Financial Intelligence Centre (Schedule 3A: National public entity)**

The role of the Financial Intelligence Centre (FIC) is to identify the proceeds of acts of crime; identify money laundering; identify financing of terrorism acts; and to share relevant information with the law enforcement authorities, the South African Revenue Service and state security agencies. The FIC is also to share relevant information with its counterparts in other countries.

The FIC has identified six strategic focal areas for the period ahead, namely:

- Improved compliance of accountable institutions and society (in co-operation with the relevant supervisory bodies);
- Improved capacity in anti-money laundering (AML) and countering the financing of terrorism (CFT) in the Eastern and Southern Africa region
- Improved AML/CFT framework in South Africa;
- Commissioning and ongoing development of the FIC's information and communication technology system;
- Improved utilisation of the FICs products and services (by law enforcement authorities, South African Revenue Service and Intelligence Agencies); and
- Improved sustainability and capability of the FIC.

**Accounting Standards Board (Schedule 3A: National public entity)**

The Accounting Standard Board (ASB) key function is to set standards of generally recognised accounting practice for all spheres of government. It also promotes transparency in and effective management of revenue, expenditure, assets and liabilities by the entities to which the standards apply.

The ASB's 2011/12 work programme focuses on the following key areas:

- Developing a standard of Generally Recognised Accounting Practices (GRAP) on related parties.
- Responding to issues flowing from the Board's initiatives to simplify GRAP standards.
- Bi-annual review of Standards of GRAP to identify improvements that are needed in response to implementation issues identified in South Africa and changes to standards based on international equivalents.
- Co-operation with the International Public Sector Accounting Standards Board to develop International Public Sector Accounting Standards (IPSAS).
- Facilitating concurrent exposure of proposed IPSAS in South Africa.
- The development of accounting and reporting guidelines, and undertaking research in identified areas of financial reporting.

Implementation of the Standards of GRAP will lead to improved decision making, allocation of resources, and improved accountability by having all spheres of government preparing financial statements that are comparable.

**Independent Regulatory Board for Auditors (Schedule 3A: National public entity)**

The Independent Regulatory Board for Auditors (IRBA) was established in terms of section 3 of the Auditing Profession Act (2005), and came into effect in April 2006. The strategic focus of the Board is to protect the financial interest of the public by ensuring that only suitably qualified individuals are admitted to the profession and that registered auditors deliver services of the highest ethical standards.

**South African Special Risk Insurance Association (SASRIA) Limited (Schedule 3B: National government business enterprise)**

Sasria Ltd is a short term insurance company that was established by an Act of Parliament (Conversion of Sasria Act of 1999). The company is wholly owned by the Government of South Africa and reports to the Minister of Finance. The primary purpose of the company is to provide insurance against extraordinary perils that are normally excluded by the conventional short term insurers. These risks include amongst others riot, strike, labour disturbance and terrorism.

Sasria has determined a strategy based on the following five strategic objectives and several value-based initiatives. The objectives for the 2011-2012 financial year are:

- Optimisation of Shareholder Value.
- Integration and Alignment of Processes.
  - Ensuring Good Corporate Governance; and
  - Knowledge Management.
- Investment in Human Capital Development.
- Development of a Customer-centric Culture.

Key performance indicators include the following:

- Increase gross written premium (GWP) income on existing products by 12.5% to R1,056 million;
- Achieve GWP income on the new products (Sasria Wrap) by 14.3% to R40 million;
- Renew existing reinsurance agreements with a reduction in cost. The reduction to be measured as a percentage of GWP (from a forecast of 28.2% (2011 financial year) of GWP to a budget of 22.9% of GWP);
- Provide an average return on investments of 7.4% to R304 million. This is a conservative estimate taking into account the current economic climate;
- Maintain management expense ratio of 6.7% (% of gross income);
- Increase capital reserve level to R3,741 million;
- Improve customer service by reducing the claims turnaround time to less than 90 days from claim submission date as well as improving Agents submission period of claims to 60 days from the date of loss;
- Improve knowledge of Sasria products by conducting 45 industry product awareness training sessions;
- Achieve Financial Services Board (FSB) deadline for the implementation of Solvency Assessment and Management (SAM). The deadline is set January 2014.
- Make an annual contribution to South African Actuarial Development Project of R4,5 million towards the development of future Actuaries;
- Invest in rural development projects through the Futuregrowth Community Property Fund (R157 million invested).

#### **Public Investment Corporation Limited (Schedule 3B: National government business enterprise)**

The Public Investment Corporation (PIC) was only established as a corporate entity in 2005, in accordance with the Public Investment Corporation Act (23 of 2004). The PIC is wholly owned by the South African government and invests funds on behalf of the state. Major clients include the Government Employees Pension Fund (GEPF), the Unemployment Insurance Fund (UIF), the Associated Institutions Pension Fund (AIPF), the Compensation Commissioner: Pension Fund (CC: PF), the Compensation Fund (CF) and the Guardian's Fund.

#### **The Land and Agricultural Bank of South Africa (Land Bank) (Schedule 3B: National government business enterprise)**

The Land and Agricultural Development Bank of South Africa ("Land Bank") is a development finance institution with a mandate to address agricultural and rural development in South Africa. The Land Bank operates in the agricultural and agri-business sectors and is regulated by the Land and Agricultural Development Bank Act (2002) and the Public Finance Management Act (1999). The Land Bank is keen to resume the development component of its mandate, and this should be evident in the projects that are moving through the pipeline.

In 2009, National Treasury increased the guarantee to the Land Bank from R1.5 billion to R3.5 billion, in order to increase the Land Bank credit standing. This guarantee is being reduced progressively through periodic cash injections into the Land Bank, which will continue until the full R3.5 billion has been transferred. In 2009/10 and 2010/11 financial years, the Land Bank received R1 billion and R750 million, respectively, as part of the recapitalisation programme, reducing the government guarantee to R1.75 billion. This impacted positively to the Land Bank as is evident by its ability to restore investor confidence and was able to successfully issue R1.2 billion paper in the South African corporate bond market in October 2010. In 2011, the Land Bank will receive further R750 million.

The Land Bank is refocusing to prioritise support for emerging farmers, and to increase South Africa's production

of food and fibre. The Land Bank is working with the relevant national departments to implement a support programme for emerging farmers.

In addition, the Land Bank initiated the following activities to be carried out in the next three financial years in order to ensure that the Bank achieves its stated objectives of comprehensive rural development agenda.

- Establishment of the Retail Emerging Market Unit to fast track support for emerging markets
- A wholesale finance facility for strategic partners to on-lend to qualifying participants; and
- An emerging farmer support facility, approved by Cabinet and currently in the pilot phase.

#### Co-operative Banks Development Agency (Schedule 3A: National public entity)

The Co-operative Banks Development Agency (CBDA) was established in terms of the Co-operative Banks Act (2007). The objectives of the CBDA are to provide for the registration of co-operative banks comprising deposit taking financial services co-operatives, savings and credit co-operatives, community banks and village banks, and the regulation and supervision of these banks. The CBDA will also facilitate, promote and fund the education and training of co-operative banks.

#### Government Employees Pension Fund)

Government Employees Pension Fund (GPEF) is a defined benefit fund that provides members with retirement, resignation, disability and death benefits. The GEPF was established in terms of the Government Employees Pension (GEP) Law, Proclamation 21 of 1996. Its mandate is to make provision for the payment of pensions and certain benefits to persons in the employ of Government, certain bodies and institutions; and to the dependants or nominees of such persons and to provide for matters incidental thereto.

#### Government Pensions Administration Agency

Government Pensions Administration Agency (GPAA) provides administrative services on behalf of the GEPF and National Treasury in respect of post-retirement medical subsidies as provided for and regulated by Public Service Coordinating Bargaining Council resolutions, military pensions in terms of the Military Pensions Act (1976), special pensions in terms of the Special Pensions Act (1996), injury on duty in terms of the Compensation for Occupational Injuries and Diseases Act (1993), and other benefits.

## 5. ORGANISATIONS TO WHOM TRANSFER PAYMENTS HAVE BEEN MADE

Funds to public entities and other institutions in terms of various legal provisions governing financial relations between Government and those institutions are made available on the Fiscal Transfers Programme. Kindly refer to annexures 1A to 1J.

In addition to the Fiscal Transfer Programme, funds for the Project Development Facility, Technical Assistance Unit, Accounting Standards Board and Independent Regulatory Board for Auditors have been provided for, under Programmes 2 and 5.

## 6. CORPORATE GOVERNANCE ARRANGEMENTS

### 6.1. INTERNAL AUDIT FUNCTION

The co-sourced Internal Audit Function (IAF) of the National Treasury was established in 2006, in terms of the Public Finance Management Act (1 of 1999), as an integral part of the National Treasury system of governance.

The IAF provides objective and independent assurance to management and the Audit Committee on the adequacy and effectiveness of internal controls, risk management and governance processes within National Treasury. In pursuing this activity the IAF is guided by a fully functional Audit Committee which operates in terms of an approved Audit Charter.

The IAF organisational structure was approved by the audit committee and the accounting officer. All positions as per the approved organisational structure have since been filled, which will result in the conclusion of the co-sourced service provider's contract by the end of March 2011. The IAF continues to monitor its human capital and ensures that there are processes in place to make sure that existing staff obtain appropriate qualifications.

The IAF through engagement with internal stakeholders formulated a comprehensive three-year rolling plan, incorporating an annual plan that was approved by the Audit Committee. The annual audit plan was fully executed during the year under review. The IAF also performed a number of consulting activities and relationships with management improved as evidenced by the number of unplanned specialized audits, which, in turn, indicate that management sees the value of the IAF within its system of governance.

The head of the IAF has complete access and a direct reporting line to the Audit Committee and reports at each audit committee meeting on control weaknesses and other Internal Audit activities.

### 6.2 AUDIT COMMITTEE

The Audit Committee continues to operate within its written terms of reference, which are reviewed annually. The Audit Committee met six times during the financial year under review. In these meetings, the accounting officer and executive management were always represented. The Auditor-General is always invited to attend, thus ensuring that such meetings are as effective as possible.

### 6.3 RISK MANAGEMENT

The National Treasury has continued to cultivate a culture of risk management through the ongoing support and initiatives of the Enterprise Risk Management (ERM) Unit. The reviewed Enterprise Risk Management Strategy has been successfully implemented throughout the department and encourages the integration of risk management principles in day-to-day activities.



There has been an increase in risk management awareness through the distribution of regular communiqués and the Unit continues to champion good governance practices through representation on key governance committees. The department has an updated Risk Profile which is actively monitored by the Risk Management Committee and the Audit Committee.

The ERM Unit has facilitated the drafting of Emergency Management and Business Continuity plans and will support the implementation thereof going forward, ensuring that National Treasury can continue to operate in a safe environment without disruption. The department monitored the successful implementation of its Fraud Prevention Plan and encouraged strong ethical values from all of its employees. National Treasury has a zero tolerance stance on corruption and the mitigation of identified corruption risks receives ongoing support at all levels. The strengthening of processes to manage corruption has emanated in the drafting of a departmental Corruption Case Management Framework.

The Risk Management Committee met four times during the year under review, and continues to provide objective oversight and advice on the institutionalisation of risk management, business continuity and anti-corruption processes throughout the department.

## 6.4 INTERNAL POLICY REVIEW

During the 2010/11 financial year, the composition of the Governance Review Committee (GRC) was revised and new members were appointed to serve in the committee. In addition, the policy development process was overhauled through the implementation of the Framework for Development of Departmental Policies as well as the revised GRC Terms of Reference which refined the mandate of the committee.

This process was informed by the gaps that were identified on the assessment of the work conducted by the GRC throughout the years. Consequently, the internal policy development and review process has been tremendously improved in line with the international best practices. This has culminated in extensive and rigorous review of proposed policy documents tabled in the GRC during the 2010/11 financial year in a manner that facilitates applicability, relevance and accuracy in order to ensure that approved policies are in line with the strategic direction of the department and can be effectively implemented.

National Treasury will continue to improve its policies, prescripts and related business processes to ensure good strategy execution and compliance with statutory requirements and best practices.

## 6.5 OTHER GOVERNANCE MATTERS

### 6.5.1 Operational controls

In addition to the abovementioned governance arrangements, the following governance structures have been complied with or have been given attention:

- Fully implemented and applied business processes designed in the previous financial period for all Corporate Services business units;

## REPORT OF THE ACCOUNTING OFFICER - *continued*

FOR THE YEAR ENDED 31 MARCH 2011

- Established a fully functional Bid Specification and Adjudication Committee;
- Systems put in place to ensure:
  - The effective, efficient, economical and transparent use of the departmental resources;
  - Proper management, administration, safeguarding and maintenance of the Department's assets and liabilities;
  - Complied with all tax, levy, duty, pension and audit commitments as required by the relevant statutes and regulations;
  - Settled contractual obligations and paid outstanding amounts owing, including intergovernmental claims, within the prescribed or agreed period, except where discrepancies have been identified or circumstances beyond reasonable control have prevented the timely processing and finalisation of such payments;
  - Complied with the provision of the Division of Revenue Act (1 of 2010), prior to transferring funds to provincial or local governments and ensured that all funds transferred to provinces and municipalities were paid to their primary bank accounts;
  - Obtained written assurances from all entities confirming that those entities have implemented effective, efficient and transparent financial management and internal control systems prior to funds being transferred to those entities;
  - Formulated the internal budget guideline document and subsistence and travelling manual; and
  - Submitted all required reports to the relevant authorities.

### 6.5.2 Improvements implemented by the Special Pensions administration

In the 2000/2001 financial year the two Departments namely Finance & State Expenditure amalgamated to form the National Treasury in terms of the Public Finance Management Act (Act 1 of 1999) as amended. Programme 8 which is mandated to manage civil and military pensions, contributions to funds and other benefits has been in operation since the inception of the National Treasury.

The Programme was administered by the Government Employees Pension Fund (GEPF) and recently by the Government Pensions Administration Agency (GPAA) since 2010. During the period under review, an irrecoverable accumulated loss of approximately R419.7 million of pension benefits was realised which resulted from ineffectiveness of control activities. Throughout the period, management has continuously improved the controls to eliminate identified deficiencies and strengthen operational efficiency of the Programme. In a concerted effort to root out fraud and corruption, a number of forensic investigations were commissioned, among these were Percy Sonn, Special Investigations Unit and Nexus Forensic Services.

This revealed some deficiencies which include some of the applicants had Schedule 1 offenses and that disqualified them from claiming pensions benefits from the programme; and misinterpretation of the Act leading to disqualified individuals being paid pension benefits.

The following are some of the additional controls which were put in place by management:

- The functional structure has been changed to improve segregation of functions.
- The Special Pensions Appeal Board has been trained by an independent legal firm and Special Investigations Unit (SIU) on the Special Pensions Act to prevent any future misinterpretation of the Act.
- A team of personnel with legal qualification, experience and background were appointed at Adjudication and Appeal level in order to increase legal capacity and to mitigate the risk of misinterpretation of the Act.
- Verification has been decentralized in order to create a platform for Regional Coordinators to continuously

conduct outreach programmes to sensitize the local political structures on the criteria and requirements for Special Pensions (SP).

- An independent legal firm (THIPA Inc.) was appointed to review and develop a procedure manual which incorporates SIU recommendations.
- The Adjudication process is now conducted in accordance with the provisions of the Special Pensions Act, 69 of 1996 as amended.
- All SP Staff have completed the National Intelligence Agency Security Vetting forms, and the vetting process is still in progress. However, a preliminary risk assessment was also conducted by Human Resources Management Unit before appointment of personnel.
- SP Personnel have now been given a daily target in order to closely monitor and evaluate their daily activities. The quality of work is also managed as both quantity and quality of work is important in reducing the backlogs.
- All GEPF/GPAA Administrators are trained on the Special Pensions Act and the application thereof. This exercise has provided an added advantage as all Regional offices personnel is capable of attending to both civilian and Special Pensions clients.
- Cases have been handed over to the Commercial crimes unit and all unlawfully paid monthly Special Pensions were suspended.
- There is a turnaround strategy which is aimed at the modernization of the programme to improve systems.

## 7. DISCONTINUED DEPARTMENTAL ACTIVITIES

The 2010 FIFA World Cup competition was completed on July 2010 and the mandate of the 2010 World Cup Unit expired on 31 March 2011. The Unit migrated to the Mega Capital Projects Analysis Unit.

## 8. NEW DEPARTMENTAL ACTIVITIES

### New Mega Capital Projects Analysis Unit

The role of the New Mega Capital Projects Analysis Unit is to support financing decisions in the National Treasury on major economic infrastructure, typically which are of national strategic importance, by preparing in-depth assessments on the likely total value to the country, including actual costs and benefits of selected proposed projects.

## 9. ASSET MANAGEMENT

In terms of Sub-section 38(1) (b) of the Public Finance Management Act (1 of 1999) as amended, the Accounting Officer for the Department is responsible for the effective, efficient, economical and transparent use of the resources of the Department.

In addition to the normal day-to-day administration and management of the National Treasury's Asset Register, the Department's Asset Management Unit undertook several key activities to improve on the overall asset management environment of the Department. These activities are as follows:

### 9.1 ASSET VERIFICATION

Assets are departmental resources that should be disclosed in the Department's annual financial statements. As such the Department ensured that all departmental assets are properly tagged, verified and accounted for and that any lost or redundant assets are identified and removed from the asset register on a timely basis.

An asset verification process was conducted during the current financial year in order to ensure that departmental assets are accounted for and reported accurately in the annual financial statements.

### 9.2 ASSET DISPOSAL

During the 2010/11 financial year, the Asset Management Unit, in line with National Treasury's Asset Management Disposal Policy, Treasury Regulations and the King II Code of Governance report pertaining to corporate social responsibility managed to dispose redundant and obsolete assets as follows:

- Donated 20 desktop computers to Ukukhanya Komsinga Special School situated in Kwa Zulu Natal. (The school caters for the physically and mentally challenged learners).
- Identified and disposed 154 assets through a bid process to National Treasury staff members. These comprised of 2 motor vehicles, 146 computer equipment items and 6 items of office machinery and equipment.

The department will continue to support needy communities in the 2011/12 financial year.

### 9.3 ACQUISITION OF ICT ASSETS

The department follows Supply Chain Management processes in the acquisition of assets. There is an Information Communication and Technology (ICT) Procurement Committee, which comprises Financial Management, Information Technology and Security Management. The terms of reference of the committee were reviewed during the 2010/11 financial year. In order to measure the effectiveness of the committee, a questionnaire has been designed, however the actual evaluation of the committee will be performed during the first quarter of the 2011/12 financial year.

## 10. INFORMATION ON PREDETERMINED OBJECTIVES

Divisional heads have reported to the Director-General on a regular basis on the progress made with regard to the programme delivery and measurable objectives, as contained in the National Treasury's Strategic Plan.

## 11. SCOPA RESOLUTIONS

There were no new SCOPA resolutions relating to the National Treasury from the 2010/11 financial year.

## 12. PRIOR MODIFICATIONS TO AUDIT REPORTS

No matters of significance were reported on by the Auditor-General regarding the Department's administration. Those minor housekeeping matters highlighted in the management letter were addressed and required control processes implemented to prevent the re-occurrence of those matters.

## 13. EXEMPTIONS AND DEVIATIONS RECEIVED FROM THE NATIONAL TREASURY

There were no exemptions and deviations received for the period under review..

## 14. ACKNOWLEDGEMENTS

I would like to express my appreciation to all the members of staff for their continuous dedication, commitment and hard work in ensuring the proper execution of the National Treasury's mandate.

## 15. APPROVAL

The Annual Financial Statements set out on pages 127 to 208 have been approved by the Accounting Officer.



LUNGISA FUZILE

**Director-General, National Treasury**

Date: 31 May 2011

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON VOTE NO. 9: NATIONAL TREASURY

FOR THE YEAR ENDED 31 MARCH 2011



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

PUBLISHED BY AUTHORITY



**REPORT OF THE AUDITOR-  
GENERAL TO PARLIAMENT ON  
VOTE 9: NATIONAL TREASURY**

FOR THE YEAR ENDED 31 MARCH 2011

**REPORT ON THE FINANCIAL STATEMENTS****INTRODUCTION**

1. I have audited the accompanying financial statements of the National Treasury, which comprise the appropriation statement, the statement of financial position as at 31 March 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 127 to 169.

**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 Departmental Financial Reporting Framework prescribed by the National Treasury and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Division of Revenue Act of South Africa, 2010 (Act No. 1 of 2010) (DoRA), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**AUDITOR-GENERAL'S RESPONSIBILITY**

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*. Those standards require 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 judgement, including the assessment of the risks 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 National Treasury as at 31 March 2011, and its financial performance and cash flows for the year then ended in accordance with the Departmental Financial Reporting Framework prescribed by the National Treasury and the requirements of the PFMA and DoRA.

**EMPHASIS OF MATTERS**

8. I draw attention to the matters below. My opinion is not modified in respect of these matters:

**Irregular expenditure**

9. As disclosed in note 26 to the financial statements, irregular expenditure to the amount of R11 142 088 (2009-10: R12 096 714) were incurred as a result of contravention of the Special Pensions Act, 1996 (Act No. 69 of 1996), (as amended) (Special Pensions Act) and Treasury Regulations (TR) 8.2.1 and 8.2.2.

**Material losses**

10. As disclosed in note 28 to the financial statements, material losses to the amount of R3 587 108 (2009-10: R4 500 892) were reported as a result of criminal conduct and ineffectiveness of control activities within programme 8: special pensions.

**ADDITIONAL MATTER**

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

**Financial reporting framework**

12. The financial reporting framework prescribed and applied by the National Treasury is a compliance framework. Thus my opinion would have reflected that the financial statements had been properly prepared instead of fairly presented as required by section 20(2)(a) of the PAA, which requires me to express an opinion on the fair presentation of the financial statements of the National Treasury.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

13. In accordance with the PAA and in terms of *General Notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages 17 to 97 and material non-compliance with laws and regulations applicable to the department.



## PREDETERMINED OBJECTIVES

14. There were no material findings on the annual performance report concerning the presentation, usefulness and reliability of the information.

## COMPLIANCE WITH LAWS AND REGULATIONS

### Strategic planning and performance management

15. The accounting officer did not prepare adequate quarterly reports on the progress made in achieving measurable objectives and targets as required by TR 5.3.1.

### Annual financial statements, performance and annual report

16. The accounting officer did not submit the annual performance report in time as required by Part C of *General Notice 1111 of 2010*, issued in *Government Gazette No. 33872 of 15 December 2010*.

17. The accounting officer submitted financial statements for auditing that were not prepared in all material aspects in accordance with the Departmental Financial Reporting Framework prescribed by the National Treasury as required by section 40(1)(b) of the PFMA. The material misstatements identified by the Auditor-General of South Africa with regard to irregular expenditure, material losses and liabilities not fully quantified and disclosed subsequently corrected.

### Expenditure management

18. Expenditure was incurred without approval of a delegated official as per the requirements of section 44 of the PFMA and TR 8.2.1 and 8.2.2.

### Procurement and contract management

19. Payments that were made and identified within programme 8: special pensions were in contravention of the Special Pensions Act and the PFMA.

## INTERNAL CONTROL

20. In accordance with the PAA and in terms of *General Notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the findings on compliance with laws and regulations included in this report.

## LEADERSHIP

21. Management did not adhere to the internal policies, procedures and guides and as a result there were instances of non-compliance with the PFMA and TR's. Internal control deficiencies and misinterpretation of the Special Pensions Act resulted in instances of non-compliance thereof.

## OTHER REPORTS

### INVESTIGATIONS

22. A forensic investigation was conducted by the internal audit unit and an independent consulting firm into allegations received from the Public Service Commission. The investigation was initiated based on the allegations of possible procurement irregularities, the use of public resources for private purposes and leave irregularities. The investigation has been finalised and the matter is now being dealt with through internal disciplinary processes.
23. An investigation is being conducted by the Specialised Audit Services (SAS) into an allegation received from the Public Service Commission. The investigation was initiated based on the allegation of possible irregularities in the appointment of a transversal contract. The investigation is still in progress.
24. An investigation is being conducted by the Public Service Commission into an allegation received by their office in terms of irregular appointment of service providers by the National Treasury. The investigation is still in progress.

*Auditor-General*

Pretoria

31 July 2011



# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2011

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 1 of 2010.

## 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 comprises of departmental allocations as well as direct charges against revenue fund (i.e. statutory appropriation).

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

Unexpended appropriated funds are surrendered to the National/Provincial Revenue Fund. Any amounts owing to the National/Provincial Revenue Fund at the end of the financial year are recognised as payable in the statement of financial position.

Any amount due from the National/Provincial Revenue Fund at the end of the financial year is recognised as a receivable in the statement of financial position.

### 2.2 DEPARTMENTAL REVENUE

All departmental revenue is recognised in the statement of financial performance when received and is subsequently paid into the National/Provincial Revenue Fund, unless stated otherwise.

Any amount owing to the National/Provincial Revenue Fund is recognised as a payable in the statement of financial position.

No accrual is made for amounts receivable from the last receipt date to the end of the reporting period. These amounts are however disclosed in the disclosure note to the annual financial statements.

### 2.3 DIRECT EXCHEQUER RECEIPTS

All direct exchequer receipts are recognised in the statement of financial performance when the cash is received and is subsequently paid into the National/Provincial Revenue Fund, unless stated otherwise.

Any amount owing to the National/Provincial Revenue Funds at the end of the financial year is recognised as a payable in the statement of financial position.

### 2.4 DIRECT EXCHEQUER PAYMENTS

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).

**ACCOUNTING POLICIES***- continued*

FOR THE YEAR ENDED 31 MARCH 2011

**2.5 AID ASSISTANCE**

Aids assistance is recognised as revenue when received

All in-kind aid assistance is disclosed at fair value on the date of receipt in the annexures to the Annual Financial Statements

The cash payments made during the year relating to aid assistance projects are recognised as expenditure in the statement of financial performance when final authorisation for payments is effected on the system (by no later than 31 March of each year)

The value of the assistance expensed prior to the receipt of funds is recognised as a receivable in the statement of financial position.

Inappropriately expensed amounts using aid assistance and any unutilised amounts are recognised as payables in the statement of financial position.

All CARA funds received must be recorded as revenue when funds are received. The cash payments made during the year relating to CARA earmarked projects are recognised as expenditure in the statement of financial performance when final authorisation for payments effected on the system (by no later than 31 March of each year).

Inappropriately expensed amounts using CARA funds are recognised as payables in the statement of financial position. Any unutilised amounts are transferred to retained funds as they are not surrendered to the revenue fund.

**3. EXPENDITURE****3.1 COMPENSATION OF EMPLOYEES****3.1.1 Salaries and wages**

Salaries and wages are expensed 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).

Other employee benefits that give rise to a present legal or constructive obligation are disclosed in the disclosure notes to the financial statements at its face value and are not recognised in the statement of financial performance or position.

Employee costs are capitalised to the cost of a capital project when an employee spends more than 50% of his/her time on the project. These payments form part of expenditure for capital assets in the statement of financial performance.

### 3.1.2 Social contributions

Employer contributions to post employment benefit plans in respect of current employees are expensed 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).

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 National Revenue Fund and not in the financial statements of the employer department.

Employer contributions made by the department for certain of its ex-employees (such as medical benefits) are classified as transfers to households in the statement of financial performance.

## 3.2 GOODS AND SERVICES

Payments made during the year 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/or services were acquired for a capital project or if the total purchase price exceeds the capitalisation threshold (currently R5, 000). All other expenditures are classified as current.

Rental paid for the use of buildings or other fixed structures is classified as *goods and services* and not as *rent on land*.

## 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 PAYMENTS FOR FINANCIAL ASSETS

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 an estimate is included in the disclosure notes to the financial statements amounts.

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

**ACCOUNTING POLICIES***- continued*

FOR THE YEAR ENDED 31 MARCH 2011

**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 confirmed 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 derecognised from the statement of financial position when the unauthorised expenditure is approved and the related funds are received.

Where the amount is approved without funding it is recognised as expenditure 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 according to the nature of the payment and not as a separate line item on the face of the statement. 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.

**4. ASSETS****4.1 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are carried in the statement of financial position at cost. Bank overdrafts are shown separately on the face of the statement of financial position. 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 and are derecognised as and when the goods/services are received or the funds are utilised. Prepayments 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 (including departmental employees) and are derecognised upon recovery or write-off.

Receivables outstanding at year-end are carried in the statement of financial position at cost plus any accrued interest. Amounts that are potentially irrecoverable are included in the disclosure notes.

#### 4.5 INVESTMENTS

Capitalised investments are shown at cost in the statement of financial position.

Investments are tested for an impairment loss whenever events or changes in circumstances indicate that the investment may be impaired. Any impairment loss is included in the disclosure notes.

#### 4.6 LOANS

Loans are recognised in the statement of financial position when the cash is paid to the beneficiary. Loans that are outstanding at year-end are carried in the statement of financial position at cost plus accrued interest.

Amounts that are potentially irrecoverable are included in the disclosure notes.

#### 4.7 INVENTORY

Inventories that qualify for recognition must be initially reflected at cost. Where inventories are acquired at no cost, or for nominal consideration, their cost shall be their fair value at the date of acquisition.

All inventory items at year-end are reflected using the weighted average cost or FIFO cost formula.



**ACCOUNTING POLICIES***- continued*

FOR THE YEAR ENDED 31 MARCH 2011

**4.8 CAPITAL ASSETS****4.8.1 Movable assets****Initial recognition**

A capital asset is recorded in the asset register 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.

All assets acquired prior to 1 April 2002 are included in the register R1.

**Subsequent recognition**

Subsequent expenditure of a capital nature is recorded in the statement of financial performance as "expenditure for capital assets" 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.

**4.8.2 Immovable assets****Initial recognition**

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.

**Subsequent recognition**

Work-in-progress of a capital nature is recorded in the statement of financial performance as "expenditure for capital assets". On completion, the total cost of the project is included in the asset register of the department that is accountable for the asset.

Repairs and maintenance is expensed as current "goods and services" in the statement of financial performance.

**5. LIABILITIES****5.1 PAYABLES**

Recognised payables mainly comprise of amounts owing to other governmental entities. These payables are carried at cost in the statement of financial position.

## 5.2 CONTINGENT LIABILITIES

Contingent liabilities are included in the disclosure notes to the financial statements when it is possible that economic benefits will flow from the department, or when an outflow of economic benefits or service potential is probable but cannot be measured reliably.

## 5.3 CONTINGENT ASSETS

Contingent assets are included in the disclosure notes to the financial statements when it is probable that an inflow of economic benefits will flow to the entity.

## 5.4 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.

## 5.5 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.

## 5.6 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.

## 5.7 LEASE COMMITMENTS

### Finance lease

Finance leases are not recognised as assets and liabilities in the statement of financial position. Finance lease payments are recognised as an expense in the statement of financial performance and are apportioned between the capital and interest portions. The finance lease liability is disclosed in the disclosure notes to the financial statements.

### Operating lease

Operating lease payments are recognised as an expense in the statement of financial performance. The operating lease commitments are disclosed in the disclosure notes of the annual financial statements.

**ACCOUNTING POLICIES***- continued*

FOR THE YEAR ENDED 31 MARCH 2011

**5.8 IMPAIRMENT AND OTHER PROVISIONS**

The department tests for impairment where there is an indication that a receivable, loan or investment may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. An estimate is made for doubtful loans and receivables based on a review of all outstanding amounts at year-end. Impairments on investments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows / service potential flowing from the instrument.

Provisions are disclosed when there is a present legal or constructive obligation to forfeit economic benefits as a result of events in the past and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

**6. RECEIVABLES FOR DEPARTMENTAL REVENUE**

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

**7. NET ASSETS****7.1 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 recognised in the capitalisation reserves when identified in the current period and are transferred to the National/Provincial Revenue Fund when the underlining asset is disposed and the related funds are received.

**7.2 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. Amounts are either transferred to the National/Provincial Revenue Fund when recovered or are transferred to the statement of financial performance when written-off.

## 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.

## APPROPRIATION STATEMENT

FOR THE YEAR ENDED 31 MARCH 2011

Appropriation per programme	2010/11					2009/10				
	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>1. Administration</b>										
Current payment	268,801	-	(4,008)	264,793	242,715	22,078	91.7%	234,849	233,803	
Transfers and subsidies	2,074	-	(74)	2,000	1,535	465	76.8%	1,454	1,373	
Payment for capital assets	10,071	-	(313)	9,758	4,244	5,514	43.5%	10,506	7,614	
Payment for financial assets	-	-	-	-	167	(167)	-	-	-	
<b>Public Finance and Budget Management</b>										
Current payment	316,757	-	(26,700)	290,057	229,497	60,560	79.1%	243,307	241,646	
Transfers and subsidies	22,869	-	-	22,869	22,363	506	97.8%	20,131	20,126	
Payment for capital assets	1,701	-	-	1,701	1,097	604	64.5%	1,712	1,144	
Payment for financial assets	-	-	-	-	81	(81)	-	-	-	
<b>Asset and Liability Management</b>										
Current payment	72,137	-	-	72,137	66,543	5,594	92.2%	60,667	53,070	
Transfers and subsidies	-	-	35	35	34	1	97.1%	-	-	
Payment for capital assets	315	-	313	628	598	30	95.2%	307	104	
Payment for financial assets	-	-	-	-	29	(29)	-	-	-	
<b>Financial Management and Systems</b>										
Current payment	469,391	-	(37,644)	431,747	394,108	37,639	91.3%	457,281	404,299	
Transfers and subsidies	48	-	-	48	48	-	100.0%	-	-	
Payment for capital assets	1,116	-	-	1,116	962	154	86.2%	2,198	1,333	
Payment for financial assets	-	-	-	-	1	(1)	-	-	-	
<b>Financial Accounting and Reporting</b>										
Current payment	162,538	(3,492)	(17,000)	142,046	100,655	41,391	70.9%	84,649	83,393	
Transfers and subsidies	58,589	3,492	39	62,120	62,117	3	100.0%	53,298	52,832	
Payment for capital assets	2,145	-	-	2,145	1,199	946	55.9%	935	885	
Payment for financial assets	-	-	-	-	35	(35)	-	-	-	
<b>Economic Policy and International Financial Relations</b>										
Current payment	124,092	(300)	-	123,792	98,666	25,126	79.7%	90,223	88,905	
Transfers and subsidies	5,000	300	-	5,300	5,300	-	100.0%	5,010	5,010	
Payment for capital assets	870	-	-	870	467	403	53.7%	629	572	
Payment for financial assets	-	-	-	-	14	(14)	-	-	-	
<b>Provincial and Local Government Transfers</b>										
Transfers and subsidies	12,834,500	-	-	12,834,500	10,091,008	2,743,492	78.6%	14,410,631	14,327,371	
<b>Civil and Military Pensions, Contributions to Funds and Other Benefits</b>										
Current payment	35,001	124	2,937	38,062	37,904	158	99.6%	25,499	25,497	
Transfers and subsidies	2,555,948	(124)	104,301	2,660,125	2,659,787	338	100.0%	4,929,803	4,929,643	
Payment for financial assets	-	-	-	-	156	(156)	-	-	-	
<b>Fiscal Transfers</b>										
Transfers and subsidies	12,515,451	-	(21,886)	12,493,565	12,492,356	1,209	100.0%	42,212,481	42,190,108	
Payment for financial assets	20,750,000	-	-	20,750,000	20,746,700	3,300	100.0%	-	-	
<b>Total annual appropriation per programme</b>	<b>50,209,414</b>	<b>-</b>	<b>-</b>	<b>50,209,414</b>	<b>47,260,386</b>	<b>2,949,028</b>	<b>94.1%</b>	<b>62,845,570</b>	<b>62,668,728</b>	
<b>Reconciliation with Statement of Financial Performance</b>										
<b>Add:</b>										
Departmental receipts				3,340,611				3,543,597		
Aid assistance				10,860				14,837		
<b>Actual amounts per Statement of Financial Performance (total revenue)</b>				<b>53,560,885</b>				<b>66,404,004</b>		
<b>Add:</b>										
Aid assistance				11,780				16,476		
<b>Actual amounts per Statement of Financial Performance (total expenditure)</b>				<b>47,272,166</b>				<b>62,685,204</b>		

## APPROPRIATION STATEMENT

- continued

FOR THE YEAR ENDED 31 MARCH 2011

Economic classification	Appropriation per economic classification									
	2010/11					2009/10				
	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	R'000
<b>Current expenditure</b>										
Compensation of employees	552,567	-	-	552,567	476,173	76,394	86.2%	408,554	402,073	
Goods and services	896,150	(3,668)	(82,415)	810,067	693,915	116,152	85.7%	787,921	728,123	
<b>Transfers and subsidies</b>										
Provinces and municipalities	12,709,500	-	-	12,709,500	10,041,008	2,668,492	79.0%	14,300,631	14,257,371	
Departmental agencies and accounts	11,875,937	3,535	-	11,879,472	11,804,432	75,040	99.4%	10,573,420	10,510,985	
Universities and technicians	5,500	300	-	5,800	5,300	500	91.4%	5,456	5,456	
Foreign governments and international organisations	564,891	-	(29,953)	534,938	533,729	1,209	99.8%	555,320	555,186	
Public corporations and private enterprises	282,595	-	7,700	290,295	290,295	-	100.0%	31,267,473	31,267,444	
Non-profit institutions	75	-	(74)	1	-	1	-	71	68	
Households	2,555,981	(167)	104,742	2,660,556	2,659,783	773	100.0%	4,930,437	4,929,952	
<b>Payments for capital assets</b>										
Machinery and equipment	16,218	-	-	16,218	8,568	7,650	52.8%	16,287	11,652	
<b>Payments for financial assets</b>	20,750,000	-	-	20,750,000	20,747,183	2,817	100.0%	-	418*	
<b>Total annual appropriation per economic classification</b>	<b>50,209,414</b>	<b>-</b>	<b>-</b>	<b>50,209,414</b>	<b>47,260,386</b>	<b>2,949,028</b>	<b>94.1%</b>	<b>62,845,570</b>	<b>62,668,728</b>	

\*Reclassification of prior year amount in line with the Departmental Reporting Framework.

APPROPRIATION STATEMENT

- continued

FOR THE YEAR ENDED 31 MARCH 2011

DETAIL PER PROGRAMME 1:  
ADMINISTRATION

Programme 1 per Economic classification	2010/11					2009/10			
	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 expenditure</b>									
Compensation of employees	127,298	-	-	127,298	108,788	18,510	85.5%	91,940	91,802
Goods and services	141,503	-	(4,008)	137,495	133,927	3,568	97.4%	142,909	141,957
<b>Transfers and subsidies</b>									
Departmental agencies and accounts	420	43	-	463	425	38	91.8%	388	358
Public corporations and private enterprises	-	-	-	-	-	-	-	-	66
Households	1,654	(43)	(74)	1,537	1,109	428	72.2%	1,000	977
<b>Payments for capital assets</b>									
Machinery and equipment	10,071	-	(313)	9,758	4,245	5,513	43.5%	10,506	7,615
<b>Payments for financial assets</b>									
<b>Total appropriation per economic classification</b>	<b>280,946</b>	<b>-</b>	<b>(4,395)</b>	<b>276,551</b>	<b>248,661</b>	<b>27,890</b>	<b>89.9%</b>	<b>246,809</b>	<b>242,790</b>

Programme 1 per sub-programme	2010/11					2009/10			
	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>1.1 Minister</b>									
Current expenditure	1,816	-	-	1,816	1,567	249	86.3%	1,549	1,543
<b>1.2 Deputy Minister</b>									
Current expenditure	1,496	-	-	1,496	1,268	228	84.8%	1,227	1,207
<b>1.3 Management</b>									
Current expenditure	56,461	(367)	(1,798)	54,296	52,977	1,319	97.6%	47,807	47,310
Transfers and subsidies	-	-	-	-	-	-	-	-	66
Capital expenditure	580	152	-	732	630	102	86.1%	1,966	1,846
Payment for financial assets	-	-	-	-	159	(159)	-	-	-
<b>1.4 Corporate Services</b>									
Current expenditure	150,844	(8,350)	(2,003)	140,491	121,091	19,400	86.2%	128,049	127,580
Transfers and subsidies	2,074	-	(74)	2,000	1,535	465	76.8%	1,362	1,310
Capital expenditure	9,334	(431)	(313)	8,590	3,326	5,264	38.7%	5,921	3,963
Payment for financial assets	-	-	-	-	1	(1)	-	-	-
<b>1.5 Property Management</b>									
Current expenditure	58,184	8,717	(207)	66,694	65,812	882	98.7%	56,217	56,163
Transfers and subsidies	-	-	-	-	-	-	-	-	26
Capital expenditure	157	279	-	436	288	148	66.1%	2,619	1,805
Payment for financial assets	-	-	-	-	7	(7)	-	-	-
<b>Total appropriation per programme 1</b>	<b>280,946</b>	<b>-</b>	<b>(4,395)</b>	<b>276,551</b>	<b>248,661</b>	<b>27,890</b>	<b>89.9%</b>	<b>246,809</b>	<b>242,790</b>

## APPROPRIATION STATEMENT

- continued

FOR THE YEAR ENDED 31 MARCH 2011

DETAIL PER PROGRAMME 2:  
PUBLIC FINANCE AND BUDGET  
MANAGEMENT

National Treasury Annual Report 2010/11

140

Programme 2 per Economic classification	2010/11					2009/10				
	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 expenditure</b>										
Compensation of employees	164,911	-	-	164,911	143,909	21,002	87.3%	122,964	122,687	
Goods and services	151,846	-	(26,700)	125,146	85,588	39,558	68.4%	120,343	118,906	
<b>Transfers and subsidies</b>										
Departmental agencies and accounts	22,363	-	-	22,363	22,363	-	100.0%	18,898	18,898	
Universities and technicians	500	-	-	500	-	500	-	456	456	
Households	6	-	-	6	-	6	-	777	772	
<b>Payment for capital assets</b>										
Machinery and equipment	1,701	-	-	1,701	1,097	604	64.5%	1,712	1,144	
<b>Payment for financial assets</b>										
<b>Total appropriation per economic classification</b>	<b>341,327</b>	<b>-</b>	<b>(26,700)</b>	<b>314,627</b>	<b>253,038</b>	<b>61,589</b>	<b>80.4%</b>	<b>265,150</b>	<b>262,916</b>	
<b>Programme 2 per sub-programme</b>										
<b>2.1 Public Finance</b>										
Current expenditure	58,180	-	-	58,180	45,650	12,530	78.5%	41,033	40,659	
Transfers and subsidies	500	-	-	500	-	500	-	953	952	
Payment for capital assets	500	-	-	500	360	140	72.0%	543	405	
Payment for financial assets	-	-	-	-	10	(10)	-	-	-	
<b>2.2 Budget Management</b>										
Current expenditure	46,971	-	-	46,971	42,906	4,065	91.3%	40,536	39,932	
Transfers and subsidies	6	-	-	6	-	6	-	280	276	
Payment for capital assets	423	-	-	423	207	216	48.9%	379	210	
Payment for financial assets	-	-	-	-	2	(2)	-	-	-	
<b>2.3 Intergovernmental Relations</b>										
Current expenditure	48,781	-	-	48,781	36,752	12,029	75.3%	32,896	32,541	
Payment for capital assets	365	-	-	365	146	219	40.0%	450	329	
Payment for financial assets	-	-	-	-	13	(13)	-	-	-	
<b>2.4 Technical and Management Support</b>										
Current expenditure	162,825	-	(26,700)	136,125	104,189	31,936	76.5%	128,842	128,514	
Transfer and subsidies	22,363	-	-	22,363	22,363	-	100.0%	18,898	18,898	
Payment for capital assets	413	-	-	413	384	29	93.0%	340	200	
Payment for financial assets	-	-	-	-	56	(56)	-	-	-	
<b>Total appropriation per programme 2</b>	<b>341,327</b>	<b>-</b>	<b>(26,700)</b>	<b>314,627</b>	<b>253,038</b>	<b>61,589</b>	<b>80.4%</b>	<b>265,150</b>	<b>262,916</b>	



APPROPRIATION STATEMENT

- continued

FOR THE YEAR ENDED 31 MARCH 2011

DETAIL PER PROGRAMME 3:

ASSET AND LIABILITY MANAGEMENT

Programme 3 per economic classification	2010/11					2009/10				
	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 expenditure</b>										
Compensation of employees	51,141	-	-	51,141	47,478	3,663	92.8%	41,333	38,070	
Goods and services	20,996	-	-	20,996	19,065	1,931	90.8%	19,334	14,999	
<b>Transfers and subsidies</b>										
Households	-	-	35	35	34	1	97.1%	-	-	
<b>Payment for capital assets</b>										
Machinery and equipment	315	-	313	628	598	30	95.2%	307	104	
<b>Payment for financial assets</b>										
	-	-	-	-	29	(29)	-	-	1	
<b>Total appropriation per economic classification</b>	<b>72,452</b>	<b>-</b>	<b>348</b>	<b>72,800</b>	<b>67,204</b>	<b>5,596</b>	<b>92.3%</b>	<b>60,974</b>	<b>53,174</b>	
Programme 3 per sub-programme	2010/11					2009/10				
	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 Management</b>										
Current expenditure	14,893	(252)	-	14,641	12,638	2,003	86.3%	13,362	11,982	
Payment for capital assets	250	45	313	608	585	23	96.2%	61	-	
	-	-	-	-	29	(29)	-	-	-	
<b>3.2 Asset Management</b>										
Current expenditure	21,310	-	-	21,310	19,059	2,251	89.4%	16,907	13,792	
Payment for capital assets	-	-	-	-	-	-	-	70	67	
<b>3.3 Liability Management</b>										
Current expenditure	14,185	150	-	14,335	13,712	623	95.7%	12,064	11,247	
Transfers and subsidies	-	-	35	35	34	1	97.1%	-	-	
<b>3.4 Financial Operations</b>										
Current expenditure	14,242	102	-	14,344	13,874	470	96.7%	11,299	10,089	
Payment for capital assets	65	(45)	-	20	13	7	65.0%	169	30	
<b>3.5 Strategy and Risk Management</b>										
Current expenditure	7,507	-	-	7,507	7,260	247	96.7%	7,035	5,960	
Payment for capital assets	-	-	-	-	-	-	-	7	7	
<b>Total appropriation per programme 3</b>	<b>72,452</b>	<b>-</b>	<b>348</b>	<b>72,800</b>	<b>67,204</b>	<b>5,596</b>	<b>92.3%</b>	<b>60,974</b>	<b>53,174</b>	

## APPROPRIATION STATEMENT

- continued

FOR THE YEAR ENDED 31 MARCH 2011

DETAIL PER PROGRAMME 4:  
FINANCIAL MANAGEMENT AND SYSTEMS

National Treasury Annual Report 2010/11

142

Programme 4 per Economic classification	2010/11					2009/10				
	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 expenditure</b>										
Compensation of employees	44,138	-	-	44,138	42,509	1,629	96.3%	40,836	39,583	
Goods and services	425,253	-	(37,644)	387,609	351,599	36,010	90.7%	416,445	364,708	
<b>Transfers and subsidies</b>										
Households	48	-	-	48	48	-	100.0%	-	-	
<b>Payment for capital assets</b>										
Machinery and equipment	1,116	-	-	1,116	962	154	86.2%	2,198	1,333	
<b>Payment for financial assets</b>	-	-	-	-	1	(1)	-	-	8	
<b>Total appropriation per economic classification</b>	<b>470,555</b>	<b>-</b>	<b>(37,644)</b>	<b>432,911</b>	<b>395,119</b>	<b>37,792</b>	<b>91.3%</b>	<b>459,479</b>	<b>405,632</b>	
Programme 4 per sub-programme	2010/11					2009/10				
	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>4.1 Management</b>										
Current expenditure	1,739	-	-	1,739	1,534	205	88.2%	1,736	1,575	
Payment for capital assets	15	-	-	15	-	15	-	10	-	
<b>4.2 Supply Chain Management</b>										
Current expenditure	38,862	(20)	-	38,842	31,413	7,429	80.9%	37,437	30,436	
Transfer and subsidies	48	-	-	48	48	-	100.0%	-	-	
Payment for capital assets	180	-	-	180	96	84	53.3%	321	172	
Payment for financial assets	-	-	-	-	1	(1)	-	-	-	
<b>4.3 Financial Systems</b>										
Current expenditure	428,790	20	(37,644)	391,166	361,161	30,005	92.3%	418,108	372,288	
Payment for capital assets	921	-	-	921	866	55	94.0%	1,867	1,161	
<b>Total appropriation per programme 4</b>	<b>470,555</b>	<b>-</b>	<b>(37,644)</b>	<b>432,911</b>	<b>395,119</b>	<b>37,792</b>	<b>91.3%</b>	<b>459,479</b>	<b>405,632</b>	

## APPROPRIATION STATEMENT

- continued

FOR THE YEAR ENDED 31 MARCH 2011

DETAIL PER PROGRAMME 5:  
FINANCIAL ACCOUNTING AND REPORTING

Programme 5 per Economic classification	2010/11					2009/10				
	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 expenditure</b>										
Compensation of employees	78,022	-	-	78,022	65,971	12,051	84.6%	51,187	50,786	
Goods and services	84,516	(3,492)	(17,000)	64,024	34,684	29,340	54.2%	33,462	32,589	
<b>Transfers and subsidies</b>										
Departmental agencies and accounts	58,189	3,492	-	61,681	61,679	2	100%	52,998	52,832	
Households	400	-	39	439	438	1	99.8%	300	-	
<b>Payment for capital assets</b>										
Machinery and equipment	2,145	-	-	2,145	1,199	946	55.9%	935	884	
<b>Payment for financial assets</b>										
	-	-	-	-	35	(35)	-	-	19	
<b>Total appropriation per economic classification</b>	<b>223,272</b>	<b>-</b>	<b>(16,961)</b>	<b>206,311</b>	<b>164,006</b>	<b>42,305</b>	<b>79.5%</b>	<b>138,882</b>	<b>137,110</b>	
Programme 5 per sub-programme	2010/11					2009/10				
	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>5.1 Financial Reporting for National Accounts</b>										
Current expenditure	51,446	(92)	-	51,354	39,367	11,987	76.7%	45,715	45,172	
Transfers and subsidies	37,234	(400)	-	36,834	36,834	-	100.0%	29,560	29,260	
Payment for capital assets	835	-	-	835	513	322	61.4%	543	405	
Payment for financial assets	-	-	-	-	34	(34)	-	-	-	
<b>5.2 Financial Management Improvement</b>										
Current expenditure	110,892	(3,400)	(17,000)	90,492	61,164	29,328	67.6%	38,661	38,063	
Transfers and subsidies	-	3,800	39	3,839	3,839	-	100.0%	4,100	3,936	
Payment for capital assets	1,310	-	-	1,310	686	624	52.4%	408	366	
Payment for financial assets	-	-	-	-	1	(1)	-	-	-	
<b>5.3 Investment of Public Monies</b>										
Transfers and subsidies	1	-	-	1	-	1	-	-	-	
<b>5.4 Service Charges (Commercial Banks)</b>										
Current expenditure	200	-	-	200	124	76	62.0%	273	158	
<b>5.5 Audit Statutory Bodies</b>										
Transfers and subsidies	21,353	92	-	21,445	21,444	1	100.0%	19,636	19,636	
<b>5.6 Contingent Liabilities: Reinsurance Liabilities</b>										
Transfers and subsidies	1	-	-	1	-	1	-	-	-	
<b>Total appropriation per programme 5</b>	<b>223,272</b>	<b>-</b>	<b>(16,961)</b>	<b>206,311</b>	<b>164,006</b>	<b>42,305</b>	<b>79.5%</b>	<b>138,882</b>	<b>137,110</b>	

## APPROPRIATION STATEMENT

- continued

FOR THE YEAR ENDED 31 MARCH 2011

DETAIL PER PROGRAMME 6:  
ECONOMIC POLICY AND INTERNATIONAL  
FINANCIAL RELATIONS

National Treasury Annual Report 2010/11

144

Programme 6 per Economic classification	2010/11						2009/10		
	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 expenditure</b>									
Compensation of employees	87,057	-	-	87,057	67,518	19,539	77.6%	60,294	59,145
Goods and services	37,035	(300)	-	36,735	31,148	5,587	84.8%	29,929	29,710
<b>Transfers and subsidies</b>									
Universities and technicians	5,000	300	-	5,300	5,300	-	100.0%	5,000	5,000
Households	-	-	-	-	-	-	-	10	10
<b>Payment for capital assets</b>									
Machinery and equipment	870	-	-	870	467	403	53.7%	629	572
<b>Payment for financial assets</b>									
	-	-	-	-	14	(14)	-	-	50
<b>Total appropriation per economic classification</b>	<b>129,962</b>	<b>-</b>	<b>-</b>	<b>129,962</b>	<b>104,447</b>	<b>25,515</b>	<b>80.4%</b>	<b>95,862</b>	<b>94,487</b>
Programme 6 per sub-programme	2010/11						2009/10		
	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>6.1 Management and Research</b>									
Current expenditure	22,567	3,653	-	26,220	22,965	3,255	87.6%	15,366	14,875
Transfers and subsidies	5,000	300	-	5,300	5,300	-	100.0%	5,000	5,000
Payment for capital assets	185	-	-	185	89	96	48.1%	88	86
Payment for financial assets	-	-	-	-	5	(5)	-	-	-
<b>6.2 Financial Sector Policy</b>									
Current expenditure	24,495	-	-	24,495	17,610	6,885	71.9%	21,155	20,839
Transfers and subsidies	-	-	-	-	-	-	-	-	10
Payment for capital assets	179	(33)	-	146	93	53	63.7%	193	185
Payment for financial assets	-	-	-	-	1	(1)	-	-	-
<b>6.3 Tax Policy</b>									
Current expenditure	24,901	-	-	24,901	19,696	5,205	79.1%	17,395	17,286
Payment for capital assets	145	33	-	178	177	1	99.4%	189	181
<b>6.4 International Economics</b>									
Current expenditure	25,750	(2,000)	-	23,750	20,349	3,401	85.7%	19,964	19,855
Payment for capital assets	146	-	-	146	60	86	41.1%	64	59
Payment for financial assets	-	-	-	-	8	(8)	-	-	-
<b>6.5 Economic Policy</b>									
Current expenditure	26,379	(1,953)	-	24,426	18,046	6,380	73.9%	16,343	16,050
Payment for capital assets	215	-	-	215	48	167	22.3%	95	61
<b>Total appropriation per programme 6</b>	<b>129,962</b>	<b>-</b>	<b>-</b>	<b>129,962</b>	<b>104,447</b>	<b>25,515</b>	<b>80.4%</b>	<b>95,862</b>	<b>94,487</b>

APPROPRIATION STATEMENT

- continued

FOR THE YEAR ENDED 31 MARCH 2011

DETAIL PER PROGRAMME 7:  
PROVINCIAL AND LOCAL GOVERNMENT  
TRANSFERS

Programme 7 per Economic classification	2010/11					2009/10				
	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>Transfers and subsidies</b>										
Provinces and municipalities	12,709,500	-	-	12,709,500	10,041,008	2,668,492	79.0%	14,300,631	14,257,371	
Departmental agencies and accounts	125,000	-	-	125,000	50,000	75,000	40.0%	110,000	70,000	
<b>Total appropriation per economic classification</b>	<b>12,834,500</b>	<b>-</b>	<b>-</b>	<b>12,834,500</b>	<b>10,091,008</b>	<b>2,743,492</b>	<b>78.6%</b>	<b>14,410,631</b>	<b>14,327,371</b>	
Programme 7 per sub-programme	2010/11					2009/10				
	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>7.1 Provincial Infrastructure Grant</b>										
Transfers and subsidies	11,314,911	-	-	11,314,911	8,844,630	2,470,281	78.2%	9,249,247	9,249,246	
<b>7.2 Local Government Financial Management</b>										
<b>Restructuring Grants</b>										
Transfers and subsidies	364,589	-	-	364,589	364,589	-	100.0%	299,990	299,990	
<b>7.3 Neighbourhood Development Partnership Grant</b>										
Transfers and subsidies	1,155,000	-	-	1,155,000	881,789	273,211	76.3%	661,394	578,135	
<b>7.4 Gautrain Loan</b>										
Transfers and subsidies	-	-	-	-	-	-	-	4,200,000	4,200,000	
<b>Total appropriation per programme 7</b>	<b>12,834,500</b>	<b>-</b>	<b>-</b>	<b>12,834,500</b>	<b>10,091,008</b>	<b>2,743,492</b>	<b>78.6%</b>	<b>14,410,631</b>	<b>14,327,371</b>	

## APPROPRIATION STATEMENT

- continued

FOR THE YEAR ENDED 31 MARCH 2011

DETAIL PER PROGRAMME 8:  
CIVIL AND MILITARY PENSIONS,  
CONTRIBUTIONS TO FUNDS AND OTHER  
BENEFITS

National Treasury Annual Report 2010/11

Programme 8 per Economic classification	2010/11					2009/10				
	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 expenditure</b>										
Goods and services	35,001	124	2,937	38,062	37,904	158	99,6%	25,499	25,254	
<b>Transfers and subsidies</b>										
Foreign governments and international organisations	2,000	-	(367)	1,633	1,633	-	100,0%	1,382	1,382	
Non-profit institutions	75	-	(74)	1	-	1	-	71	68	
Households	2,553,873	(124)	104,742	2,658,491	2,658,154	337	100,0%	4,928,350	4,928,193	
<b>Payment for financial assets</b>										
	-	-	-	-	156	(156)	-	-	243	
<b>Total appropriation per economic classification</b>	<b>2,590,949</b>	<b>-</b>	<b>107,238</b>	<b>2,698,187</b>	<b>2,697,847</b>	<b>340</b>	<b>100,0%</b>	<b>4,955,302</b>	<b>4,955,140</b>	
Programme 8 per sub-programme	2010/11					2009/10				
	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>8.1 Civil Pensions and Contributions to Funds</b>										
Current expenditure	23,181	124	13,306	36,611	36,454	157	99,6%	22,511	22,510	
Transfers and subsidies	2,384,105	10,876	100,558	2,495,539	2,495,206	333	100,0%	4,767,851	4,767,721	
Payment for financial assets	-	-	-	-	156	(156)	-	-	-	
<b>8.2 Military Pensions and Other Benefits</b>										
Current expenditure	11,820	-	(10,369)	1,451	1,450	1	99,9%	2,988	2,987	
Transfers and subsidies	171,843	(1,000)	3,743	164,586	164,581	5	100,0%	161,952	161,922	
<b>Total appropriation per programme 8</b>	<b>2,590,949</b>	<b>-</b>	<b>107,238</b>	<b>2,698,187</b>	<b>2,697,847</b>	<b>340</b>	<b>100,0%</b>	<b>4,955,302</b>	<b>4,955,140</b>	

## APPROPRIATION STATEMENT

- continued

FOR THE YEAR ENDED 31 MARCH 2011

DETAIL PER PROGRAMME 9:  
FISCAL TRANSFERS

Programme 9 per Economic classification	2010/11					2009/10				
	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>Transfers and subsidies</b>										
Departmental agencies and accounts	11,669,965	-	-	11,669,965	11,669,965	-	100.0%	10,391,136	10,368,897	
Foreign governments and international organisations	562,891	-	(29,586)	533,305	532,096	1,209	99.8%	553,938	553,804	
Public corporations and private enterprises	282,595	-	7,700	290,295	290,295	-	100.0%	31,267,407	31,267,407	
<b>Payment for financial assets</b>										
	20,750,000	-	-	20,750,000	20,746,700	3,300	100.0%			
<b>Total appropriation per economic classification</b>	<b>33,265,451</b>	<b>-</b>	<b>(21,886)</b>	<b>33,243,565</b>	<b>33,239,056</b>	<b>4,509</b>	<b>100.0%</b>	<b>42,212,481</b>	<b>42,190,108</b>	
<b>Programme 9 per sub-programme</b>										
<b>9.1 Eskom</b>										
Transfers and subsidies	20,000,000	-	-	20,000,000	20,000,000	-	100.0%	-	-	
<b>9.2 Domestic Budgetary Transfer</b>										
Transfers and subsidies	11,669,965	-	-	11,669,965	11,669,965	-	100.0%	41,391,136	41,368,897	
Payment for financial assets	750,000	-	-	750,000	746,700	3,300	99.6%	-	-	
<b>9.3 Domestic Programme Transfers</b>										
Transfers and subsidies	282,595	-	7,700	290,295	290,295	-	100.0%	267,407	267,407	
<b>9.4 Domestic Programme Transfers</b>										
Transfers and subsidies	399,045	-	(1,200)	397,845	397,792	53	100.0%	409,880	409,878	
<b>9.5 Multilateral Institutions</b>										
Transfers and subsidies	148,567	-	(25,486)	123,081	123,080	1	100.0%	125,459	125,329	
<b>9.6 International Projects</b>										
Transfers and subsidies	15,279	-	(2,900)	12,379	11,224	1,155	90.7%	18,599	18,597	
<b>Total appropriation per programme 9</b>	<b>33,265,451</b>	<b>-</b>	<b>(21,886)</b>	<b>33,243,565</b>	<b>33,239,056</b>	<b>4,509</b>	<b>100.0%</b>	<b>42,212,481</b>	<b>42,190,108</b>	

## NOTES TO THE APPROPRIATION STATEMENT

FOR THE YEAR ENDED 31 MARCH 2011

### **1. DETAIL OF TRANSFERS AND SUBSIDIES AS PER APPROPRIATION ACT (AFTER VIREMENT):**

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

### **2. DETAIL OF SPECIFICALLY AND EXCLUSIVELY APPROPRIATED AMOUNTS VOTED (AFTER VIREMENT):**

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

### **3. DETAIL ON PAYMENTS FOR FINANCIAL ASSETS**

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



## NOTES TO THE APPROPRIATION STATEMENT - *continued*

FOR THE YEAR ENDED 31 MARCH 2011

### 4. EXPLANATIONS OF MATERIAL VARIANCES FROM AMOUNTS VOTED (AFTER VIREMENT):

Per programme	Final appropriation	Actual expenditure	Variance	Variance as a % of final appropriation	Explanations of variances
	R'000	R'000	R'000	%	
<b>Programme 1:</b> Administration	276,551	248,661	27,890	10.1	The deviation is mainly due to 69 vacant positions, saving on operational expenditure and delays in the information technology backup solution, the switchboard infrastructure upgrades and the acquisition of the new electronic security system.
<b>Programme 2:</b> Public Finance and Budget Management	314,627	253,038	61,589	19.6	The deviation is mainly due to 28 vacant positions, saving on operational expenditure and the slow deployment process of technical assistance by the Infrastructure Development Improvement Programme (IDIP) project.
<b>Programme 3:</b> Asset and Liability Management	72,800	67,204	5,596	7.7	The deviation is mainly due to 11 vacant positions, saving on operational expenditure and the delay in the finalisation of the capital structure and dividend policy project.
<b>Programme 4:</b> Financial Management and Systems	432,911	395,119	37,792	8.7	The deviation is mainly due to 13 vacant positions, saving on operational expenditure and the delay in the Integrated Financial Management System (IFMS) project and the transversal systems.
<b>Programme 5:</b> Financial Accounting and Reporting	206,311	164,006	42,305	20.5	The deviation is mainly due to 25 vacant positions, saving on operational expenditure and the newly established Specialised Audit Services unit not being fully capacitated.
<b>Programme 6:</b> Economic Policy and International Financial Relations	129,962	104,447	25,515	19.6	The deviation is mainly due to 36 vacant positions, saving on operational expenditure and the delay in the finalisation of process for the firm level survey pertaining to job creation.
<b>Programme 7:</b> Provincial and Local Government Transfers	12,834,500	10,091,008	2,743,492	21.4	The deviation is due to withholding of the Provincial Infrastructure Grant to provinces and the Neighbourhood Development Partnership Grant (NDPG) due to non-submission of reports as required in terms of the Division of Revenue Act (DoRA).
<b>Programme 8:</b> Civil and Military Pensions, Contributions to Funds and Other Benefits	2,698,187	2,697,847	340	0.0	The actual expenditure for the year is on par with the final appropriation.
<b>Programme 9:</b> Fiscal Transfers	33,243,565	33,239,056	4,509	0.0	The actual expenditure for the year is on par with the final appropriation
<b>Total per programme</b>	<b>50,209,414</b>	<b>47,260,386</b>	<b>2,949,028</b>	<b>5.9</b>	

NOTES TO THE APPROPRIATION  
STATEMENT - *continued*

FOR THE YEAR ENDED 31 MARCH 2011

Per economic classification	Final appropriation	Actual expenditure	Variance	Variance as a % of final appropriation
	R'000	R'000	R'000	%
<b>Current expenditure</b>	<b>1,362,634</b>	<b>1,1170,088</b>	<b>192,546</b>	<b>14.1</b>
Compensation of employees	552,567	476,173	76,394	13.8
Goods and services	810,067	693,915	116,152	14.3
<b>Transfers and subsidies</b>	<b>28,080,562</b>	<b>25,334,547</b>	<b>2,746,015</b>	<b>9.8</b>
Provinces and municipalities	12,709,500	10,041,008	2,668,492	21.0
Departmental agencies and accounts	11,879,472	11,804,432	75,040	0.6
Universities and technikons	5,800	5,300	500	8.6
Public corporations and private enterprises	290,295	290,295	-	0.0
Foreign governments and international organisations	534,938	533,729	1,209	0.2
Non-profit institutions	1	-	1	100.0
Households	2,660,556	2,659,783	773	0.0
<b>Payments for capital assets</b>	<b>16,218</b>	<b>8,568</b>	<b>7,650</b>	<b>47.2</b>
Machinery and equipment	16,218	8,568	7,650	47.2
<b>Payments for capital assets</b>	<b>20,750,000</b>	<b>20,747,183</b>	<b>2,817</b>	<b>0.0</b>
<b>Total per economic classification</b>	<b>50,209,414</b>	<b>47,260,386</b>	<b>2,949,028</b>	<b>5.9</b>

# STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2011

PERFORMANCE	Note	2010/11 R'000	2009/10 R'000
<b>REVENUE</b>			
Annual appropriation	<u>1</u>	50,209,414	62,845,570
Departmental revenue	<u>2</u>	3,340,611	3,543,597
Aid assistance	<u>3</u>	10,860	14,837
<b>TOTAL REVENUE</b>		<b>53,560,885</b>	<b>66,404,004</b>
<b>EXPENDITURE</b>			
<b>Current expenditure</b>			
Compensation of employees	<u>4</u>	476,173	402,073
Goods and services	<u>5</u>	693,915	728,123
Aid assistance	<u>3</u>	10,975	16,139
<b>Total current expenditure</b>		<b>1,181,063</b>	<b>1,146,335</b>
<b>Transfers and subsidies</b>		<b>25,334,547</b>	<b>61,526,462</b>
Transfers and subsidies	<u>7</u>	25,334,547	61,526,462
<b>Expenditure for capital assets</b>		<b>9,373</b>	<b>11,989</b>
Tangible capital assets	<u>8</u>	9,373	11,989
<b>Total expenditure for capital assets</b>			
<b>Payment for financial assets<sup>1</sup></b>	<u>6</u>	<b>20,747,183</b>	<b>418</b>
<b>TOTAL EXPENDITURE</b>		<b>47,272,166</b>	<b>62,685,204</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>6,288,719</b>	<b>3,718,800</b>
<b>Reconciliation of net surplus/(deficit) for the year</b>			
Voted funds		2,949,028	176,842
Annual appropriation		2,949,028	176,842
Departmental revenue	<u>2</u>	3,340,611	3,543,597
Aid assistance	<u>3</u>	(920)	(1,639)
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>6,288,719</b>	<b>3,718,800</b>

<sup>1</sup>THE PAYMENT FOR FINANCIAL ASSETS INCLUDES LOANS THAT WERE PREVIOUSLY CLASSIFIED UNDER TRANSFERS AND SUBSIDIES BUT HAVE BEEN RECLASSIFIED SINCE 1 APRIL 2010.

## STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2010

	Note	2010/11 R'000	2009/10 R'000
<b>ASSETS</b>			
<b>Current assets</b>		<b>497,909</b>	<b>194,233</b>
Cash and cash equivalents	<u>9</u>	354,651	50,191
Prepayments and advances	<u>10</u>	2,303	1,373
Receivables	<u>11</u>	139,782	140,001
Aid assistance receivable	<u>3</u>	1,173	2,668
<b>Non-current assets</b>		<b>65,331,409</b>	<b>44,947,667</b>
Investments	<u>12</u>	400,956	400,956
Loans	<u>13</u>	64,930,453	44,546 711
<b>TOTAL ASSETS</b>		<b>65,829,318</b>	<b>45,141,900</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>497,640</b>	<b>193,984</b>
Voted funds to be surrendered to the Revenue Fund	<u>14</u>	478,747	176,842
Departmental revenue to be surrendered to the Revenue Fund	<u>15</u>	7,522	2,841
Bank Overdraft	<u>16</u>	1,862	-
Payables	<u>17</u>	8,972	11,349
Aid assistance repayable	<u>3</u>	379	-
Aid assistance unutilised	<u>3</u>	158	2,952
<b>TOTAL LIABILITIES</b>		<b>497,640</b>	<b>193,984</b>
<b>NET ASSETS</b>		<b>65,331,678</b>	<b>44,947,916</b>
<b>Represented by:</b>			
Capitalisation reserve		400,956	400,956
Recoverable revenue		64,930,722	44,546,960
<b>TOTAL</b>		<b>65,331,678</b>	<b>44,947,916</b>

# STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2010

	Note	2010/11 R'000	2009/10 R'000
<b>Capitalisation reserves</b>			
Opening balance		400,956	400,956
Closing balance		<b>400,956</b>	<b>400,956</b>
<b>Recoverable revenue</b>			
Opening balance		44,546,960	10,000,254
Transfers:		20,383,762	34,546,706
Irrecoverable amounts written off		(181)	(2,768)
Debts recovered (included in departmental receipts)		-	-
Debts raised		20,383,943	34,549,474
Closing balance		<b>64,930,722</b>	<b>44,546,960</b>
<b>TOTAL</b>		<b>65,331,678</b>	<b>44,947,916</b>

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2010

CASH FLOW	Note	2010/11 R'000	2009/10 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts		<b>50,937,219</b>	<b>66,324,881</b>
Annual appropriated funds received	<u>1</u>	47,739,133	62,845,570
Departmental revenue received	<u>2</u>	3,187,226	3,464,474
Aid assistance received	<u>3</u>	10,860	14,837
Net decrease/(increase) in working capital		(3,088)	6,795
Surrendered to Revenue Fund		(3,512,772)	(3,654,564)
Surrendered to RDP Fund/Donor		-	(7,811)
Current payments		(1,181,063)	(1,146,335)
Payments for financial assets <sup>2</sup>		(20,747,183)	(418)
Transfers and subsidies paid		(25,334,547)	(61,526,462)
<b>Net cash flow available from operating activities</b>	<b><u>18</u></b>	<b><u>158,566</u></b>	<b><u>(3,914)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for capital assets	<u>8</u>	(9,373)	(11,989)
Proceeds from sale of capital assets	<u>2</u>	86	212
Increase in loans		(20,383,742)	(34,546,711)
<b>Net cash flows from investing activities</b>		<b><u>(20,393,029)</u></b>	<b><u>(34,558,488)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Distribution/dividend received	<u>2</u>	153,299	78,911
Increase in net assets		20,383,762	34,546,706
<b>Net cash flows from financing activities</b>		<b><u>20,537,061</u></b>	<b><u>34,625,617</u></b>
Net increase/(decrease) in cash and cash equivalents		302,598	63,215
Cash and cash equivalents at beginning of period		50,191	(13,024)
<b>Cash and cash equivalents at end of period</b>	<b><u>9 &amp; 19</u></b>	<b><u>352,789</u></b>	<b><u>50,191</u></b>

<sup>2</sup>The Payment for financial assets includes loans that were previously classified under Transfers and Subsidies but have been reclassified since 1 April 2010.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

## 1. ANNUAL APPROPRIATION

	Final Appropriation	Actual Funds Received	Funds not requested/not received	Appropriation received 2008/09
	R'000	R'000	R'000	R'000
Administration	276,551	276,551	-	246,809
Public Finance and Budget Management	314,627	314,627	-	265,150
Asset and Liability Management	72,800	72,800	-	60,974
Financial Management and Systems	432,911	432,911	-	459,479
Financial Accounting and Reporting	206,311	206,311	-	138,882
Economic Policy and International Financial Relations	129,962	129,962		95,862
Provincial and Local Government Transfers <sup>3</sup>	12,834,500	10,364,219	2,470,281	14,410,631
Civil and Military Pensions, Contribution to Funds and Other benefits	2,698,187	2,698,187	-	4,955,302
Fiscal transfers	33,243,565	33,243,565	-	42,212,481
<b>Total</b>	<b>50,209,414</b>	<b>47,739,133</b>	<b>2,470,281</b>	<b>62,845,570</b>

<sup>3</sup>Funds were not requested due to withholding of the Provincial Infrastructure Grant to provinces.

## 2. DEPARTMENTAL REVENUE

	Note	2010/11 R'000	2009/10 R'000
Sales of goods and services other than capital assets	2.1	50,960	300,421
Interest, dividends and rent on land	2.2	2,609,482	2,085,054
Sales of capital assets	2.3	86	212
Financial transactions in assets and liabilities	2.4	680,083	1,157,910
<b>Departmental revenue collected</b>		<b>3,340,611</b>	<b>3,543,597</b>

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

Sales of goods and services produced by the department	50,955	300,418
Sales by market establishment	92	85
Administrative fees	12	-
Other sales	50,851	300,333
Sales of scrap, waste and other used current goods	5	3
<b>Total</b>	<b>50,960</b>	<b>300,421</b>

### 2.2 Interest, dividends and rent on land

Interest	2,456,183	2,006,143
Dividends	153,299	78,911
<b>Total</b>	<b>2,609,482</b>	<b>2,085,054</b>

NOTES TO THE ANNUAL  
FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

	Note	2010/11 R'000	2009/10 R'000
2.3	Sale of capital assets		
	<b>Tangible capital assets</b>		
	Machinery and equipment	86	212
	<b>Total</b>	<b>86</b>	<b>212</b>
2.4	Financial transactions in assets and liabilities		
	Receivables	181	70
	Other receipts including Recoverable Revenue	679,902	1,157,840
	<b>Total</b>	<b>680,083</b>	<b>1,157,910</b>
<b>3.</b>	<b>AID ASSISTANCE</b>		
3.1	Aid assistance received in cash from RDP		
	<b>Foreign</b>		
	Opening balance	284	9,734
	Revenue	10,860	14,837
	Expenditure	(11,780)	(16,476)
	Current	(10,975)	(16,139)
	Capital	(805)	(337)
	Surrendered to the RDP	-	(7,811)
	<b>Closing balance</b>	<b>(636)</b>	<b>284</b>
3.2	Total assistance		
	Opening balance	284	9,734
	Revenue	10,860	14,837
	Expenditure	(11,780)	(16,476)
	Current	(10,975)	(16,139)
	Capital	(805)	(337)
	Surrendered / transferred to retained funds	-	(7,811)
	<b>Closing balance</b>	<b>(636)</b>	<b>284</b>
3.3	Analysis of balance		
	Aid assistance receivable	(1,173)	(2,668)
	Aid assistance unutilised	158	2,952
	Aid assistance repayable	379	-
	<b>Closing balance</b>	<b>(636)*</b>	<b>284</b>

\*Funds from the European Union were not received on time to defray the expenditure.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

	Note	2010/11 R'000	2009/10 R'000
<b>4. COMPENSATION OF EMPLOYEES</b>			
<b>4.1 Salaries and Wages</b>			
Basic salary		301,747	260,326
Performance award		21,611	18,087
Service Based		889	1,132
Compensative/circumstantial		1,910	1,401
Periodic payments		76	-
Other non-pensionable allowances		103,045	81,788
<b>Total</b>		<b>429,278</b>	<b>362,734</b>
<b>4.2 Social contributions</b>			
<b>Employer contributions</b>			
Pension		35,461	30,319
Medical		11,376	8,990
Bargaining council		58	30
<b>Total</b>		<b>46,895</b>	<b>39,339</b>
<b>Total compensation of employees</b>		<b>476,173</b>	<b>402,073</b>
Average number of employees		1,089	1,007
<b>5. GOODS AND SERVICES</b>			
Administrative fees		6,190	11,637
Advertising		2,177	1,897
Assets less than R5,000	5.1	423	1,546
Bursaries (employees)		2,726	1,985
Catering		1,566	1,973
Communication		6,605	7,400
Computer services	5.2	371,359	386,698
Consultants, contractors and agency/outsourced services	5.3	168,119	183,401
Entertainment		191	137
Audit cost – external	5.4	9,231	8,468
Inventory	5.5	14,635	16,825
Operating leases*		42,378	30,739
Owned and leasehold property expenditure	5.6	8,568	13,358
Travel and subsistence	5.7	38,115	36,214
Venues and facilities		8,551	8,458
Training and staff development		8,367	9,957
Other operating expenditure	5.8	4,714	7,430
<b>Total</b>		<b>693,915</b>	<b>728,123</b>

NOTES TO THE ANNUAL  
FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

	Note	2010/11 R'000	2009/10 R'000
5.1	Assets less than R5,000		
	<b>Tangible assets</b>		
	Machinery and equipment	423	1,546
	<b>Total</b>	<b>423</b>	<b>1,546</b>
5.2	Computer services		
	SITA computer services	28,632	34,303
	External computer service providers	342,727	352,395
	<b>Total</b>	<b>371,359</b>	<b>386,698</b>
5.3	Consultants, contractors and agency/outsourced services		
	Business and advisory services	151,938	161,619
	Legal costs	6,814	10,512
	Contractors	1,358	2,019
	Agency and support/outsourced services	8,009*	9,251
	<b>Total</b>	<b>168,119</b>	<b>183,401</b>
<i>*The amount includes payment for forensic investigation that was outsourced.</i>			
5.4	Audit cost – External		
	Regularity audits	9,167	7,603
	Performance audits	64	731
	Forensic investigations	-	134
	<b>Total</b>	<b>9,231</b>	<b>8,468</b>
5.5	Inventory		
	Food and food supplies	826	810
	Fuel, oil and gas	493	341
	Other consumable materials	1,025	825
	Maintenance material	69	242
	Stationery and printing	12,220	14,607
	Medical supplies	2	-
	<b>Total</b>	<b>14,635</b>	<b>16,825</b>
5.6	Owned and leasehold property expenditure		
	Municipal services	8,072	-
	Property management fees	403	8,340
	Property maintenance and repairs	-	4,944
	Other	93	74
	<b>Total</b>	<b>8,568</b>	<b>13,358</b>

NOTES TO THE ANNUAL  
FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

	Note	2010/11 R'000	2009/10 R'000
<b>5.7 Travel and subsistence</b>			
Local		21,043	20,786
Foreign		17,072	15,428
<b>Total</b>		<b>38,115</b>	<b>36,214</b>
<b>5.8 Other operating expenditure</b>			
Professional bodies, membership and subscription fees		3,936	6,181
Resettlement costs		406	916
Other		372	333
<b>Total</b>		<b>4,714</b>	<b>7,430</b>
<b>6. PAYMENT FOR FINANCIAL ASSETS</b>			
Extension of loans for policy purposes <sup>4</sup>		20,746,700	-
Other material losses written off	6.1	360	338
Debts written off	6.2	123	80
<b>Total</b>		<b>20,747,183</b>	<b>418</b>
<b>6.1 Other material losses written off</b>			
<b>Nature of losses</b>			
Accident damages		184	124
Miscellaneous		176	214
<b>Total</b>		<b>360</b>	<b>338</b>
<b>6.2 Debts written off</b>			
Civil and military pension (bad debts)		123	50
Staff debt written off		-	30
<b>Total</b>		<b>123</b>	<b>80</b>
<b>7. TRANSFERS AND SUBSIDIES</b>			
Provinces and municipalities	<i>Annex 1A, Annex 1B, Annex 1C, Annex 1D</i>	10,041,008	14,257,373
Departmental agencies and accounts	<i>Annex 1E</i>	11,804,432	10,510,985
Universities and technikons	<i>Annex 1F</i>	5,300	5,456
Foreign governments and international organisations	<i>Annex 1H</i>	533,729	555,186
Public corporations and private enterprises	<i>Annex 1G</i>	290,295	31,267,444
Non-profit institutions	<i>Annex 1I</i>	-	68
Households	<i>Annex 1J</i>	2,659,783	4,929,950
<b>Total</b>		<b>25,334,547</b>	<b>61,526,462</b>

<sup>4</sup>The loans were previously classified under Transfers and Subsidies but have been reclassified under Payment for Financial Assets since 1 April 2010.

NOTES TO THE ANNUAL  
FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

	Note	2010/11 R'000	2009/10 R'000
<b>8. EXPENDITURE FOR CAPITAL ASSETS</b>			
<b>Tangible assets</b>			
Machinery and equipment	29	9,373	11,989
<b>Total</b>		<b>9,373</b>	<b>11,989</b>

8.1 Analysis of funds utilised to acquire capital assets – 2010/11

	Voted funds R'000	Aid assistance R'000	Total R'000
<b>Tangible assets</b>			
Machinery and equipment	8,568	805	9,373
<b>Total</b>	<b>8,568</b>	<b>805</b>	<b>9,373</b>

8.2 Analysis of funds utilised to acquire capital assets – 2009/10

	Voted funds R'000	Aid assistance R'000	Total R'000
<b>Tangible assets</b>			
Machinery and equipment	11,652	337	11,989
<b>Total</b>	<b>11,652</b>	<b>337</b>	<b>11,989</b>

**9. CASH AND CASH EQUIVALENTS**

Consolidated Paymaster General Account	210,931	42,996
Cash on hand	21	21
Cash with commercial banks (Local)	143,699	7,174
<b>Total</b>	<b>354,651</b>	<b>50,191</b>

**10. PREPAYMENTS AND ADVANCES**

Travel and subsistence	58	108
Prepayments	2,245	1,265
<b>Total</b>	<b>2,303</b>	<b>1,373</b>

**11. RECEIVABLES**

		2010/11				2009/10
	Note	R'000 Less than one year	R'000 One to three years	R'000 Older than three years	R'000 Total	R'000 Total
Claims recoverable	11.1	2,910	3,713	131,138	137,761	138,434
Recoverable expenditure	11.2	280	64	46	390	677*
Staff debt	11.3	610	373	18	1,001	543
Other debtors	11.4	630	-	-	630	347
<b>Total</b>		<b>4,430</b>	<b>4,150</b>	<b>131,202</b>	<b>139,782</b>	<b>140,001</b>

NOTES TO THE ANNUAL  
FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

	Note	2010/11 R'000	2009/10 R'000
<b>11.1 Claims recoverable</b>			
National departments		2,577	2,356
Provincial departments		125,153	126,267
Foreign governments		661	316
Households and non-profit institutions		9,370	9,495
<b>Total</b>		<b>137,761</b>	<b>138,434</b>
<b>11.2 Recoverable expenditure</b>			
Disallowance damages and losses		222	436*
Disallowance miscellaneous		119	241*
Private telephones		49	-
<b>Total</b>		<b>390</b>	<b>677</b>
*Reclassification of prior year figure to be in line with the Departmental Reporting Framework.			
<b>11.3 Staff debt</b>			
Departmental Debt		1,001	455
Other staff debts		-	88
<b>Total</b>		<b>1,001</b>	<b>543</b>
<b>11.4 Other debtors</b>			
Value added tax (SARS)		630	347
<b>Total</b>		<b>630</b>	<b>347</b>

**12. INVESTMENTS****Non-Current (non-current shares)**

Development Bank of Southern Africa	<i>Annex 2A &amp; 2B</i>	200,000	200,000
Public Investment Corporation Limited	<i>Annex 2A &amp; 2B</i>	1	1
SASRIA*	<i>Annex 2A &amp; 2B</i>	-	-
Land Bank	<i>Annex 2A &amp; 2B</i>	200,955	200,955**
<b>Total</b>		<b>400,956</b>	<b>400,956</b>

**Analysis of non-current investments**

Opening balance	400,956	400,956
<b>Closing balance</b>	<b>400,956</b>	<b>400,956</b>

NOTES TO THE ANNUAL  
FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

	Note	2010/11 R'000	2009/10 R'000
<b>13. LOANS</b>			
Public corporations		64,930,453	44,546,711
<b>Total</b>		<b>64,930,453</b>	<b>44,546,711</b>
<b>Analysis of balance</b>			
Opening balance		44,546,711	10,000,000
New issues		20,383,742	34,546,711
<b>Closing balance</b>		<b>64,930,453</b>	<b>44,546,711</b>
<b>14. VOTED FUNDS TO BE SURRENDERED TO THE REVENUE FUND</b>			
Opening balance <sup>5</sup>		176,842	112,055
Transfer from statement of financial performance		2,949,028	176,842
Voted funds not requested/ not received		(2,470,281)	-
Paid during the year		(176,842)	(112,055)
<b>Closing balance</b>		<b>478,747</b>	<b>176,842</b>
<b>15. DEPARTMENTAL REVENUE TO BE SURRENDERED TO THE REVENUE FUND</b>			
Opening balance		2,841	1,753
Transfer from Statement of Financial Performance		3,340,611	3,543,597
Paid during the year		(3,335,930)	(3,542,509)
<b>Closing balance</b>		<b>7,522</b>	<b>2,841</b>
<b>16. BANK OVERDRAFT</b>			
Consolidated Paymaster General Account		1,862	-
<b>Total</b>		<b>1,862</b>	<b>-</b>
<b>17. PAYABLES – CURRENT</b>			
Advances received	17.1	1,112	93
Clearing accounts	17.2	79	66
Other payables	17.3	7,781	11,190
<b>Total</b>		<b>8,972</b>	<b>11,349</b>
<b>17.1 Advances received</b>			
Local Government		-	93
Department of Justice and Constitutional Development		990	-
Pension Administration		122	-
<b>Total</b>		<b>1,112</b>	<b>93</b>

<sup>5</sup>The prior year balance was overstated by 5 due to rounding off.

NOTES TO THE ANNUAL  
FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

	Note	2010/11 R'000	2009/10 R'000
<b>17.2 Clearing accounts</b>			
Income tax		50	29
ABC recalls		-	36
Pension fund		-	1
Persal Reversal Account		29	-
<b>Total</b>		<b>79</b>	<b>66</b>
<b>17.3 Other payables</b>			
Civil and military pensions		4,130	6,869
Special pensions		3,651	4,321
Other		-	-
<b>Total other pension</b>		<b>7,781</b>	<b>11,190</b>

**18. NET CASH FLOW AVAILABLE FROM OPERATING ACTIVITIES**

Net surplus as per Statement of Financial Performance		6,288,719	3,718,800
Add back non cash/cash movements not deemed operating activities		(6,130,153)	(3,722,714)
Decrease/(increase) in receivables – current		219	4,602
Increase in prepayments and advances		(930)	(391)
Increase/(decrease) in payables – current		(2,377)	2,584
Proceeds from sale of capital assets		(86)	(212)
Expenditure on capital assets		9,373	11,989
Surrenders to Revenue Fund		(3,512,772)	(3,654,564)
Surrenders to RDP Fund/Donor	3	-	(7,811)
Voted funds not requested/ not received		(2,470,281)	-
Dividend received	2.2	(153,299)	(78,911)
<b>Net cash flow generated by operating activities</b>		<b>158,566</b>	<b>(3,914)</b>

**19. RECONCILIATION OF CASH AND CASH EQUIVALENTS FOR CASH FLOW PURPOSES**

Consolidated Paymaster General account		209,069	42,996
Cash on hand		21	21
Cash with commercial banks (local)		143,699	7,174
<b>Total</b>		<b>352,789</b>	<b>50,191</b>

# DISCLOSURES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

		Note	2010/11 R'000	2009/10 R'000
<b>20. CONTINGENT LIABILITIES</b>				
<b>Liable to</b>	<b>Nature</b>			
Motor vehicle guarantees	Employees	<i>Annex 3A</i>	-	53
Housing loan guarantees	Employees	<i>Annex 3A</i>	-	193
Other guarantees		<i>Annex 3A</i>	27,711,808	29,154,578
Claims against the department		<i>Annex 3B</i>	1,345,770	1,333,012
Other		<i>Annex 3B</i>	363,369	146,795
<b>Total</b>			<b>29,420,947</b>	<b>30,634,631</b>

## 21. COMMITMENTS

### Current expenditure

Approved and contracted

45

44

### Capital expenditure

Approved and contracted

-

-

### Total

45

44

## 22. ACCRUALS

### Listed by economic classification

	30 Days	30+ Days	Total	Total
Goods and services	5,774	25,514	31,288	6,515
Transfers and subsidies	196,463	-	196,463	64,668
Other	69	2	71	54
<b>Total</b>	<b>202,306</b>	<b>25,516</b>	<b>227,822</b>	<b>71,237</b>

### Listed by programme level

Administration	2,617	3,483
Public Finance and Budget Management	1,314	766
Asset and Liability Management	627	295
Financial Management and Systems	959	91
Financial Accounting and Reporting	200	682
Economic Policy and International Financial Relations	913	1,252
Civil and Military Pensions, Contributions to Funds and Other Benefits	215,285	64,669
Fiscal Transfers	5,907	-
<b>Total</b>	<b>227,822</b>	<b>71,238</b>



# DISCLOSURES TO THE ANNUAL FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

	Note	2010/11 R'000	2009/10 R'000
<b>23. EMPLOYEE BENEFITS</b>			
Leave entitlement		12,223	11,656
Service bonus (thirteenth cheque)		9,326	7,963
Performance awards		24,207	17,944
Capped leave commitments		14,643	14,103
<b>Total</b>		<b>60,399</b>	<b>51,666</b>

## 24. LEASE COMMITMENTS

### 24.1 Operating leases expenditure

2010/11	Buildings and other fixed structures	Machinery and equipment	Total
Not later than 1 year	3,631	2,671	6,302
Later than 1 year and not later than 5 years	7,791	541	8,332
<b>Total lease commitments</b>	<b>11,422</b>	<b>3,212</b>	<b>14,634</b>

2009/10	Buildings and other fixed structures	Machinery and equipment	Total
Not later than 1 year	2,382	3,020	5,402
Later than 1 year and not later than 5 years	5,012	2,561	7,573
<b>Total</b>	<b>7,394</b>	<b>5,581</b>	<b>12,975</b>

## 25. RECEIVABLES FOR DEPARTMENTAL REVENUE

Sales of goods and services other than capital assets	126	4,037
Interest, dividends and rent on land	177,151	197,790
Financial transactions in assets and liabilities	13,196	814
<b>Total</b>	<b>190,473</b>	<b>202,641</b>

DISCLOSURES TO THE ANNUAL  
FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

	Note	2010/11 R'000	2009/10 R'000
<b>26. IRREGULAR EXPENDITURE</b>			
26.1 Reconciliation of irregular expenditure			
Opening balance		12,273	176
Add: irregular expenditure - relating to current year		11,142*	12,097*
Less: Amounts condoned <sup>6</sup>		(176)	-
<b>Irregular expenditure awaiting condonation</b>		<b>23,239</b>	<b>12,273</b>
<b>Analysis of awaiting condonation per age classification</b>			
Current year		11,142	12,097
Prior years		12,097	176
<b>Total</b>		<b>23,239</b>	<b>12,273</b>

\*Restatement of Irregular expenditure relating to fraudulent cases investigated by the Special Investigations Unit, Percy Sonn and Nexus Forensic on Programme 8 special pensions (2009/10: R6,881m & 2010/11: R8,076m) in line with Departmental Reporting Framework. These payments were made in contravention of the Acts in that invalid payments were made to beneficiaries who did not qualify for the pension due to having Schedule 1 offense, invalid ID numbers, misinterpretation of the Act and some banking details falsified. In addition irregular expenditure relating to Venzulu Development Agency (2009/10: R5,216m & 2010/11: R3,066m) was also restated in line with the Departmental Reporting Framework.

**27. KEY MANAGEMENT PERSONNEL**

	No. of Individuals	2010/11 R'000	2009/10 R'000
Political office bearers (provide detail below)	2	3,403	3,301
Officials:			
Level 15 to 16	12	14,010	13,457
Level 14 (incl. CFO if at a lower level)	70	60,994	54,394
<b>Total</b>		<b>78,407</b>	<b>71,152</b>

**28. PROVISIONS**

<b>Potential irrecoverable debts</b>			
Staff debtors		1,050	298
Other debtors		-	436
<b>Total</b>		<b>1,050</b>	<b>734</b>
<b>Other provisions</b>			
Military Pension		891	222
Injury on duty		28,305	31,377
Medical benefits		3,053	2,484
Households and non profit institutions		-	6,085
Special Pension SIU cases		3,587*	4,501*
<b>Total</b>		<b>35,836</b>	<b>44,669</b>

\*Restatement of schedule 2 SIU cases in line with the Departmental Reporting Framework

DISCLOSURES TO THE ANNUAL  
FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

Note	2010/11 R'000	2009/10 R'000
------	------------------	------------------

**29. RELATED PARTY TRANSACTIONS****29.1 Public Entities under control of the National Treasury**

1. The Financial and Fiscal Commission (FFC)
2. Financial Intelligence Centre (FIC)
3. Development Bank of Southern Africa Limited (DBSA)
4. Accounting Standards Board (ASB)
5. Financial Services Board (FSB)
6. Public Investment Corporation (PIC)
7. South African Revenue Service (SARS)
8. Sasria Limited (SASRIA)
9. Project Development Facility (PDF)
10. The Land and Agricultural Bank of South Africa
11. Auditor General (AG)
12. Corporation for Public Deposits
13. DBSA Development Fund
14. Independent Regulatory Board of Auditors (IRBA)
15. South African Reserve Bank (SARB)
16. FAIS Ombud
17. Office of the Pension Fund Adjudicator
18. The Co-operative Banks Development Agency (CBDA)
19. Technical Assistance Unit (TAU)
20. Government Pensions Administration Agency (GPAA)

**29.2 Building occupied without paying rental (40 Church Square)**

1. Department of Public Works

**29.3 Movable tangible capital assets****Movement in movable tangible capital assets per asset register for the year ended 31 March 2011**

	Opening balance	Current Year adjustments to prior year balances	Additions	Disposals	Closing balance
	R'000		R'000	R'000	R'000
Transport assets	2,692	-	290	199	2,783
Computer equipment	46,323	-	8,672	2,414	52,581
Furniture and office equipment	15,227	-	1,110	60	16,277
Other machinery and equipment	5,813	-	637	91	6,359
<b>Total movable tangible assets</b>	<b>70,055</b>	<b>-</b>	<b>10,709</b>	<b>2,764</b>	<b>78,000</b>

DISCLOSURES TO THE ANNUAL  
FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

## 29.4 Additions

## Additions to movable tangible capital assets per asset register for the year ended 31 March 2011

Description	Cash R'000	Non-cash R'000	(Capital work in Progress current costs and finance lease payments) R'000	Received current, not paid (paid current year, received prior year) R'000	Total R'000
Transport assets	290	-	-	-	290
Computer equipment	7,484	1,188	-	-	8,672
Furniture and office equipment	967	143	-	-	1,110
Other machinery and equipment	632	5	-	-	637
<b>Total additions of movable tangible capital assets</b>	<b>9,373</b>	<b>1,336</b>	<b>-</b>	<b>-</b>	<b>10,709</b>

## 29.5 Disposal

## Disposals of movable tangible capital assets per asset register for the year ended 31 March 2011

Description	Sold for cash R'000	Transfer out or destroyed or scrapped R'000	Total disposals R'000	Cash received actual R'000
Transport assets	199	-	199	80
Computer equipment	1,264	1,150	2,414	6
Furniture and office equipment	-	60	60	-
Other machinery and equipment	-	91	91	-
<b>Total Disposal of movable tangible capital assets</b>	<b>1,463</b>	<b>1,301</b>	<b>2,764</b>	<b>86</b>

## 29.6 Movement for 2009/10

## Movement in movable tangible capital assets per asset register for the year ended 31 March 2010

Description	Opening balance R'000	Current year adjustment to prior year balances R'000	Additions R'000	Disposal R'000	Closing balance R'000
Transport assets	2,488	(1)	1,440	(1,235)	2,692
Computer equipment	45,297	(1,098)	6,862	(4,738)	46,323
Furniture and office equipment	14,266	(230)	1,269	(78)	15,227
Other machinery and equipment	2,733	7	3,135	(62)	5,813
<b>Total movable tangible assets</b>	<b>64,784</b>	<b>(1,322)</b>	<b>12,706</b>	<b>(6,113)</b>	<b>70,055</b>

DISCLOSURES TO THE ANNUAL  
FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

## 29.7 Minor assets

## Minor assets of the department as at 31 March 2011

	Intangible Assets	Heritage Assets	Machinery and equipment	Biological assets	Closing balance
	R'000	R'000	R'000	R'000	R'000
Opening balance	-	-	33,244	-	33,244
Current year adjustment to prior year balances	-	-	-	-	-
Additions	-	-	939	-	939
Disposal	-	-	(658)	-	(658)
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>33,525</b>	<b>-</b>	<b>33,525</b>

	Machinery and equipment	Total
<b>Minor assets of the department as at 31 March 2011</b>		
Minor assets	23	23
<b>Total minor assets</b>	<b>23</b>	<b>23</b>

	Machinery and equipment	Total
Number of R1 minor assets	-	-
Number of minor assets at cost	23	23
<b>Total number of minor assets</b>	<b>23</b>	<b>23</b>

## Minor assets of the department as at 31 March 2010

	Specialised Military Assets	Intangible Assets	Heritage Assets	Machinery and Equipment	Closing balance
	R'000	R'000	R'000	R'000	R'000
Minor Assets	-	-	-	33,244	33,244
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,244</b>	<b>33,244</b>

ANNEXURES TO THE  
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

National Treasury Annual Report 2010/11

170

## ANNEXURE 1A

## STATEMENT OF CONDITIONAL GRANTS PAID TO THE PROVINCES

NAME OF PROVINCE / GRANT	GRANT ALLOCATION				TRANSFER			SPENT			2008/09 Division of Revenue Act R'000
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department	Amount received by department	Amount spent by department	% of available funds spent by department	
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	
Eastern Cape	2,010,800	-	-	2,010,800	1,508,100	502,700	-	1,508,100	(see note)	-	1,661,391
Free State	869,338	-	-	869,338	478,137	391,201	-	478,137	-	-	717,182
Gauteng	952,477	-	-	952,477	666,735	285,742	-	666,735	-	-	770,400*
Gautrain	-	-	-	-	-	-	-	-	-	-	4,200,000
Kwa-Zulu Natal	2,395,763	-	-	2,395,763	2,275,974	119,789	-	2,275,974	-	-	1,970,933
Limpopo	1,743,422	-	-	1,743,422	1,481,908	261,514	-	1,481,908	-	-	1,407,445
Mpumalanga	976,347	-	-	976,347	536,990	439,357	-	536,990	-	-	771,968
Northern Cape	598,847	-	-	598,847	323,483	275,364	-	323,483	-	-	492,388
North West	973,072	-	-	973,072	778,458	194,614	-	778,458	-	-	807,577
Western Cape	794,845	-	-	794,845	794,845	-	-	794,845	-	-	649,963
<b>Total conditional grants to provinces</b>	<b>11,314,911</b>	<b>-</b>	<b>-</b>	<b>11,314,911</b>	<b>8,844,630</b>	<b>2,470,281</b>	<b>-</b>	<b>8,844,630</b>	<b>-</b>	<b>-</b>	<b>13,449,247</b>

Note: Spending of this grant (Schedule 4) is subsumed in the spending of a range of programmes across provincial departments and therefore no reporting on expenditure is required in terms of Section 13(b) of the 2010 Division of Revenue Act (Act no. 1 of 2010).

\*Reclassification of prior year amount in line with the Departmental Reporting Framework.

ANNEXURES TO THE  
FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

## ANNEXURE 1B

## STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES

NAME OF MUNICIPALITY	GRANT ALLOCATION			TRANSFER			SPENT			2009/10 Division of Revenue Act R'000	
	Division of Revenue Act R'000	Rollovers R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	Funds Withheld R'000	Re- allocation by National Treasury or National Department R'000	Amount received by municipality R'000	Amount spent by municipality R'000		% of available funds spent by municipality R'000
Amatole District Municipality	25,000	-	23,000	48,000	42,405	5,595	-	42,405	18,244	43%	4,500
Ba-Phalaborwa	10,000	-	10,000	20,000	-	20,000	-	-	-	-	10,000
Beaufort West	2,000	-	-	2,000	-	2,000	-	-	-	-	-
Bitou	15,000	-	-	15,000	14,709	291	-	14,709	5,340	36%	5,000
Langeberg (Breede Rivier Wineyards)	2,400	-	(800)	1,600	1,600	-	-	1,600	-	-	800
Buffalo City	13,000	-	(6,000)	7,000	-	7,000	-	-	-	-	6,000
Bushbuckridge	3,000	-	-	3,000	-	3,000	-	-	-	-	2,388
Cape Town	95,000	-	6,000	101,000	100,900	100	-	100,900	53,044	53%	70,000
City of Matlosana	10,226	-	(9,426)	800	-	800	-	-	-	-	-
Dihlabeng	7,000	-	(6,200)	800	-	800	-	-	-	-	-
Ekurhuleni Metro	58,236	-	-	58,236	34,035	24,201	-	34,035	34,035	100%	44,430
Emnambithi (Ladysmith)	15,000	-	5,000	20,000	18,293	1,707	-	18,293	6,320	35%	-
Ethekwini	107,155	-	5,845	113,000	110,000	3,000	-	110,000	107,492	98%	98,334
Ga-Segonyana	8,000	-	(7,200)	800	-	800	-	-	-	-	-
Greater Taung	16,500	-	23,566	40,066	30,654	9,412	-	30,654	8,247	27%	-
Greater Tubatse	10,000	-	(10,000)	-	-	-	-	-	-	-	-
Greater Izaneen	15,000	-	-	15,000	10,620	4,380	-	10,620	2,611	25%	9,500
Johannesburg	80,000	-	20,000	100,000	99,958	42	-	99,958	39,769	40%	64,837
King Sabata Dalindyebo	9,000	-	9,048	18,048	18,048	-	-	18,048	18,048	100%	20,000
Knysna	12,000	-	(7,000)	5,000	5,000	-	-	5,000	-	-	4,000
Kwadukuza	15,000	-	-	15,000	5,583	9,417	-	5,583	-	-	-
<b>Subtotal carried forward</b>	<b>528,517</b>		<b>55,833</b>	<b>584,350</b>	<b>491,805</b>	<b>92,545</b>		<b>491,805</b>	<b>293,150</b>		<b>339,789</b>

ANNEXURES TO THE  
FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

## ANNEXURE 1B - CONTINUED

## STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES - continued

NAME OF MUNICIPALITY	GRANT ALLOCATION			TRANSFER			SPENT			2009/10 Division of Revenue Act R'000	
	Division of Revenue Act R'000	Rollovers R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	Funds Withheld R'000	Re- allocation by National Treasury or National Department R'000	Amount received by municipality R'000	Amount spent by municipality R'000		% of available funds spent by municipality R'000
<b>Subtotal brought forward</b>	<b>528,517</b>		<b>55,833</b>	<b>584,350</b>	<b>491,805</b>	<b>92,545</b>		<b>491,805</b>	<b>293,150</b>		<b>339,789</b>
Kouga	-	-	-	-	-	-	-	-	-	-	19,000
Lekwa	12,000	-	(3,322)	8,678	8,678	-	-	8,678	5,702	66%	21,898
Lukhanji	5,000	-	(5,000)	-	-	-	-	-	-	-	-
Makana	20,000	-	-	20,000	20,000	-	-	20,000	16,059	80%	23,851
Mandeni	15,000	-	(1,330)	13,670	13,670	-	-	13,670	13,670	100%	14,000
Matjhabeng	8,000	-	(7,200)	800	500	300	-	500	393	79%	-
Matzikama	5,600	-	(2,000)	3,600	2,200	1,400	-	2,200	348	16%	400
Mbombela	5,861	-	395	6,256	3,500	2,756	-	3,500	3,018	86%	8,976
Metsweding	15,000	-	-	15,000	-	15,000	-	-	-	-	5,000
Mogalakwena	8,000	-	37,000	45,000	43,079	1,921	-	43,079	7,809	18%	-
Mogale City	20,000	-	(10,000)	10,000	-	10,000	-	-	-	-	-
Msunduzi	15,000	-	(10,000)	5,000	-	5,000	-	-	-	-	-
Ndwedwe	15,000	-	-	15,000	9,261	5,739	-	9,261	929	10%	5,000
Nelson Mandela Bay	75,201	-	-	75,201	68,697	6,504	-	68,697	40,613	59%	31,500
Newcastle	15,000	-	(9,700)	5,300	5,262	38	-	5,262	1,264	24%	-
Nongoma	15,000	-	2,500	17,500	12,000	5,500	-	12,000	-	-	-
Oudtshoorn	8,000	-	-	8,000	8,000	-	-	8,000	4,607	58%	5,000
Overstrand	8,500	-	3,000	11,500	10,936	564	-	10,936	5,852	54%	2,500
Polokwane	12,000	-	-	12,000	8,159	3,841	-	8,159	-	-	-
Port St Johns	7,000	-	(7,000)	-	-	-	-	-	-	-	-
Ramotshere Moiloa	6,000	-	8,000	14,000	14,000	-	-	14,000	2,177	16%	7,000
<b>Subtotal carried forward</b>	<b>819,679</b>		<b>51,176</b>	<b>870,855</b>	<b>719,747</b>	<b>151,108</b>		<b>719,747</b>	<b>395,591</b>		<b>483,914</b>



ANNEXURES TO THE  
FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

## ANNEXURE 1B - CONTINUED

## STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES - continued

NAME OF MUNICIPALITY	GRANT ALLOCATION			TRANSFER			SPENT			2009/10 Division of Revenue Act R'000	
	Division of Revenue Act R'000	Rollovers R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	Funds Withheld R'000	Re- allocation by National Treasury or National Department R'000	Amount received by municipality R'000	Amount spent by municipality R'000		% of available funds spent by municipality R'000
<b>Subtotal brought forward</b>	<b>819,679</b>	-	<b>51,176</b>	<b>870,855</b>	<b>719,747</b>	<b>151,108</b>	-	<b>719,747</b>	<b>395,591</b>		<b>483,914</b>
Rustenburg	10,000	-	(9,000)	1,000	110	890	-	110	52	47%	-
Sedibeng	50,000	-	(14,728)	35,272	23,000	12,272	-	23,000	20,995	91%	23,873
Senqu	15,000	-	-	15,000	11,000	4,000	-	11,000	3,676	33%	-
Sisonke	-	-	-	-	-	-	-	-	-	-	3,501
Sol Plaatjie	19,300	-	(9,300)	10,000	9,000	1,000	-	9,000	-	-	15,000
Steve Tshwete	10,000	-	-	10,000	10,000	-	-	10,000	1,180	12%	-
Thulamela	20,000	-	-	20,000	20,000	-	-	20,000	7,363	37%	7,000
Tlokwe	8,000	-	(7,148)	852	-	852	-	-	-	-	-
Tshwane	38,021	-	-	38,021	11,116	26,905	-	11,116	4,482	40%	6,726
Umgeni	3,000	-	-	3,000	3,000	-	-	3,000	-	-	11,000
Umtshezi	12,000	-	4,000	16,000	14,816	1,184	-	14,816	10,916	74%	-
Umzimkhulu	10,000	-	-	10,000	10,000	-	-	10,000	8,723	87%	-
West Rand	15,000	-	(15,000)	-	-	-	-	-	-	-	-
Zululand	-	-	-	-	-	-	-	-	-	-	380
<b>Total</b>	<b>1,030,000</b>	-	-	<b>1,030,000</b>	<b>831,789</b>	<b>198,211</b>	-	<b>831,789</b>	<b>452,978</b>		<b>551,394</b>

ANNEXURES TO THE  
FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

## ANNEXURE 1C

## STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES

NAME OF MUNICIPALITY	GRANT ALLOCATION			TRANSFER		SPENT			2009/10 Total Available R'000	
	Division of Revenue Act	Rollovers	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Amount received by municipality	Amount spent by municipality		% of available funds spent by municipality
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000		%
!Kai!Garib	1,200	-	-	1,200	1,200	100%	1,200	1,048	87%	1,000
!Xhais	1,200	-	-	1,200	1,200	100%	1,200	1,036	86%	750
//Khara Hais	1,200	-	-	1,200	1,200	100%	1,200	384	32%	1,000
Abaqulusi	1,200	-	-	1,200	1,200	100%	1,200	1,112	93%	1,000
Aganang	1,000	-	-	1,000	1,000	100%	1,000	683	68%	1,000
Albert Luthuli	3,000	-	-	3,000	3,000	100%	3,000	606	20%	2,750
Alfred Nzo	1,000	-	-	1,000	1,000	100%	1,000	655	66%	750
Amahlathi	1,250	-	-	1,250	1,250	100%	1,250	936	75%	1,500
Amajuba	1,000	-	-	1,000	1,000	100%	1,000	419	42%	750
Amatole	1,000	-	-	1,000	1,000	100%	1,000	594	59%	750
Ba-Phalaborwa	1,000	-	-	1,000	1,000	100%	1,000	767	77%	750
Baviaans	1,250	-	-	1,250	1,250	100%	1,250	1,220	98%	1,000
Beaufort West	1,000	-	-	1,000	1,000	100%	1,000	883	88%	1,000
Bela-Bela	1,000	-	-	1,000	1,000	100%	1,000	843	84%	750
Bergrivier	1,000	-	-	1,000	1,000	100%	1,000	962	96%	750
Bitou	2,750	-	-	2,750	2,750	100%	2,750	837	30%	2,750
Blouberg	1,250	-	-	1,250	1,250	100%	1,250	472	38%	1,000
Blue Crane Route	1,200	-	-	1,200	1,200	100%	1,200	531	44%	1,000
<b>Subtotal carried forward</b>	<b>23,500</b>	<b>-</b>	<b>-</b>	<b>23,500</b>	<b>23,500</b>		<b>23,500</b>	<b>13,988</b>		<b>20,250</b>

ANNEXURES TO THE  
FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

ANNEXURE 1C - CONTINUED

STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES - continued

NAME OF MUNICIPALITY	GRANT ALLOCATION			TRANSFER		SPENT			2009/10	
	Division of Revenue Act	Rollovers	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
<b>Subtotal brought forward</b>	<b>23,500</b>	-	-	<b>23,500</b>	<b>23,500</b>	-	<b>23,500</b>	<b>13,988</b>	-	<b>20,250</b>
Bojanala Platinum	1,000	-	-	1,000	1,000	100%	1,000	854	85%	750
Dr. Ruth Segomotsi Mompati District	1,000	-	-	1,000	1,000	100%	1,000	828	83%	750
Langerberg (Breede Rivier Winelands)	1,000	-	-	1,000	1,000	100%	1,000	568	57%	750
Breede Valley	1,000	-	-	1,000	1,000	100%	1,000	364	36%	750
Buffalo City	1,200	-	-	1,200	1,200	100%	1,200	913	76%	1,000
Bushbuckridge	1,000	-	-	1,000	1,000	100%	1,000	652	65%	750
Cacadu	1,250	-	-	1,250	1,250	100%	1,250	859	69%	750
Camdeboo	2,000	-	-	2,000	2,000	100%	2,000	2,000	100%	2,000
Cape Agulhas	1,250	-	-	1,250	1,250	100%	1,250	978	78%	1,000
Cape Town	1,000	-	-	1,000	1,000	100%	1,000	1,000	100%	750
Cape Winelands	1,000	-	-	1,000	1,000	100%	1,000	862	86%	750
Capricorn	1,000	-	-	1,000	1,000	100%	1,000	329	33%	750
Cederberg	1,000	-	-	1,000	1,000	100%	1,000	585	59%	1,000
Central Karoo	1,000	-	-	1,000	1,000	100%	1,000	805	81%	750
Chris Hani	1,250	-	-	1,250	1,250	100%	1,250	948	76%	750
Dannhauser	3,000	-	-	3,000	3,000	100%	3,000	1,669	56%	2,750
Delmas	1,000	-	-	1,000	1,000	100%	1,000	327	33%	750
Dhlabeng	1,200	-	-	1,200	1,200	100%	1,200	607	51%	750
Dikgatlong	1,200	-	-	1,200	1,200	100%	1,200	443	37%	750
Dipaleseng	1,000	-	-	1,000	1,000	100%	1,000	189	19%	1,000
<b>Subtotal carried forward</b>	<b>47,850</b>	-	-	<b>47,850</b>	<b>47,850</b>	-	<b>47,850</b>	<b>29,768</b>	-	<b>10529</b>

ANNEXURES TO THE  
FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

## ANNEXURE 1C - CONTINUED

## STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES - continued

NAME OF MUNICIPALITY	GRANT ALLOCATION			TRANSFER		SPENT		2009/10 Total Available R'000		
	Division of Revenue Act	Rollovers	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Amount received by municipality		Amount spent by municipality	% of available funds spent by municipality
	R'000	R'000	R'000	R'000	R'000	%	R'000		R'000	%
<b>Balance brought forward</b>	<b>47,850</b>	-	-	<b>47,850</b>	<b>47,850</b>	-	<b>47,850</b>	<b>29,768</b>	-	<b>39,500</b>
Ditsobotla	1,000	-	-	1,000	1,000	100%	1,000	1,000	100%	1,000
Dr JS Moroka	3,000	-	-	3,000	3,000	100%	3,000	1,433	48%	2,750
Drakenstein	1,000	-	-	1,000	1,000	100%	1,000	1,000	100%	750
Eden	1,000	-	-	1,000	1,000	100%	1,000	624	62%	750
Edumbe	1,200	-	-	1,200	1,200	100%	1,200	634	53%	750
Ehlanzeni	1,000	-	-	1,000	1,000	100%	1,000	426	43%	750
Ekurhuleni Metro	1,000	-	-	1,000	1,000	100%	1,000	1,000	100%	750
Elundini	1,250	-	-	1,250	1,250	100%	1,250	1,124	90%	1,000
Emadlangeni	1,250	-	-	1,250	1,250	100%	1,250	849	68%	1,000
Emakhazeni	1,000	-	-	1,000	1,000	100%	1,000	976	98%	1,000
Emalahleni (Eastern Cape)	1,250	-	-	1,250	1,250	100%	1,250	460	37%	1,000
Emalahleni (Mpumalanga)	1,000	-	-	1,000	1,000	100%	1,000	422	42%	750
Emfuleni	1,000	-	-	1,000	1,000	100%	1,000	703	70%	750
Emnambithi (Ladysmith)	1,200	-	-	1,200	1,200	100%	1,200	1,189	99%	750
Emthanjeni	1,200	-	-	1,200	1,200	100%	1,200	1,140	95%	750
Endumeni	1,200	-	-	1,200	1,200	100%	1,200	1,054	88%	750
Engcobo	1,200	-	-	1,200	1,200	100%	1,200	1,054	88%	1,000
Ethekwini	1,000	-	-	1,000	1,000	100%	1,000	1,000	100%	750
Ezingoleni	1,250	-	-	1,250	1,250	100%	1,250	1,250	100%	1,000
Fetakgomo	1,250	-	-	1,250	1,250	100%	1,250	1,129	90%	1,000
<b>Subtotal carried forward</b>	<b>72,100</b>	-	-	<b>72,100</b>	<b>72,100</b>	-	<b>72,100</b>	<b>48,235</b>	-	<b>58,500</b>

ANNEXURES TO THE  
FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

## ANNEXURE 1C - CONTINUED

## STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES - continued

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER		SPENT			2009/10	
	Division of Revenue Act	Rollovers	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	Actual Transfer	R'000
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	R'000	R'000
<b>Balance brought forward</b>	<b>72,100</b>	-	-	<b>72,100</b>	<b>72,100</b>		<b>72,100</b>	<b>48,235</b>			<b>58,500</b>
Fezile Dabi	1,000	-	-	1,000	1,000	100%	1,000	936	94%		750
Frances Baard	1,000	-	-	1,000	1,000	100%	1,000	711	71%		750
Gamagara	1,200	-	-	1,200	1,200	100%	1,200	692	58%		750
Gariep	1,200	-	-	1,200	1,200	100%	1,200	363	30%		1,000
Ga-Segonyana	1,200	-	-	1,200	1,200	100%	1,200	1,200	100%		750
George	1,000	-	-	1,000	1,000	100%	1,000	812	81%		750
Gert Sibande	1,000	-	-	1,000	1,000	100%	1,000	621	62%		750
Govan Mbeki	1,000	-	-	1,000	1,000	100%	1,000	387	39%		750
Great Kei	1,500	-	-	1,500	1,500	100%	1,500	918	96%		1,000
Greater Giyani	1,000	-	-	1,000	1,000	100%	1,000	728	73%		750
Greater Kokstad	3,000	-	-	3,000	3,000	100%	3,000	1,422	47%		2,750
Greater Letaba	1,000	-	-	1,000	1,000	100%	1,000	1,000	100%		750
Greater Marble Hall	1,000	-	-	1,000	1,000	100%	1,000	603	60%		750
Greater Sekhukhune	1,000	-	-	1,000	1,000	100%	1,000	857	86%		1,500
Greater Taung	1,000	-	-	1,000	1,000	100%	1,000	671	67%		750
Greater Tubatse	1,000	-	-	1,000	1,000	100%	1,000	740	74%		750
Greater Tzaneen	1,000	-	-	1,000	1,000	100%	1,000	625	63%		750
Hantam	1,200	-	-	1,200	1,200	100%	1,200	660	55%		750
Hessequa	1,000	-	-	1,000	1,000	100%	1,000	860	86%		750
Hlibus Coast	1,200	-	-	1,200	1,200	100%	1,200	1,200	100%		750
<b>Subtotal carried forward</b>	<b>95,600</b>	-	-	<b>95,600</b>	<b>95,600</b>		<b>95,600</b>	<b>64,241</b>			<b>76,750</b>

ANNEXURES TO THE  
FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

## ANNEXURE 1C - CONTINUED

## STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES - continued

NAME OF MUNICIPALITY	GRANT ALLOCATION			TRANSFER		SPENT		2009/10		
	Division of Revenue Act	Rollovers	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	
<b>Balance brought forward</b>	<b>95,600</b>	-	-	<b>95,600</b>	<b>95,600</b>		<b>95,600</b>	<b>64,241</b>		<b>76,750</b>
Hlabisa	1,200	-	-	1,200	1,200	100%	1,200	427	36%	1,500
Ikwezi	1,200	-	-	1,200	1,200	100%	1,200	1,200	100%	1,000
iLembe	1,000	-	-	1,000	1,000	100%	1,000	368	37%	750
Imbabazane	1,250	-	-	1,250	1,250	100%	1,250	783	63%	1,000
Impendle	1,250	-	-	1,250	1,250	100%	1,250	865	69%	1,000
Indaka	1,250	-	-	1,250	1,250	100%	1,250	371	30%	1,000
Ingwe	1,200	-	-	1,200	1,200	100%	1,200	1,146	96%	750
Inkwanca	2,000	-	-	2,000	2,000	100%	2,000	2,000	100%	1,750
Intsika Yethu	1,250	-	-	1,250	1,250	100%	1,250	1,199	96%	1,000
Inxuba Ye Themba	1,250	-	-	1,250	1,250	100%	1,250	1,250	100%	1,500
City of Johannesburg	1,000	-	-	1,000	1,000	100%	1,000	104	10%	750
Jozini	1,200	-	-	1,200	1,200	100%	1,200	1,200	100%	1,500
Kagisano	1,000	-	-	1,000	1,000	100%	1,000	485	49%	750
Kamiesberg	1,200	-	-	1,200	1,200	100%	1,200	1,044	87%	750
Kannaland	1,000	-	-	1,000	1,000	100%	1,000	702	70%	1,000
Kareeberg	1,200	-	-	1,200	1,200	100%	1,200	769	64%	750
Karoo Hoogland	3,000	-	-	3,000	3,000	100%	3,000	3,000	100%	2,750
Kgalagadi	1,000	-	-	1,000	1,000	100%	1,000	570	57%	750
Kgatelopele	1,250	-	-	1,250	1,250	100%	1,250	561	45%	1,000
Kgetlervier	3,000	-	-	3,000	3,000	100%	3,000	2,611	87%	2,750
<b>Subtotal carried forward</b>	<b>123,300</b>	-	-	<b>123,300</b>	<b>123,300</b>		<b>123,300</b>	<b>84,896</b>		<b>100,750</b>

ANNEXURES TO THE  
FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

## ANNEXURE 1C - CONTINUED

## STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES - continued

NAME OF MUNICIPALITY	GRANT ALLOCATION			TRANSFER		SPENT		2009/10 Total Available R'000		
	Division of Revenue Act R'000	Rollovers R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available Funds Transferred %	Amount received by municipality R'000		Amount spent by municipality R'000	% of available funds spent by municipality %
<b>Balance brought forward</b>	<b>123,300</b>	-	-	<b>123,300</b>	<b>123,300</b>		<b>123,300</b>	<b>84,896</b>		<b>100,750</b>
Khait-Ma	3,000	-	-	3,000	3,000	100%	3,000	1,869	62%	2,750
King Sabata Dalindyebo	1,200	-	-	1,200	1,200	100%	1,200	356	30%	1,250
Knysna	1,000	-	-	1,000	1,000	100%	1,000	609	61%	1,000
Kopanong	1,200	-	-	1,200	1,200	100%	1,200	818	68%	750
Kouga	1,200	-	-	1,200	1,200	100%	1,200	1,200	100%	1,000
Koukamma	3,000	-	-	3,000	3,000	100%	3,000	850	28%	2,750
Kungwini	1,000	-	-	1,000	1,000	100%	1,000	729	73%	750
Kwa Dukuza	1,200	-	-	1,200	1,200	100%	1,200	585	49%	750
Kwa Sani	1,500	-	-	1,500	1,500	100%	1,500	1,248	83%	2,500
Laingsburg	1,250	-	-	1,250	1,250	100%	1,250	1,048	84%	750
Lejweleputswa	1,000	-	-	1,000	1,000	100%	1,000	1,000	100%	750
Lekwa	1,000	-	-	1,000	1,000	100%	1,000	702	70%	750
Lekwa-Temane	1,250	-	-	1,250	1,250	100%	1,250	379	30%	1,000
Lepelle-Nkumpi	3,000	-	-	3,000	3,000	100%	3,000	2,684	89%	2,750
Lephalale	1,000	-	-	1,000	1,000	100%	1,000	725	73%	750
Lesedi	3,000	-	-	3,000	3,000	100%	3,000	669	22%	2,750
Letsemeng	1,200	-	-	1,200	1,200	100%	1,200	854	71%	1,000
Lukhanji	1,250	-	-	1,250	1,250	100%	1,250	680	54%	1,000
Elias Motsoaledi	1,000	-	-	1,000	1,000	100%	1,000	869	87%	750
Madibeng	1,000	-	-	1,000	1,000	100%	1,000	305	31%	750
<b>Subtotal carried forward</b>	<b>153,550</b>	-	-	<b>153,550</b>	<b>153,550</b>		<b>153,550</b>	<b>103,075</b>		<b>127,250</b>

ANNEXURES TO THE  
FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

## ANNEXURE 1C - CONTINUED

## STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES - continued

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER		SPENT		2009/10	
	Division of Revenue Act	Rollovers	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
<b>Balance brought forward</b>	<b>153,550</b>	-	-	<b>153,550</b>	<b>153,550</b>	-	<b>153,550</b>	<b>103,075</b>	-	<b>127,250</b>
Mafikeng	1,000	-	-	1,000	1,000	100%	100%	753	75%	1,000
Mafube	1,000	-	-	1,000	1,000	100%	100%	607	61%	750
Magareng	1,250	-	-	1,250	1,250	100%	100%	854	68%	750
Makana	1,200	-	-	1,200	1,200	100%	100%	983	82%	1,000
Makhado	1,000	-	-	1,000	1,000	100%	100%	269	27%	750
Makhudutamaga	1,500	-	-	1,500	1,500	100%	100%	1,086	72%	1,500
Maletswai	1,250	-	-	1,250	1,250	100%	100%	480	38%	1,000
Maluti-A-Phofung	1,200	-	-	1,200	1,200	100%	100%	441	37%	750
Mamusa	1,000	-	-	1,000	1,000	100%	100%	448	45%	750
Mandeni	1,200	-	-	1,200	1,200	100%	100%	675	56%	750
Mangaung	1,189	-	-	1,189	1,189	100%	100%	567	48%	750
Mantsopa	3,000	-	-	3,000	3,000	100%	100%	3,000	100%	2,750
Maphumulo	1,200	-	-	1,200	1,200	100%	100%	648	54%	750
Maquassi Hill	1,000	-	-	1,000	1,000	100%	100%	375	38%	750
Maruleng	1,250	-	-	1,250	1,250	100%	100%	724	58%	1,000
Masilonyana	3,000	-	-	3,000	3,000	100%	100%	3,000	100%	2,750
Matatiele	1,200	-	-	1,200	1,200	100%	100%	238	20%	1,000
Matjhabeng	1,000	-	-	1,000	1,000	100%	100%	41	4%	750
City of Matlosana	1,000	-	-	1,000	1,000	100%	100%	591	59%	750
Matzikama	1,000	-	-	1,000	1,000	100%	100%	1,000	100%	750
<b>Subtotal carried forward</b>	<b>179,989</b>	-	-	<b>179,989</b>	<b>179,989</b>	-	<b>179,989</b>	<b>119,855</b>	-	<b>148,250</b>



ANNEXURES TO THE  
FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

ANNEXURE 1C - CONTINUED

STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES - continued

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER		SPENT		2009/10 Total Available R'000
	Division of Revenue Act R'000	Rollovers R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available Funds Transferred %	Amount received by municipality R'000	Amount spent by municipality R'000	
<b>Balance brought forward</b>	<b>179,989</b>	-	-	<b>179,989</b>	<b>179,989</b>		<b>179,989</b>	<b>119,855</b>	<b>148,250</b>
Mbashe	1,250	-	-	1,250	1,250	100%	1,250	470	38%
Mbizana	1,200	-	-	1,200	1,200	100%	1,200	1,200	100%
Mbombela	1,000	-	-	1,000	1,000	100%	1,000	1,000	100%
Mbonambi	1,200	-	-	1,200	1,200	100%	1,200	1,165	97%
Merafong City	1,000	-	-	1,000	1,000	100%	1,000	1,000	100%
Metsimaholo	1,000	-	-	1,000	1,000	100%	1,000	710	71%
Metsweding	1,250	-	-	1,250	1,250	100%	1,250	1,102	88%
Mhlontlo	1,200	-	-	1,200	1,200	100%	1,200	442	37%
Midvaal	1,000	-	-	1,000	1,000	100%	1,000	1,000	100%
Mier	1,200	-	-	1,200	1,200	100%	1,200	980	82%
Mkhambathini	1,500	-	-	1,500	1,500	100%	1,500	827	55%
Mkhondo	1,000	-	-	1,000	1,000	100%	1,000	722	72%
Mnquma	1,200	-	-	1,200	1,200	100%	1,200	1,138	95%
Modimolle	3,000	-	-	3,000	3,000	100%	3,000	2,441	81%
Mogalakwena	1,000	-	-	1,000	1,000	100%	1,000	904	90%
Mogale City	1,000	-	-	1,000	1,000	100%	1,000	792	79%
Mohokare	1,250	-	-	1,250	1,250	100%	1,250	967	77%
Molemole	1,000	-	-	1,000	1,000	100%	1,000	525	53%
Molopo	1,250	-	-	1,250	1,250	100%	1,250	283	23%
Mpofana	1,500	-	-	1,500	1,500	100%	1,500	1,410	94%
<b>Subtotal carried forward</b>	<b>204,989</b>	-	-	<b>204,989</b>	<b>204,989</b>		<b>204,989</b>	<b>138,933</b>	<b>169,000</b>

ANNEXURES TO THE  
FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

## ANNEXURE 1C - CONTINUED

## STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES - continued

NAME OF MUNICIPALITY	GRANT ALLOCATION			TRANSFER		SPENT		2009/10 Total Available R'000		
	Division of Revenue Act	Rollovers	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Amount received by municipality		Amount spent by municipality	% of available funds spent by municipality
	R'000	R'000	R'000	R'000	R'000	%	R'000		R'000	%
<b>Balance brought forward</b>	<b>204,989</b>	-	-	<b>204,989</b>	<b>204,989</b>		<b>204,989</b>	<b>138,933</b>		<b>169,000</b>
Mookgopong	1,000	-	-	1,000	1,000	100%	1,000	917	92%	750
Mopani	1,000	-	-	1,000	1,000	100%	1,000	527	53%	750
Moghaka	1,200	-	-	1,200	1,200	100%	1,200	508	42%	750
Moretele	1,000	-	-	1,000	1,000	100%	1,000	350	35%	750
Moses Kotane	1,000	-	-	1,000	1,000	100%	1,000	482	48%	750
Moshaweng	1,200	-	-	1,200	1,200	100%	1,200	449	37%	1,000
Mossel Bay	1,000	-	-	1,000	1,000	100%	1,000	552	55%	750
Motheo	1,000	-	-	1,000	1,000	100%	1,000	576	58%	750
Msinga	1,200	-	-	1,200	1,200	100%	1,200	564	47%	1,000
Msukaligwa	1,000	-	-	1,000	1,000	100%	1,000	295	30%	1,000
Msunduzi	1,200	-	-	1,200	1,200	100%	1,200	29	2%	750
Mthonjaneni	1,200	-	-	1,200	1,200	100%	1,200	1,162	97%	750
Mtubatuba	3,000	-	-	3,000	3,000	100%	3,000	2,963	99%	2,750
Musina	3,000	-	-	3,000	3,000	100%	3,000	1,591	53%	2,750
Mutale	1,000	-	-	1,000	1,000	100%	1,000	504	50%	1,000
Nala	1,500	-	-	1,500	1,500	100%	1,500	985	66%	1,500
Naledi (Free State)	1,200	-	-	1,200	1,200	100%	1,200	532	44%	1,000
Naledi (North West)	1,250	-	-	1,250	1,250	100%	1,250	593	47%	750
Nama Khoi	1,200	-	-	1,200	1,200	100%	1,200	766	64%	750
Namakwa	1,000	-	-	1,000	1,000	100%	1,000	949	95%	750
<b>Subtotal carried forward</b>	<b>231,139</b>	-	-	<b>231,139</b>	<b>231,139</b>		<b>231,139</b>	<b>154,227</b>		<b>190,000</b>

ANNEXURES TO THE  
FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

## ANNEXURE 1C - CONTINUED

## STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES - continued

NAME OF MUNICIPALITY	GRANT ALLOCATION			TRANSFER		SPENT		2009/10 Total Available R'000		
	Division of Revenue Act R'000	Rollovers R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available Funds Transferred %	Amount received by municipality R'000		Amount spent by municipality R'000	% of available funds spent by municipality %
<b>Balance brought forward</b>	<b>231,139</b>	-	-	<b>231,139</b>	<b>231,139</b>		<b>231,139</b>	<b>154,227</b>		<b>190,000</b>
Ndlambe	2,000	-	-	2,000	2,000	100%	2,000	1,998	100%	2,000
Ndwedwe	1,200	-	-	1,200	1,200	100%	1,200	1,200	100%	1,000
Nelson Mandela Bay	1,000	-	-	1,000	1,000	100%	1,000	1,000	100%	750
Newcastle	1,200	-	-	1,200	1,200	100%	1,200	931	78%	1,500
Ngakamodiri	1,000	-	-	1,000	1,000	100%	1,000	552	55%	1,000
Molema	1,200	-	-	1,200	1,200	100%	1,200	668	56%	1,000
Ngqushwa	1,000	-	-	1,000	1,000	100%	1,000	630	63%	750
Ngwathe	1,500	-	-	1,500	1,500	100%	1,500	1,327	88%	1,500
Nkandla	1,000	-	-	1,000	1,000	100%	1,000	201	20%	750
Nkangala	1,200	-	-	1,200	1,200	100%	1,200	554	46%	750
Nketoana	1,000	-	-	1,000	1,000	100%	1,000	723	72%	750
Nkomazi	1,200	-	-	1,200	1,200	100%	1,200	893	74%	1,000
Nkonkobe	3,000	-	-	3,000	3,000	100%	3,000	1,637	55%	2,750
Nokeng Tsa Taemane	1,200	-	-	1,200	1,200	100%	1,200	587	49%	750
Nongoma	1,250	-	-	1,250	1,250	100%	1,250	995	80%	1,000
Nquthu	1,250	-	-	1,250	1,250	100%	1,250	720	58%	1,000
Ntabankulu	1,200	-	-	1,200	1,200	100%	1,200	1,200	100%	750
Ntambanana	1,200	-	-	1,200	1,200	100%	1,200	756	63%	1,000
Nxuba	1,200	-	-	1,200	1,200	100%	1,200	1,003	84%	1,500
Nyandeni	1,000	-	-	1,000	1,000	100%	1,000	447	45%	750
O.R Tambo										
<b>Subtotal carried forward</b>	<b>256,939</b>	-	-	<b>256,939</b>	<b>256,939</b>		<b>256,939</b>	<b>172,249</b>		<b>212,250</b>

ANNEXURES TO THE  
FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

## ANNEXURE 1C - CONTINUED

## STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES - continued

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER		SPENT		2009/10	
	Division of Revenue Act	Rollovers	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
<b>Balance brought forward</b>	<b>256,939</b>	-	-	<b>256,939</b>	<b>256,939</b>		<b>256,939</b>	<b>172,249</b>		<b>212,250</b>
Okhahlamba	1,200	-	-	1,200	1,200	100%	1,200	782	65%	750
Oudtshoorn	1,000	-	-	1,000	1,000	100%	1,000	770	77%	750
Overberg	1,000	-	-	1,000	1,000	100%	1,000	722	72%	750
Overstrand	1,000	-	-	1,000	1,000	100%	1,000	728	73%	750
Phokwane	1,250	-	-	1,250	1,250	100%	1,250	1,164	93%	750
Phumelela	3,000	-	-	3,000	3,000	100%	3,000	2,763	92%	2,750
Pixley Ka Seme (Mpumalanga)	1,000	-	-	1,000	1,000	100%	1,000	440	44%	750
Karoo District	1,000	-	-	1,000	1,000	100%	1,000	664	66%	750
Polokwane	1,000	-	-	1,000	1,000	100%	1,000	448	45%	750
Port St John	2,000	-	-	2,000	2,000	100%	2,000	1,798	90%	1,750
Prince Albert	1,000	-	-	1,000	1,000	100%	1,000	301	30%	750
Ngqiza Hill	1,200	-	-	1,200	1,200	100%	1,200	748	62%	1,000
Ramontshere Moiloa	1,250	-	-	1,250	1,250	100%	1,250	500	40%	1,000
Randfontein	1,000	-	-	1,000	1,000	100%	1,000	899	90%	750
Ratlou	1,250	-	-	1,250	1,250	100%	1,250	574	46%	1,000
Renosterberg	1,200	-	-	1,200	1,200	100%	1,200	1,200	100%	750
Richmond	1,500	-	-	1,500	1,500	100%	1,500	1,324	88%	2,500
<b>Subtotal carried forward</b>	<b>278,789</b>	-	-	<b>278,789</b>	<b>278,789</b>		<b>278,789</b>	<b>188,074</b>		<b>230,500</b>

**ANNEXURE 1C - CONTINUED**

STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES - continued

NAME OF MUNICIPALITY	GRANT ALLOCATION			TRANSFER		SPENT		2009/10 Total Available R'000		
	Division of Revenue Act R'000	Rollovers R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available Funds Transferred %	Amount received by municipality R'000		Amount spent by municipality R'000	% of available funds spent by municipality %
<b>Balance brought forward</b>	<b>278,789</b>	-	-	<b>278,789</b>	<b>278,789</b>		<b>278,789</b>	<b>188,074</b>		<b>230,500</b>
Richtersveld	1,200	-	-	1,200	1,200	100%	1,200	1,200	100%	750
Rustenburg	1,000	-	-	1,000	1,000	100%	1,000	761	76%	750
Sakhsizwe	3,000	-	-	3,000	3,000	100%	3,000	3,000	100%	2,750
Saldanha Bay	1,000	-	-	1,000	1,000	100%	1,000	429	43%	750
Sedibeng	1,000	-	-	1,000	1,000	100%	1,000	573	57%	750
Senqu	1,200	-	-	1,200	1,200	100%	1,200	1,041	87%	1,000
Setoto	1,200	-	-	1,200	1,200	100%	1,200	918	77%	750
Sisonke	1,000	-	-	1,000	1,000	100%	1,000	948	75%	750
Siyancuma	1,200	-	-	1,200	1,200	100%	1,200	728	61%	750
Siyanda	1,000	-	-	1,000	1,000	100%	1,000	620	62%	750
Siyathemba	1,200	-	-	1,200	1,200	100%	1,200	1,091	91%	750
Sol Plaatjje	1,200	-	-	1,200	1,200	100%	1,200	1,084	90%	750
Dr. Kenneth Kaunda District	1,000	-	-	1,000	1,000	100%	1,000	330	33%	750
Stellenbosch	1,000	-	-	1,000	1,000	100%	1,000	469	47%	750
Steve Tshwete	1,000	-	-	1,000	1,000	100%	1,000	1,000	100%	750
Sunday's River Valley	1,500	-	-	1,500	1,500	100%	1,500	1,500	100%	1,500
Swartland	1,000	-	-	1,000	1,000	100%	1,000	477	48%	750
Swellendam	3,000	-	-	3,000	3,000	100%	3,000	1,887	63%	2,750
<b>Subtotal carried forward</b>	<b>302,489</b>	-	-	<b>302,489</b>	<b>302,489</b>		<b>302,489</b>	<b>206,130</b>		<b>249,000</b>

ANNEXURES TO THE  
FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

## ANNEXURE 1C - CONTINUED

## STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES - continued

NAME OF MUNICIPALITY	GRANT ALLOCATION			TRANSFER		SPENT		2009/10 Total Available R'000		
	Division of Revenue Act	Rollovers	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Amount received by municipality		Amount spent by municipality	% of available funds spent by municipality
	R'000	R'000	R'000	R'000	R'000	%	R'000		R'000	%
<b>Balance carried forward</b>	<b>302,489</b>	-	-	<b>302,489</b>	<b>302,489</b>		<b>302,489</b>	<b>206,130</b>		<b>249,000</b>
Thaba Chweu	1,000	-	-	1,000	1,000	100%	1,000	547	55%	750
Thabazimbi	1,500	-	-	1,500	1,500	100%	1,500	1,068	71%	750
Thabo Mofutsanyane	1,000	-	-	1,000	1,000	100%	1,000	684	68%	750
The Big 5 False Bay	1,200	-	-	1,200	1,200	100%	1,200	821	68%	1,500
Theewaterskloof	1,000	-	-	1,000	1,000	100%	1,000	1,000	100%	1,000
Thembelihle	1,250	-	-	1,250	1,250	100%	1,250	1,043	83%	1,000
Thembisile	3,000	-	-	3,000	3,000	100%	3,000	831	28%	2,750
Thulamela	1,000	-	-	1,000	1,000	100%	1,000	820	82%	750
Tlokwe	1,000	-	-	1,000	1,000	100%	1,000	1,000	100%	750
Tokologo	1,200	-	-	1,200	1,200	100%	1,200	246	21%	750
Tsantsabane	1,200	-	-	1,200	1,200	100%	1,200	1,200	100%	1,000
City Of Tshwane	1,000	-	-	1,000	1,000	100%	1,000	850	85%	750
Tsolwana	3,000	-	-	3,000	3,000	100%	3,000	2,258	75%	2,750
Tswaing	1,250	-	-	1,250	1,250	100%	1,250	1,162	93%	1,000
Tswelopele	1,200	-	-	1,200	1,200	100%	1,200	681	57%	750
Ubuhlebezwe	1,500	-	-	1,500	1,500	100%	1,500	1,216	81%	1,500
Ubuntutu	1,200	-	-	1,200	1,200	100%	1,200	917	76%	750
<b>Subtotal carried forward</b>	<b>325,989</b>	-	-	<b>325,989</b>	<b>325,989</b>		<b>325,989</b>	<b>222,474</b>		<b>268,250</b>

**ANNEXURE 1C - CONTINUED**

STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES - continued

NAME OF MUNICIPALITY	GRANT ALLOCATION			TRANSFER		SPENT		2009/10 Total Available R'000		
	Division of Revenue Act R'000	Rollovers R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available Funds Transferred %	Amount received by municipality R'000		Amount spent by municipality R'000	% of available funds spent by municipality %
<b>Balance brought forward</b>	<b>325,989</b>	-	-	<b>325,989</b>	<b>325,989</b>		<b>325,989</b>	<b>222,474</b>		<b>268,250</b>
Ugu	1,000	-	-	1,000	1,000	100%	1,000	720	72%	750
Ukhahlamba	1,000	-	-	1,000	1,000	100%	1,000	685	69%	750
Ulundi	1,200	-	-	1,200	1,200	100%	1,200	661	55%	750
Umdoni	1,200	-	-	1,200	1,200	100%	1,200	1,200	100%	1,500
Umgungundlovu	1,000	-	-	1,000	1,000	100%	1,000	871	87%	750
Umhlabuyalinga	1,200	-	-	1,200	1,200	100%	1,200	965	80%	1,740
Umhlatuze	1,200	-	-	1,200	1,200	100%	1,200	962	80%	750
Umkhanda	1,000	-	-	1,000	1,000	100%	1,000	1,000	100%	750
Umkhanyakude	1,000	-	-	1,000	1,000	100%	1,000	557	56%	750
Umlalazi	1,200	-	-	1,200	1,200	100%	1,200	929	77%	1,000
Umgweni	1,200	-	-	1,200	1,200	100%	1,200	252	21%	750
Umslwathi	1,500	-	-	1,500	1,500	100%	1,500	641	43%	1,500
Umsobomvu	1,200	-	-	1,200	1,200	100%	1,200	1,200	100%	1,000
Umtshezi	1,200	-	-	1,200	1,200	100%	1,200	780	65%	750
Umuziwabantu	1,200	-	-	1,200	1,200	100%	1,200	944	79%	1,000
Umvoti	1,200	-	-	1,200	1,200	100%	1,200	705	59%	750
Umzimkhulu	1,200	-	-	1,200	1,200	100%	1,200	1,119	93%	750
Umzimvubu	1,200	-	-	1,200	1,200	100%	1,200	1,200	100%	1,000
Umzinyathi	1,000	-	-	1,000	1,000	100%	1,000	738	74%	1,000
<b>Subtotal carried forward</b>	<b>347,889</b>	-	-	<b>347,889</b>	<b>347,889</b>		<b>347,889</b>	<b>238,603</b>		<b>286,240</b>

ANNEXURES TO THE  
FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

## ANNEXURE 1C - CONTINUED

## STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES - continued

NAME OF MUNICIPALITY	GRANT ALLOCATION			TRANSFER		SPENT		2009/10 Actual Transfer R'000		
	Division of Revenue Act	Rollovers	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Amount received by municipality		Amount spent by municipality	% of available funds spent by municipality
	R'000	R'000	R'000	R'000	R'000	%	R'000		R'000	%
<b>Balance brought forward</b>	<b>347,889</b>	-	-	<b>347,889</b>	<b>347,889</b>		<b>347,889</b>	<b>238,603</b>		<b>286,240</b>
Umkhumbi	1,250	-	-	1,250	1,250	100%	1,250	1,248	100%	1,000
Uphongolo	1,200	-	-	1,200	1,200	100%	1,200	905	75%	1,000
Uthukela	1,000	-	-	1,000	1,000	100%	1,000	543	54%	750
Uthungulu	1,000	-	-	1,000	1,000	100%	1,000	401	40%	750
Ventersdorp	1,000	-	-	1,000	1,000	100%	1,000	883	88%	750
Vhembe	1,000	-	-	1,000	1,000	100%	1,000	848	85%	750
Vulamehlo	1,250	-	-	1,250	1,250	100%	1,250	1,186	95%	1,000
Waterberg	1,000	-	-	1,000	1,000	100%	1,000	790	79%	1,000
West Coast	1,000	-	-	1,000	1,000	100%	1,000	682	68%	750
West Rand	1,000	-	-	1,000	1,000	100%	1,000	711	71%	750
Westonaria	1,000	-	-	1,000	1,000	100%	1,000	701	70%	750
Witzenberg	3,000	-	-	3,000	3,000	100%	3,000	1,665	56%	2,750
Xhariep	1,000	-	-	1,000	1,000	100%	1,000	734	73%	1,000
Zululand	1,000	-	-	1,000	1,000	100%	1,000	235	24%	750
<b>Total<sup>7</sup></b>	<b>364,589</b>	-	-	<b>364,589</b>	<b>364,589</b>		<b>364,589</b>	<b>250,135</b>		<b>299,990</b>

<sup>7</sup>Transfers made to municipalities are planned for July each year to align with the commencement of the municipal financial year and they have until 30 June 2011 to exhaust their funds.



## ANNEXURE 1D

### STATEMENT OF IN-KIND CONDITIONAL GRANTS AND TRANSFERS TO MUNICIPALITIES

NAME OF MUNICIPALITY	GRANT ALLOCATION			TRANSFER		SPENT			2009/10 Total Available R'000	
	Division of Revenue Act	Rollovers	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Amount received by municipality	Amount spent by municipality		% of available funds spent by municipality
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000		%
Neighbourhood Development Partnership Grant	1,030,000	-	-	1,030,000	831,789	80.7%	831,789	452,978	54.5%	551,394
<b>Total</b>	<b>1,030,000</b>	<b>-</b>	<b>-</b>	<b>1,030,000</b>	<b>831,789</b>		<b>831,789</b>	<b>452,978</b>		<b>551,394</b>

**ANNEXURE 1E****STATEMENT OF TRANSFERS TO DEPARTMENTAL AGENCIES AND ACCOUNTS**

DEPARTMENT/ AGENCY/ ACCOUNT	TRANSFER ALLOCATION				TRANSFER		2009/10 Appropriation Act R'000
	Adjusted Appropriation R'000	Rollovers R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available funds Transferred %	
Accounting Standards Board	7,538	-	-	7,538	7,538	100%	7,242
Audit Statutory Bodies	21,353	-	92	21,445	21,444	100%	19,638
Contingent Liabilities	1	-	-	1	-	-	-
Cooperative Bank Development Agency	8,200	-	-	8,200	8,200	100%	-
FASSET	420	-	43	463	426	92%	-
Financial and Fiscal Commission	31,391	-	-	31,391	31,391	100%	26,580
Financial Intelligence Centre	181,414	-	-	181,414	181,414	100%	157,884
Finance, Accounting, Management Consulting and other Financial Services	-	-	-	-	-	-	388
Independent Regulatory Board for Auditors	29,296	-	-	29,296	29,296	100%	22,018
Institute of Public Finance and Auditing	-	-	-	-	-	-	4,100
Investment of Public Monies	1	-	-	1	-	-	-
Project Development Facility <sup>8</sup>	128,000	-	-	128,000	53,000	41%	110,000
PALAMA	-	-	3,400	3,400	3,400	100%	-
Secret Services	3,306,752	-	-	3,306,752	3,306,753	100%	3,052,226
South African Revenue Service	8,142,208	-	-	8,142,208	8,142,208	100%	7,148,446
Technical Assistance Unit Trading Account	19,363	-	-	19,363	19,363	100%	18,898
<b>Total transfers to departmental agencies</b>	<b>11,875,937</b>	<b>-</b>	<b>3,535</b>	<b>11,879,472</b>	<b>11,804,432</b>	<b>-</b>	<b>10,567,420</b>

<sup>8</sup> The Project Development Facility includes the technical experts for the Neighbourhood Development Partnership programme

ANNEXURES TO THE  
FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

## ANNEXURE 1F

## STATEMENT OF TRANSFERS TO UNIVERSITIES AND TECHNIKONS

UNIVERSITY/ TECHNIKON	TRANSFER ALLOCATION				TRANSFER			2009/10	
	Adjusted Appropriation R'000	Roll Overs R'000	Adjust-ments R'000	Total Available R'000	Actual Transfer R'000	Amount not transferred R'000	% of Available funds Transferred %	Appro-riation Act R'000	
University of Cape Town <sup>9</sup>	5,000	-	300	5,300	5,300	-	100%	5,000	
University of Pretoria	500	-	-	500	-	500	-	456	
<b>Total transfers to universities</b>	<b>5,500</b>	<b>-</b>	<b>300</b>	<b>5,800</b>	<b>5,300</b>	<b>500</b>		<b>5,456</b>	

<sup>9</sup>The transfers made to the University of Cape Town were for the Economic Research South Africa initiative to fund local economic research.

**ANNEXURE 1G****STATEMENT OF TRANSFERS/SUBSIDIES TO PUBLIC CORPORATIONS AND PRIVATE ENTERPRISES**

NAME OF PUBLIC CORPORATION/ PRIVATE ENTERPRISE	TRANSFER ALLOCATION				EXPENDITURE			2009/10 Appropriation Act R'000	
	Adjusted Appropriation Act R'000	Rollovers R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available funds Transferred %	Capital R'000		Current R'000
<b>Public Corporations</b>									
Transfers									
Eskom	-	-	-	-	-	-	-	-	
Development Bank of Southern Africa (Siyenza Manje)	290,295	-	-	290,295	290,295	100%	-	-	
Land Bank	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>290,295</b>	<b>-</b>	<b>-</b>	<b>290,295</b>	<b>290,295</b>		<b>-</b>	<b>-</b>	
<b>Private Enterprises</b>									
Transfers									
Insurance (departmental vehicles)	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>66</b>	
<b>Total</b>	<b>290,295</b>	<b>-</b>	<b>-</b>	<b>290,295</b>	<b>290,295</b>		<b>-</b>	<b>31,267,473</b>	

Note: Funds transferred to Eskom and Land Bank have been re-classified since 01 April 2010 as Payment for Financial Assets.

## ANNEXURE 1H

### STATEMENT OF TRANSFERS TO FOREIGN GOVERNMENT AND INTERNATIONAL ORGANISATIONS

FOREIGN GOVERNMENT/ INTERNATIONAL ORGANISATION	TRANSFER ALLOCATION			EXPENDITURE		2009/10 Appropriation Act R'000	
	Adjusted Appropriation Act R'000	Roll overs R'000	Adjust-ments R'000	Total Available R'000	Actual Transfer R'000		% of Available funds Transferred %
<b>Transfer</b>							
African Development Bank	80,567	-	(25,486)	55,081	55,080	100%	
Commonwealth Fund for Technical Cooperation	4,079	-	-	4,079	3,029	74%	
International Funding Facility for Immunisation	10,000	-	(2,900)	7,100	7,086	100%	
Investment Climate Facility	-	-	-	-	-	-	
Common Monetary Area Compensation	380,957	-	16,835	397,792	397,792	100%	
United Kingdom Tax	2,000	-	(367)	1,633	1,633	100%	
World Bank Group (International Development Association)	68,000	-	-	68,000	68,000	100%	
Financial and Technical Support (African Develop- ment Bank)	18,088	-	(18,036)	52	-	-	
Regional Integration (SADC & SACU)	1	-	-	1	-	-	
Collaborative African Budget Reform Initiative	1,200	-	-	1,200	1,109	92%	
<b>Total</b>	<b>564,892</b>	<b>-</b>	<b>(29,954)</b>	<b>534,938</b>	<b>533,729</b>	<b>555,317</b>	

**ANNEXURE 11**

## STATEMENT OF TRANSFERS TO NON-PROFIT INSTITUTIONS

NON-PROFIT INSTITUTIONS	TRANSFER ALLOCATION				EXPENDITURE		2009/10 Appropriation Act R'000
	Adjusted Appropriation Act R'000	Roll overs R'000	Adjust-ments R'000	Total Available R'000	Actual Transfer R'000	% of Available funds transferred %	
	75	-	(74)	1	-	-	
<b>Total</b>	<b>75</b>	<b>-</b>	<b>(74)</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>71</b>

## ANNEXURE 1J

### STATEMENT OF TRANSFERS TO HOUSEHOLDS

HOUSEHOLDS	TRANSFER ALLOCATION			EXPENDITURE		
	Adjusted Appropriation Act	Rollovers	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred
	R'000	R'000	R'000	R'000	R'000	%
<b>Transfers</b>						
Post-retirement medical scheme contributions	1,518,706	-	71,033	1,589,739	1,589,738	100%
Injury on duty	365,357	-	33,703	399,060	399,059	100%
Medical benefits - ex-service men	32,766	-	1,109	33,875	33,874	100%
Other benefits	136,734	-	(12,147)	124,587	124,257	100%
SA Citizen Force	112,588	-	(3,480)	109,108	109,106	100%
Social assistance (bursaries)	1,468	-	-	1,468	1,040	71%
Special pensions	387,722	-	14,400	402,122	402,121	100%
Service benefits leave gratuity	597	-	-	597	588	98%
<b>Total</b>	<b>2,555,938</b>	<b>-</b>	<b>104,618</b>	<b>2,660,556</b>	<b>2,659,783</b>	<b>4,930,437</b>

**ANNEXURE 1K****STATEMENT OF FOREIGN AID ASSISTANCE RECEIVED**

NAME OF DONOR	PURPOSE	OPENING	REVENUE	EXPENDITURE	SURRENDERED	CLOSING
		BALANCE			TO RDP	BALANCE
		R'000	R'000	R'000	R'000	R'000
<b>Foreign aid assistance received in cash</b>						
Canada- ABRS AFDB	Provides funding for three CABRI project, namely: Budget Practices and Procedure report; Budget Resource Centre; Regional Public Goods	1,153	910	2,064	-	(1)*
European Union – Financial Management Improvement Programme (FMIP)	Strengthening government's capacity in improved financial management through supporting policy development, capacity building and strengthening public financial management at provincial and municipal level	111	1,811	1,921	-	1*
European Union – Official Development Assistance (ODA)	Contribute towards enhanced capacity development and promote economic development, good governance and social progress and rising living standards	(2,667)	7,593	6,098	-	(1,172)
Ireland – Collaborative African Budget Reform Initiative (CABRI)	Financing of the annual budget reform seminar	1,687	-	1,538	-	149
GTZ - ABRS	Provide financial management support to the Collaborative African Budget Reform Initiative	-	89	80	-	9
JICADCIS	Establish and operationalise a knowledge management system and upgrade the DCMIS	-	80	79	-	1
USA - LSGA	Increase collaboration and joint planning approaches with interventions as identified on a yearly basis.	-	377	-	-	377
<b>Subtotal foreign aid assistance received in cash</b>		<b>284</b>	<b>10,860</b>	<b>11,780</b>	<b>-</b>	<b>(636)</b>

\*The closing balances are resulting from rounding off



**ANNEXURE 1K - CONTINUED**

STATEMENT OF FOREIGN AID ASSISTANCE RECEIVED - continued

NAME OF DONOR	PURPOSE	OPENING	REVENUE	EXPENDITURE	SURRENDERED	CLOSING
		BALANCE	R'000	R'000	TO RDP	BALANCE
		R'000	R'000	R'000	R'000	R'000
<b>Foreign aid assistance received in cash</b>						
Department for International Development (DFID)	Support for the implementation of MFMA*	-	-	-	-	-
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	Technical advisor to support the implementation of MFMA*	-	991	991	-	-
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	Provide assistance with the implementation of 2010 FIFA World Cup projects	-	18,499	18,499	-	-
European Commission	Supporting the strengthening of public financial management in South Africa	4,503	1,980	6,483	-	-
National Treasury	Provide financial management support to the Collaborative African Budget* Reform Initiative	-	1,085	1,085	-	-
United State Agency for International Development	Limited scope grant agreement*	-	-	-	-	-
<b>Subtotal foreign aid assistance received in cash</b>		<b>4,503</b>	<b>22,555</b>	<b>27,058</b>	<b>-</b>	<b>-</b>

\*Reclassification of prior year amount to be in line with the Departmental Reporting Framework.

ANNEXURES TO THE  
FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

## ANNEXURE 2A

## STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO NATIONAL/PROVINCIAL PUBLIC ENTITIES

NAME OF PUBLIC ENTITY	State Entity's PFMA Schedule type (state year end if not 31 March)	% Held 09/10	% Held 08/09	Number of shares held		Cost of investment		Net Asset value of investment		Profit/(Loss) for the year		Losses guaranteed
				2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	
				R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	Yes/No
<b>National/provincial public entities</b>												
Accounting Standards Board	Schedule 3A	-	-	-	-	-	-	399	968	(569)	653	No
Cooperative Bank Development Agency	Schedule 3A	-	-	-	-	-	(249)	(382)	(382)	134	(382)	No
Development Bank of Southern Africa	Schedule 2	100	100	200,000	200,000	200,000	17,913,022	17,890,283	75,114	534,327	534,327	Yes
Financial and Fiscal Commission	Schedule 1	-	-	-	-	-	(1,662)	(1,402)	(891)	(1,055)	(1,055)	No
Financial Intelligence Centre	Schedule 3A	-	-	-	-	-	98,920	50,147	48,773	21,327	21,327	No
Financial Services Board	Schedule 3A	-	-	-	-	-	139,761	138,475	(18,666)	(14,642)	(14,642)	No
Independent Regulatory Board for Auditors	Schedule 3A	-	-	-	-	-	28,650	19,776	7,178	8,632	8,632	No
Land Bank	Schedule 2	100	100	-	-	200,955	3,896,486	2,899,826	286,098	379,089	379,089	Yes
Public Investment Corporation Ltd	Schedule 3B	100	100	1	1	1	517,557	391,442	152,702	143,625	143,625	Yes
South African Revenue Service	Schedule 3A	-	-	-	-	-	2,385,097	1,325,557	1,102,169	510,257	510,257	No
SASRIA Limited	Schedule 3B	100	100	-	-	-	3,464,965	3,202,120	416,144	510,998	510,998	Yes
Social Responsibility Investment Portfolio	Not applicable	-	1	-	-	-	-	-	-	-	-	No
<b>Total Investment</b>				<b>200,001</b>	<b>200,001</b>	<b>400,956</b>	<b>28,442,946</b>	<b>25,916,810</b>	<b>2,068,186</b>	<b>2,092,829</b>	<b>-</b>	<b>-</b>

The 2010/11 figures/amounts disclosed in this schedule are preliminary figures and are unaudited

## ANNEXURE 2B

### STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO ENTITIES - continued

Name of Public Entity	Nature of business	Cost of investment		Net Asset value of Investment		Amounts owing to Entities		Amounts owing by Entities	
		R'000		R'000		R'000		R'000	
		2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
Accounting Standards Board	Determine standards of generally recognised accounting practice	-	-	399	968	133	51	580	140
Cooperative Bank Development Agency	Establish a regulatory framework for cooperative banks	-	-	(249)	(382)	20	-	458	513
Development Bank of Southern Africa*	Promote, facilitate and by funding mobilise socioeconomic development in Southern Africa while promoting efficiency, fairness, transparency and responsibility	200,000	200,000	17,913,022	17,890,283	37,845,148	32,968,542	28,297,254	25,873,871
Financial and Fiscal Commission	Assist and maintain the balance between fiscal decentralisation and the unitary state	-	-	(1,662)	(1,402)	73	52	1,909	1,955
Financial Intelligence Centre	To assist in the identification of the proceeds of unlawful activities and the combating of money laundering activities	-	-	98,920	50,147	215	1,359	2,000	11,014
Financial Services Board	Supervise compliance with laws regulating financial institutions and the matters connected therewith	-	-	139,761	138,475	40,278	52,271	25,663	28,958
Independent Regulatory Board for Auditors	Registration of public accountants and auditors and for the regulation of the training of public accountants and auditors	-	-	28,650	19,776	4,296	4,232	1,644	7,446
Land Bank	Facilitate access to ownership of land for the development of farming enterprises and agricultural purposes for the historically disadvantaged people	200,955	200,955	3,896,486	2,899,826	14,299,153	12,294,424	11,854,986	10,661,930
Public Investment Corporation Ltd	Invests funds on behalf of the South African public sector	1	1	517,557	391,442	32,045	25,259	4,736	11,133
South African Revenue Service	Efficient and effective collection of revenue	-	-	2,385,097	1,325,557	68,240	85,539	693,000	706,650
SASRIA Limited	Short-term insurance	-	-	3,464,965	3,202,120	222,201	224,277	378,693	410,183
Social Responsibility Investment Portfolio	To facilitate black economic empowerment transactions and redress the inequalities of the past	-	-	-	-	-	-	-	-
<b>Total Investments</b>		<b>400,956</b>	<b>400,956</b>	<b>28,442,946</b>	<b>25,916,810</b>	<b>52,511,802</b>	<b>45,656,006</b>	<b>41,260,923</b>	<b>37,713,793</b>

The 2010/11 figures/amounts disclosed in this schedule are preliminary figures and are unaudited

\*The amount owing by entities for the DBSA include medium to long term funding debt securities plus funding lines credit. The amount owing to entities for DBSA reflects only Development loans.

**ANNEXURE 3A**

## STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2011 – LOCAL

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2010	Guarantees draw downs during the year	Guarantees repayments/cancelled/reduced/released during the year	Revaluations	Closing balance 31 March 2011	Guaranteed interest for year ended 31 March 2011	Realised losses not recoverable i.e. claims paid out	
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
<b>Motor vehicles guarantees</b>										
Standard Bank	Employees	749	53	-	(53)	-	-	-	-	
Vehicle Finance										
	<b>Subtotal</b>	<b>749</b>	<b>53</b>	<b>-</b>	<b>(53)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Housing guarantees</b>										
ABSA	Employees	70	70	-	(70)	-	-	-	-	
First National Bank	Employees	132	35	-	(35)	-	-	-	-	
Nedbank	Employees	112	75	-	(75)	-	-	-	-	
Standard Bank	Employees	124	13	-	(13)	-	-	-	-	
	<b>Subtotal</b>	<b>438</b>	<b>193</b>	<b>-</b>	<b>(193)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

ANNEXURES TO THE  
FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

**ANNEXURE 3A - continued**

STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2011 – LOCAL - continued

**Other Local Guarantees**

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2010	Guarantees draw downs during the year	Guarantees repayments/cancelled/reduced/released during the year	Revaluations	Closing balance 31 March 2011	Guaranteed interest for year ended 31 March 2011	Realised losses not recoverable i.e. claims paid out
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Other Local Guarantees</b>									
Development Bank of Southern Africa	Former regional authorities (former Ciskei)	16,800	7,457	-	(1,479)	-	5,978	187	-
Development Bank of Southern Africa	Former regional authorities (former Transkei)	5,500	1,245	-	(373)	-	872	22	-
Development Bank of Southern Africa	Former regional authorities (former Kwangwane)	3,667	2,474	-	(1,268)	-	1,206	-	-
Development Bank of Southern Africa	Former regional authorities (former Kwandebele)	55,989	15,366	-	(15,366)	-	-	-	-
Development Bank of Southern Africa	Former regional authorities (former Bophuthatswana)	199,770	84,000	-	(761)	-	83,239	61,954	-
Development Bank of Southern Africa	Former regional authorities (former Venda)	3,494	3,009	-	(2,191)	-	818	21	-
Development Bank of Southern Africa	Increase in Capital	15,200,000	15,200,000	-	-	-	15,200,000	-	-
Land Bank and Agriculture Development of South Africa	Consolidation of debt	100,000	92,728	-	-	-	92,728	-	-
<b>Subtotal</b>		<b>15,585,220</b>	<b>15,406,279</b>	<b>-</b>	<b>(21,491)</b>	<b>-</b>	<b>15,384,841</b>	<b>62,184</b>	<b>-</b>

\*Reclassification of the prior year amount.

**ANNEXURE 3A - continued****STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2011 – LOCAL - continued****Other Local Guarantees**

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2010	Guarantees draw downs during the year	Guarantees repayments/cancelled/reduced/released during the year	Revaluations	Closing balance 31 March 2011	Guaranteed interest for year ended 31 March 2011	Realised losses not recoverable i.e. claims paid out
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Other Local Guarantees</b>									
<b>Subtotal brought forward</b>		15,585,220	15,406,279	-	(21,438)	-	15,384,841	62,184	-
Land Bank and Agriculture Development of South Africa	Grain Silo Loans	200,000	1,547	-	(111)	-	1,436	61	-
Land Bank and Agriculture Development of South Africa	Recapitalisation <sup>10</sup>	3,500,000	2,500,000	-	(750,000)	-	1,750,000	-	-
<b>Subtotal other local guarantees</b>		19,285,220	17,907,826	-	(771,594)	-	17,136,277	62,245	-
<b>Total other local guarantees</b>		19,286,407	17,908,072	-	(771,795)	-	17,136,277	62,245	-

<sup>10</sup>The letter of understanding of R3.5 million is proportionally decreasing with capital injection by government to the Land Bank; R1 billion (2009/10), R750 million (2010/11 and 2011/12) and R1 billion (2012/13)

ANNEXURES TO THE  
FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

## ANNEXURE 3A - continued

## STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2011 – FOREIGN

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2010	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced/ released during the year	Revaluations	Closing balance 31 March 2011	Guaranteed interest for year ended 31 March 2011	Realised losses not recoverable i.e. claims paid out
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Development Bank of Southern Africa	Chiao Tung Bank Co. Ltd	105,161	18,123	-	(4,583)	(953)	12,587	20	-
Development Bank of Southern Africa	African Development Bank	475,472	128,363	-	(50,397)	(6,645)	71,321	310	-
Development Bank of Southern Africa	Nordic Investment Bank	67,925	22,005	-	(7,254)	(1,166)	13,585	21	-
Development Bank of Southern Africa	Nordic Investment Bank	67,925	12,944	-	(8,377)	(571)	3,996	11	-
Development Bank of Southern Africa	Nordic Investment Bank	67,925	21,574	-	(8,377)	(1,210)	11,987	32	-
Development Bank of Southern Africa	European Investment Bank	482,638	263,971	-	(210,221)	(4,384)	49,366	17	-
Development Bank of Southern Africa	European Investment Bank	482,638	165,123	-	(39,573)	(10,868)	114,682	38	-
Development Bank of Southern Africa	European Investment Bank	772,220	343,489	-	(43,903)	(23,916)	275,670	92	-
Development Bank of Southern Africa	African Development Bank	679,245	623,475	-	(72,205)	(41,836)	509,434	1,955	-
Development Bank of Southern Africa	Agence Francaise de Development	147,155	81,270	-	(11,443)	(1,909)	67,918	1,004	-
Development Bank of Southern Africa	Kreditanstalt fur Wierderaufbau	282,213	260,509	-	(13,296)	(7,332)	239,881	1,213	-
Development Bank of Southern Africa	Kreditanstalt fur Wierderaufbau	140,658	144,267	-	-	(3,609)	140,658	711	-
Development Bank of Southern Africa	Kreditanstalt fur Wierderaufbau	121,002	124,105	-	-	(3,104)	121,001	612	-
Development Bank of Southern Africa	Kreditanstalt fur Wierderaufbau	123,384	123,755	-	(5,694)	(3,435)	114,626	580	-

**ANNEXURE 3A - continued**

## STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2011 – FOREIGN

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2010	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced/ released during the year	Revaluations	Closing balance 31 March 2011	Guaranteed interest for year ended 31 March 2011	Realised losses not recoverable i.e. claims paid out
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Development Bank of Southern Africa	Kreditanstalt für Wiederaufbau	133,059	129,650	-	(6,269)	(3,628)	119,753	605	-
Development Bank of Southern Africa	African Development Bank	500,000	167,601	-	(41,901)	-	125,700	3,025	-
Development Bank of Southern Africa	Eurobonds	8,500,000	8,500,000	-	-	-	8,500,000	10,875	-
	<b>Subtotal foreign guarantees</b>	<b>13,148,620</b>	<b>11,130,224</b>	<b>-</b>	<b>(523,493)</b>	<b>(114,566)</b>	<b>10,492,165</b>	<b>21,121</b>	<b>-</b>
	<b>Total</b>	<b>32,435,027</b>	<b>29,038,296</b>	<b>-</b>	<b>(1,295,288)</b>	<b>(114,566)</b>	<b>27,628,442</b>	<b>83,366</b>	<b>-</b>



## ANNEXURE 3B

### STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2011

Nature of Liability	Opening Balance 1 April 2010	Liabilities incurred during the year	Liabilities paid/ cancelled/reduced during the year	Liabilities recoverable (Provide details hereunder)	Closing Balance 31 March 2011
	R'000	R'000	R'000	R'000	R'000
<b>Claims against the department</b>					
Arrears rental claim	403	-	(403)	-	-
RSC levies claim	171,815	-	-	-	171,815
SARB guarantee claim	35,336	-	-	-	35,336
Theft and losses claim <sup>11</sup>	786	-	(62)	-	724
Contract cancellation claim	4,500	576	-	-	5,076
Relocation costs claim	7	-	-	-	7
Promissory note claim	1,000,000	-	-	-	1,000,000
Alexcor claim	119,000	-	-	-	119,000
Adam Smith International claim	-	1,100	-	-	1,100
Unlawful use of photograph claim	-	500	-	-	500
Asset Forfeiture Unit claim	-	118	-	-	118
Xia Xu claim <sup>11</sup>	-	163	-	-	163
Callcom claim	-	2,400	-	-	2,400
National Heritage Site claim	-	4,888	-	-	4,888
Sikander Nanabhai claim	-	2,151	-	-	2,151
VMA court records claim	-	50	-	-	50
SARB money seizure claim <sup>11</sup>	-	1,859	-	-	1,859
Stolen cheque claim	-	67	-	-	67
Fraudulent VAT e-mail claim	-	516	-	-	516
<b>Total claims against the department</b>	<b>1,331,847</b>	<b>14,388</b>	<b>(465)</b>	<b>-</b>	<b>1,345,770</b>

<sup>11</sup> Exchange rate of R679 on \$103,493,75, \$24,000 and \$206,000 as at 31 March 2010 was applied respectively.

**ANNEXURE 3B - continued**

## STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2011

Nature of Liability	Opening Balance 1 April 2010	Liabilities incurred during the year	Liabilities paid/ cancelled/reduced during the year	Liabilities recoverable (Provide details hereunder)	Closing Balance 31 March 2011
	R'000	R'000	R'000	R'000	R'000
<b>Total other liabilities</b>	<b>146,795</b>	<b>216,899</b>	<b>(325)</b>	<b>-</b>	<b>363,369</b>
Military Pension	2,955	15,592	(325)	-	18,222
Injury on duty	-	4,379	-	-	4,379
Special Pension	143,840	148,662	-	-	292,502
Suspended Pensioners	-	48,266	-	-	48,266
<b>Total contingent liabilities</b>	<b>1,478,642</b>	<b>231,287</b>	<b>(790)</b>	<b>-</b>	<b>1,709,139</b>

## ANNEXURE 4

### CLAIMS RECOVERABLE

Government Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2011	31/03/2010	31/03/2011	31/03/2010	31/03/2011	31/03/2010
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Department</b>						
Gauteng	-	-	79	67	79	67
KwaZulu-Natal	-	-	-	1,108	-	1,108
Eastern Cape	-	-	-	18	-	18
Northern Cape	-	-	-	-	-	-
North West	-	-	-	-	-	-
Western Cape	-	-	125,074	125,074	125,074	125,074
National Departments	118	56	2,459	2,300	2,577	2,356
<b>Other</b>						
Foreign government	-	-	661	316	661	316
Households and non-profit Insitutions	-	-	9,370	9,495	9,370	9,495
<b>Total claims recoverable</b>	<b>118</b>	<b>56</b>	<b>137,643</b>	<b>138,378</b>	<b>137,761</b>	<b>138,434</b>

**ANNEXURE 5****INVENTORY**

Government Entity	2010-11		2009-10	
	QUANTITY	R'000	QUANTITY	R'000
<b>Inventory<sup>12</sup></b>				
Opening balance*	944	159	231	39
Add/(Less): Adjustments to prior year balances	-	-	-	-
Add: Additions/Purchases - Cash	6,000	952	6,000	1,008
Add: Additions - Non-cash	-	-	-	-
(Less): Disposals	-	-	-	-
(Less): Issues	(5,603)	(898)	(5,287)	(888)
Add/(Less): Adjustments	-	-	-	-
<b>Closing balance</b>	<b>1,341</b>	<b>213</b>	<b>944</b>	<b>159</b>

\*Reclassification of prior year amount to be in line with the Departmental Reporting Framework.

<sup>12</sup>Average price rates were used to align the purchase and issue price rates as determined by the LOGIS system.



# ANNUAL FINANCIAL STATEMENTS



## PROJECT DEVELOPMENT FACILITY (PDF)

A TRADING ENTITY MANAGED BY THE PPP UNIT OF NATIONAL TREASURY



## TECHNICAL ASSISTANCE UNIT

A TRADING ENTITY MANAGED BY THE TAU UNIT OF NATIONAL TREASURY

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 MARCH 2011



NATIONAL  
TREASURY

PPP  
unit

**P**roject  
**D**evelopment  
**F**acility

## PROJECT DEVELOPMENT FACILITY (PDF)

A TRADING ENTITY MANAGED BY THE PPP UNIT OF NATIONAL TREASURY

# ANNUAL FINANCIAL STATEMENTS

AS AT 31 MARCH 2010

## CONTENTS

Report of the Auditor General.....	213
Statement of financial position .....	216
Statement of comprehensive income .....	217
Statement of changes in equity.....	218
Statement of cash flows.....	219
Accounting policies.....	220
Notes to the Annual Financial Statements.....	224

**REPORT OF THE AUDITOR-GENERAL  
TO PARLIAMENT ON  
THE PROJECT DEVELOPMENT FACILITY (PDF)**

FOR THE YEAR ENDED 31 MARCH 2011



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

*Auditing to build public confidence*



# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE PROJECT DEVELOPMENT FACILITY

FOR THE YEAR ENDED 31 MARCH 2011

## REPORT ON THE FINANCIAL STATEMENTS

### INTRODUCTION

1. I have audited the accompanying financial statements of the Project Development Facility, which comprise the statement of financial position as at 31 March 2011, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 216 to 238.

### ACCOUNTING OFFICER'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice (SA Statements of GAAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### AUDITOR-GENERAL'S RESPONSIBILITY

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*. Those standards require 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 judgement, including the assessment of the risks 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.

**REPORT OF THE AUDITOR-GENERAL  
TO PARLIAMENT ON THE PROJECT  
DEVELOPMENT FACILITY – cont**  
FOR THE YEAR ENDED 31 MARCH 2011

## OPINION

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Project Development Facility as at 31 March 2011, and its financial performance and cash flows for the year then ended in accordance with SA Statements of GAAP and the requirements of the PFMA.

## EMPHASIS OF MATTER

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

### Restatement of corresponding figures

9. As disclosed in note 17 to the financial statements, the corresponding figures for 31 March 2010 have been restated as a result of an error discovered during 2011 in the financial statements of the Project Development Facility at, and for the year ended, 31 March 2011.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

10. In accordance with the PAA and in terms of *General Notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages 17 to 97 and material non-compliance with laws and regulations applicable to the Project Development Facility.

## PREDETERMINED OBJECTIVES

11. There were no material findings on the annual performance report concerning the presentation, usefulness and reliability of the information.

## COMPLIANCE WITH LAWS AND REGULATIONS

### Strategic planning and performance management

12. The accounting officer did not prepare adequate quarterly reports on the progress made in achieving measurable objectives and targets were as required by Treasury Regulation (TR) 5.3.1.

### Annual financial statements, performance and annual report

13. The accounting officer did not submit the annual performance report in time as required by Part C of *General Notice 1111 of 2010*, issued in *Government Gazette No. 33872 of 15 December 2010*.

**REPORT OF THE AUDITOR-GENERAL  
TO PARLIAMENT ON THE PROJECT  
DEVELOPMENT FACILITY - cont**  
FOR THE YEAR ENDED 31 MARCH 2011

## INTERNAL CONTROL

14. In accordance with the PAA and in terms of *General Notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted on the findings on compliance with laws and regulations included in this report.

## LEADERSHIP

### Oversight responsibility regarding reporting and compliance

15. Management did not adhere to the internal policies and procedures and as a result there were instances of non-compliance with the PFMA and TR.

*Auditor General*

Pretoria

29 July 2011



# STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2010/2011	Restated 2009/2010
		R	R
<b>ASSETS</b>			
<b>Current assets</b>		<b>27 433 048</b>	<b>60 277 523</b>
Receivables	11	83 405	283 478
Cash and cash equivalents	12	27 349 643	59 994 045
<b>Total assets</b>		<b>27 433 048</b>	<b>60 277 523</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Retained earnings		11 507 042	17 823 200
<b>Non Current liabilities</b>			
Revenue Fund	13	0	1 503 940
<b>Current liabilities</b>			
Payables	14	13 557 458	7 278 003
Deferred Revenue	15	674 832	411 571
Unspent Government Funding	16	1 693 716	33 260 809
<b>Total equity and liabilities</b>		<b>27 433 048</b>	<b>60 277 523</b>

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2011

	<b>Notes</b>	<b>2010/11 R</b>	<b>2009/10 R</b>
Revenue	7	62 704 394	86 826 493
Project expenses	8	(69 440 981)	(103 766 249)
Gross profit/(loss)		<u>(6 736 587)</u>	<u>(16 939 756)</u>
Investment Income	9	1 646 427	3 369 931
Administration expenses	10	(1 225 967)	(1 047 570)
Finance cost		(31)	(1 162)
<b>Loss for the year</b>		<u><b>(6 316 158)</b></u>	<u><b>(14 618 557)</b></u>

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	Retained Earnings
		<u>R</u>
Balance at 1 April 2009 as previously stated		81 829 410
Adjustment due to prior period errors	17	<u>(49 387 653)</u>
Restated Balance at 1 April 2009		32 441 757
Restated Net Loss for the year ended 31 March 2010		<u>(14 618 557)</u>
Restated Balance at 31 March 2010		17 823 200
Net Loss for the year ended 31 March 2011		<u>(6 316 158)</u>
<b>Balance at 31 March 2011</b>		<b><u>11 507 042</u></b>

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2010/11 R	2009/10 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash received from government and other sources		62 704 394	86 826 493
Cash paid to suppliers		(97 195 265)	(124 708 927)
Interest Paid		(31)	(1 162)
Cash utilised in operations	18	<u>(34 490 902)</u>	<u>(37 883 596)</u>
Interest received	19	<u>1 846 500</u>	<u>3 430 266</u>
Net cash inflow/outflow from operating activities		<u>(32 644 402)</u>	<u>(34 453 330)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		(32 644 402)	(34 453 330)
Cash and cash equivalents at beginning of the year	12	59 994 045	94 447 375
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>12</b>	<b><u>27 349 643</u></b>	<b><u>59 994 045</u></b>

# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2011

## 1. GENERAL INFORMATION

The Project Development Fund (PDF) is a Trading Entity that is incorporated in the Republic of South Africa. The PDF is located within the Public Private Partnership (PPP) unit of National Treasury. Its principal role is to increase the quality and quantity of commercially viable projects that are processed through the PPP unit's project pipeline.

The PDF also supports the:

(1) NDPG (Neighbourhood Development Programme Grant) –

Its role is to accelerate investment in community amenities in poor underserved residential neighbourhoods by providing technical support and co-financing for municipal projects, which includes the construction of new and improved social, administrative, commercial and recreational community facilities.

(2) US Grant –

Its role is to facilitate partnership arrangements at municipal level, monitor implementation of the growth and development summit agreements, and establishes a framework for municipal investment.

## 2. STANDARDS AND INTERPRETATIONS EARLY ADOPTED

No new standards and interpretations have been early adopted in the current financial year.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### 3.1 STATEMENT OF COMPLIANCE

The annual financial statements have been prepared in accordance with Statements of Generally Accepted Accounting Practice (GAAP). These require the use of certain accounting estimates. They also require management to exercise its judgement in the process of applying the company's accounting policies based on best available information at the time of preparation.

### 3.2 CURRENCY

The financial statements are presented in South African Rand since that is the currency in which the majority of the entity's transactions are denominated.

### 3.3 BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis, except where indicated otherwise. The financial statements incorporate the fundamental assumptions of going concern and accrual.



## ACCOUNTING POLICIES

- *continued*

FOR THE YEAR ENDED 31 MARCH 2011

The principal accounting policies are adopted and set out below. These have been applied consistently with the previous financial year.

### 3.4 REVENUE RECOGNITION

#### Funding Revenue

Funding revenue is recognised when it is probable that future economic benefits will flow to the entity and the entity will comply with the conditions attaching to it.

Where the resources transferred to the entity are subject to the fulfilment of specific conditions, it recognises an asset and a corresponding liability. As and when the conditions are fulfilled, the liability is reduced and revenue is recognised.

Funding received by the NDPG is accounted for in the financial statements of the entity as a liability until the related eligible project expenses are incurred. Investment income related to these funds increases the liability unless the entity is approved to utilise investment income for unrelated expenses, in which case it is recognised on a time proportionate basis. Funding received by the PDF is accounted for in the financial statements of the entity on receipt.

Funding received by the US Grant is accounted for in the financial statements of the entity as a liability until the related eligible project expenses are incurred.

### 3.5 IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE

Irregular expenditure relates to expenditure incurred in contravention of, or not in accordance with, a requirement of any applicable legislation, including the Public Financial and Management Act (PFMA), 1999 as amended.

Fruitless and wasteful expenditure relates to expenditure made in vain and could have been avoided had reasonable care or controls been exercised.

All irregular and fruitless and wasteful expenditure is disclosed in the notes to the financial statement in the period in which it is incurred.

### 3.6 FINANCIAL INSTRUMENTS

#### Recognition

Financial instruments are initially recognised when the entity becomes a party to the contractual provisions of the relevant instrument, and are initially measured at fair value. Subsequent to initial recognition, these instruments are measured as set out below.

#### Financial Assets

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including receivables, cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

**ACCOUNTING POLICIES***- continued*

FOR THE YEAR ENDED 31 MARCH 2011

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

**Financial Liabilities**

All financial liabilities of PDF are classified as other financial liabilities. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of initial recognition.

*Other financial Liabilities*

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

**3.7 FOREIGN CURRENCIES**

In preparing the financial statements of the individual entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the date the funds are received and are re-valued at the closing rate as at the financial year end 31 March 2011.

**3.8 GOING CONCERN**

The entity is financially dependent on the funding it receives from National Treasury. On the basis that the funding has been listed in the Estimates of National Expenditure, management believe that the entity will continue to be a going concern in the year ahead. For this reason, management continue to prepare the annual financial statements on a going concern basis.

**4. PUBLIC SECTOR PRACTICES AND POLICIES****4.1 INTER-RELATIONSHIP WITH OTHER GOVERNMENT ENTITIES**

The entity operates as a trading entity of the National Treasury, within the South African Government environment. In line with prevailing government practices, the entity is not obliged to pay for certain expenditure such as office space and utilisation of fixed and moveable assets..

**4.2 PUBLIC FINANCE MANAGEMENT ACT REPORTING REQUIREMENTS**

Section 40(3) (b)

No material losses occurred during the current financial year due to criminal conduct nor any unauthorised expenditure or irregular expenditure.

## ACCOUNTING POLICIES

*- continued*

FOR THE YEAR ENDED 31 MARCH 2010

**5. CONTINGENT LIABILITIES**

The entity's main operating activities are to facilitate project developments for municipalities/institutions. Hence project commitments are provided to facilitate such developments. These commitments range from 2 – 20 years depending on the nature of the project.

The full commitment less cumulative expenditure results in the future commitment to the municipality/institution. This is the contingent liability.

Refer to note 20 on the list of contingent liabilities for both the PDF and NDPG projects.

**6. CONTINGENT ASSETS**

The entity has a legal right to recover expenditure disbursed when a project reaches the final stage of the PPP, from the private party.

Funds are paid to transaction advisors in accordance with the terms of the contract between the institution or municipality and the transaction advisor. Disbursed funds may be recovered from the successful private party bidder when the PPP reaches financial close. The PDF is exposed to the full risk of the project not reaching financial closure.

To date, the PDF has not recovered any disbursed funds from projects as they have not reached financial closure.

An asset will be recognised once the project has reached financial closure. It is only at this closure where the PDF will be able to recover the expenditure disbursed.

**7. REVENUE**

Funding Income includes R1 503 940 retained from Eastern Cape Department of Health (see note 13) and R300 000 co-funding received from Free State Department of Health (see note 14).

Revenue includes:

	<b>2010/2011</b>	<b>Restated</b>
	<b>R</b>	<b>2009/2010</b>
		<b>R</b>
- Government Funding Income – PDF	3 000 000	0
- Government Funding Income – NDPG	53 345 758	86 126 844
- US Grant	908 000	699 649
- PDF Alternative Energy	500 000	0
- Project Reimbursive Expenditure	3 146 696	0
- Funding Income	1 803 940	0
	<b>62 704 394</b>	<b>86 826 493</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

	2010/2011 R	Restated 2009/2010 R
<b>8. PROJECT EXPENSES</b>		
Project expenses includes:		
- PDF	13 172 652	17 053 576
- NDPG (qualifying expenditure)	53 345 758	86 126 844
- NDPG (other)	1 778 884	0
- PDF Alternative Energy	500 000	0
- US Grant	643 687	585 829
	<b>69 440 981</b>	<b>103 766 249</b>

## 9. INVESTMENT INCOME

Other income includes:

- Interest received from PDF bank account	268 315	1 159 791
- Interest received from NDPG bank account	1 378 112	2 210 140
	<b>1 646 427</b>	<b>3 369 931</b>

NDPG has the authority to retain the NDPG interest and utilise it for NDPG operations.

## 10. ADMINISTRATION EXPENSES

Administration expenses comprises the following:

- Audit fees	245 853	234 677
- Bank charges	26 446	143 394
- Financial managers' fees	953 668	669 499
	<b>1 225 967</b>	<b>1 047 570</b>

Financial managers' fees represent amounts paid to Deloitte Consulting (Pty) Ltd for accounting services.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

	<b>2010/2011</b>	<b>Restated</b>
	<b>R</b>	<b>2009/2010</b>
	<b>R</b>	<b>R</b>
<b>11. RECEIVABLES</b>		
Accrued interest	<b>83 405</b>	<b>283 478</b>

Total receivables consist of interest accrued, but not yet received, from the bank due to a positive material bank balance.

The credit risk exposure of the PDF is disclosed in note 23.

## 12. CASH AND CASH EQUIVALENTS

PDF bank account	6 239 961	11 624 044
PDF - Alternative Energy	648 796	0
PDF - PPPIAF	494	0
NDPG bank account	19 816 532	47 958 430
US Grant bank account	643 860	411 571
	<b>27 349 643</b>	<b>59 994 045</b>

## 13. REVENUE FUND

Revenue Fund	<b>0</b>	<b>1 503 940</b>
--------------	----------	------------------

Liability from the Revenue Fund is as a result of over recovery of the project reimbursement from the Eastern Cape Department of Health, the funds, however, could not be repaid to the Eastern Cape Department of Health.

The process for the money to be retained by the PDF was concluded during the current financial year. The amount of R1 503 940 was recognised as revenue in the current financial year.

## 14. PAYABLES

Payables	13 557 458	6 978 003
Free State Department of Health	0	300 000
	<b>13 557 458</b>	<b>7 278 003</b>

The average credit period on purchases is 30 days from invoice date. No interest is charged on the trade payables. The PDF has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

The PDF received co-funding from the Free State Department of Health on the Hospitals project. This amount was utilised on the project during the current financial period (refer to note 20 – PDF project number 21)

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

	2010/2011 R	Restated 2009/2010 R
<b>15. DEFERRED REVENUE</b>		
<b>US Grant:</b>		
Balance as at 1 April 2010	411 571	1 111 220
Funding received in the current year	1 022 960	0
Revenue recognised in current year	(908 000)	(699 649)
<b>Balance at 31 March 2011</b>	<b>526 531</b>	<b>411 571</b>
Revenue of R908 000 includes: Project expenses recognised as revenue of R755 730, Bank charges of R951 and revenue not recognised in financial year 2010, of R151 319.		
<b>PDF Alternative Energy:</b>		
Balance as at 1 April 2010	0	0
Funding received in the current year	648 301	0
Revenue recognised in current year	(500 000)	0
<b>Balance at 31 March 2011</b>	<b>148 301</b>	<b>0</b>
<b>Total Deferred Revenue</b>	<b>674 832</b>	<b>411 571</b>

Funds are received from the World Bank for the US Grant account and the Royal Danish Embassy for the PDF Alternative Energy account.

## 16. UNSPENT GOVERNMENT FUNDING

### NDPG:

Balance as at 1 April 2010	33 260 809	49 387 653
Funding received in the current year	21 778 665	70 000 000
Revenue recognised in current year	(53 345 758)	(86 126 844)
<b>Balance at 31 March 2011</b>	<b>1 693 716</b>	<b>33 260 809</b>

It is a condition of the NDPG to utilise their funding to incur project expenditure.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

	2010/2011	Restated 2009/2010
	R	R

## 17. ADJUSTMENT DUE TO PRIOR PERIOD ERRORS

The PDF previously treated the NDPG funding received from the National Treasury as an unconditional grant, i.e. recognising revenue upon receipt of the transfer. The financial statements of 2009/10 have been restated to reflect the conditionality of this transfer, i.e. recognising a liability to the extent that eligible project expenditure has not been incurred.

The effect of the restatement on those financial statements is summarised below:

Decrease in opening balance Retained Earnings	614,510
Increase in Revenue / Decrease in Loss for the year	5,887,373
	<u>(33 260 809)</u>
Increase in Unspent Government Funding	(33 260 809)
Decrease in closing balance Retained Earnings	<u>(33 260 809)</u>

## 18. RECONCILIATION OF NET LOSS FOR THE YEAR TO CASH UTILISED IN OPERATIONS

<b>Net loss for the year</b>	<b>(6 316 158)</b>	<b>(14 618 557)</b>
Net interest income	(1 846 500)	(3 430 266)
Operating cash flows before working capital changes	(8 162 658)	(18 048 823)
Working capital changes:	(26 328 244)	(19 834 773)
- Increase/(Decrease) in payables	4 775 514	(3 068 615)
- Decrease in receivables	200 073	60 335
- Increase/(Decrease) in Deferred Revenue	263 262	(699 649)
- Decrease in Unspent Government Funding	(31 567 093)	(16 126 844)
<b>Cash utilised in operations</b>	<b>(34 490 902)</b>	<b>(37 883 596)</b>

## 19. INTEREST RECEIVED

Accrued interest income at beginning of year	283 478	343 813
Net finance income received per the statement of comprehensive income	1 646 427	3 369 931
Accrued net finance income at the end of the year	(83 405)	(283 478)
<b>Interest income received</b>	<b>1 846 500</b>	<b>3 430 266</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

	2010/2011 R	Restated 2009/2010 R
<b>20. CONTINGENT LIABILITIES</b>		
Retained Earnings	11 507 042	17 823 200
NDPG projects	417 338 775	453 687 360
PDF projects	19 310 999	26 663 826
PDF projects – Hospital Programme	36 323 349	0
	<b>484 480 165</b>	<b>498 174 386</b>

The retained earnings is retained for the funding of transaction advisors costs associated with establishment of selected NDPG projects approved for funding during the course of the entity normal course of operations. The entity has obtained permission from National Treasury to retain the retained earnings from the 2009/2010 financial year. The entity is in the process of requesting permission from National Treasury to retain the 2010/2011 surplus.

Funding is disbursed upon the successful achievement of predefined milestones and Treasury Approvals. The entity has no control over the performance / non-performance of the party they enter into agreement with, and therefore no control over whether milestones are met and when they will be met. The project agreement is not an irrevocable contract as a key condition for performance of the entity (i.e. payment of agreed funds) is fully dependent upon the external party's performance.

Management has therefore interpreted the net commitment balance (funding amount per contract less any disbursements made to the project upon reaching the milestones) for both the PDF and NDPG projects to be a contingent liability.

Movement on NDPG projects identified for funding during the period:

### NEIGHBOURHOOD DEVELOPMENT PROJECT GRANT

#	PROJECT NUMBER	PROJECT NAME & DESCRIPTION	Future remaining commitments for the year ending 31 March 2010	Positive (+) and negative (-) funding adjustments for the year ending 31 March 2011	Expenditure for the year ending 31 March 2011	Future remaining commitments for the year ending 31 March 2011
1	NDPG1-038	Swalala Precinct Development & KwaNyamazane Renewal	5 064 244		-2 217 072	2 847 172
2	NDPG1-043	Mphophomeni Multi Service Centre	6 969		-	6 969
3	NDPG1-064	Nkowankowa Urban Renewal	1 417 672	1 850 000	-2 809 518	458 154
4	NDPG1-065	High Street Development	1 764 857		-960 043	804 814



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

## 20. CONTINGENT LIABILITIES (CONTINUED)

#	PROJECT NUMBER	PROJECT NAME & DESCRIPTION	Future remaining commitments for the year ending 31 March 2010	Positive (+) and negative (-) funding adjustments for the year ending 31 March 2011	Expenditure for the year ending 31 March 2011	Future remaining commitments for the year ending 31 March 2011
5	NDPG1-066	Development of Social, Economic & Community nodes & Large Area Facilities for resident townships	1 650 616		-229 702	1 420 914
6	NDPG1-067	Large area social facilities	6 392 050		-	6 392 050
7	NDPG1-068	Economic & Community Node	1 096 918		-	1 096 918
8	NDPG1-069	Economic & Community Node	993 994		-	993 994
9	NDPG1-070	Economic & Community Node	705 833		-	705 833
10	NDPG1-071	Mining belt upliftment of informal settlement & infra development	550 933		-	550 933
11	NDPG1-072	Rehabilitation and Urban Renewal	971 977		-338 350	633 627
12	NDPG1-077	Eyabantu Community Neighbourhood Centre	1 189 167		-	1 189 167
13	NDPG1-079	New Brighton Renewal	2 820 000		-585 937	2 234 063
14	NDPG1-092	Ndwedwe Township Development	3 053 364	930 000	-280 939	3 702 425
15	NDPG1-097	Sports Facility & Economic Hub	1 386 316		-1 016 624	369 692
16	NDPG1-103	Masifunde Node Initiative	847 319		-221 205	626 114
17	NDPG1-106	Tsosoloso Programme (Public Spaces)	28 419 242		-4 773 138	23 646 104
18	NDPG1-107	Imbali Mixed Use Investment Node	1 545 664		-	1 545 664
19	NDPG1-169	KwaMashu Town Centre Redevelopment	256 720		-	256 720
20	NDPG1-171	INK Urban Renewal Programme	4 998 116		-348 899	4 649 217
21	NDPG1-176	Mothibstad Rural Development	800 000		-160 740	639 260
22	NDPG1-182	Njoli Square Redevelopment	1 600 000		-	1 600 000
23	NDPG1-183	Motherwell Sustainable Community Development - Social Economic and Demographic Survey	726 468		-	726 468

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

### 20. CONTINGENT LIABILITIES (CONTINUED)

#	PROJECT NUMBER	PROJECT NAME & DESCRIPTION	Future remaining commitments for the year ending 31 March 2010	Positive (+) and negative (-) funding adjustments for the year ending 31 March 2011	Expenditure for the year ending 31 March 2011	Future remaining commitments for the year ending 31 March 2011
24	NDPG1-185	Transdo Economic Node Development	5 733 843		-681 523	5 052 320
25	NDPG1-189A	MPCC/TSC (uPhongolo)	600 000		-	600 000
26	NDPG1-189B	Highflats: MPCC/TSC	600 000		-	600 000
27	NDPG1-223	Kliptown CBD renewal Parking Base	1 437 671	-1 127 892	-	309 779
28	NDPG1-226	Galeshave Urban renewal	9 341 990		-1 626 579	7 715 411
29	NDPG1-237	Oude Molen & Maitland Redevelopment	2 000 000		-	2 000 000
30	NDPG1-241	Zeerust MPCC/TSC/ Ikageleng	1 276 919	3 799 700	-1 199 998	3 876 621
31	NDPG1-242	Bara Central Development	7 708 936		-	7 708 936
32	NDPG1-243	Orlando Ekhasa	395 514		-	395 514
33	NDPG2-024	Township Restructuring	2 720 119		-1 481 361	1 238 758
34	NDPG2-028	Helenvale	4 335 106		-1 189 531	3 145 575
35	NDPG2-029	Sharpville Precinct Development and Others	-		-	-
36	NDPG2-030	Fountain Road Development	700 807		-250 643	450 164
37	NDPG2-031	Nyanga Transport Interchange	1 198 316		-300 746	897 570
38	NDPG2-032	Athlone Power Station Redevelopment	2 642 204		-1 364 870	1 277 334
39	NDPG2-033	Monwabisi Coastal Node	3 000 000		-	3 000 000
40	NDPG2-034	Mitchells Plain & Lentegour CBDs	4 000 000		-	4 000 000
41	NDPG2-040	Diepsloot South - Detailed design & Implementation	1 041 176		-144 624	896 552
42	NDPG2-044	Zola Public Space and Nodal Planning	3 039 303		-752 714	2 286 589
43	NDPG2-045	New Canada Node Station Development	4 083 461		-	4 083 461
44	NDPG2-049	Kuyasa & Other Nodes	6 988 567		-2 343 065	4 645 502
45	NDPG2-060	Townships Regeneration (Rhini & Others)	2 255 915		-1 696 439	559 476
46	NDPG2-079	Taxi Bus/Hub & Recreation Centre	2 135 781	5 400 000	-985 885	6 549 896
47	NDPG2-097	Secondary Property Markets	2 733 560		-	2 733 560

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

## 20. CONTINGENT LIABILITIES (CONTINUED)

#	PROJECT NUMBER	PROJECT NAME & DESCRIPTION	Future remaining commitments for the year ending 31 March 2010	Positive (+) and negative (-) funding adjustments for the year ending 31 March 2011	Expenditure for the year ending 31 March 2011	Future remaining commitments for the year ending 31 March 2011
48	NDPG2-102	Stretford Station Precinct	3 065 908		-	3 065 908
49	NDPG2-112	Vilakazi Street Precinct	1 381 693		-52 544	1 329 149
50	NDPG2-127	Umlazi Malukazi Economic Development	5 548 684		-	5 548 684
51	NDPG2-128	Clermont Urban Renewal	3 857 590		-964 965	2 892 625
52	NDPG2-130	Mpumalanga Town Centre Development	56 264		-	56 264
53	NDPG3-004	BaPhalaborwa LM - Freedom & memorial Precinct	3 488 733		-328 016	3 160 717
54	NDPG3-005	Vogelfontein Urban Centre	5 000 000		-136 322	4 863 678
55	NDPG3-020	JBC Urban Node	3 360 000		-1 612 640	1 747 360
56	NDPG3-025	Nongoma Town Regeneration & Urban Development	-326 000	1 500 000	-734 000	440 000
57	NDPG3-027	Township Development of Amathole District Towns	19 886 981		-3 753 621	16 133 360
58	NDPG3-029	Greater Taung regeneration Strategy	6 905 764	1 725 000	-1 396 914	7 233 850
59	NDPG3-035	Township Regeneration & Investment Plan	5 000 000		-	5 000 000
60	NDPG3-040	Wembezi Urban Renewal	10 338 372	-8 000 000	-342 405	1 995 967
61	NDPG3-044	KwaDukuza Priority Clusters	10 096 160		-1 133 004	8 963 156
62	NDPG3-052	Sundumbili Urban Development	6 870 000		-329 147	6 540 853
63	NDPG3-053	Identification & Implementation of Appropriate Community Facilities	3 028 356		-1 627 286	1 401 070
64	NDPG3-058	Township Regeneration	24 482 471		-217 056	24 265 415
65	NDPG3-063	Development Planning	26 000 000		-	26 000 000
66	NDPG3-080	Bushbuckridge Urban Municipality	12 690 791		-	12 690 791
67	NDPG3-083	Emfuleni LM	12 591 265		-1 141 811	11 449 454
68	NDPG3-084	Ikageng Neighbourhood Development Programme	12 000 000		-	12 000 000
69	NDPG3-090	Thulamela Gateway	15 609 581		-776 725	14 832 856

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

### 20. CONTINGENT LIABILITIES (CONTINUED)

#	PROJECT NUMBER	PROJECT NAME & DESCRIPTION	Future remaining commitments for the year ending 31 March 2010	Positive (+) and negative (-) funding adjustments for the year ending 31 March 2011	Expenditure for the year ending 31 March 2011	Future remaining commitments for the year ending 31 March 2011
70	NDPG3-093	Polokwane Township Urban Renewal	8 578 053	2 699 249	-4 041 176	7 236 126
71	NDPG3-095	Neighbourhood Revit	9 322 920		-	9 322 920
72	NDPG4-010	Imvuselelo Developing Economic Spaces	484 518		-299 754	184 764
73	NDPG4-012	Urban Nodal Development	1 198 229		-934 668	263 561
74	NDPG4-018	Robertson Township Initiative	1 792 150		-48 000	1 744 150
75	NDPG4-025	Metsweding Townships Regeneration Programmes	5 774 000		-1 662 109	4 111 891
76	NDPG4-029	Urban Nodal Development	1 466 917		-511 994	954 923
77	NDPG4-046	Eastern Gateway	5 700 000		-	5 700 000
78	NDPG4-069	Bitou Coming Together	5 208 519		-1 204 288	4 004 231
79	NDPG4-111	Integrated Development Project	14 577 095		-231 167	14 345 928
80	NDPG4-120.1	Urban Renewal	3 684 720		-	3 684 720
81	NDPG4-120.3	Leratong Intersection Commercial Development	3 600 000		-	3 600 000
82	NDPG4-127	Commercial Development	2 000 000		-652 800	1 347 200
83	NDPG4-130	Various SA	30 000 000		-	30 000 000
84	NDPG4-130.1	Mothibistad Rural Development	4 000 000		-	4 000 000
85	NDPG4-130.2	General Improvements of Town Centre &	5 300 000		-89 490	5 210 510
86	NDPG4-130.3	Township & Town Centre Upgrade	4 000 000		-	4 000 000
87	NDPG4-130.4	Rural Town Centre General Upgrades	3 000 000		-	3 000 000
88	NDPG4-130.5	Town Centre Upgrade	4 000 000		-	4 000 000
89	NDPG4-130.6	Town Centre Upgrade	2 840 000		-1 163 712	1 676 288
90	NDPG4-135.2	Economic Development Node Others	8 000 000		-	8 000 000
91	PROG0-000	Programme Fees		10 000 000	-1 778 884	8 221 116
		<b>TOTAL</b>	<b>453 687 360</b>	<b>18 776 057</b>	<b>-55 124 642</b>	<b>417 338 775</b>

The Neighbourhood Development Partnership Grant (NDPG) was announced by the Minister of Finance in his budget speech on 15 February 2006. It is planned that an amount of R10 billion will be spent over a ten year period. The primary focus of the grant is to stimulate and accelerate investment in poor, underserved residential neighbourhoods such as townships by providing technical assistance and grant financing for municipal projects that have a distinct private sector element in the project.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

### 20. CONTINGENT LIABILITIES (CONTINUED)

#### PRIOR PERIOD ERRORS FOR NDPG CONTINGENT LIABILITY -

The Contingent Liability note in the prior year incorrectly reflected expenditure for certain projects and was not updated for the final year end accruals.

The effect of the restatement on the future remaining commitments ended 31 March 2010 is:

Future remaining commitments for the year ended 31 March 2010 680 922

Movement on PDF projects identified for funding during the period:

PROJECT DEVELOPMENT FACILITY						
#	INSTITUTION	PROJECT NAME	Future remaining commitments for the year ending 31 March 2010	Positive (+) and negative (-) funding adjustments for the year ending 31 March 2011	Expenditure for the year ending 31 March 2011	Future remaining commitments for the year ending 31 March 2011
1	Cape Nature	PPP Tourism Toolkit	109 232	-25 898	-83 334	-
2	Greater Sekhukhune District Municipality	Water & Sanitation	386 934	-386 934	-	-
3	Hibiscus Coast Municipality	Phase 1	44 000		-6 264	37 736
4	Hibiscus Coast Municipality - P2	Phase 2	631 845		-	631 845
5	Greater Kokstad Municipality	Civic Centre	235 596		-	235 596
6	Potchefstroom Municipality	Solid Waste Management	770 230		-	770 230
7	Elundini Municipality	Solid waste management system	1 808 630		-308 000	1 500 630
8	Western Cape Department of transport and Public works	Chapmans peak	1 123 534		-	1 123 534
9	Thaba Chweu Municipality	Resorts/Park/ Hostels	297 076	-297 076	-	-
10	Greater Tubatse Municipality 1	Solid waste	5 219	-	-	5 219
11	Tlokwe city council	Waste management	101 000	-101 000	-	-
12	Provincial department of local government - Gauteng	Regional Sewer Scheme - Project office	217 785	-	-217 785	-

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

### 20. CONTINGENT LIABILITIES (CONTINUED)

PROJECT DEVELOPMENT FACILITY						
#	INSTITUTION	PROJECT NAME	Future remaining commitments for the year ending 31 March 2010	Positive (+) and negative (-) funding adjustments for the year ending 31 March 2011	Expenditure for the year ending 31 March 2011	Future remaining commitments for the year ending 31 March 2011
13	Emalahleni	Tourism Development	602 169		-419 609	182 560
14	Correctional services 2	Fleet management	2 000 000	-2 000 000	-	-
15	Lephalale	Municipal Water Services	500 000	500 000	-500 175	499 825
16	City of Cape town	Waste Water	720 700		-391 019	329 681
17	Siyancuma	Tourism Development	930 642	-	-394 589	536 053
18	Eastern Cape Parks	Tourism Development	1 700 000	-	-320 120	1 379 880
19	Science & Technology	Radiation Therapy	500	-500	-	-
20	National Health	Biovac	554 110		-554 110	-
21	FS Department of Health	Hospitals	241 062	299 641	-540 703	-
22	Overstrand Municipality	Waste services	201 562	-	-201 562	-
23	Western Cape Department of Health 4	Tygerberg Hospital	600 000	-600 000	-	-
24	Northern cape department of Roads	Fleet management	700 000		-	700 000
25	Eastern Cape Department of roads and transport	Fleet management	1 000 000	-1 000 000	-	-
26	KwaDukuza Municipality 2	Waste management	1 500 000	-9 917	-1 490 083	-
27	Blue Crane Development Agency	Contract review	340 000	-	-135 000	205 000
28	Thabazimbi Municipality	Civic Centre	2 000 000	-	-2 000 000	-
29	Mogalakwena Municipality	Olifants River water resources	3 000 000	-3 000 000	-	-

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

### 20. CONTINGENT LIABILITIES (CONTINUED)

PROJECT DEVELOPMENT FACILITY						
#	INSTITUTION	PROJECT NAME	Future remaining commitments for the year ending 31 March 2010	Positive (+) and negative (-) funding adjustments for the year ending 31 March 2011	Expenditure for the year ending 31 March 2011	Future remaining commitments for the year ending 31 March 2011
30	Greater Tubatse Municipality 2	Water Management Services	1 700 000		-558 600	1 141 400
31	Greater Tubatse Municipality 3	Water Management Services	2 000 000		-239 400	1 760 600
32	Mbombela Municipality	Fleet management	642 000		-	642 000
33	City of Johannesburg	Alternative Waste Treatment	-	1 357 000	-974 939	382 061
34	Modimolle Municipality	Advisory Services	-	1 000 000	-830 635	169 365
35	Renosterberg Municipality	Vanderkloof Resort Development	-	400 000	-	400 000
36	Witzenberg Municipality	Dennebos/Pine Forest Resort	-	500 000	-	500 000
37	Dept of Econ. Dev. Env. & Tourism	Pilgrims Rest Revitalisation	-	1 500 000	-	1 500 000
38	Ekurhuleni Municipality	Social Housing	-	750 000	-	750 000
39	Northern cape department of Roads & Public Works	Fleet management	-	780 000	-	780 000
40	FS Department of Health 2	Hospitals	-	1 000 000	-	1 000 000
41	Dept of Local Gov & Housing	Sedibeng Regional Sewer scheme	-	2 500 000	-352 215	2 147 785
		<b>TOTAL</b>	<b>26 663 826</b>	<b>3 165 315</b>	<b>-10 518 142</b>	<b>19 310 999</b>

#### PRIOR PERIOD ERRORS FOR NDPG CONTINGENT LIABILITY -

The Contingent Liability note in the prior year was not updated for the final year end accruals.

The effect of the restatement on the future remaining commitments ended 31 March 2010 is:

Future remaining commitments for the year ended 31 March 2010	876 446
---	---------

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

### 20. CONTINGENT LIABILITIES (CONTINUED)

#### HOSPITAL PROGRAMME

In terms of the Memorandum of Understanding signed between the National Department of Health, the PDF and the DBSA, the PDF will be responsible for a third of the cost incurred on each project in the Hospital Programme.

The full amount of the project cost is recoverable to the PDF on project completion. These projects have started in the current financial year and it is expected that they will be completed by 2013.

#	HOSPITAL	Funds Allocated	Grant / Recoverable	Balance for the year ending 31 March 2010	Expenditure for the year ending 31 March 2011	Balance for the year ending 31 March 2011
1	Chris Hani	3 700 000	Recoverable	-	-2 709 984	990 016
2	George Mukhri	8 000 000	Recoverable	-	-	8 000 000
3	Limpopo Academic	9 333 333	Recoverable	-	-	9 333 333
4	Nelson Mandela Academic Campus	8 000 000	Recoverable	-	-	8 000 000
5	KZN King Edward	8 000 000	Recoverable	-	-	8 000 000
6	Project Manager costs Dr Shaker	2 000 000	Grant	-	-	2 000 000
	<b>TOTAL</b>	<b>39 033 333</b>		-	<b>-2 709 984</b>	<b>36 323 349</b>

\* Funds allocated for projects number 2 to 6 are based on estimated values

### 21. COMMITMENTS

	2010/2011	2009/2010
Payable within the next 12 months:		
- Financial Managers Fees	500 000	240 000
Payable between 2 and 5 years:		
- Financial Managers Fees	-	-

The entity appointed Deloitte & Touche for the outsourced financial management of the Project Development Facility.

### 22. RISK MANAGEMENT

The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, management endeavours to minimise it by ensuring that the appropriate infrastructure, controls, systems and ethics are applied throughout the entity and managed within predetermined procedures and constraints.

As the entity acquires finance from the National Treasury Finance Department and does not have borrowed funds it does not have major exposure to credit, liquidity, interest and market risk.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

### 23. CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as outstanding receivables and committed transactions. For banks and financial institutions, only highly reputable financial institutions are used.

### 24. LIQUIDITY RISK

Liquidity risk is the risk that the entity will not be able to meet its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the National Treasury finance department, which has built an appropriate liquidity risk management framework for the management of the National Treasury's short, medium and long-term funding and liquidity management requirements.

### 25. INTEREST RATE RISK

The entity has limited exposure to interest risk. The entity's cash and cash equivalents are subject to interest rate risk for the portion of interest received. The Interest rate risk is limited as funds are invested with one of the four major banks and this is assessed annually

### 26. TAXATION

No provision is made for taxation, as the entity is exempt from taxation in terms of Section 10(1) (a) of the Income Tax Act No. 58 of 1962.

### 27. EVENTS AFTER THE REPORTING DATE

The financial statements have been adjusted with new information received from service providers between the months of May and June 2011, relating to project liabilities amounting to R1.8 million outstanding at the end of the reporting period.

The financial statements were submitted for audit on 31 May 2011, and was authorised for issue on 20 July 2011.

### 28. RELATED PARTY TRANSACTIONS

The entity received grants from the following related parties:

National Treasury	24 778 665	70 000 000
Free State Department of Health	-	300 000

The entity owed the following amount to related parties:

Revenue Fund	-	1,503,940
	<b>24 778 665</b>	<b>71 803 940</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

	2010/11 R	2009/10 R
--	--------------	--------------

In 2010, the Free State Department of Health co-funded some projects and deposited R300 000 into PDF for this reason. This amount was utilised on the project during the current financial period.

Liability from the Revenue Fund is as a result of over recovery of the project reimbursement from the Eastern Cape Department of Health however, the funds could not be repaid to the Eastern Cape Department of Health.

The process for the money to be retained by the PDF was concluded during the current financial year. The amount of R1 503 940 was recognised as revenue in the current financial year.

## 29. FRUITLESS AND WASTEFUL EXPENDITURE

### Reconciliation of fruitless and wasteful expenditure

Fruitless and wasteful expenditure relating to prior year	1 162	101 408
Fruitless and wasteful expenditure relating to current year	31	1 162
Less: Amounts condoned	(1 162)	0
Less: Amounts recovered	0	(101 408)
Fruitless and wasteful expenditure awaiting condonation	31	1 162
Current	31	1 162
Capital	0	0
Transfers and Subsidies	0	0
<b>Total</b>	<b>31</b>	<b>1 162</b>

### Analysis of prior year's fruitless and wasteful expenditure

The fruitless and wasteful expenditure for the prior year was not recovered during the current financial year.

### Analysis of current year's fruitless and wasteful expenditure

The fruitless and wasteful expenditure for the current year was incurred due to the delay in funds being allocated to the new PDF sub accounts (PDF Alternative Energy and PPPIAF). The accounts were opened with a nil balance and incurred monthly bank charges. The accounts went into overdraft for a period of five months, consequently incurring interest on overdraft.

Management is taking measures to recover the current year's fruitless and wasteful expenditure from the financial institution.

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 MARCH 2011



## TECHNICAL ASSISTANCE UNIT

A TRADING ENTITY MANAGED BY THE TAU UNIT OF NATIONAL TREASURY

**ANNUAL FINANCIAL  
STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2011

**CONTENTS**

Report of the Auditor General.....	242
Statement of Financial Position.....	244
Statement of Comprehensive Income.....	245
Statement of Changes in Equity .....	246
Cash Flow Statement.....	247
Accounting Policies.....	248
Notes to the Annual Financial Statements.....	251

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE TECHNICAL ASSISTANCE UNIT (TAU)

FOR THE YEAR ENDED 31 MARCH 2011



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE TECHNICAL ASSISTANCE UNIT

FOR THE YEAR ENDED 31 MARCH 2011

## REPORT ON THE FINANCIAL STATEMENTS

### INTRODUCTION

1. I have audited the accompanying financial statements of the Technical Assistance Unit, which comprise the statement of financial position as at 31 March 2011, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 244 to 259.

### ACCOUNTING OFFICER'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice (SA Statements of GAAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### AUDITOR-GENERAL'S RESPONSIBILITY

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and, section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*. Those standards require 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 judgement, including the assessment of the risks 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 Technical Assistance Unit as at 31 March 2011, and its financial performance and cash flows for the year then ended in accordance with SA Statements of GAAP and the requirements of the PFMA

**REPORT OF THE AUDITOR-GENERAL  
TO PARLIAMENT ON THE  
TECHNICAL ASSISTANCE UNIT - cont**  
FOR THE YEAR ENDED 31 MARCH 2011

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

8. In accordance with the PAA and in terms of *General Notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages 17 to 97 and material non-compliance with laws and regulations applicable to the Technical Assistance Unit.

### PREDETERMINED OBJECTIVES

9. There were no material findings on the annual performance report concerning the presentation, usefulness and reliability of the information.

### COMPLIANCE WITH LAWS AND REGULATIONS

#### Strategic planning and performance management

10. The accounting officer did not prepare adequate quarterly reports on the progress made in achieving measurable objectives and targets were as required by Treasury Regulation (TR) 5.3.1.

#### Annual financial statements, performance and annual report

11. The accounting officer did not submit the annual performance report in time as required by Part C of *General Notice 1111 of 2010*, issued in *Government Gazette No. 33872 of 15 December 2010*.

## INTERNAL CONTROL

12. In accordance with the PAA and in terms of *General Notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted on the findings on compliance with laws and regulations included in this report.

### LEADERSHIP

#### Oversight responsibility regarding reporting and compliance

13. Management did not adhere to the internal policies and procedures and as a result there were instances of non-compliance with the PFMA and TR.

*Auditor General*

Pretoria

31 July 2011



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

# STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2011

	Notes	2011 R	2010 R
<b>ASSETS</b>			
<b>Current assets</b>			
Receivables	4	6,230,711	14,553,548
Cash and cash equivalents	5	49,337,310	7,391,915
<b>Total assets</b>		<b>55,568,021</b>	<b>21,945,463</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Accumulated surplus		19,900,049	16,172,033
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	6	35,667,972	5,773,430
<b>Equity and Liabilities</b>		<b>55,568,021</b>	<b>21,945,463</b>



# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 R	2010 R
Revenue	2	84,859,935	55,664,284
Operating expenditure	2	(82,772,242)	(48,052,592)
Operating Profit		2,087,693	7,611,692
Interest income		1,640,323	930,779
<b>Total comprehensive income for the year</b>		<b>3,728,016</b>	<b>8,542,471</b>

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2011

	<b>Accumulated Surplus R</b>
Balance at 1 April 2009	7,629,562
Comprehensive income for the year	8,542,471
Balance at 31 March 2010	16,172,033
Comprehensive income for the year	3,728,016
<b>Balance at 31 March 2011</b>	<b>19,900,049</b>

**CASH FLOW STATEMENT**

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 R	2010 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from government and other sources		92,844,983	44,710,682
Cash paid to suppliers		(52,539,911)	(49,647,064)
Cash generated from operations	7	40,305,072	(4,936,382)
Interest Income		1,640,323	930,779
<b>Net cash generated from operating activities</b>		<b>41,945,395</b>	<b>(4,005,603)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>41,945,395</b>	<b>(4,005,603)</b>
Cash at the beginning of the year		7,391,915	11,397,518
<b>TOTAL CASH AT END OF THE YEAR</b>	<b>5</b>	<b>49,337,310</b>	<b>7,391,915</b>

# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2011

## 1 BASIS OF PRESENTATION

These Annual Financial Statements are presented in South African Rand. They are prepared on the historical cost basis, unless where indicated otherwise.

The accounting policies have been applied to the results, assets, liabilities and cash flow of the Trading Entity in the Annual Financial Statements, consistent with those in the previous year.

The Annual Financial Statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practices (SA GAAP).

### 1.1 FINANCIAL ASSETS AND LIABILITIES

Financial assets and financial liabilities have not been offset in the Statement of Financial Position.

#### 1.1.1 Initial recognition and measurement

Financial instruments are classified, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and are initially measured at fair value.

#### 1.1.2 Receivables

Trade receivables are subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter financial re-organisation, and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value.

The amount of the loss due to impairment, or the reversal of an impairment loss is recognised in the Statement of Comprehensive Income within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off will be recognised as revenue in the Statement of Comprehensive Income.

#### 1.1.3 Trade and other payables

Trade payables and other payables which consist of revenue received in advance are stated at amortised cost, which, due to short term nature, closely approximate their fair value.

#### 1.1.4 Cash

Cash and cash equivalents are stated at amortised cost, which, due to their short term nature, closely approximate their fair value. Cash and cash equivalents comprise cash at bank and deposits held on call with banks.

## ACCOUNTING POLICIES

- continued

FOR THE YEAR ENDED 31 MARCH 2011

### 1.2 REVENUE

Revenue is measured at the fair value of the consideration received or receivable.

#### 1.2.1 Appropriated funds

Appropriated and adjusted appropriated funds are recognised when the funds can be measured reliable on the date the appropriation becomes effective. Appropriated funds are recognised as revenue to the extent that there is no further obligation arising from the receipt of the transfer payment.

#### 1.2.2 Donor funds

Donor funds are recognised when the funds can be measured reliable on the date the draw down requisition becomes effective and the cost associated with the revenue has been incurred.

#### 1.2.3 Cost Recovery

Revenue for services rendered is recognised when the amount of revenue can be measured reliable. It is probable that the economic benefits associated with the services will flow to the entity. The stage of completion of the transaction at the end of the reporting period can be measured reliably and the cost incurred for the transaction and the cost to complete the transaction can be measured reliable.

#### 1.2.4 Interest Income

Interest income accrues on a time-proportioned basis, taking into account the principal amount outstanding and the effective interest rate over the period to maturity.

### 1.3 IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with, a requirement of any applicable legislation, including the PFMA. Fruitless and wasteful expenditure means expenditure that was made in vain and could have been avoided had reasonable care been exercised. In accordance with the requirements of the PFMA, the details are included in a note to the financial statements. Any irregular, fruitless and wasteful expenditure is charged against the respective class of expenses in the period in which it occurred.

### 1.4 RELATED PARTIES

The Technical Assistance Unit Trading Entity operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. All national departments of government and state-controlled entities are regarded as related parties in accordance with Circular 4 of 2005: Guidance on the term "state-controlled entities" in context of IAS 24 (AC 126) - Related Parties, issued by the South African Institute of Chartered Accountants.

**ACCOUNTING POLICIES***- continued*

FOR THE YEAR ENDED 31 MARCH 2011

**1.5 SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of annual financial statements requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses.

Estimates are made based on the best available information at the time of preparation of the Annual Financial Statements. The estimates and under-lying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision on future periods if the revision affects both current and future periods.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

	2011 R	2010 R
<b>2 OPERATING PROFIT</b>		
Operating surplus is arrived at after taking the following into account		
Revenue from:		
- Government grants received	19,363,000	18,898,000
- Donor grants received	15,269,270	22,453,205
- Cost recovery	50,227,665	14,313,079
	<u>84,859,935</u>	<u>55,664,284</u>
Expenditure for:		
- Audit fees	(265,869)	(246,875)
- Movement in the Provision for impairment of Trade receivables		
- Recognised	(300,000)	(661,160)
- Reversed	661,160	-
- Bank charges	(12,125)	(5,841)
- Consultancy fees	(82,855,408)	(47,137,911)
- Staff training	-	(805)
Operating Surplus	<u><b>2,087,693</b></u>	<u><b>7,611,692</b></u>

The movement in the provision for impairment is made up of a loss recognised of R300,000 outstanding from the Department of Oceans and Tourism which has been outstanding for longer than 120 days as well as a reversal of a loss previously recognised where the outstanding monies have subsequently been received.

## 3. TAXATION

No provision has been made for taxation as the Trading Entity is exempt from income tax in terms of section 10(1) (cA) of the Income Tax Act, 1962 (Act No 58 of 1962). As per agreement with the donor all VAT on services paid with donor funds will be refundable by SARS.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

	2011 R	2010 R
<b>4. RECEIVABLES</b>		
Gross trade receivables	5,400,823	13,385,871
Less: Provision for impairment of trade receivables	(300,000)	(661,160)
SARS – VAT	1,129,888	1,828,837
	<b>6,230,711</b>	<b>14,553,548</b>

Movement for the provision of impairment of trade receivables is as follows:

Balance at the beginning of the year	661,160	-
Reversed against profit and loss	(661,160)	-
Charged to profit and loss	300,000	661,160
Balance at the end of the year	<b>300,000</b>	<b>661,160</b>

Ageing of impaired accounts receivable:

0 – 30 days	-	-
31 – 60 days	-	-
61 – 90 days	-	-
91 – 120 days	-	-
120 days +	300,000	661,160
<b>Total</b>	<b>300,000</b>	<b>661,160</b>

At 31 March 2011 receivable amounting to R Nil (2010: R228,686) was past due but not impaired. This relates to customers who have no recent history of defaulting.

The period by which these debtors exceed their payment terms is shown below:

0 – 30 days	-	-
31 – 60 days	-	-
61 – 90 days	-	-
91 – 120 days	-	<b>228,686</b>
120 days +	-	-
<b>Total</b>	-	<b>228,686</b>



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

	2011 R	2010 R
<b>4. RECEIVABLES (CONTINUED)</b>		
The ageing of these receivables are shown below:		
0 – 30 days	-	-
31 – 60 days	-	-
61 – 90 days	-	-
91 – 120 days	-	-
120 days +	-	228,686
<b>Total</b>	<b>-</b>	<b>228,686</b>

#### Credit quality of trade receivables

The credit quality of trade receivables that are neither past due nor impaired can be assessed by reference to counterparty default rates.

#### Fair value of trade receivables

The net carrying values of receivables are considered to be a close approximation of their fair values.

See note 8 on risk management in relation to the financial assets listed below.

#### Trade receivables

The carrying amount of trade receivables approximates their fair value. There is no foreign currency exposure at the reporting date.

## 5. CASH

Cash and cash equivalents consists of :

Cash at bank	2,000	2,701
Call account	49,335,310	7,389,214
Financial assets	<b>49,337,310</b>	<b>7,391,915</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

2011  
R

2010  
R

### 6. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	14,477,765	4,273,430
Revenue received in advance	21,190,207	1,500,000
	<b>35,667,972</b>	<b>5,773,430</b>

Creditors and accruals principally comprise amounts outstanding for service providers' services utilised and ongoing costs.

The average credit period taken is less than 30 days. The Trading Entity considers that the carrying amount of trade and other payables at cost closely approximates their fair value.

Revenue received in advance consists of cost recovery monies received and services not rendered yet.

See note 8 on risk management in relation to the financial liabilities listed above.

### 7. CASH GENERATED FROM OPERATIONS

Surplus for the year	3,728,016	8,542,471
<b>Adjustments for:</b>	(2,001,483)	(269,619)
Movement in the Provision for impairment of Trade receivables	(361,160)	661,160
Interest income	(1,640,323)	(930,779)
<b>Changes in working capital</b>		
Trade and other receivables	8,683,997	(12,782,439)
Trade and other payables	29,894,542	(426,795)
	<b>40,305,072</b>	<b>(4,936,382)</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

2011  
R

2010  
R

## 8. RISK MANAGEMENT

### Operational Risk

Operational risk is the risk of loss arising from system failure, human error or external events. When controls fail to perform, operational risk can cause damage, have legal or regulatory implications or can lead to financial loss. The Trading Entity is constantly monitoring and responding to potential risk thus managing the risk.

### Categories of financial instruments

Financial liabilities		
- Trade receivables	5,400,823	13,385,871
- Less: Provision for impairment of trade receivables	(300,000)	(661,160)
- SARS – VAT	1,129,888	1,828,836
- Cash and cash equivalents	49,337,310	7,391,915
Financial liabilities		-
- Trade and other payables	14,477,764	4,273,430

### Price risk

As the Trading Entity has no significant interest-bearing assets, the Trading Entity's income and operating cash flows are substantially independent of changes in market interest rates.

Cash flow interest rate risk	Current interest Rate	Due in less than a year	Due in 2 to 5 years
Financial instruments			
Trade and other receivables	0.00%	5,400,823	-
Cash and cash equivalents	5.50%	42,012,539	-
Trade and other payables	0.00%	(14,477,764)	-

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

2011  
R

2010  
R

### 8. RISK MANAGEMENT (CONTINUED)

#### Interest rate risk

This risk is the potential financial loss as a result of adverse movement in interest rates that affects the value of bank balances. Nominal interest rate can be split into real interest rate risk and inflation risk. Interest rate risk is managed by investing funds in highly liquid call accounts, at reputable financial institutions, earning market related interest.

#### Market risk

No significant fluctuations in the market occurred during the year that affected the Trading Entity.

#### Credit Risk

Financial assets, which potentially subject the TAU Trading Entity to the risk of non-performance by counter parties, consist mainly of cash and trade receivables.

The Trading Entity limits its treasury counter-part exposure by only dealing with well-established financial institutions approved by the National Treasury.

Trade receivables consist of other government departments.

#### Liquidity Risk

The Trading Entity manages liquidity risk through proper management of working capital and proper cash flow projections.

### 9. CONTINGENCIES

In terms of the PFMA, all surplus funds as at the reporting date may be forfeited to National Treasury. A request for the retention of surplus funds to the value of R 3 728 016 resulting from operations during the financial year ended 31 March 2011 to National Treasury will be made.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

2011	2010
R	R

## 10. COMMITMENTS

### 10.1 PROJECT COMMITMENTS

Current commitments will be funded from this years' surplus of R 3,728,016 as well as future government grants, cost recovery and donor funds.

### 10.2 OPERATING COMMITMENTS

Payable within the next 12 months

- Contractual commitments	145,405,872	29,837,811
---------------------------	-------------	------------

Payable after 12 months but before 60 months

- Contractual commitments	71,515,953	5,534,776
---------------------------	------------	-----------

Payable after 60 months

Nil	Nil
-----	-----

## 11. MATERIAL LOSSES THROUGH CRIMINAL CONDUCT, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

To the best of our knowledge, no material losses through criminal conduct or irregular, fruitless and wasteful expenditure were incurred during the year ended 31 March 2011.

## 12. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

## 13. EVENTS AFTER THE REPORTING DATE

The Accounting Authority is not aware of any matter or circumstance, arising since the end of the financial year to the date of this report in respect of matters which could require adjustments to, or disclosure in, the annual financial statements.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

	2011 R	2010 R
<b>14. RELATED PARTIES</b>		
<b>Amounts included in trade receivables regarding related parties</b>		
Department of Correctional Services	80,000	-
North West Provincial Treasury	2,770,601	-
Office of the Chief Justice	1,980,000	-
Department of Environment and Tourism	570,222	300,000
Office of the Premier	-	228,606
Reconstruction and Development Programme Fund	-	12,196,105
The Presidency	-	399,360
SASSA	-	661,160
<b>Related - party transactions</b>		
The following transactions were carried out with related parties:		
<b>Services provided to related parties</b>		
Council of Medical Schemes	163,020	-
Department of Co-operative Governance & Traditional Affairs	1,500,000	-
Department of Correctional Services	800,000	-
Department of Defense and Military Veterans	321,681	378,319
Department of Environment and Tourism	270,222	300,000
Department of Home Affairs	136,000	-
Department of Labour	-	206,801
Department of Local Government and Traditional Affairs	-	4,766,664
Department of Local Government and Housing	-	319,733
Department of Public Service Administration	196,656	900,000
Department of Transport	435,000	-
Financial Intelligence Centre	573,000	1,045,500
National Department of Health	271,807	-
National Department of Sports and Recreation	766,194	139,216
National Treasury	38,216,559	4,060,018
North West Provincial Treasury	2,770,601	-
Office of the Chief Justice	1,980,000	-
Office of the Municipal Manager	-	375,667
Office of the Premier	-	228,606
SALGA	228,902	-
SANPARKS	60,000	-
Treasury – Limpopo	-	1,568,100
The Agricultural Research Council	-	69,283
The Presidency	325,020	-
<b>Services provided by related parties</b>		
National Treasury	19,363,000	18,898,000

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

- continued

FOR THE YEAR ENDED 31 MARCH 2011

## 15. NEW ACCOUNTING PRONOUNCEMENTS

At the date of authorization of these financial statements, various standards and Interpretations are issued which are not yet effective. These include the following Standards and Interpretations which are applicable to the Trading Entity

Standard	Details of Amendment	Effective
	-Amendment clarifies the intended interaction between qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments and removed some disclosure items which were seen to be superfluous or misleading	1 January 2011
IFRS 7 – Financial Instruments: Disclosure	-Amendments require additional disclosure on transfer transactions of financial assets, including the possible effects of any residual risks that the transferring entity retains. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.	1 July 2011
IFRS 9 Financial Instruments	-New standard that forms the first part of a three-part project to replace IAS 39 Financial Instruments: Recognition and Measurement	1 January 2013
IAS 1 – Presentation of Financial Statements	-Current/non-current classification of convertible instruments	1 January 2010
	-Clarification of statement of changes in equity	1 January 2011
IAS 7 – Statement of Cash Flows	-Classification of expenditures on unrecognized assets	1 January 2010
IAS 10 – Events after the Reporting Period	-Amendment resulting from the issue of IFRIC 17	1 July 2009
IAS 24 Related Party Disclosures	-Simplification of the disclosure requirements for government-related entities.	1 January 2011
	-Clarification of the definition of a related party	1 January 2011

The impact that these Standards and Interpretations may have on the financial statements of the entity has not been assessed.



## HUMAN RESOURCE REPORT



## 1. SERVICE DELIVERY

### ORGANISATIONAL ENVIRONMENT

The National Treasury's human resources-business partnership model yielded positive results and contributed to an increase in adherence to performance management principles. Further, the department now has a targeted Leadership Development Programme for senior managers which encourages stimulating and rigorous discourse within in the organization while strengthening leadership ability. The strategy also focuses on improved retention, development and ensuring that the department relies on a capable workforce. Various other policies and systems were also upgraded during the period under review. Notably, a departmental Enterprise Risk Management strategy in line with the Public Sector Risk Management Framework was implemented. Adherence to the framework continues to be monitored by management and the Audit and Risk Management Committees.

### FINANCIAL MANAGEMENT REFORMS

While South Africa exited the recession quicker than most countries financing government programmes remains under pressure. As such budget reforms continue to place value for money high on the agenda of public spending reform. This is critical in ensuring that scarce resources are allocated in line with the MTSF priorities and identified outcomes.

The financial management systems (BAS, PERSAL, LOGIS and Vulindlela) continued to operate optimally. Over the MTEF there will be a continued improvements and integration of government's financial management systems. Efforts are underway to complete the design and rollout of a standardised chart of accounts for local government. This will significantly improve transparency of financial management in local government.

The National Treasury continues to invest in building the needed capacity of financial practitioners in national and provincial government. Interventions again included the Chartered Accountants Academy (CAA) and Standard Chart of Accounts (SCOA) and risk management training programmes.

### ECONOMIC POLICY

The economic policy environment produces research, provide policy analysis, data assessment, and forecasting in support of the National Treasury's needs in the areas of budgeting, macroeconomic policy and factors influencing economic growth. Working on economic policies that translate to an improved growth trajectory for the country and faster job creation remains our key area of work.. Studies conducted include estimating the economic impact of National Health Insurance, developing climate change economic modelling capacity and analysis of the effect of carbon taxes, and modelling on employment scenarios.

The National Treasury interacts regularly with the markets to assess sentiment and consider changes to risk premia, exchange rate conditions and bond prices.

## TAX AND FINANCIAL SECTOR POLICY

Climate change is a global concern and South Africa in particular plays an active and important role in the climate change discourse. A discussion paper titled "Reducing Greenhouse Emissions: The Carbon Tax Option" was finalised and published in December 2010 for public comments. The document discusses options for the introduction of a carbon tax and as such seeks to reflect the external costs of greenhouse gas emissions causing climate change.

The Mineral and Petroleum Royalty Act was implemented on 01 April 2010 and is a new revenue source for the fiscus.

At the core of economy lies the financial services sector, as an important step the National Treasury published a document "A safer financial sector to serve South Africa better" which mainly proposes emphasis on financial stability, consumer protection and financial inclusion.

## BUDGET OFFICE

Over the reporting period the office continued to ensure that the effects of the recession were addressed in a manner that does not disadvantage the poor. Spending continued to increase especially in programmes that have a direct impact on the lives of the most vulnerable in society.

Particular focus was on revising the budgeting process such that it is aligned with the outcomes approach. The new functional approach focuses on the purpose for which funds are to be used, and groups together national, provincial and local government, and government agencies, in terms of the function of government they perform.

## PUBLIC FINANCE

The division worked on several health financing initiatives particularly on National Health Insurance and supported development of new tax dispensation around medical expenses; Work on the new health component of equitable share formula was completed and implemented in Budget 2011/12.

The division also advised and supported the Department of Public Work's Expanded Public Works Programme unit in the design of a new EPWP social sector incentive grant, including its funding model, and monitored and advised on the implementation of the environment and culture sector incentive model.

## INTERGOVERNMENTAL RELATIONS

The division worked to ensure that the 2011 Division of Revenue Act was refined to align planning and reporting requirements with provincial and local government fiscal reforms. This included the revision of the provincial and local government equitable share formulae, this resulted in a new health component being introduced and more funds being directed towards poor rural municipalities

## MANAGING PUBLIC SECTOR DEBT

During the review period the division purchased US\$6 billion of foreign exchange reserves. Debt service costs dropped from the projected 2.6 per cent of GDP to 2.5 per cent owing to the strong levels of the rand, and a lower than forecast interest rate environment.

Short-term investment and lending between the national government, provincial government and related SOEs within the Corporation of Public Deposits, saved up to 3.4 per cent on borrowing cost compared to borrowing from commercial banks during the period under review.

In the review period the division successfully financed government's borrowing and maintained an efficient forecasting of cash flows ensured that government had sufficient money to meet its daily cash requirements.

## INTERNATIONAL FINANCIAL RELATIONS

South Africa's investment in the African Development Bank was enhanced with the election of a South African to the permanent position on the Board of Directors of the Bank. Work in the SADC and SACU community continued apace and South Africa remains a key player in promoting regional economic integration.

The Collaborative Africa Budget Reform Initiative (CABRI) strengthened its relationship with several regional and international institutions, such as the AfDB, Organisation for Economic Cooperation and Development, the World Bank Institute and the IMF's AfriTAC. Outputs by CABRI covered work in good public financial governance, aid and fiscal relationship, health financing and programme budgeting.

## 2. EXPENDITURE

Departments budget in terms of clearly defined programmes. The following tables summarise final audited expenditure by programme (Table1) and by salary bands (Table 1.2). 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.

**TABLE 2 – Personnel costs by programme, 2010/11**

Programme	Total Expenditure (R'000)	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Professional and Special Services (R'000)	Personnel cost as a percent of total expenditure	Average personnel cost per employee (R'000) *
<b>Programme 1</b> Administration	248,661	108,788	2,550	26,401	43.7	332
<b>Programme 2</b> Public Finance and Budget Management	253,038	143,909	980	65,169	56.9	475
<b>Programme 3</b> Asset and Liability Management	67,204	47,478	111	7,742	70.6	457
<b>Programme 4</b> Financial Management and Systems	395,119	42,509	145	318	10.8	438
<b>Programme 5</b> Financial Accounting and Reporting	164,006	65,971	4019	18,636	40.2	446
<b>Programme 6</b> Economic Policy and International Financial Relations	104,447	67,518	562	11,949	64.6	515
<b>Programme 7</b> Provincial and Local Government Transfers	10,091,008	0	0	0	0	0
<b>Programme 8</b> Civil and Military Pensions, Contributions to Funds	2,697,847	0	0	0	0	0
<b>Programme 9</b> Fiscal Transfers	33,239,056	0	0	0	0	0
<b>Total</b>	<b>47,260,386</b>	<b>476,173</b>	<b>8,367</b>	<b>130,215</b>		

\* *Note: Percentage of average personnel cost per employee calculated based on the number of employees in table 2.1*

**TABLE 2.2 – Personnel costs by salary bands, 2010/11**

Salary bands	Personnel Expenditure (R'000)	% of total personnel cost	Average personnel cost per employee (R'000) ***
Lower skilled (Levels 1-2)	379	0.08	95
Skilled (Levels 3-5)	7,405	1.57	151
Highly skilled production (Levels 6-8)	69,446	14.69	229
Highly skilled supervision (Levels 9-12)	194,523	41.15	397
Senior management (Levels 13-16)	201,017	42.52	761
<b>Total **</b>	<b>472,770</b>	<b>100</b>	<b>426</b>

\*\* Note: Minister and Deputy Minister personnel expenditure not included in total

\*\*\*Note: Percentage of average personnel cost per employee calculated based on the number of employees in table 2.2

The following tables provide a summary per programme (Table 1.3) and salary bands (Table 1.4), 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 2.3 – Salaries, Overtime, Home Owners Allowance and Medical Assistance by programme, 2010/11**

Programme	Salaries		Overtime		Home Owners Allowance		Medical Assistance	
	Amount (R'000)	Salaries as a % of personnel cost ****	Amount (R'000)	Overtime as a % of personnel cost ****	Amount (R'000)	HOA as a % of personnel cost ****	Amount (R'000)	Medical Assistance as a % of personnel cost ****
Programme 1	72,925	67.03	281	0.26	1,716	3.61	3,072	2.82
Programme 2	87,879	61.07	148	0.10	1,912	1.33	3,186	2.21
Programme 3	30,675	64.61	0	0.00	659	1.39	1,281	2.70
Programme 4	27,837	65.48	0	0.0	350	0.82	1,282	3.02
Programme 5	41,641	63.12	0	0.0	690	1.05	1,265	1.92
Programme 6	40,790	60.41	0	0.0	923	1.37	1,289	1.91
<b>Total</b>	<b>301,747</b>	<b>63.37</b>	<b>429</b>	<b>0.09</b>	<b>6,250</b>	<b>1.31</b>	<b>11,375</b>	<b>2.39</b>

\*\*\*\* Note: Percent of personnel cost of salaries, overtime, home owners allowance and medical assistance are calculated on the total personnel expenditure per programme in table 1.1

# HUMAN RESOURCE REPORT

- continued

TABLE 2.4 – Salaries, Overtime, Home Owners Allowance and Medical Assistance by salary bands, 2010/11

Salary Bands	Salaries		Overtime		Home Owners Allowance		Medical Assistance	
	Amount (R'000)	Salaries as a % of personnel cost	Amount (R'000)	Overtime as a % of personnel cost	Amount (R'000)	HOA as a % of personnel cost	Amount (R'000)	Medical Assistance as a % of personnel cost
Lower skilled (Levels 1-2)	93	24.50	0	0.00	4	1.10	7	1.80
Skilled (Levels 3-5)	4,396	59.40	49	0.70	296	4.00	496	6.70
Highly skilled production (Levels 6-8)	37,681	54.30	187	0.30	1,359	2.00	3,186	4.60
Highly skilled supervision (Levels 9-12)	125,190	64.40	193	0.10	1,849	1.00	4,760	2.40
Senior management (Levels 13-16)	130,984	65.20	0	0.00	2,742	1.40	2,904	1.40
<b>Total *****</b>	<b>298,344</b>		<b>429</b>		<b>6,250</b>		<b>11,353</b>	

\*\*\*\*\* Note: Minister and Deputy Minister personnel expenditure not included in total

## 3. EMPLOYMENT AND VACANCIES

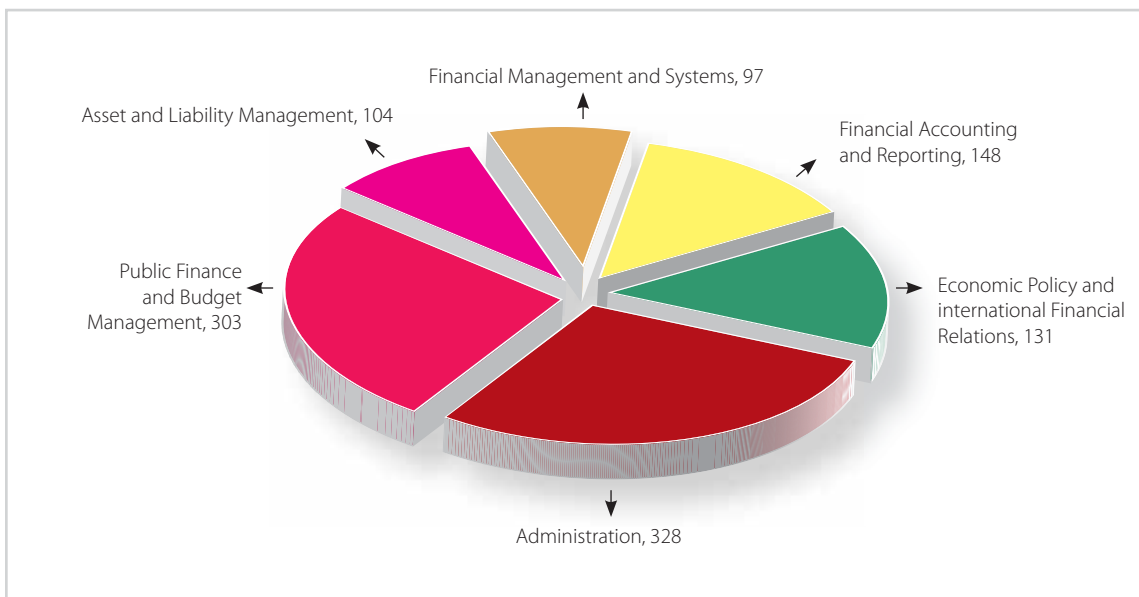
The following tables summarise the number of posts on the establishment, the number of employees, the vacancy rate, and any staff that are additional to the establishment. This information is presented in terms of two key variables: - programme (Table 2.1) and salary band (Table 2.2). Departments have identified critical occupations that need to be monitored. The vacancy rate reflects the percentage of posts that are not filled.

**TABLE 3.1 – Employment and vacancies by programme, 31 March 2011**

Programme	Number of funded posts	Headcount	Vacancy Rate %	Number of posts filled additional to the establishment
<b>Programme 1</b> Administration	397	328	17	15 (1 excess)
<b>Programme 2</b> Public Finance and Budget Management	331	303	8	26
<b>Programme 3</b> Asset and Liability Management	115	104	10	2
<b>Programme 4</b> Financial Management and Systems	108	97	10	5 (3 excess)
<b>Programme 5</b> Financial Accounting and Reporting	174	148	15	0
<b>Programme 6</b> Economic Policy and international Financial Relations	165	131	21	3
<b>Total</b>	<b>1290</b>	<b>1111</b>	<b>14</b>	<b>53 (4 excess)</b>

NB: Minister and Deputy Minister included in totals.

### DISTRIBUTION OF FILLED POSITIONS PER PROGRAMME

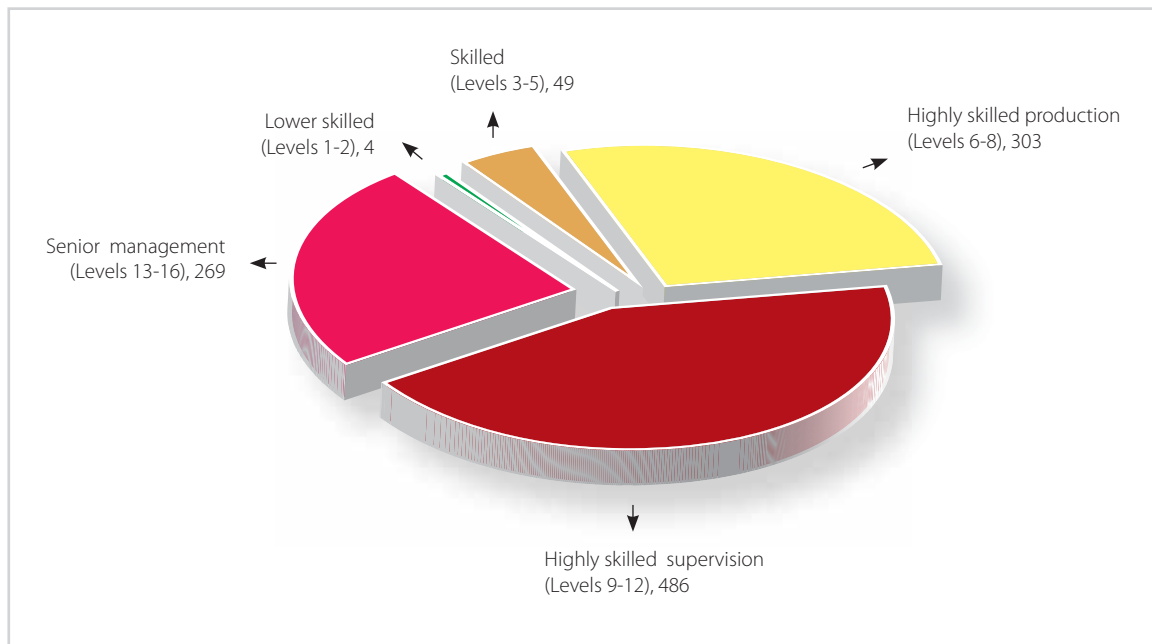


**TABLE 3.2 – Employment and vacancies by salary bands, 31 March 2011**

Salary band	Number of posts	Headcount	Vacancy Rate %	Number of posts filled additional to the establishment
Lower skilled (Levels 1-2)	4	4	0	4
Skilled (Levels 3-5)	55	49	11	1
Highly skilled production (Levels 6-8)	324	303	6	17
Highly skilled supervision (Levels 9-12)	598	486	22	14
Senior management (Levels 13-16)	309	269	13	17
<b>Total</b>	<b>1290</b>	<b>1111</b>	<b>14</b>	<b>53</b>

*NB: Vacancy reduced by additional appointments. Minister and Deputy Minister included in totals.*

**DISTRIBUTION OF FILLED POSITIONS PER SALARY BAND**



*Note: Critical skills occupations for the National Treasury have not been finalised. However, the following areas are being considered: economists, supply chain consultants, chartered accountants, and tax specialists.*

The information in each case reflects the situation as at 31 March 2011. For an indication of changes in staffing patterns over the year under review, please refer to section 5 of this report.



## 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 jobs must be evaluated before 31 December 2002.

The following table (Table 3.1) 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.

**TABLE4.1 – Job Evaluation, 1 April 2010 to 31 March 2011**

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
Lower skilled (Levels 1-2)	4	0	0	0	0	0	0
Skilled (Levels 3-5)	55	0	0	0	0	0	0
Highly skilled production (Levels 6-8)	324	7	2.16	0	0	0	0
Highly skilled supervision (Levels 9-12)	598	53	8.86	0	0	0	0
Senior Management Service Band A	231	17	7.36	0	0	0	0
Senior Management Service Band B	64	6	9.38	0	0	0	0
Senior Management Service Band C	14	2	14.29	0	0	0	0
Senior Management Service Band D	3	0	0	0	0	0	0
<b>Total</b>	<b>1290</b>	<b>85</b>	<b>6.59</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

*NB: Minister and Deputy Minister included in totals*

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.

# HUMAN RESOURCE REPORT

- continued

**TABLE 4.2 – Profile of employees whose salary positions were upgraded due to their posts being upgraded, 1 April 2010 to 31 March 2011**

Beneficiaries	African	Asian	Coloured	White	Total
Female	0	0	0	0	0
Male	0	0	0	0	0
Employees with a disability	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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 4.3 – Employees whose salary level exceed the grade determined by job evaluation, 1 April 2010 to 31 March 2011 (in terms of PSR 1.V.C.3)**

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
Chief Director	2	14	15	Retention
Director	0	0	0	0
Deputy Director	3	11	12 & 13	Retention
Assistant Director	1	9	11	Attraction
Administration	1	8	11	Attraction
Office Assistant	3	7	8	Attraction
<b>Total number of employees whose salaries exceeded the level determined by job evaluation in 2010/11</b>				<b>10</b>
<b>Percentage of total employment</b>				<b>0.90</b>

Table 4.4 summarises the beneficiaries of the above in terms of race, gender, and disability.

**TABLE 4.4 – Profile of employees whose salary level exceed the grade determined by job evaluation, 1 April 2010 to 31 March 2011 (in terms of PSR 1.V.C.3)**

Beneficiaries	African	Asian	Coloured	White	Total
Female	0	1	1	0	2
Male	5	1	0	2	8
<b>Total</b>	<b>5</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>10</b>

## 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 table provides a summary of turnover rates by salary band (Table 4.1).

**TABLE 5.1 – Annual turnover rates by salary band for the period 1 April 2010 to 31 March 2011**

Salary Band	Number of employees per band as on 31 March 2009	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate %
Lower skilled (Levels 1-2)	4	0	0	0.00%
Skilled (Levels 3-5)	51	2	1	1.96%
Highly skilled production(Levels 6-8)	283	71	42	14.84%
Highly skilled supervision(Levels 9-12)	481	56	44	9.15%
Senior Management Service Band A	181	16	16	8.84%
Senior Management Service Band B	56	5	6	10.71%
Senior Management Service Band C	14	0	3	21.43%
Senior Management Service Band D	3	0	0	0.00%
<b>Total</b>	<b>1073</b>	<b>150</b>	<b>112</b>	<b>10.44%</b>

*NB: \*Minister and Deputy Minister included in 31 March 2010 totals*

Table 5.2 identifies the major reasons why staff left the department.

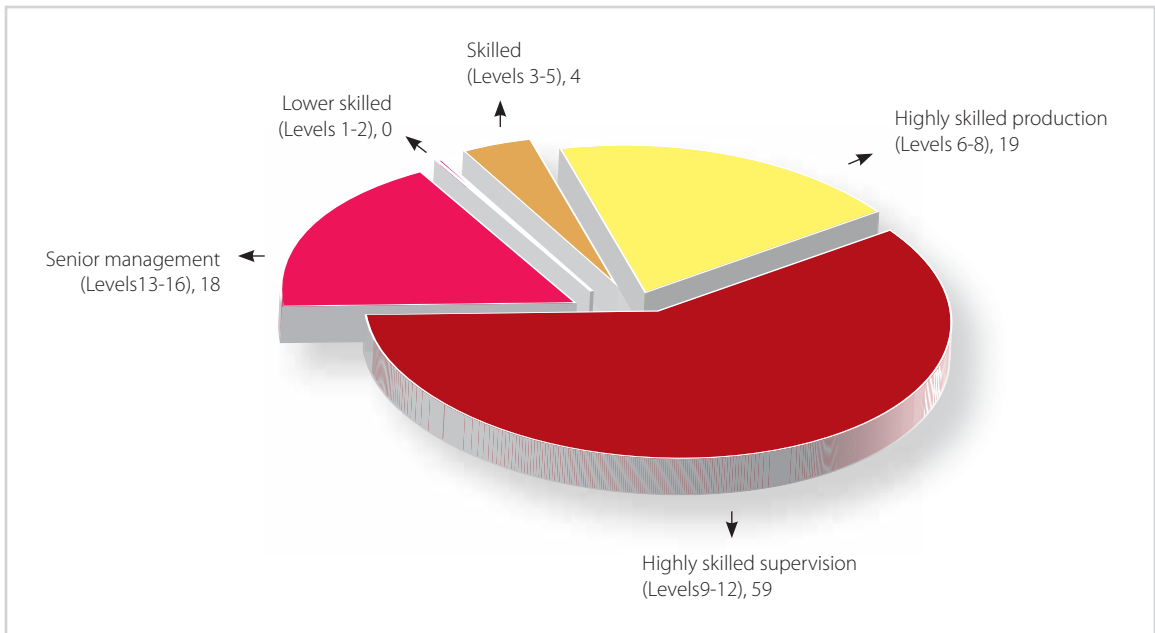
**TABLE 5.2 – Reasons why staff are leaving the department**

Termination Type	Number	% of total
Death	1	0.89%
Resignation	69	61.61%
Expiry of contract	20	17.86%
Dismissal – operational changes	0	0.00%
Dismissal – misconduct	1	0.89%
Dismissal – inefficiency	0	0.00%
Discharged due to ill-health	0	0.00%
Retirement	3	2.68%
Severance Package	0	0.00%
Transfers to other Public Service Departments	18	16.07%
<b>Total</b>	<b>112</b>	<b>100%</b>
<b>Total number of employees who left as a % of the total employment</b>		<b>10.08%</b>

**TABLE 5.3 – Promotions by salary band**

Salary Band	Employees 31 March 2010	Promotions to another salary level	Salary bands promotions as a % of employees by salary level
Lower skilled (Levels 1-2)	4	0	0.00%
Skilled (Levels 3-5)	51	4	7.84%
Highly skilled production (Levels 6-8)	283	19	6.71%
Highly skilled supervision (Levels 9-12)	481	59	12.27%
Senior management (Levels 13-16)	254	18	7.09%
<b>Total</b>	<b>1073</b>	<b>100</b>	<b>9.32%</b>

**PROMOTIONS TO ANOTHER SALARY LEVEL**



## 6. EMPLOYMENT EQUITY

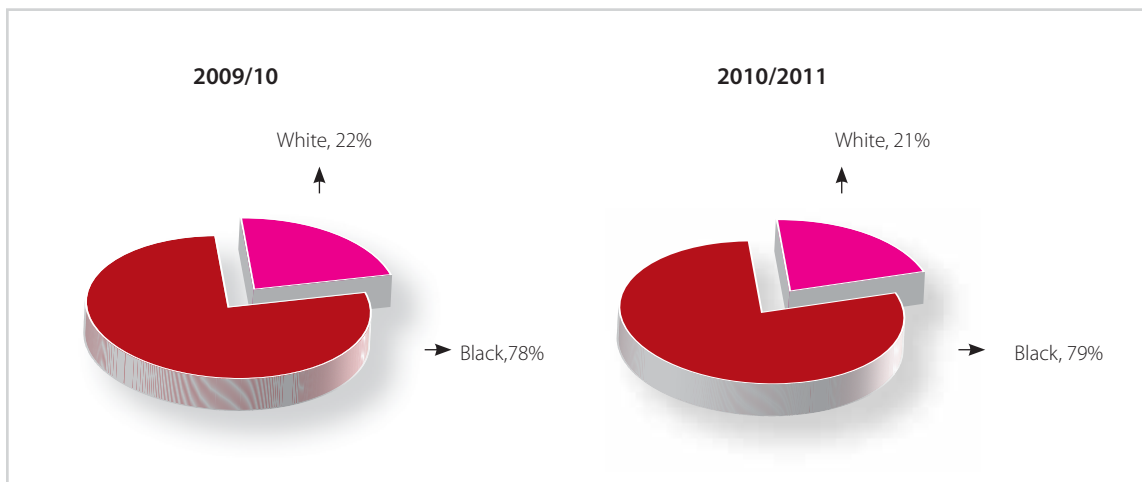
The tables in this section are based on the formats prescribed by the Employment Equity Act, 55 of 1998.

**TABLE 6.1 – Total number of employees (including employees with disabilities) in each of the following occupational categories as at 31 March 2011**

Occupational categories (SASCO)	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	74	10	17	39	39	5	7	30	221
Professionals	155	16	12	46	160	11	15	47	462
Technicians and associate professionals	24	5	1	7	56	4	3	11	111
Clerks	50	0	1	6	137	14	8	49	265
Service and sales workers	15	1	1	0	6	1	0	0	24
Plant and machine operators and assemblers	8	0	0	0	0	0	0	0	8
Elementary occupations	6	3	0	0	10	1	0	0	20
<b>Total</b>	<b>332</b>	<b>35</b>	<b>32</b>	<b>98</b>	<b>408</b>	<b>36</b>	<b>33</b>	<b>137</b>	<b>1111</b>

*NB: Minister and Deputy Minister included in totals*

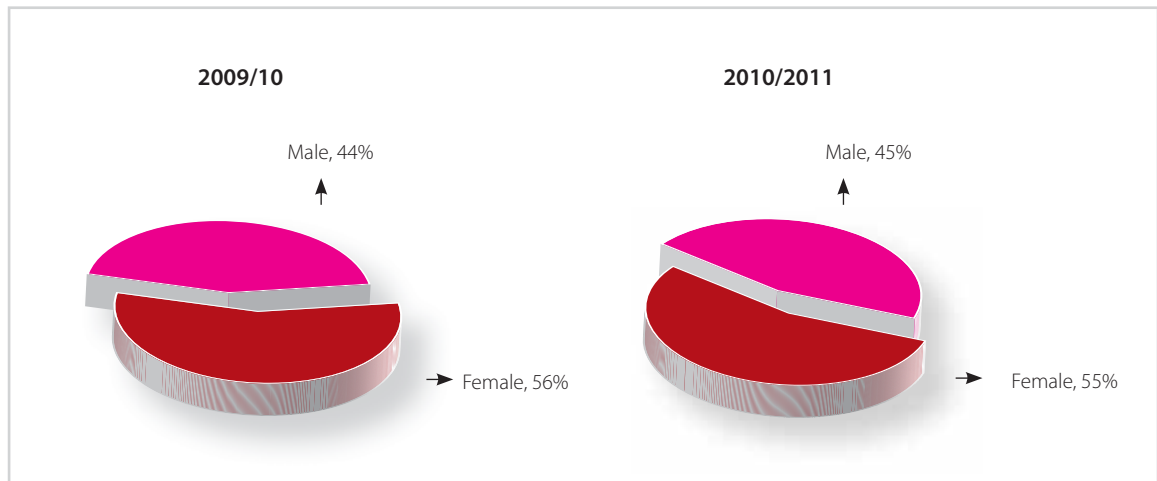
### RACE DISTRIBUTION



**TABLE 6.2 – Total number of employees (including employees with disabilities) in each of the following occupational bands as on 31 March 2011**

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	6	1	6	4	2	2	0	1	22
Senior Management	76	12	13	47	45	3	9	35	242
Professionally qualified and experienced specialists and mid-management	160	16	10	39	177	12	16	61	491
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	64	2	3	7	162	17	8	40	303
Semi-skilled and discretionary decision making	24	2	0	1	22	0	0	0	49
Unskilled and defined decision making	2	2	0	0	0	0	0	0	4
<b>Total</b>	<b>6</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>10</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>20</b>
	<b>332</b>	<b>35</b>	<b>32</b>	<b>98</b>	<b>408</b>	<b>36</b>	<b>33</b>	<b>137</b>	<b>1111</b>

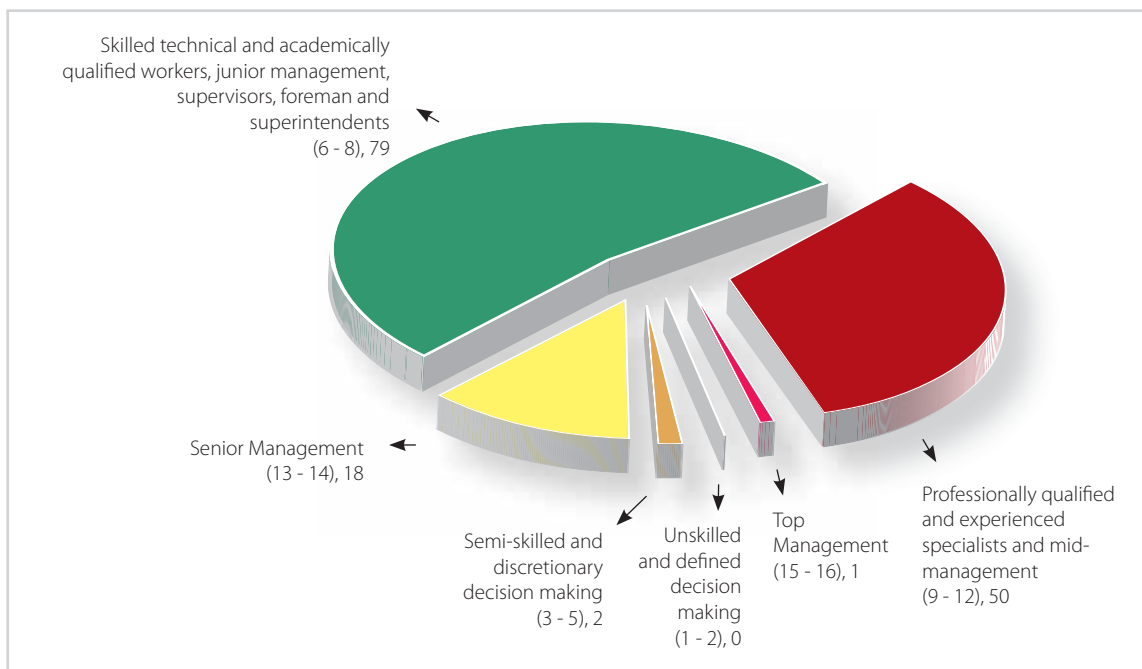
**GENDER DISTRIBUTION**



**TABLE 6.3 – Recruitment for the period 1 April 2010 to 31 March 2011**

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	0	0	1	0	0	0	0	1
Senior Management	7	0	1	4	1	0	1	4	18
Professionally qualified and experienced specialists and mid-management	22	1	2	2	17	0	4	2	50
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	31	0	1	1	39	0	1	5	78
Semi-skilled and discretionary decision making	1	0	0	0	1	0	0	0	2
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
Employees with disabilities	1	0	0	0	0	0	0	0	1
<b>Total</b>	<b>62</b>	<b>1</b>	<b>4</b>	<b>8</b>	<b>58</b>	<b>0</b>	<b>6</b>	<b>11</b>	<b>150</b>

**RECRUITMENT PROFILE**



# HUMAN RESOURCE REPORT

- continued

**TABLE 6.4 – Promotions for the period 1 April 2010 to 31 March 2011**

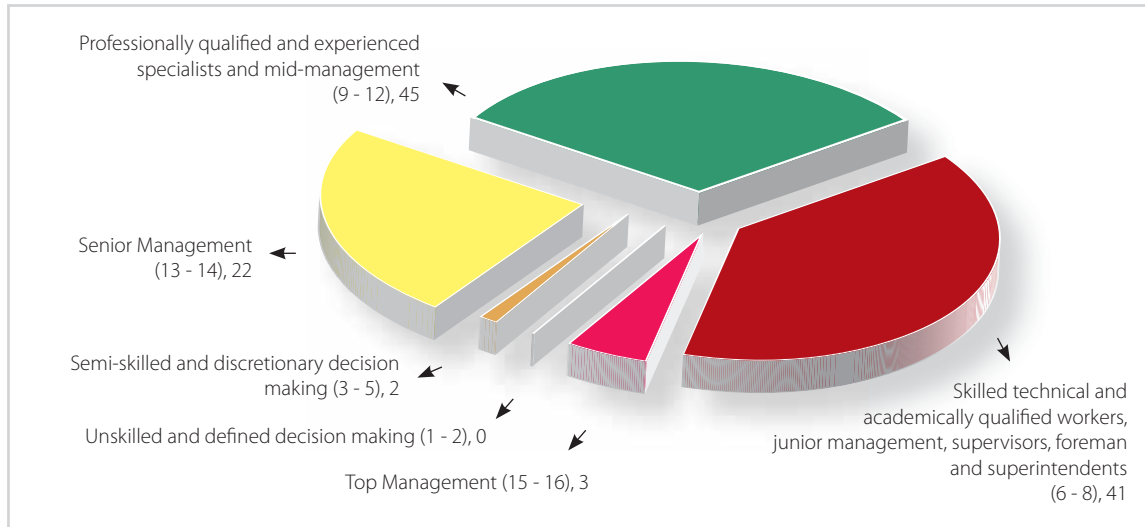
Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	1	0	0	0	0	0	0	0	1
Senior Management	9	0	1	1	2	1	1	2	17
Professionally qualified and experienced specialists and mid-management	20	0	2	6	18	4	4	5	59
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	5	0	1	0	11	0	0	2	19
Semi-skilled and discretionary decision making	1	0	0	0	3	0	0	0	4
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
Employees with disabilities	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>36</b>	<b>0</b>	<b>4</b>	<b>7</b>	<b>34</b>	<b>5</b>	<b>5</b>	<b>9</b>	<b>100</b>

**TABLE 6.5 – Terminations for the period 1 April 2010 to 31 March 2011**

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	0	0	3	0	0	0	0	3
Senior Management	5	2	4	1	4	1	1	4	22
Professionally qualified and experienced specialists and mid-management	16	2	2	3	12	2	2	6	45
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	13	2	0	1	20	3	0	2	41
Semi-skilled and discretionary decision making	0	0	0	0	1	0	0	0	1
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>34</b>	<b>6</b>	<b>6</b>	<b>8</b>	<b>37</b>	<b>6</b>	<b>3</b>	<b>12</b>	<b>112</b>



**TERMINATION OF SERVICES PROFILE**



**TABLE 6.6 – Disciplinary action for the period 1 April 2010 to 31 March 2011**

Disciplinary action	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Disciplinary action	1	0	0	0	0	0	0	0	1

**TABLE 6.7 – Skills development for the period 1 April 2010 to 31 March 2011**

Occupational categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	61	8	13	29	33	6	7	25	182
Professionals	143	15	7	36	142	7	13	31	394
Technicians and associate professionals	23	2	1	5	43	4	3	10	91
Clerks	51	13	1	5	129	13	7	38	257
Service and sales workers	15	1	0	0	6	1	0	0	23
Skilled agriculture and fishery workers	0	0	0	0	0	0	0	0	0
Craft and related trades workers	0	0	0	0	0	0	0	0	0
Plant and machine operators and assemblers	2	0	0	0	0	0	0	0	2
Elementary occupations	2	0	0	0	1	1	0	0	4
<b>Total</b>	<b>297</b>	<b>39</b>	<b>22</b>	<b>75</b>	<b>354</b>	<b>32</b>	<b>30</b>	<b>104</b>	<b>953</b>

## 7. 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 6.1), salary bands (table 6.2) and critical occupations (Table 6.3).

**TABLE 7.1 – Performance Rewards by race, gender, and disability, 1 April 2009 to 31 March 2010**

	Beneficiary Profile			Cost	
	Number of beneficiaries	Total number of employees in group	% of total within group	Cost (R'000)	Average cost per employee
<b>African</b>	<b>440</b>	<b>691</b>	<b>63.7%</b>	<b>15, 893</b>	<b>R36, 121.94</b>
Male	185	306	60.5%	5,319	R28,754.43
Female	255	385	66.2%	10,574	R41,466.99
<b>Asian</b>	<b>51</b>	<b>66</b>	<b>77.3%</b>	<b>2, 898</b>	<b>R56, 843.97</b>
Male	26	34	76.5%	1,090	R41,951.89
Female	25	32	78.1%	1,808	R72,331.74
<b>Coloured</b>	<b>50</b>	<b>80</b>	<b>62.5%</b>	<b>2,198</b>	<b>R43, 978.82</b>
Male	22	39	56.4%	791	R35,981.92
Female	28	41	68.3%	1,407	R50,262.10
<b>White</b>	<b>192</b>	<b>236</b>	<b>81.4%</b>	<b>6, 699</b>	<b>R34, 895.30</b>
Male	81	98	82.7%	3,148	R38,875.00
Female	111	138	80.43%	3,551	R31,991.19
<b>Total</b>	<b>744</b>	<b>1073</b>	<b>69.3%</b>	<b>20,489</b>	<b>R27,539.80</b>

**TABLE 7.2 – Performance Rewards by salary bands for personnel below Senior Management Service, 1 April 2009 to 31 March 2010**

Salary Bands	Beneficiary Profile			Cost		
	Number of beneficiaries	Number of employees	% of total within salary bands	Total Cost (R'000)	Average cost per employee (R'000)	Total cost as a % of the total personnel expenditure
Lower skilled (Levels 1-2)	0	0	0	0	0	0.00
Skilled (Levels 3-5)	45	53	84.91%	2,315	5	3.13
Highly skilled production (Levels 6-8)	164	303	54.13%	1,149	7	1.65
Highly skilled supervision (Levels 9-12)	347	485	71.55%	4,642	13	2.39
<b>Total</b>	<b>556</b>	<b>841</b>	<b>66.11%</b>	<b>5,791</b>	<b>10</b>	<b>2.13</b>

**TABLE 7.3 – 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	125	185	67.6%	R2,444	R19,551.70	4.5
Band B	49	60	81.7%	R2, 248	R45,879.40	6.0
Band C	14	19	73.7%	R 887	R63,396.90	4.6
Band D	-	-	-	-	-	0.00
<b>Total</b>	<b>188</b>	<b>264</b>	<b>71.2%</b>	<b>R3,331</b>	<b>R17,720.90</b>	<b>4.9</b>

## 8. LEAVE UTILISATION FOR THE PERIOD 1 JANUARY 2010 TO 31 DECEMBER 2010

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 7.1) and disability leave (Table 7.2). In both cases, the estimated cost of the leave is also provided.

**TABLE 8.1 – Sick leave, 1 January 2010 to 31 December 2010**

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)
Lower skilled (Levels 1-2)	29	93.1	2	0.2	15	6
Skilled (Levels 3-5)	304	75.3	45	5	7	99
Highly skilled production (Levels 6-8)	2077.5	79.3	258	28.7	8	1224
Highly skilled supervision (Levels 9-12)	2824.5	78.7	408	45.4	7	3632
Senior management (Levels 13-16)	1142.5	78.9	186	20.7	6	3063
<b>Total</b>	<b>6377.5</b>	<b>78.8</b>	<b>899</b>	<b>100</b>	<b>7</b>	<b>8024</b>

# HUMAN RESOURCE REPORT

- continued

**TABLE 8.2 – Disability leave (temporary and permanent), 1 January 2010 to 31 December 2010**

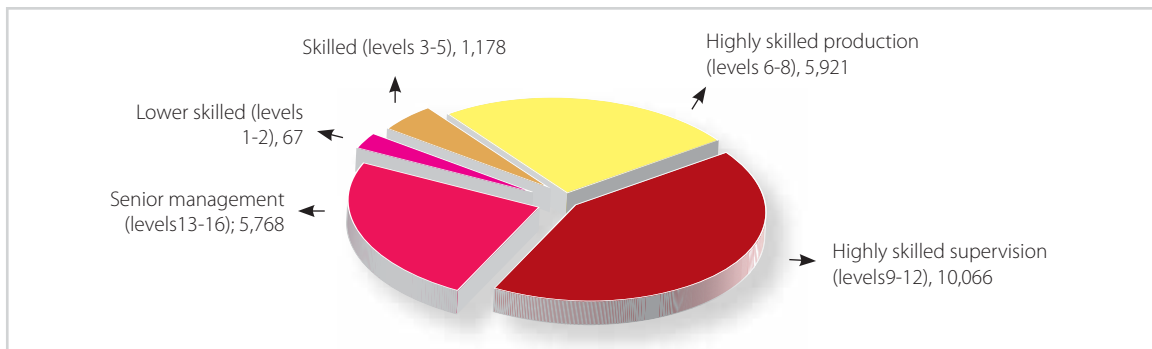
Salary Band	Total days taken	% days with medical certification	Number of Employees using disability leave	% of total employees using disability leave	Average days per employee	Estimated Cost (R'000)
Lower skilled (Levels 1-2)	19	100	1	11.1	19	4
Skilled (Levels 3-5)	0	0	0	0	0	0
Highly skilled production (Levels 6-8)	119	100	3	33.3	40	60
Highly skilled supervision (Levels 9-12)	85	100	4	44.4	21	81
Senior management (Levels 13-16)	13	100	1	11.1	13	39
<b>Total</b>	<b>236</b>	<b>100</b>	<b>9</b>	<b>100</b>	<b>26</b>	<b>184</b>

Table 8.3 summarises the utilisation of annual leave. The wage 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.

**TABLE 8.3 – Annual Leave, 1 January 2010 to 31 December 2010**

Salary Bands	Total days taken	Average per employee
Lower skilled (Levels 1-2)	67	17
Skilled (Levels 3-5)	1,178	23
Highly skilled production (Levels 6-8)	5,921	20
Highly skilled supervision (Levels 9-12)	10,066	20
Senior management (Levels 13-16)	5,768	20
<b>Total</b>	<b>22,300</b>	<b>20</b>

## PROFILE OF ANNUAL LEAVE TAKEN



**TABLE 8.4 – Capped leave, 1 January 2010 to 31 December 2010**

Salary Bands	Total days of capped leave taken	Average number of days taken per employee	Average capped leave per employee as at 31 December 2009
Lower skilled (Levels 1-2)	0	0	0
Skilled (Levels 3-5)	4	4	27
Highly skilled production (Levels 6-8)	39	10	19
Highly skilled supervision(Levels 9-12)	60	4	35
Senior management (Levels 13-16)	44	7	63
<b>Total</b>	<b>147</b>	<b>6</b>	<b>38</b>

**TABLE 8.5 –Leave payouts for the period 1 April 2010 to 31 March 2011**

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 (R'000)
Leave payout for 2010/11 due to non-utilisation of leave for the previous cycle	0	0	0
Capped leave payouts on termination of service for 2010/11	424	4	106
Current leave payout on termination of service for 2010/11	983	81	12
<b>Total</b>	<b>1,407</b>	<b>85</b>	<b>17</b>

## 9. HIV AND AIDS & HEALTH PROMOTION PROGRAMMES

**TABLE 9.1 – 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
None	<ul style="list-style-type: none"> <li>• Offer quarterly Voluntary Counselling and Testing. People testing positive are referred and registered with their respective medical aids for the HIV/AIDS management programme.</li> <li>• Promote prevention by hosting programmes such as condom awareness, and STI &amp; STD's information sessions. Counselling services available through Siyaphila Employee Wellness programme.</li> </ul>

# HUMAN RESOURCE REPORT

- continued

**TABLE 9.2 – 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.	X		Director: Organisational Development
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.	X		One (1) internal Human Resources Specialist: Employee Wellness Programme (EWP).  Contracted an external Employee Wellness service provider (Workforce Health Care).  An annual budget of estimated R700 000
3. Has the department introduced an Employee Assistance or Health Promotion Programme for employees? If so, indicate the key elements/ services of this Programme.	X		<ul style="list-style-type: none"> <li>• Confidential Counselling</li> <li>• Assess and refer employees for interventions such as financial and legal advice, relationships, family matters, substance abuse, work stress, depression, trauma and other health issues.</li> <li>• Host health awareness campaigns – focus on health risk assessments</li> <li>• Quartely Voluntary Counselling and Testing (VCT)</li> </ul>
4. Has the department established (a) committee(s) as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholder(s) that they represent.	X		Composed 8 internal members: <ul style="list-style-type: none"> <li>• Hilda Mhlongo (CS)</li> <li>• Sheridan Pillay (ODG)</li> <li>• Thabsile Shezi (EP)</li> <li>• Rebecca Modiba (CS)</li> <li>• Marius Klue (OAG)</li> <li>• Betty Malope (CS)</li> <li>• Innocentia Machaba (SF)</li> <li>• Johnny October (CS)</li> </ul>
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.	X		Yes. No employment policies discriminate against employees on the basis of their HIV status.  The department's HIV and AIDS policy gives a solid platform for ensuring non – discriminatory practices against HIV-positive employees.

# HUMAN RESOURCE REPORT

- continued

Question	Yes	No	Details, if yes
6. Has the department introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures.	X		The HIV/AIDS policy emphasises confidentiality and the names of all employees tested are kept confidential by an external Voluntary Counselling and Testing (VCT) service provider. The disease management process for those who are positive is done through GEMS and information is also not disclosed to the employer.
7. Does the department encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have achieved.	X		VCT is conducted quarterly. 57% of our total staff complement of 1082 employees underwent VCT in the period 01 April 2010 to 31 March 2011
8. Has the department developed measures/ indicators to monitor and evaluate the impact of its health promotion programme? If so, list these measures/ indicators.	X		<ul style="list-style-type: none"> <li>• HIV/AIDS management - VCT target of 56%</li> <li>• Health and productivity management - Target of less than 3% absenteeism rate</li> <li>• Wellness management: - EWP total utilisation rate of 25%</li> </ul>

## 10. LABOUR RELATIONS

The following collective agreements were entered into with trade unions within the department.

**TABLE 10.1 – Collective agreements, 1 April 2010 to 31 March 2011**

Subject Matter	Date
N/A	

The following table summarises the outcome of disciplinary hearings conducted within the department for the year under review.

## HUMAN RESOURCE REPORT

- continued

**TABLE 10.2 – Misconduct and disciplinary hearings finalised, 1 April 2010 to 31 March 2011**

Outcomes of disciplinary hearings	Number	% of total
Correctional counselling	0	0.0
Verbal warning	2	25.0
Written warning	5	62.5
Final written warning	0	0.0
Suspended without pay	0	0.0
Fine	0	0.0
Demotion	0	0.0
Dismissal	1	12.5
Not guilty	0	0.0
Case withdrawn	0	0.0
<b>Total</b>	<b>8</b>	<b>100</b>

**TABLE 10.3 – Types of misconduct addressed at disciplinary hearings**

Type of misconduct	Number	% of total
Excessive and Unauthorised Absenteeism	1	100
<b>Total</b>	<b>1</b>	<b>100</b>

**TABLE 10.4 – Grievances lodged for the period 1 April 2010 to 31 March 2011**

	Number	% of total
Number of grievances resolved	10	90.9
Number of grievances not resolved	1	9.1
<b>Total number of grievances lodged</b>	<b>11</b>	<b>100</b>

**TABLE 10.5 – Disputes lodged with Councils for the period 1 April 2009 to 31 March 2010**

	Number	% of total
Number of disputes upheld	1	33.3
Number of disputes dismissed	2	66.7
<b>Total number of disputes lodged</b>	<b>3</b>	<b>100</b>



**TABLE 10.6 – Strike actions for the period 1 April 2010 to 31 March 2011**

<b>Total number of person working days lost</b>	<b>34</b>
Total cost (R'000) of working days lost	R22
Amount (R'000) recovered as a result of no work no pay	R22

**TABLE 10.7 – Precautionary suspensions for the period 1 April 2010 to 31 March 2011**

Number of people suspended	1
Number of people whose suspension exceeded 30 days	1
Average number of days suspended	42
Cost (R'000) of suspensions	R114

## 11. SKILLS DEVELOPMENT

This section highlights the efforts of the department with regard to skills development.

**TABLE 11.1 – Training needs identified 1 April 2010 to 31 March 2011**

Occupational Categories	Gender	Number of employees as at 1 April 2010	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	81	0	4	49	53
	Male	141	0	34	84	118
Professionals	Female	232	0	32	131	163
	Male	229	0	28	157	185
Technicians and associate professionals	Female	74	0	16	28	44
	Male	36	0	5	15	20
Clerks	Female	209	0	27	180	207
	Male	57	0	2	59	61
Service and sales workers	Female	7	0	0	1	1
	Male	17	0	0	4	4
Skilled agriculture and fishery workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Craft and related trades workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Plant and machine operators and assemblers	Female	0	0	0	0	0
	Male	8	0	0	1	1
Elementary occupations	Female	11	0	0	0	0
	Male	9	0	1	0	1

# HUMAN RESOURCE REPORT

- continued

Occupational Categories	Gender	Number of employees as at 1 April 2010	Training needs identified at start of reporting period			
			Learnerships	Skills Programmes & other short courses	Other forms of training	Total
<b>Sub Total</b>	Female	614	0	79	389	468
	Male	497	0	70	320	390
<b>Total</b>		<b>1111</b>	<b>0</b>	<b>149</b>	<b>709</b>	<b>858</b>

NB: Minister and Deputy Minister not included in totals

TABLE 11.2 – Training provided 1 April 2009 to 31 March 2010

Occupational Categories	Gender	Number of employees as at 1 April 2010	Training provided within the reporting period			
			Learnerships	Skills Programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	81	0	68	16	84
	Male	141	0	104	41	145
Professionals	Female	232	0	155	61	216
	Male	229	0	102	86	188
Technicians and associate professionals	Female	74	0	49	15	64
	Male	36	0	26	11	37
Clerks	Female	209	0	198	21	219
	Male	57	0	41	18	59
Service and sales workers	Female	7	0	5	1	6
	Male	17	0	8	2	10
Skilled agriculture and fishery workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Craft and related trades workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Plant and machine operators & assemblers	Female	0	0	0	0	0
	Male	8	0	1	1	2
Elementary occupations	Female	11	0	0	0	0
	Male	9	0	0	0	0
<b>Sub Total</b>	Female	614	0	475	114	589
	Male	497	0	282	159	438
<b>Total</b>		<b>1111</b>	<b>0</b>	<b>757</b>	<b>273</b>	<b>1030</b>

## 12. INJURY ON DUTY

The following tables provide basic information on injury on duty.

**TABLE 12.1 – Injury on duty, 1 April 2010 to 31 March 2011**

Nature of injury on duty	Number	% of total
Required basic medical attention only	4	100
Temporary Total Disablement	0	0
Permanent Disablement	0	0
Fatal	0	0
<b>Total</b>	<b>4</b>	<b>100</b>



## **ANNEXURES**

# ANNEXURES

## ANNEXURE 1: ABBREVIATIONS

ACCC	Anti-Corruption Coordinating Committee
ADB	African Development Bank
ADF	African Development Fund
AFIS	Automated Fingerprint Identification System
APRM	African Peer Review Mechanism
ASB	Accounting Standards Board
AU	African Union
BAS	Basic Accounting System
BIS	Bank for International Settlements
CFTC	Commonwealth Fund for Technical Cooperation
CGE	Computable General Equilibrium
CISNA	Securities and Non-banking Financial Authorities
CMU	Contract Management Unit
CMA	Common Monetary Area
CPD	Corporation for Public Deposits
DBSA	Development Bank of Southern Africa
DCIS	Development Corporation Information System
DFI	Development Finance Institution
DOC	Department of Communications
DORA	Division of Revenue Act
DPE	Department of Public Enterprises
DME	Department of Minerals and Energy
DPSA	Department of Public Service and Administration
DSGE	Dynamic Stochastic General Equilibrium
ED	Exposure Drafts
EU	European Union
FATF	Financial Action Task Force
FFC	Financial and Fiscal Commission
FIC	Financial Intelligence Centre
FMS	Financial Management System
FOSAD	Forum of SA Directors-General
FSB	Financial Services Board
G20	Group of Twenty Countries
G24	Group of Twenty-Four Countries
GAMAP	Generally Accepted Municipal Accounting Practices
GCC	Guarantee Certification Committee
GCIS	Government Communications and Information System
GDS	Growth and Development Summit
GEPF	Government Employee Pension Fund
GFECRA	Gold and Foreign Exchange Contingency Reserve Account
GRAP	Generally Recognised Accounting Practices
HDI	Historically Disadvantaged Individual
HEDCOM	Heads of Education Departments Committee
HIPC	Highly Indebted Poor Countries
HSRC	Human Sciences Research Council
IAS	International Accounting Standards
ICASA	Independent Communications Authority of South Africa
IDC	International Development Cooperation
IFAC	International Federation of Accountants

# ANNEXURES

- continued

## ANNEXURE 1: ABBREVIATIONS

IFMS	Integrated Financial Management Systems
IJS	Integrated Justice Sector
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
IOSCO	International Organisation of Securities Commissions
IPFA	Institute for Public Finance and Auditing
IPSAS	International Public Sector Accounting Standards
ISDA	International Swaps and Derivatives Association
LRAD	Land Reform for Agricultural Development
MFI	Micro-Finance Intermediaries
MFMA	Municipal Financial Management Act
MFMTAP	Municipal Finance Management Technical Assistance Project
MIG	Municipal Infrastructure Grant
MOU	Memorandum of Understanding
MSP	Master Systems Plan
MTEF	Medium-Term Expenditure Framework
MYPD	Multi-Year Price Determination
NCOP	National Council of Provinces
NEDLAC	National Economic Development and Labour Council
NEPAD	New Partnership for Africa's Development
NERSA	National Energy Regulator of South Africa
NERT	National Energy Response Team
NIA	National Intelligence Agency
NOFP	Net Open Forward Position
NPA	National Ports Authority
OAG	Office of the Accountant-General
PIC	Public Investment Corporation
PFAI	Provident Fund for Associated Institutions
PFMA	Public Finance Management Act
PPP	Public-Private Partnerships
PPPFA	Preferential Procurement Policy Framework Act
RDP	Reconstruction and Development Programme
REDS	Regional Electricity Distributors
RISDP	Regional Indicative Strategic Development Plan
RMF	Risk Management Framework
SACU	Southern African Customs Union
SADC	Southern African Development Community
SAFCOL	SA Forestry Company Limited
SANReN	South African Research Network
SAPS	South African Police Services
SAPO	South African Post Office
SARB	South African Reserve Bank
SARS	South African Revenue Service
SASRIA	South African Special Risks Insurance Association
SAQA	South African Qualifications Authority
SCM	Supply Chain Management
SCOA	Standard Chart of Accounts
SEC	US Securities and Exchange Commission

# ANNEXURES

- continued

SETA	.....	Sector Education and Training Authority
SITA	.....	State Information Technology Agency
SCOPA	.....	Standing Committee on Public Accounts
SMMEs	.....	Small, Medium and Micro-Enterprises
SOEs	.....	State-owned Enterprises
STRIPS	.....	Separate Trading of Registered Interest and Principal Securities
TBPS	.....	Treasury Best Practice Standards
TCTA	.....	Trans-Caldon Tunnel Authority
WTO	.....	World Trade Organisation

# ANNEXURES

- continued

## ANNEXURE 2: INSTITUTIONS ASSOCIATED WITH THE NATIONAL TREASURY

The National Treasury works closely with a number of public institutions. It has operational and institutional independence and, in some instances, constitutionally guaranteed autonomy. It produces its own annual reports.

### **Accounting Standards Board**

Section 87 of the Public Finance Management Act (1 of 1999)

### **Coin Liabilities**

SA Reserve Bank subsidiary

### **Corporation for Public Deposits**

Corporation for Public Deposits Act (46 of 1984)

### **Development Bank of Southern Africa**

Development Bank of Southern Africa Act (13 of 1997)

### **Financial and Fiscal Commission**

Financial and Fiscal Commission Act (99 of 1997)

### **Financial Services Board**

Financial Services Board Act (97 of 1990)

*The following report to it:*

*Pension Fund Adjudication*

*Financial Markets Advisory Board*

*Pension Funds Advisory Board*

### **Financial Intelligence Centre**

Financial Intelligence Centre Act (38 of 2001)

### **Independent Development Trust**

### **Policy Board for Financial Services Regulation**

Policy Board for Financial Services and Regulation Act (141 of 1993)

### **Public Accounts and Auditors Board**

### **Public Investment Corporation**

Public Investment Corporation Act, 2004 (23 of 2004)

### **Registrar of Banks**

*Reports to SA Reserve Bank*

### **SA Banknote Company**

SA Reserve Bank subsidiary

### **SA Mint Company**

SA Reserve Bank subsidiary

### **South African Reserve Bank**

SA Reserve Bank Act (90 of 1989)

### **South African Revenue Service**

SA Revenue Service Act (34 of 1997)

### **South African Special Risk Insurance Association (SASRIA)**

### **Special Pensions Board**

### **Special Pensions Advisory Board**

### **State Tender Board**

### **Statistical Council**

Statistics Act (66 of 1976)

### **Tax Advisory Committee**