



**ANNUAL  
REPORT  
2012/13**



**national treasury**

Department:  
national treasury  
**REPUBLIC OF SOUTH AFRICA**



**ANNUAL  
REPORT  
2012/13**

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**national treasury**

Department:  
national treasury  
REPUBLIC OF SOUTH AFRICA



**ANNUAL  
REPORT  
2012/13**

Mr P Gordhan  
**Minister of Finance**

I have the honour of submitting  
the Annual Report of the National Treasury  
for the period 1 April 2012 to 31 March 2013.



.....

L Fuzile  
**Director-General**



**national treasury**

Department:  
national treasury  
**REPUBLIC OF SOUTH AFRICA**

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▶ **MISSION  
STATEMENT**

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**ORGANOGRAM**

# MISSION STATEMENT

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## VISION

The 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 and advice and in 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

The 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 the government's financial assets and liabilities soundly. We promote transparency and effective financial management.

## VALUES

As custodian 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

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Nhlamhla Nene  
**Deputy Minister of Finance**

Pravin Gordhan  
**Minister of Finance**

Lungisa Fuzile  
**Director-General**

- Media Liaison & Communications
- Legal Services
- Legislation
- Internal Audit Function
- Chief Risk Officer





**Goolam Aboobaker**  
**Deputy Director-General**  
 Office of the Director-General

1

**Stadi Mngomezulu**  
**Head**  
**Corporate Services**

- Strategic Projects & Support
- Human Resources Management
- Chief Financial Officer
- Information & Communications Technology

2

**Andrew Donaldson**  
**Head**  
**Public Finance**

- Protection Services
- Economic Services
- Administrative Services
- Education & Related Departments & Labour
- Health & Social Development
- Technical Assistance Unit
- Urban Development & Infrastructure
- National Capital Projects
- Project Management

3

**Freeman Nomvalo**  
**Head**  
**Office of the Accountant-General**

- Capacity Building
- MFMA Implementation
- Accounting Support & Integration
- Internal Audit Support
- Risk Management
- Technical Support Services
- Governance Monitoring & Compliance
- Specialised Audit Services

4

**Matthew Simmonds**  
**Head**  
**Budget Office**

- Expenditure Planning
- Public Finance Statistics
- International Development Coordination
- Fiscal Policy
- Public Private Partnership Unit
- Public Entities Governance Unit
- Neighbourhood Development Unit
- Public Sector Remuneration

5

**Fundi Tshazibana**  
**Head**  
**Economic Policy**

- Regulatory Impact Assessment
- Modelling & Forecasting
- Microeconomic policy
- Macroeconomic policy

6

**Mmakgoshi Phetla-Lekhethe**  
**Head**  
**International & Regional Economic Policy**

- African Economic Integration
- International Finance & Development

7

**Ismail Momoniat**  
**Head**  
**Tax & Financial Sector Policy**

- Financial Sector Development
- Financial Services
- Financial Stability
- Economic Tax Analysis
- Legal Tax Design

8

**Kenneth Brown**  
**Head (Up to March 2013)**  
**Intergovernmental Relations**

- Local Government Budget Analysis
- Intergovernmental Policy & Planning
- Provincial & Local Government Infrastructure
- Provincial Budget Analysis

9

**Thuto Shomang**  
**Head**  
**Asset & Liability Management**

- Sectoral Oversight
- Liability Management
- Financial Operations
- Strategy & Risk Management
- Governance & Financial Analysis

10

**Coen Kruger**  
**Head**  
**Specialist Functions**

- Contract Management
- Norms & Standards
- Supply Chain Policy
- Financial Systems





▶ **LEGISLATIVE  
MANDATE**  
.....  
**LEGISLATION  
ENACTED**

## LEGISLATIVE MANDATE

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The National Treasury's mandate is to promote the national government's fiscal policy; coordinate macroeconomic policy and intergovernmental financial and fiscal relations; manage the preparation of the budget; and 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, during the period under review the National Treasury continued its interactions with parliamentary committees and particularly with the Standing Committee on Finance; the Standing Committee on Appropriations; the Select Committee on Finance; and the Select Committee on Appropriations. Other committees with which the department worked closely were 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 the 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, with information continuing to flow from the Ministry through Cabinet to Parliament and vice versa.

Other clients of the PSO 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 and with the offices of the Presiding Officers, the Secretary to Parliament and the Leader of Government Business.

# LEGISLATION ENACTED

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1. **Division of Revenue Act, 2012 (Act No. 5 of 2012)**
  - Bill enacted: Division of Revenue Bill [B 4 – 2012]
  - English text signed by the President.  
Assented to 15 May 2012
  - Published in Government Gazette No. 35361, dated 17 May 2012
2. **Appropriation Act, 2012 (Act No. 7 of 2012)**
  - Bill enacted: Appropriation Bill [B 3 – 2012]
  - English text signed by the President.  
Assented to 11 July 2012
  - Published in Government Gazette No. 35512, dated 12 July 2012
3. **Rates and Monetary Amounts and Amendment of Revenue Laws Act, 2012 (Act No. 13 of 2012)**
  - Bill enacted: Rates and Monetary Amounts and Amendment of Revenue Laws Bill [B10 – 2012]
  - English text signed by the President.  
Assented to 5 October 2012
  - Published in Government Gazette No. 35775, dated 9 October 2012
4. **Adjustments Appropriation Act, 2012 (Act No. 17 of 2012)**
  - Bill enacted: Adjustments Appropriation Bill [B32 – 2012]
  - English text signed by the President.  
Assented to 10 December 2012
  - Published in Government Gazette No. 35993, dated 11 December 2012
5. **Division of Revenue Amendment Act, 2012 (Act No. 18 of 2012)**
  - Bill enacted: Division of Revenue Amendment Bill [B 33 – 2012]
  - English text signed by the President.  
Assented to 10 December 2012
  - Published in Government Gazette No. 35994, dated 11 December 2012
6. **Financial Markets Act, 2012 (Act No. 19 of 2012)**
  - Bill enacted: Financial Markets Bill [B12B – 2012]
  - English text signed by the President.  
Assented to 30 January 2013
  - Published in Government Gazette No. 36121, dated 1 February 2013
7. **Tax Administration Laws Amendment Act, 2012 (Act No. 21 of 2012)**
  - Bill enacted: Tax Administration Laws Amendment Bill [B35B – 2012]
  - English text signed by the President.  
Assented to 12 December 2012
  - Published in Government Gazette No. 36036, dated 20 December 2012
8. **Taxation Laws Amendment Act, (Act No. 22 of 2012)**
  - Bill enacted: Taxation Laws Amendment Bill [B 34 – 2012]
  - English text signed by the President.  
Assented to 30 January 2013
  - Published in Government Gazette No. 36122, dated 1 February 2013
9. **Credit Rating Services Act, (Act No. 24 of 2012)**
  - Bill enacted: Credit Rating Services Bill [B8B – 2012]
  - English text signed by the President.  
Assented to 9 January 2013
  - Published in Government Gazette No.36071, dated 14 January 2013



▶ **THE MINISTRY**

## THE MINISTRY

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Fuad Cassim  
Economic Advisor to the  
Minister of Finance

Nhlanhla Nene  
Deputy Minister of Finance

Pravin Gordhan  
Minister of Finance

The Ministry of Finance is the political head of specialised public sector organisations in the areas of finance, economics and accounting. Under the leadership of Minister Pravin Gordhan and Deputy Minister Nhlanhla Nene, the Ministry has continued to provide guidance during the reporting period. This ensured high levels of consistent service delivery.

South Africa continues to have the most transparent budget process when measured against 94 countries, including developed economies. Notwithstanding this pedigree, National Treasury continues to improve the quality of information presented in the Budget. This is meant to assist those entities responsible for oversight to ensure better accountability by those who have been entrusted with the responsibility of managing and spending public funds.

South Africa entered the global crisis with its own legacy of inadequate infrastructure, poverty and inequality, structural unemployment and a slow pace of transformation. Entrenched in a long history of unbalanced development, these challenges require a change of direction and a new momentum.

Despite the decline in revenue during the 2009 recession, a healthy fiscal position enabled government to increase borrowings to maintain social expenditure and cushion the economy. But the fiscal space available to continue supporting the economy and maintain social expenditure has narrowed. This implies that we will need to do more with less.

**INTERNATIONAL VISITS UNDERTAKEN BY THE MINISTER OF FINANCE,  
PRAVIN GORDHAN, DURING THE 2012/13 FINANCIAL YEAR:**

Date	Country	Reason
<b>2012</b>		
16 - 17 April 2012	Mumbai, India	Business Leadership in India, First Rand Opening in India
18 - 19 April 2012	Milan, Bellagio, Italy	Bellagio Conference
19 - 25 April 2012	Washington, DC, USA	IMF/World Bank Spring Meetings
08 May 2012	Berlin, Germany	South Africa-Germany Bi-National Commission Meetings
09 - 11 May 2012	Addis Ababa, Ethiopia	World Economic Forum: Africa
18 - 19 June 2012	Los Cabos, Mexico	G20 Summit
21 June 2012	Rio de Janeiro, Brazil	United Nations Conference on Sustainable Development, (Rio + 20) G20 Ministerial
01 - 03 August 2012	London, UK	Global Health Policy Forum, Global Business Summit on Health Care and Life Sciences
13 - 14 August 2012	Buenos Aires, Argentina	Working Visit, incl. 40th Anniversary of the Argentine - South African Chamber of Commerce
16 - 17 September 2012	Stockholm, Sweden	2012 Anna Lindh Seminar Stockholm, Skandiasalen in the Swedish Parliament
18 September 2012	Brussels, Belgium	5th SA-EU Summit
08 - 14 October 2012	Tokyo, Japan	IMF/World Bank Annual Meetings
14 - 16 December 2012	New Delhi, India	Delhi Economic Conclave
<b>2013</b>		
22 - 25 January 2013	Davos Switzerland	World Economic Forum (WEF)

**INTERNATIONAL VISITS UNDERTAKEN BY THE DEPUTY MINISTER OF FINANCE,  
NHLANHLA NENE, DURING THE 2012/13 FINANCIAL YEAR:**

Date	Country	Reason
<b>2012</b>		
16 - 19 April 2012	New Delhi, India	The India Management Association (AIMA) Managing India Awards
21 - 25 May 2012	Paris, France	The Organisation for Economic Co-operation and Development (OECD) Ministerial Council Meetings
27 May - 01 June 2012	Arusha, Tanzania	The 2012 Annual Meetings of the African Development Bank
30 July - 03 August 2012	Kinshasa, Democratic Republic Of Congo	2012 African Caucus Meetings
30 August - 01 September 2012	Maputo, Mozambique	The 12th ESAAMLG Council of Ministers Meeting
26 - 29 November 2012	Paris, France	The OECD First Meeting of the Global Strategy Group (GSG: former ECSS)
06 - 07 December 2012	Windhoek, Namibia	The 23rd SACU Council Meeting
<b>2013</b>		
13 - 17 February 2013	Moscow, Russia	To attend the G-20 Finance Ministers' and Central Bank Governors Meeting
23 - 27 March 2013	Abidjan - Côte d'Ivoire	The AU/UNECA Annual Ministerial Meetings



**ANNUAL  
REPORT  
2012/13**

**PUBLIC ENTITIES  
REPORTING TO  
THE MINISTER**





# PUBLIC ENTITIES REPORTING TO THE MINISTER

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Fourteen entities report to the Minister of Finance through governance arrangements that give them autonomy but also enable them to align their strategies with government policy. Six of these entities - the South African Revenue Service (SARS), the Financial Intelligence Centre (FIC), the Accounting Standards Board (ASB), the Co-operative Banks Development Agency (CBDA), the Financial and Fiscal Commission (FFC) and the Independent Regulatory Board for Auditors (IRBA) - receive transfers from the National Treasury.

The remaining eight - the Financial Services Board (FSB), the Financial Advisory and Intermediary Services Ombud (FAIS Ombud), the Office of the Pension Fund Adjudicator, the Government Pensions Administration Agency (GPAA), the Development Bank of Southern Africa (DBSA), the Public Investment Corporation (PIC), the Land Bank and the South African Special Risk Insurance Association (SASRIA) - do not.

Each entity develops, and reports on, its own strategic plan. The commentary below on the performance of the fourteen entities describes the broad approach of each and how its work relates to the National Treasury's strategic goals.

Highlights of SARS' performance in the 2012/13 reporting year included:

- An increase in customs revenue collection from R136 billion to R151.1 billion, exceeding the Minister's target of R150 billion
- An increase in total revenue collected (excluding Customs revenue) from R606.7 billion to R662 billion, exceeding the Minister's target of R659.98 billion
- 95.5 per cent of taxpayers using electronic filing, declaration and payment submissions compared with the target of 94 per cent
- An increase in personal income tax filing compliance from 83.16 per cent in 2011/12 to 86.05 per cent.

Over the next three years, SARS will continue to focus on the organisation's four strategic outcomes: increased Customs compliance; increased tax compliance; increased ease and fairness of doing business with SARS; and increased cost effectiveness, internal efficiency and institutional respectability. SARS will also continue with its modernisation strategy through which core processes and systems are being streamlined and routine tasks automated.



## **SOUTH AFRICAN REVENUE SERVICE (SARS)**

(Schedule 3A: National public entity)

SARS' mandate is to collect tax revenue; administer all national taxes, duties and levies; collect revenue imposed under any legislation, as agreed to by SARS and an organ of state or institution; prevent illegal import and export of goods; and facilitate legitimate trade.



**financial intelligence centre**  
REPUBLIC OF SOUTH AFRICA

## **FINANCIAL INTELLIGENCE CENTRE (FIC)**

(Schedule 3A: National public entity)

The role of the FIC is to identify the proceeds of crime; combat money laundering and the financing of terrorism; and share relevant information with law enforcement authorities, SARS, state security agencies and global counterparts.

# PUBLIC ENTITIES REPORTING TO THE MINISTER / continued

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The FIC's achievements in the reporting year included:

- A 34 per cent increase in financial intelligence products generated, from 1 741 in 2011/12 to 2 328 in 2012/13, for use by law enforcement, investigative and intelligence agencies and other stakeholders in the criminal justice system, domestically and abroad
- 292 compliance inspection reports issued and 72 joint inspections conducted with supervisory bodies in sectors including trust companies, gambling institutions, Krugerrand dealers, motor vehicle dealers and estate agents
- 40 compliance awareness sessions held and 12 notices issued to boost registration of financial service providers, estate agents and attorneys
- An increase in the number of institutions registered in accordance with the FIC Act from 14 054 in 2011/12 to 21 866; this broadened the compliance base by 55.6 per cent
- Provision of technical advice to Namibia's Financial Intelligence Unit
- Leading the South African delegation's participation in the review of global standards on anti-money laundering and counter-terrorism financing, and in engagements with the Financial Action Task Force (FATF), an inter-governmental organisation with more than 30 members worldwide
- Implementing the first phase of the roadmap to enhance information management and business systems, including the procurement of anti-money laundering software upgrades and infrastructure. The FIC also completed the documentation for the divisional business continuity plans, developed to ensure minimum disturbance to the work of the organisation in case of disaster or similar interruption.

An on-going area of focus within the FIC involves reconciling the strategic direction derived from the outcomes approach and the current budget

programmes: Compliance and Prevention, Monitoring and Analysis, Legal and Policy and Business Enablement (which includes support units such as ICT, HR, and Finance). Once completed, this reconciliation will make it possible to achieve the planned outputs per outcome which, in turn, will have a positive impact in the country and in the global arena.



## ACCOUNTING STANDARDS BOARD (ASB)

(Schedule 3A: National public entity)

The ASB sets the generally recognised accounting practice (GRAP) Standards which promote transparency in and effective management of, revenue, expenditure, assets and liabilities across all three spheres of government. Highlights of the ASB's performance in 2012/13 included:

- Seven exposure drafts issued for comment
- Six consultation papers published concurrently with the International Public Sector Accounting Standards Board, with calls for comment
- A discussion paper issued on accounting for principal-agent activities in the public sector.

The focus in the next financial year and over the medium term will be on completing GRAP Standards on principal-agent activities in the public sector and on natural resources; participation in the international project to develop an accounting standard on social benefits; and performing post-implementation reviews of the 32 GRAP Standards issued to date.

# PUBLIC ENTITIES

## REPORTING TO THE MINISTER / continued



### CO-OPERATIVE BANKS DEVELOPMENT AGENCY (CBDA)

(Schedule 3A: National public entity)

The CBDA's responsibilities include supporting, promoting and developing co-operative banking; and registering, supervising and regulating deposit-taking financial services co-operatives, savings and credit co-operatives, community banks and village banks as co-operative banks.

The CBDA's achievements during 2012/13 included:

- In the first year of administration, registering 14 co-operative financial institutions (CFIs) which were issued with an Exemption Note by the SARB, exempting the CFIs from complying with the Banks Act
- Participation by 41 people in the University of Pretoria CFI Managers' Certificate course
- Successful hosting of the CFI Annual Indaba which provided a platform for CFIs to learn, share information and network and in this way to build a sustainable and vibrant sector
- Developing and maintaining strong relationships with stakeholders in the CFI sector. As a result of this, five MOUs were signed
- Providing governance training for 24 directors of CFI boards.

The agency's strategic goals over the next three years are to:

- Continue on-site supervision and off-site surveillance of registered CFIs
- Prepare guidance notes on risk management and other aspects of managing a CFI
- Determine the feasibility of implementing an IT

- banking platform with access to the national payment system to enhance CFI penetration levels and improve information management within the sector
- Introduce a coaching and mentorship programme to complement existing training programmes and improve compliance in the sector
- Launch study circles as a form of CFI member education training
- Develop training materials for board committees.



### FINANCIAL AND FISCAL COMMISSION (FFC)

(Schedule 1: Constitutional entity)

In terms of Section 220 of the Constitution, the FFC's mandate is to advise relevant legislative authorities on the financial and fiscal requirements of the national, provincial and local spheres of government. Its overarching goal is, through formulating and collating policy-relevant analysis, to provide proactive, expert and independent advice on promoting a sustainable and equitable system of intergovernmental fiscal relations.

The FFC's achievements during 2012/13 included:

- Comment on the submitted Division of Revenue Bill
- Comment on the submitted Medium Term Budget Policy Statement and Fiscal Framework
- Comment on the submitted Annual Reports.

The FFC's strategic goals over the next three years are to contribute to a sustainable and equitable system of intergovernmental relations; foster a future-oriented strategic approach; and provide sound policy advice.

# PUBLIC ENTITIES REPORTING TO THE MINISTER / continued

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## INDEPENDENT REGULATORY BOARD FOR AUDITORS (IRBA)

(Schedule 3A: National public entity)

The IRBA is mandated to protect the public which relies on the services of registered auditors, and to provide support to registered auditors.

The IRBA's mandate is currently being expanded to cover two additional areas. The first relates to amendments by the Department of Trade and Industry to the Broad Based Black Economic Empowerment Act (2003); these will transfer regulation of the BEE verification industry from the South African National Accreditation System (SANAS) to the IRBA. In terms of the second, the Board will be the statutory body, recognised by SARS, with which tax practitioners must register.

The IRBA's achievements during 2012/13 included:

- Developing and issuing new audit pronouncements as required by the Committee for Auditing Standards (CFAS)
- Out of a total of 676, timeously receiving 629 reportable irregularities reports from registered auditors
- Completing 22 of 23 planned firm inspections and 440 of 478 planned file inspections
- Monitoring the programmes and institutional requirements of accredited professional bodies, and submitting reports as required.

The spending focus over the medium term will be

on developing and maintaining internationally-comparable auditing and ethical standards; providing an appropriate framework for educating and training properly qualified auditors; inspecting and reviewing the work of registered auditors; and investigating and taking appropriate action against registered auditors not complying with standards and guilty of improper conduct.



## FINANCIAL SERVICES BOARD (FSB)

(Schedule 3A: National public entity)

The FSB is an independent institution established by statute to oversee the South African non-banking financial services industry in the public interest.

The FSB's legislative mandate is primarily derived from the Financial Services Board Act (1990) which requires it to supervise and enforce compliance with laws regulating financial institutions and the provision of financial services; advise the Minister of Finance on matters concerning financial institutions and financial services; promote the programmes and initiatives of financial institutions and bodies representing the financial services industry; and inform and educate users and potential users about financial products and services.

Activities in 2012/13 included the following:

- Revenue collected from companies increased to R488.7 million from R441.2 million in 2011/12
- 10 268 financial advisory and intermediary entities were supervised compared with 11 082 in the previous year

# PUBLIC ENTITIES

## REPORTING TO THE MINISTER / continued

- The number of collective investment management schemes increased to 101 compared with 96 in the previous year.

The spending focus in the medium term will be on ensuring that regulated entities comply with legislation and the capital adequacy requirements for financial soundness and in this way protect the investing communities; and ensuring long term sustainability by improving revenue collection from and investment in financial institutions.



### FINANCIAL ADVISORY AND INTERMEDIARY SERVICES OMBUD (FAIS OMBUD)

(Schedule 3A: National public entity)

The FAIS Ombud adjudicates and deals with complaints against financial services providers, primarily intermediaries selling investment products.

Highlights during 2012/13 included the following:

- New cases received increased from 8 821 to 9 949. Of the new cases, justifiable matters increased from 3 547 to 4 288
- 2 577 new cases were dismissed, with referrals standing at 4 366
- The number of settlements, including those in cases from previous years, increased from 1 116 to 1 354.

The FAIS Ombud's strategic goals over the next three years are to achieve excellent levels of customer satisfaction; facilitate communication with

stakeholders to enhance performance, accountability and public confidence; and ensure long term sustainability by strengthening the office's capacity to deliver on its mandate economically, efficiently and effectively in accordance with the relevant regulatory framework.



### OFFICE OF THE PENSION FUNDS ADJUDICATOR (OPFA)

(Schedule 3A: National public entity)

The OPFA's mandate is to investigate and determine complaints lodged in terms of the Pension Funds Act (1956). In doing this, it is required to resolve complaints in a way that is procedurally fair, economical and expeditious; ensure that its services are accessible to all; and make just and expeditious resolutions in accordance with the law.

OPFA highlights in 2012/13 included:

- 8 127 complaints were resolved compared with 5 282 in 2011/12, and 4 127 determinations handed down. In 2 399 of these determinations, relief was granted to the complainant.

To deal efficiently and expeditiously with complaints received, the OPFA continues to identify measures that will improve productivity. This has included, ensuring that basic governance and management processes and procedures are established and adhered to; and developing relationships with stakeholders to improve the organisation's reputation and instil confidence in its ability to perform its duties.

# PUBLIC ENTITIES REPORTING TO THE MINISTER / continued

## GOVERNMENT PENSIONS ADMINISTRATION AGENCY (GPAA)

(Government Component)

The GPAA provides administration services to the Government Employees Pension Fund (GEPF) and the National Treasury (for its Programme 7), an arrangement regulated by service level agreements. On behalf of the GEPF and its Board of Trustees, the GPAA administers government employee pensions and funeral benefits in terms of the Government Employees Pension (GEP) Law of 1996. For the National Treasury, it administers the Temporary Employees Pension Fund (TEPF) in terms of the Temporary Employees Pension Fund Act (1979), and the Associated Institutions Pension Fund (AIPF) in terms of the Associated Institutions Pension Fund Act (1963). Post-retirement medical subsidies are administered as provided for and regulated by the Public Service Co-ordinating Bargaining Council (PSCBC); military pensions in terms of the Military Pensions Act (1976); injury on duty payments in terms of the Compensation for Occupational Injuries and Diseases Act (1993); and special pensions in terms of the Special Pensions Act (1996).

The GPAA's achievements during 2012/13 included:

- Deployment of mobile offices to reach members, pensioners and beneficiaries in remote areas
- Automation of benefit payments
- Introduction of an electronic submission process, currently referred to as eChannel, to a number of employer departments. This has resulted in fewer errors and has radically reduced document turnaround times.

The GPAA's medium term strategic goals are to ensure customer satisfaction through timeous and accurate payment of benefits to members; reduce backlogs; build relationships with employer departments; facilitate the submission of accurate member information at the time of retirement, resignation, death or the transfer of pensions; and ensure stakeholder satisfaction through enabling technologies.



## THE DEVELOPMENT BANK OF SOUTHERN AFRICA (DBSA)

(Schedule 2: Major public entity)

The DBSA's purpose is to promote sustainable economic development and growth, human resource development and institutional capacity building by mobilising financial and other resources from the public and private sectors, locally and abroad, for sustainable development projects and programmes in South Africa and the southern African region.

Progress in terms of key objectives in the 2012/13 financial year included:

- Total infrastructure disbursements of R9.2 billion (target: R6.9 billion), close to the record level of R9.3 billion in the 2008/09 financial year
- R1.2 billion disbursed to municipalities in South Africa
- As part of the Accelerated Schools Infrastructure Delivery Programme, commencement of construction of 49 schools in January 2012 with 17 schools completed by the end of the financial year
- As part of the Jobs Fund, approval of R3.4 billion for 66 projects through the first two calls for proposals, and leveraging of R3.2 billion in matched funding from project developers. It is estimated that 100 524 new jobs will be created by these projects and an additional 56 194 work-seekers placed in existing vacancies
- Through the Vulindlela Academy, 6 265 (target: 10 000) municipal councillors, DBSA intermediaries and representatives of development finance institutions trained in the priority skills of planning, finance, management and leadership
- Despite adverse national, regional and international economic conditions leading to

# PUBLIC ENTITIES

## REPORTING TO THE MINISTER / continued

a net loss for the year of R704 million with total impairments of R1.6 billion and net revaluation losses on financial instruments of R403 million, the Bank remained in a stable financial position

- Total assets grew by 2.7 per cent, from R52.3 billion to R53.7 billion.

In support of the government and its development objectives, the DBSA positioned itself during 2012/13 to fund effective financial and non-financial infrastructure investments in sectors including energy, transport and logistics, water, health and education.



### **PUBLIC INVESTMENT CORPORATION LIMITED (PIC)**

(Schedule 3B: National government business enterprise)

The PIC manages funds on behalf of a number of state-related institutions, the largest of which is the GEFF. Other institutions are the Unemployment Insurance Fund (UIF), the Associated Institutions Pension Fund (AIPF), the Compensation Commissioner (CC), the Pension Fund (PF), the Compensation Fund (CF) and the Guardian's Fund.

The PIC's total investment portfolio is approximately R1.2 trillion, most of it invested in listed bonds and equities. However, in the unlisted space, the Isibaya Fund provides finance for projects able to generate good financial returns while supporting positive, long term, economic, social and environmental outcomes for the country.

The PIC's achievements in 2012/13 included the following:

- Group revenue grew by 21 per cent compared

with 2011/12, with net profit increasing from R94 million in 2011/12 to R144 million in 2012/13. As at 31 March 2013, total market value of assets under management was R1.2 trillion.

Over the next three years, approximately R50 billion is earmarked for developmental investments through the Isibaya Fund. These will take place in four investment areas: economic infrastructure; social infrastructure; priority sectors and SME development; and environmental sustainability.



### **THE LAND AND AGRICULTURAL DEVELOPMENT BANK OF SOUTH AFRICA (LAND BANK)**

(Schedule 3B: National government business enterprise)

The mandate of the Land Bank, a development finance institution, is to address agricultural and rural development in South Africa. The bank operates in the agricultural and agribusiness sectors. It aims to increase its development focus by building more support structures for emerging farmers and strengthening the agriculture value chain; and by contributing to equitable ownership of agricultural land by promoting agrarian reform, land redistribution and development programmes aimed at historically disadvantaged individuals.

The following are performance highlights for the 2012/13 financial year:

- To fast-track financing of developing farmers, the bank developed a wholesale development financing facility using agri-businesses as intermediaries. Three wholesale development finance deals were finalised and implemented. The bank disbursed R162.8 million to developing black farmers compared with R101.7 in



# PUBLIC ENTITIES REPORTING TO THE MINISTER / continued

the previous financial year. This exceeded the target for the 2012/13 financial year of R122 million

- The gross growth in the loan book exceeded the target of R3.366 billion by R1.21 billion, growing to R4.58 billion. The percentage growth target was 15 per cent; the bank achieved 20 per cent
- The bank reached over 80 per cent of its performance targets for the financial year. However, one performance indicator not achieved was that of net profit. The target was R150.3 million and the Bank achieved R132 million or 88 per cent of the target. This was mainly due to the 50 basis points cut in the repo rate in September 2012, which was not budgeted for, and higher than expected impairment charges.

The bank's focus over the next three years will be on financing emerging farmers; growing the investment portfolio and delivering better performance from investments; promoting equitable ownership of agricultural land, particularly by increasing its ownership by historically disadvantaged persons; and agrarian reform through land redistribution and development programmes aimed at historically disadvantaged individuals.

a 12.5 per cent increase

- The organisation held road-shows in major cities and surrounding urban areas
- Net investment income increased to R416 million in 2012/13
- The customer base was extended by launching a full Business Interruption Cover product
- SASRIA successfully participated in the Financial Services Board (FSB)'s Second South African Quantitative Impact Study (SA QIS2) in preparation for the new solvency assessment and management (SAM) legislation
- Improved customer service by settling 65 per cent of claims in 30 days or less
- Improved industry knowledge of SASRIA's products by conducting 74 industry product awareness training sessions.

SASRIA's strategic objectives over the next three years include optimising shareholder value by increasing premiums and investment income, and managing operational expenses; establishing a broader customer base through maximising brand and product awareness, introducing new products and enhancing current products; and developing a customer-oriented culture to provide superior customer service and exceed industry benchmarks.



## **SOUTH AFRICAN SPECIAL RISK INSURANCE ASSOCIATION (SASRIA) SOC LIMITED**

(Schedule 3B: National government business enterprise)

SASRIA provides insurance against damage caused during political riots, labour disputes, civil unrest and terrorism as well as losses in respect of mortgage loans.

Progress and activities in 2012/13 included the following:

- Gross written premium (GWP) income growth increased to R1.3 billion from R1 billion in 2011/12,



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

# MINISTER'S STATEMENT ON POLICY AND COMMITMENT

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Pravin Gordhan  
Minister of Finance

Five years since the collapse of Lehman Brothers, in September 2008, there remain many unresolved challenges worldwide. These include:

- High levels of public and private debt: balance sheet repair is imperative for households, banks and governments but synchronised deleveraging remains a brake on growth
- Austerity versus growth: large fiscal deficits and high debt levels have made many economies reliant on continuing monetary stimulus, and policy makers are struggling to find the right balance between fiscal consolidation and growth. Austerity in some countries has proved costly and unproductive.
- High levels of long-term and youth unemployment: the crisis brought on a global dilemma of rising joblessness, increased poverty and worsening income inequality
- Spill-over effects from high global liquidity and exchange rate policies: low interest rates in advanced economies, the search for yield and currency interventions by major economies have led to volatile capital flows, commodity price swings and large-scale currency adjustments in emerging markets
- Limited progress in rebalancing: countries with large current account deficits before the crisis have done little to increase domestic savings while surplus countries have done little to boost domestic demand.
- Global policy coordination: this has weakened in recent years, moving away from the orchestrated fiscal and monetary stimulus in 2008 that halted the free-fall in financial markets and helped to stave off a global economic depression. Attempts by the Group of 20 to achieve strong, sustained and balanced growth have been frustrated, and rising protectionism and exchange rate intervention are slowing adjustment efforts. Investor confidence remains fragile in the face of global risk
- Structural constraints: the inability or reluctance of governments to address these is delaying the adjustments needed to improve productivity, competitiveness and growth.

Given these circumstances, we need to look at our own efforts to strengthen economic performance and

# MINISTER'S STATEMENT ON POLICY AND COMMITMENT / continued

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improve our economy's ability to take advantage of any growth opportunities globally. We can only do so by building on our strengths, of which we have many. These include good infrastructure; institutions that work; a robust democracy; a dynamic private sector; strong public finances and healthy financial institutions.

We have weaknesses too, but we are fixing them - slowly perhaps, but we are making progress. Organised labour, business, civic leaders and government are working hard to stabilise labour relations in mining and other sectors. As I have said repeatedly, there is no room for complacency here: we are all in this together. If we do not resolve our labour relations challenges, we will all be losers, with deteriorating confidence, job losses and business failures. But if we find balanced, fair and socially responsible solutions, we all stand to gain: we will see higher investment, more employment and improvements in living conditions.

Infrastructure investment is another area in which concerted action is under way. This is not just about building and maintaining the energy, water and transport networks we need for faster growth but also about raising our savings performance so that we can finance more rapid investment and expansion. In urban development, with the city support programme, we will see more investment in housing and faster industrial growth and job creation. In rural development and agriculture, we are addressing constraints to land reform and improving support for emerging farmers. In further education and skills development, there is greater alignment between the skills that businesses need and the curricula that our colleges offer. In regional development and trade, we are beginning to build infrastructure and institutions across national borders and in this way to promote more rapid growth, investment and job creation.

Stimulating economic growth requires that we address the barriers to its achievement that we have identified. In this regard, the National Development Plan (NDP) emphasises the importance of rebuilding confidence and encouraging private investment through

establishing policy and regulatory certainty, maintaining fiscal credibility and demonstrating effective public service delivery. It notes the importance of addressing the country's distorted spatial legacy through urban planning and public transport policies that reduce the cost and time of travel to work and that improve the quality of life by lowering living costs. It stresses the need to reduce the costs of doing business, including lessening regulatory burdens, so as to improve competitiveness and promote entrepreneurship and small business. All this, the NDP underlines, must be in the context of robust regional growth, with opportunities for firms with expertise in mining, construction, retail and finance, and manufactured exports; of removing bottlenecks in economic and social infrastructure; and implementing labour activation policies that get young people into employment and onto career paths.

In strengthening our economic performance, a sustainable fiscal policy is critical. Owing to sound management of the fiscus when economic growth was strong, we entered the 2008-2009 recession with healthy public finances and comparatively low levels of debt. This enabled a flexible response to deteriorating economic conditions. Spending growth reinforced the social security net during a period of declining employment and provided an economic stimulus through rising allocations for infrastructure and for programmes to support business and increase employment. As we go forward, the deficit level will moderate through a combination of revenue growth in line with the economic recovery and disciplined real growth in spending.



Pravin Gordhan  
**Minister of Finance**



▶ **DEPUTY  
MINISTER'S  
OVERVIEW**

## DEPUTY MINISTER'S OVERVIEW

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Nhlanhla Nene  
**Deputy Minister  
of Finance**

South Africa is a 19-year-old teenager who can boast of institutions of the calibre of the South African Revenue Service (SARS), the Public Investment Corporation (PIC), the Financial Intelligence Centre (FIC), the Financial Services Board (FSB) and the Government Pensions Administration Agency (GPAA).

The FIC and the FSB ensure the integrity, security and strength of our country's financial system. SARS collects the revenue that makes it possible for the government to pay for our national ambitions. The GPAA looks after the retirement needs of our civil servants; and the PIC ensures that the Government Employees Pension Fund (GEPPF) and social security funds have the resources to meet their obligations.

SARS has played a crucial role in ensuring that successive ANC administrations have had the revenue to fund what the country wants to achieve. For the 2013/14 fiscal year, SARS is required to collect R898 billion in revenue which is almost 10 per cent, or R84 billion, more than the previous year.

Money laundering and the financing of terrorist activities pose a serious threat to the integrity and stability of financial markets and institutions, discouraging foreign direct investment and distorting capital flows. Money laundering can also be a conduit through which unscrupulous taxpayers hide their income from the revenue collection agencies. It is for these reasons that the international community has made the fight against these activities a priority. In this context, the work of the FIC is critical for the stability and integrity of our financial system.

The recent financial crisis and its aftermath, and the LIBOR price fixing and other scandals, have been further reminders of the importance of sound financial institutions and of fair treatment by these institutions and their intermediaries of the people who buy financial services and products. Without strong regulators such as the FSB, we cannot have sound financial institutions or financial markets with integrity.

## DEPUTY MINISTER'S OVERVIEW / continued

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These institutions, making up the "Finance Family", are key pillars of our economic and political order. They structure and constrain human interaction within our borders, especially in the area of finance. Their work affects the lives of all South Africans, whether they are tax payers, recipients of social grants and other public services such as health and education or clients of the country's financial services industry.

NHLANHLA NENE

Nhlanhla Nene

**Deputy Minister of Finance**





**ANNUAL  
REPORT  
2012/13**

▶ **ACCOUNTING  
OFFICER'S  
OVERVIEW**

## ACCOUNTING OFFICER'S OVERVIEW

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Lungisa Fuzile  
**Director-General**

The recovery of the global economy from the crisis that started in 2008 has proved to be much slower than previously anticipated. Consequently, although it has registered positive growth every year since 2010, our economy is yet to reach pre-crisis growth rates. Fiscal policy decisions have therefore been challenging, with corporate taxes below the levels seen before the crisis and at a time when government seeks to increase infrastructure spending to boost the economy and rebuild fiscal buffers.

During the reporting year, the National Treasury published the first Budget that gives expression to the National Development Plan (NDP), adopted by government as a blueprint for South Africa's economic development to 2030. This is an important milestone, as it aligns budget planning with the NDP and directs state resources to those areas that will, over the long term, support faster economic growth.

Also during the year, the National Treasury completed the first iteration of the country's long-term fiscal report. A summary was published in the Budget Review, and we are preparing a follow-up report on South Africa's long-term public infrastructure requirements. The government has a range of initiatives to address identified gaps in infrastructure planning and project management, and the National Treasury has been developing approaches to financing projects identified by the Presidential Infrastructure Coordination Commission (PICC).

Our fiscal policy is anchored on three principles which will ensure that South Africa's public finances remain sound and that the country avoids the debt trap observed elsewhere, particularly in Europe. These principles are: debt sustainability, counter cyclicity and intergenerational equity.

In the past year, we maintained a prudent approach to managing the government's debt portfolio. One notable positive development in the evolution of our debt capital market was South Africa's inclusion in the World Government Bond Index. Foreign investor interest generated by this development enabled

## ACCOUNTING OFFICER'S OVERVIEW / continued

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the National Treasury to successfully finance a gross borrowing requirement of R219 billion and to keep borrowing costs manageable.

In the period covered by this Annual Report, the National Treasury updated the formula used to calculate provincial equitable share allocations, reflecting population changes indicated by Census 2011. It also revised the local government equitable share formula to bias it in favour of poorer and more rural municipalities.

To ensure the sustainability of public finances and to improve the impact of spending, we have established the Office of the Chief Procurement Officer (OCPO) and reconfigured our technical support activities under the new Government Technical Advisory Centre (GTAC). These changes help to ensure that the structure of the National Treasury is aligned with its strategy and that the department and its plans remain relevant and responsive to today's challenges and to those that will emerge over time.

The OCPO will improve government's supply-chain management systems and prevent the loss of resources through corruption. It will modernise the procurement system in national, provincial and local government, in public entities and in government agencies and thus enable the government to meet its socio-economic objectives. A procurement system that is fair, equitable, transparent, competitive and cost-effective will best serve the country and foster the delivery of services to the people.

Recognising that some weaknesses may be attributable to a lack of capacity, GTAC will provide technical assistance in areas including project management. Over time, it is intended to become a centre of excellence that builds capacity, shares knowledge and makes available a diverse range of skills to resolve complex and chronic challenges facing the government.

The economic crisis has highlighted the importance of strengthening the regulation of the financial sector so that it remains stable and healthy. In May 2012, we

published Strengthening Retirement Savings: Overview of the 2012 Budget Proposals on retirement reform. Since then, the National Treasury has released four of the five technical discussion papers on retirement industry reform and enhancing the culture of savings. This initiative builds on the National Treasury's move to a "Twin Peaks" system of regulation that will lead to the establishment of separate market conduct and prudential regulators.

Throughout the year, the National Treasury continued to play its part in government's multilateral engagements. South Africa joined BRICS in 2011, and in 2012 the BRICS leaders announced that their finance ministers were exploring the feasibility and viability of establishing a new development bank. The National Treasury has been driving the cooperation process with other BRICS countries and has participated in developing a BRICS consensus accepted by the leaders as a basis for an agreement to establish the bank.

I attribute these achievements to the strategic direction of the Minister and the Deputy Minister of Finance, and express my profound appreciation for their support. I also wish to extend my deepest and sincere appreciation to the National Treasury team for their continued commitment and dedication to public service. Their unwavering support makes what looks impossible attainable.



Lungisa Fuzile  
**Director-General**  
**National Treasury**



▶ **PROGRAMME 1**  
**ADMINISTRATION**

## PROGRAMME 1 ADMINISTRATION

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**Purpose:** Provide leadership, strategic management and administrative support to the department.

**Measurable objective:** Ensure effective leadership, management and administrative support to the National Treasury through continuously refining organisational strategy and structure in compliance with appropriate legislation and alignment with best practice.

The programme is divided into four subprogrammes:

- The *Minister* subprogramme incorporates the Office of the Minister of Finance and includes parliamentary and ministerial support services.
- The *Deputy Minister* subprogramme incorporates 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 *Communications*, *Legal Services*, *Legislation Drafting*, *Internal Audit* and *Enterprise Risk & Security Management* units).
- The *Corporate Services* subprogramme incorporates all remaining support functions for the administration and effective operation of the department.

## SERVICE DELIVERY OBJECTIVES AND INDICATORS

### RECENT OUTPUTS

The *Internal Audit* unit expanded its capacity and contracted an external service provider to assist with implementing a three-year audit plan which was approved by the Audit Committee. Sixty-four audits planned for the 2012/13 Annual Audit Plan were completed within the set timeframe and a further 10 *ad hoc* audits were carried out at the request of management. All audits were performed in line with the Institute of Internal Auditors (IIA) standards and the Office of the Accountant General's (OAG) Internal Audit framework. Client satisfaction with these audits increased

from 75 per cent (2011/12) to 78 per cent (2012/13).

The *Enterprise Risk and Security Management* unit reviewed the department's Enterprise Risk Management Strategy against best practice. The Risk Management and Audit Committees provided oversight of implementing the strategy across the department. The department's risk maturity level improved during the year, with management utilising risk management principles in achieving its objectives. The unit reviewed the fraud prevention plan in line with the minimum anti-corruption capacity requirements. It identified and managed corruption risks in line with the department's zero tolerance stance on corruption; and reviewed business continuity plans to ensure that critical business functions continue in the event of business disruption. Security Management successfully secured the Budget and Medium Term Budget Policy Statement processes and continued to ensure the safety and security of employees, contractors and visitors to the department. The Vetting Fieldwork section works to ensure that the department recruits and appoints personnel who meet the security clearance requirements commensurate with the nature of the National Treasury's work.

The *Corporate Services* (CS) subprogramme includes *Human Resources*, *Financial Management*, *Information and Communication Technology* (ICT), *Facilities Management* and *Strategic Projects and Support*. It provides a range of innovative solutions to the department. During the reporting year, the two focus areas of the CS team were to:

- Provide integrated business solutions to customers by consolidating CS' plans and ensuring that implementation remains in line with the National Treasury's strategic priorities
- Ensure good governance and a sound control environment with the aim of achieving unqualified reports from the Auditor-General.

The *Human Resources* (HR) unit champions adherence to performance management principles, supporting an integrated approach to capability enhancement across the department. The unit continued to deliver

## PROGRAMME 1 / continued

# ADMINISTRATION

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its services through partnerships with business units, a model which made possible the roll-out of the Talent Management Programme across the National Treasury and improved the efficiency of HR operations. The unit used its skills database to reduce the vacancy rate and recruitment turnaround times. This resulted in a vacancy rate of 8.2 per cent and a 42 per cent representation of females in the senior management service (SMS) against the 50 per cent national target. The Leadership Development Programme has allowed for improved adaptive leadership skills across the department. During the reporting period, the internship programme received increased support, with 42 interns employed by the department. Targeted attraction initiatives with academic institutions have helped to close critical and scarce skills gaps in the department. The Siyaphila Lifestyle Programme, which contributes to a healthy work environment, was well received during the year, with employees taking an active role in ensuring a balanced worklife.

The *Financial Management* unit was adjudged by independent assessors from the Department of Monitoring and Evaluation to be the best government department in terms of financial management practices. It was also the first department, provincial or national, to close its financial records for the year by processing all transactions before 28 March 2013.

The Supply Chain Management unit improved strategic sourcing, which saved 12% on the cost of goods and services. Turnaround times for bids were improved from an average of 60 to 45 days. The unit continued to carry out its social responsibility role by donating equipment to two destitute schools and one community development centre; and also disposed of assets to National Treasury employees. Accurate bi-annual and annual tax reconciliations were submitted to the South African Revenue Service (SARS) seven weeks before the closing date; and the unit enhanced governance through the development of an internal control framework.

The *Facilities Management* unit continued to ensure adequate office space for the department and successfully implemented projects to improve the efficiency of services and to reduce costs. There was a focus on ensuring compliance with OHS requirements and streamlining existing processes to improve service delivery.

The *Information and Communication Technology* (ICT) unit has established the ICT Steering Committee in accordance with the ICT Steering Committee Charter; and the ICT Business (Governance) Framework has received interim approval by the Governance Review Committee and is to be submitted for final approval by the Director General. The enterprise architecture management policy and procedures have been developed, and the architecture baseline for the National Treasury's ICT function is being captured. ICT systems and technology optimisation and improvement are proceeding in line with the Annual Performance Plan, with priority given to infrastructure security, cost saving and improved services to business.

The Strategic Projects and Support unit promotes a departmental culture of learning and knowledge sharing.

The Knowledge Management unit completed and presented the final knowledge management framework and the Paper Trail document tracking system was upgraded; this allows users to export completed documents to the electronic registry. External accessibility of the Paper Trail was tested successfully and will be made available to the broader organisation over the medium-term. The central registry completed implementing the electronic records management system; the electronic registry will also soon be accessible externally.

The *Public Entity Oversight* unit (PEOU) established a Chief Financial Officers' (CFOs') forum where all sixteen entities and constitutional institutions reporting to the Minister of Finance meet quarterly to discuss reporting and governance and to improve PFMA compliance.



# PROGRAMME 1 / continued

## ADMINISTRATION

### SERVICE DELIVERY ACHIEVEMENTS

Measurable objective: Ensure effective leadership, management and administrative support to the department through continuously refining organisational strategy and structure, in compliance with appropriate legislation and best practice.		Annual Performance Information – 2012/13	
Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone
Minister and Deputy Minister of Finance	Provide parliamentary service to the Ministry and its departments	Quality parliamentary service to the Minister, Deputy Minister and the Director-General	In progress
Management	Ensure a safe and secure working environment	% of employees vetted	<ul style="list-style-type: none"> <li>16.5% of NT employees vetted</li> <li>Additional 2.1% of employees in process of being vetted</li> <li>Emergency Management Plan in place and reviewed</li> <li>100% of Business Impact Analyses (BIA) for identified critical business units completed</li> <li>ICT Disaster Recovery Plan in process of being developed</li> <li>0% information leaks or business disruptions during MTBPS and Budget</li> <li>30% reduction in general security breaches</li> </ul>
		Effective and compliant Business Continuity Management Plans in place and tested	<ul style="list-style-type: none"> <li>Emergency Management, Business Continuity and Disaster Recovery Plans reviewed and updated annually</li> <li>0% information leaks and disruption of business processes during MTBPS and Budget</li> <li>60% reduction in general security breaches</li> </ul>
	Ensure that the department adheres to an integrated risk management system within a sound control environment	ER&SM strategies, policies and procedures in place and implemented	<ul style="list-style-type: none"> <li>SHERQ policy developed but not yet approved</li> <li>Three Information Security policies developed; one approved</li> <li>Security Manual reviewed and policy adopted</li> <li>Anti-corruption policy reviewed; in the process of being approved by relevant structures</li> <li>Corruption Case Management framework reviewed and in process of implementation</li> <li>ERM Strategy and Implementation Plan implemented and divisional risk assessment conducted; review has been completed for the 2013/14 ERM Strategy and Implementation Plan</li> <li>Anti-corruption (Fraud Prevention) Plan reviewed and implemented</li> <li>Standard operating procedures for registries have been approved</li> <li>Vetting strategy and standard operating procedures approved</li> <li>Fifty-five ER&amp;SM awareness interventions provided</li> <li>Four workshops with guarding services</li> <li>Eight training sessions for floor representatives</li> </ul>
		% of security breaches	<ul style="list-style-type: none"> <li>0% information leaks and disruption of business processes during MTBPS and Budget</li> <li>60% reduction in general security breaches</li> </ul>
		Number of awareness interventions provided	<ul style="list-style-type: none"> <li>Sixty-two ER&amp;SM awareness workshops annually</li> </ul>



## SERVICE DELIVERY ACHIEVEMENTS

Measurable objective: Ensure effective leadership, management and administrative support to the department through continuously refining organisational strategy and structure, in compliance with appropriate legislation and best practice.		2012/13 Target Milestone		Annual Performance Information – 2012/13	
Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone	2012/13 Target Milestone	Annual Performance Information – 2012/13
Management	Ensure that an appropriate number of regulatory, performance, compliance and IT audits are completed in line with risks identified in the departmental risk profile	100% completion of the audit plan	<ul style="list-style-type: none"> <li>Sixty regulatory, performance and IT audits executed</li> <li>All <i>ad hoc</i> audits requested by management executed</li> </ul>	<ul style="list-style-type: none"> <li>Sixty audits completed in line with the approved Annual Audit Plan 2012/13</li> <li>Fourteen <i>ad hoc</i> audits completed</li> </ul>	
	Maintain Internal Audit (IA) staff with minimum professional qualifications and adequate experience	% of staff with CIA/CISA qualification vs total posts in IA unit	30% of staff with CIA/CISA qualification through recruiting more CIAs and placing present staff on career development plans	40% of IA staff hold professional qualifications related to the audit domain	
	Build IA capacity and specialist skills	Full implementation of the IA Shared Services	Full implementation of Phase 1 of the IA Shared Service	<ul style="list-style-type: none"> <li>Implementation of IA Shared Service was not achieved. However, its capacitation was approved by the Director-General and population of the approved structure is underway</li> <li>The Chief Audit Executive was appointed, effective 1 April 2013</li> </ul>	
	Audit files for audits completed to comply with IIA standards and OAG IA framework	All audit files for audits completed to comply with IIA standards and OAG IA framework	Sixty audit files completed and signed off by the internal QAR team	Seventy-four audit files relating to all audits conducted during the period under review were quality reviewed and signed off	
Ensure follow-through on internal audit findings	% implementation of IA recommendations by management tracked through the findings register framework	60% reduction of findings with an age analysis of more than 180 days	82% of findings were resolved during the period under review		

# PROGRAMME 1 / continued

## ADMINISTRATION

### SERVICE DELIVERY ACHIEVEMENTS

Measurable objective: Ensure effective leadership, management and administrative support to the department through continuously refining organisational strategy and structure, in compliance with appropriate legislation and best practice.			
Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone
Corporate Services	Efficient HR function	Anchor the talent management framework to the business; provide efficient HR service delivery and strengthen leadership capability	100% of the Talent Management framework implemented
	Provide a consistent records management methodology across all NT divisions	Implement consistent records management for physical and electronic records	Piloted methodology and training material in 25% of NT business units and aligned methodology and training material with pilot outcomes
			<p><b>Annual Performance Information – 2012/13</b></p> <ul style="list-style-type: none"> <li>Human Resource Plan in place</li> <li>Human Resource Development Plan in place</li> <li>2 340 workplace learning programmes implemented</li> <li>Draft Gender Mainstreaming strategy submitted for approval</li> <li>Female representation at SMS: 42%</li> <li>Disabled representation: 1%</li> <li>161 bursaries awarded</li> <li>42 interns positioned across the department</li> <li>Vacancy rate: 8.2%</li> <li>Turnover rate: 10.8%</li> <li>Internal promotions: 23% of positions filled from within NT</li> </ul>
			<ul style="list-style-type: none"> <li>Records management training manual approved and successfully piloted. It is already implemented and in use operationally in 25% (18 out of 72) business units. Four refresher courses were held, training 36 registry officials in NT business units</li> <li>The records management and retention policy was granted interim approval by the GRC. It will support the implementation of the records management methodology already in an advanced stage of implementation</li> <li>All file plans have been populated in the e-Registry and 39 registered users fully trained; they are already actively populating the e-Registry. The e-Registry is fully implemented, operational and functional</li> </ul>

## SERVICE DELIVERY ACHIEVEMENTS

Measurable objective: Ensure effective leadership, management and administrative support to the department through continuously refining organisational strategy and structure, in compliance with appropriate legislation and best practice.		Annual Performance Information – 2012/13	
Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone
	Promote the department's strategic objective of implementing a culture of learning and knowledge sharing	<ul style="list-style-type: none"> <li>Implemented Intranet sites and knowledge repositories for every business division in the NT</li> <li>Appointed KM content managers</li> <li>Implemented communities of interest</li> <li>Implemented communities of practice (CoPs)</li> </ul>	<ul style="list-style-type: none"> <li>Developed a revised KM framework</li> <li>Implemented KM sites in 25% of business units and appointed content managers</li> <li>Conducted knowledge awareness training</li> <li>Piloted 10 communities of interest</li> <li>Piloted three communities of practice</li> </ul>
	Enable the department to access critical business documents remotely	World-wide Web access to the department's document tracking system and electronic records management systems	<ul style="list-style-type: none"> <li>Finalised the technology infrastructure needed</li> <li>Piloted the concept in real-time with senior management</li> </ul>
	Link the document tracking system and the electronic registry to the department's business continuity plan	The department's critical business documents are accessible at all times, including during emergencies and disasters	<ul style="list-style-type: none"> <li>Finalised the emergency management framework for access to the document tracking and electronic records management systems</li> <li>Piloted the emergency response function and volume capability</li> <li>Obtained departmental approval for the inclusion of these systems in the department's business continuity plan</li> </ul>
			<ul style="list-style-type: none"> <li>KM framework reviewed by Stellenbosch University, finalised and recommended for implementation by the ICT Executive Committee</li> <li>Developed terms of reference and CoPs. Established the KM Forum (CoP) and Paper Trail Super User CoP</li> <li>Developed pilot OAG KM implementation strategy using the KM framework</li> <li>Partnered with the Department of International Relations and Cooperation (DIRCO) and the KM Task Team of the Department of Public Service and Administration (DPSA)</li> </ul>
			<ul style="list-style-type: none"> <li>Successfully completed the pilot for World-wide Web access to the department's document tracking system (Paper Trail). The pilot was successfully conducted with SMS and MMS members using the National Treasury's universal access gateway; this was being piloted by ICT at the same time</li> <li>Completed volume and response testing of Paper Trail outside the National Treasury local area network in real time. Testing included a stakeholder in Canada (a NT employee on official business). The report is being finalised</li> </ul>
			<ul style="list-style-type: none"> <li>Currently piloting the "declare record" functionality in Paper Trail</li> <li>Inclusion of Paper Trail as a business critical component in the organisation's business continuity plan has not yet been finalised</li> </ul>

# PROGRAMME 1 / continued

## ADMINISTRATION

### SERVICE DELIVERY ACHIEVEMENTS

Measurable objective: Ensure effective leadership, management and administrative support to the department through continuously refining organisational strategy and structure, in compliance with appropriate legislation and best practice.		Annual Performance Information – 2012/13	
Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone
	Create a customer relations management centre in the National Treasury, including a knowledge resource centre	Established a centrally managed customer relations centre to promote rapid access to information and services to clients across all divisions.	<ul style="list-style-type: none"> <li>Finalised the customer relations management framework and obtained implementation approval</li> <li>Gathered user requirement information and developed the project plan</li> <li>Conducted interviews with implementation partners</li> </ul>
	Effective governance and management of NT ICT	Unqualified performance and compliance audit	<ul style="list-style-type: none"> <li>Approved enterprise ICT governance</li> <li>Reviewed charter</li> <li>Reviewed policies</li> <li>40% procedures promulgated</li> <li>Standards promulgated</li> <li>Developed National Treasury strategic information systems plan</li> <li>Reviewed strategic/annual performance plan</li> <li>Reviewed service level agreement</li> </ul>
	Sound financial management and governance according to best practice	Progressive development of analytical performance reporting with improved cost savings, and enhancing management accounting and supply chain management	<ul style="list-style-type: none"> <li>Maintain the two-day in-year monitoring reporting, with effective awareness and monitoring of spending.</li> <li>80% awareness created and added value of cost saving measures from budget managers</li> </ul>
		Financial governance compliance and sound control environment	<ul style="list-style-type: none"> <li>Submitted relevant reports timeously</li> <li>To support the cost saving initiative, payment stubs are e-mailed to identified clients</li> <li>Social responsibility: asset disposal to NT employees; 892 employees participated revenue generated: R286 794,77.</li> <li>Equipment donated to two destitute schools and one community development centre</li> </ul>
		Implementation of strategic sourcing with a saving of 30% on goods and services	<ul style="list-style-type: none"> <li>The ICT governance framework has received interim approval, and the realignment of the ICT structure in line with the framework is in the process of approval. Permanent positions to replace contract resources are being created</li> <li>Various policies, procedures and standards are in process. Finalisation will follow final approval of the framework</li> <li>The Stakeholder Information System Plan and annual performance plans (APP) documents were reviewed</li> </ul>
		Reduce by 70% the findings on compliance by Internal Audit and Auditor-General, resulting in unqualified audit reports	<ul style="list-style-type: none"> <li>Implemented of strategic sourcing of goods and services, with a saving of 12% to date</li> <li>94% of the audit findings were reported as resolved from the 2010/11 financial year to the 2011/12 financial year, with 6% depending on review of the Annual Financial Statements</li> </ul>



**ANNUAL  
REPORT  
2012/13**

▶ **PROGRAMME 2**  
ECONOMIC POLICY,  
TAX, FINANCIAL  
REGULATION  
AND RESEARCH

## PROGRAMME 2

# ECONOMIC POLICY, TAX, FINANCIAL REGULATION AND RESEARCH

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**Purpose:** Provide specialist policy research, analysis and advisory services on macroeconomics, microeconomics, taxation, the financial sector and regulatory reform.

**Measurable objective:** The programme advises on policies to promote growth, employment and macroeconomic stability, and conducts macroeconomic and revenue forecasts for the annual budget and the Medium Term Budget Policy Statement (MTBPS) and the development of tax and financial sector policy.

The programme is divided into four sub-programmes:

- *Management* advises on policies that will promote economic growth, employment, macroeconomic stability and regional integration.
- *Research* funds the department's economic research programmes and promotes the research capacity of academic researchers in the areas of economic growth, job creation, macroeconomic stability, taxation, financial sector development, regulations, retirement reform and poverty alleviation.
- *Financial Sector Policy* advises on financial sector policies in relation to the regulatory framework and supporting legislation. The current focus is on modernising the financial regulatory framework in response to the global financial crisis and facilitating a stable financial sector, retirement reform, improved access to financial services and the transformation of the financial sector.
- *Tax Policy* provides advice on tax policy, drafts the annual tax legislation and carries out tax revenue analysis and revenue forecasting.
- *Economic Policy* provides macroeconomic and microeconomic analysis, policy advice, economic forecasts, regulatory assessments and policy review for the annual budget and other government processes.

The *Economic Policy*, and *Tax and Financial Sector Policy* divisions coordinate the National Treasury's interaction with:

- The South African Reserve Bank on the framework and conduct of macroeconomic policy, supervision and regulation of banking and management of 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 on the development of cooperative financial institutions and the regulation and supervision of cooperative banks
- Three committees on macroeconomics, financial regulation and financial markets which the National Treasury's *Asset and Liability Management*, *Economic Policy*, *Tax*, and *Financial Sector Policy* divisions co-chair with the South African Reserve Bank. These committees also prepare recommendations for bilateral meetings between the Minister of Finance and the Governor of the Reserve Bank.

## SERVICE DELIVERY OBJECTIVES AND INDICATORS

### RECENT OUTPUTS

The programme funds research on economic growth and development through two institutions: Economic Research Southern Africa (ERSA) and the Centre for Research into Economics and Finance in Southern Africa (CREFSA) at the London School of Economics (LSE). The programme has budgeted R10 million per year over the MTEF.

### ECONOMIC POLICY

In addition to the research conducted by *Economic Policy*, during the reporting year the division also advised on growth-enhancing policies. Areas of work included:

- Assessment of policies to achieve higher sustainable economic growth and job creation
- Supporting South Africa's G20 inputs through briefings and speaking notes and by drafting international communiqués on the G20's Mutual Assessment Process and Framework for Strong, Sustainable and Balanced Growth and Commodity Prices

## PROGRAMME 2 / continued

# ECONOMIC POLICY, TAX, FINANCIAL REGULATION AND RESEARCH

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- Analysis of exchange rate trends, their impact on the economy and the policy options for a more stable and competitive exchange rate
- Analysis and monitoring of capital flows and capital account management issues and of global trends in capital flows and policy
- Submission of papers evaluating the optimal level of foreign exchange reserves for the South African economy and the methodologies that can be used to calculate what these levels should be
- Inputs to the Economic and Employment clusters on decent employment through inclusive growth, and continued engagement on the discussion paper *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 the economic impacts of carbon taxation, the Integrated Resource Plan and electricity pricing policy
- Research into the economic drivers of tax revenue
- Research and inputs into trade and industrial policy
- An outline of the drivers of household savings in South Africa and possible policy responses
- Daily, weekly, monthly and quarterly monitoring and reporting on economic developments.

The division also engaged with a number of international organisations including the IMF, the 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 the initiatives of state-owned enterprises.

The *Modelling and Forecasting* unit contributed to the budget framework, economic growth scenarios and analysis of the impact on the economy of commodity price shocks. It also provided long-term economic forecasts which assisted the National Treasury's work on

debt management. The unit continues to build capacity in tax analysis, climate change and energy modelling as well as in dynamic stochastic general equilibrium (DSGE), a macroeconomic policy analysis tool.

## TAX AND FINANCIAL SECTOR POLICY

*Tax Policy* conducted research and developed policy which culminated in the revenue forecasts and tax proposals made in the 2013 Budget. The unit contributed to a policy paper on incentivised savings vehicles which was published for public comment during the reporting period. In addition, carbon tax proposals have been finalised, with an envisaged implementation date of January 2015. The Tax Laws Amendment Bill was promulgated on 1 February 2013, giving effect to the proposals made in the 2012 Budget.

*Financial Sector Policy* is responsible for policies and legislation to ensure that South Africa enjoys the benefits of an advanced, stable, fair and accessible financial sector. The unit was widely engaged in the process of implementing proposals to strengthen the financial regulatory system, as contained in the National Treasury document *A safer financial sector to serve South Africa better*. The unit also published a series of discussion papers on savings and retirement.

The Financial Services Laws General Amendment Bill was tabled in Parliament on 25 September 2012. The Financial Markets Bill was adopted by the National Assembly on 6 November 2012 and the Credit Ratings Agencies Bill was adopted by the National Assembly on 1 November 2012.

The unit, together with the Alliance for Financial Inclusion (AFI), hosted the alliance's 4th Global Policy Forum (GPF), the world's leading platform for financial inclusion policy discussions. Founded in 2008, the AFI is a global network of financial policymakers from developing and emerging countries working together to increase access to appropriate financial services for the poor.



**PROGRAMME 2 / continued**

**ECONOMIC POLICY, TAX, FINANCIAL REGULATION AND RESEARCH**

**SERVICE DELIVERY ACHIEVEMENTS**

Measurable objective: Provide specialist policy research, analysis and advisory services in the areas of macroeconomics, microeconomics, taxation, the financial sector and regulatory reform.				
Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone	Annual Performance Information – 2012/13
Research	Build economic research capacity in academic/ research institutions, with the broad objective of promoting economic research relevant to South Africa	Number of papers published by research institutions	Publication of research papers or discussion documents on topics including economic growth, development, job creation, microeconomic studies and taxation policy. While most papers will be published by academics and researchers through the ERSA and the CREFSA, selected papers may be published directly by the department	Sixty-one ERSA papers published
Tax and financial sector policy	Tax policy	Tax proposals published in the annual <i>Budget Review</i>	Publication on Budget Day 2013	Achieved
		Tax reforms towards environmental sustainability	Respond to comments received on December 2010 Carbon Tax policy paper	Revised carbon tax policy paper finalised. Released on 2 May 2013. Implementation on 1 January 2015
	Financial sector policy	A stable financial sector	Implementation of a "Twin Peaks" model of regulatory oversight of the financial sector, as envisaged in the February 2011 policy document <i>A safer financial sector to serve South Africa better</i>	Financial Services Laws General Amendment Bill gazetted for comment in May 2012 (GG 35390 of 28 May 2012) and tabled in Parliament in November 2012  Road map towards implementing the "Twin Peaks" model published on 1 February 2013
	Savings and retirement policies that lead to increased levels of national savings		Finalise proposals	Discussion paper titled <i>Strengthening retirement savings: an overview of proposals announced in the 2012 Budget</i> published on 14 May 2012 followed by five further policy papers up to March 2013: <ul style="list-style-type: none"> <li>• <i>Enabling a better income in retirement</i> (21 September 2012)</li> <li>• <i>Preservation, portability and governance for retirement funds</i> (21 September 2012)</li> <li>• <i>Incentivising non-retirement savings</i> (4 October 2012)</li> <li>• <i>Improving tax incentives for retirement savings</i> (4 October 2012)</li> <li>• <i>2013 retirement reform proposals for further consultation</i> (27 February 2013)</li> </ul>
	Increased access to financial services		Finalise proposals	Successfully hosted 2012 Alliance for Financial Inclusion Global Policy Forum

## SERVICE DELIVERY ACHIEVEMENTS

Measurable objective: Provide specialist policy research, analysis and advisory services in the areas of macroeconomics, microeconomics, taxation, the financial sector and regulatory reform.			
Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone
Economic Policy	Economic policy analysis, research, assessment and advice covering trade, labour markets, industrial sectors, network infrastructure, development finance institutions and economic growth	Quality policy memos and economic assessments with proposals with appropriate turnaround times	<p><b>Annual Performance Information – 2012/13</b></p> <p>The following policy work was undertaken during the period under review:</p> <ul style="list-style-type: none"> <li>• Chapter 2 of the Budget and MTBPS</li> <li>• Over 35 policy memos and notes covering at least 12 areas of interest</li> <li>• Various monthly and quarterly sector reports: manufacturing, mining, transport, electricity, agriculture, PMI, CPI, PPI, private sector credit extension, monetary policy preview, trade, quarterly employment statistics, BoP report</li> <li>• Comments on various Cabinet memoranda</li> <li>• Presentations on macroeconomic developments and outlook, recent economic developments and the outlook for the Economics cluster to various for a Attendance at meetings, conferences and courses including: <ul style="list-style-type: none"> <li>• National Credit Regulator unsecured loans workshop</li> <li>• IMF Article IV consultations</li> <li>• Meeting with UK Foreign and Commonwealth office to discuss food security positions</li> <li>• Macroeconomic diagnostic and monetary and exchange rate policy courses by the IMF</li> <li>• OECD Economic and Development Review Committee meeting on South Africa's 2012 economic survey (and drafting session)</li> </ul> </li> <li>• OECD STEP (Short term Economic Prospects), Met with the French Ministry of Finance, OECD – Tax Department, Meetings attended included; Tax Incentive 12i, Manufacturing Competitiveness Enhancement Programme, Joint Aerospace Steering Committee, Defence Industry, Economic Competitiveness Support Programme, Biofuels, Integrated Energy Plan, National Nuclear Energy Coordination Committee Subcommittee</li> <li>• Economic cluster, SARS revenue analysis working group, Green growth in Africa workshop, Cost Benefit Analysis course, roundtable discussion on shale gas and the economy.</li> </ul>

## PROGRAMME 2 / continued

## ECONOMIC POLICY, TAX, FINANCIAL REGULATION AND RESEARCH

**PROGRAMME 2 / continued**

**ECONOMIC POLICY, TAX, FINANCIAL REGULATION AND RESEARCH**

**SERVICE DELIVERY ACHIEVEMENTS**

Subprogramme	Output	Measure/Indicator	2012/13 Target/Milestone	Annual Performance Information – 2012/13
	Maintenance and development of economic models	Well-specified and up to date economic models	Economic models that facilitate policy making through sound economic analysis	<p>Work associated with refinement and addition to the current suite of models included:</p> <ul style="list-style-type: none"> <li>• Re-estimation of the National Treasury quarterly forecasting model</li> <li>• Developing a stock and flow model for the South African economy (ongoing)</li> <li>• Improving on the tax micro simulation model</li> </ul> <p>Regular maintenance and update of the National Treasury inflation model, the principal components model, the Bayesian vector autoregression (VAR), the tax model, the exchange rate equilibrium model, the recession indicator model, the balance of payment model and the sectoral GDP model</p> <p>Significant progress on the development of the following models:</p> <ul style="list-style-type: none"> <li>• Tools for tax analysis: the tax structure in the standard dynamic CGE were disaggregated, providing for a richer tax analysis</li> <li>• The 2005 South African General Equilibrium (SAGE) model was developed to allow for mining sector impact assessment</li> <li>• Improved on the functioning of the supply side GDP model</li> <li>• Re-estimated behavioural equations that feed into the macroeconomic quarterly forecasting model and updated the manual for the forecast model</li> </ul> <p>The following regular outputs were produced:</p> <ul style="list-style-type: none"> <li>• Budget forecast with accompanying scenarios to illustrate the risk of lower global growth, worse terms of trade and increased mining strike activity</li> <li>• A tax forecast</li> <li>• Long-term forecast</li> <li>• Estimate of potential growth</li> </ul>
Macroeconomic forecasts	Quarterly economic forecasts and high-quality policy and scenario modelling	Comprehensive in-house macroeconomic analysis and forecasting		

## SERVICE DELIVERY ACHIEVEMENTS

Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone	Annual Performance Information – 2012/13
<p>Measurable objective: Provide specialist policy research, analysis and advisory services in the areas of macroeconomics, microeconomics, taxation, the financial sector and regulatory reform.</p>	<p>Stable and competitive exchange rate</p>	<p>Economic policy analysis, research, assessment and advice on the real exchange rate</p>	<p>Monitoring progress of the package of measures implemented at MTBPS 2010 to achieve a more stable and competitive exchange rate and continued investigation into policy options</p>	<p>Outlook for the rand</p> <ul style="list-style-type: none"> <li>• On-going monitoring of capital flows and global risks, together with colleagues in the <i>Financial Sector Policy Unit</i> and ALM</li> <li>• Paper on optimal level of reserves and funding strategies to SARB and National Treasury Financial Markets Committee</li> <li>• Analysis of monetary policy regimes</li> <li>• Paper on foreign exchange interventions globally and in South Africa submitted to SARB for comment</li> <li>• Engagements on the exchange rate hedging survey</li> <li>• Arranged a SARB and National Treasury workshop on capital flows to enable researchers and exchange control officials to better understand the data they are working with and identify relevant trends. Included presentation on emerging market capital allocation trends and the net foreign asset position, as well as direct investment trends in South Africa</li> <li>• Cabinet approval for capital flows workshop to be hosted by National Treasury later in 2013</li> <li>• Memo on corporate hedging signed off by the Minister and letter sent to SARS formally requesting their assistance in providing the datasets</li> <li>• Attended monetary policy and economic growth conference at SARB</li> </ul>
<p>Strategy to increased private savings</p>	<p>Economic policy analysis, research, assessment and advice on private savings rate</p>	<p>Finalise and implement proposals</p>	<p>Engagement with Stats SA on new CPI weightings which resulted in altering the health and insurance methodology; policy note on the impact of the change in the weights</p> <ul style="list-style-type: none"> <li>• Engagement with stakeholders on non-performing loans in the housing sector</li> </ul>	<p>On-going work on cabinet project to understand drivers of financial decisions, including meeting with industry participants to determine the mechanics of the credit market</p> <ul style="list-style-type: none"> <li>• Engagement with Stats SA on new CPI weightings which resulted in altering the health and insurance methodology; policy note on the impact of the change in the weights</li> <li>• Engagement with stakeholders on non-performing loans in the housing sector</li> </ul>



**ANNUAL  
REPORT  
2012/13**

▶ **PROGRAMME 3**  
PUBLIC FINANCE AND  
BUDGET MANAGEMENT

## PROGRAMME 3

# PUBLIC FINANCE AND BUDGET MANAGEMENT

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**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 the government's economic, fiscal, social and developmental goals under the umbrella of the outcomes approach.
- Produce and publish the *National Budget*; publish the *Budget Review*, the *Estimates of National Expenditure* (ENE), the *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 through support for planning, policy and programme analysis, budgeting and project management including support for public finance reform in provinces and municipalities.
- Promote public and private investment in infrastructure and public services by providing technical support for capital expenditure planning and project analysis, advice on financing alternatives, support for municipal development and financial assistance for neighbourhood development projects. These activities are complemented by Programme 8 activities (Technical and Management Support, and Development Finance).
- Monitor and analyse public expenditure and service delivery, and 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.

## RECENT OUTPUTS

### BUDGET OFFICE

The *Budget Office* provides fiscal advice, oversees expenditure planning and the national budget process, leads the budget reform programme, manages official development assistance and compiles public finance statistics.

The *Fiscal Policy* unit manages and develops the fiscal framework which is used to advise the Minister of Finance on policy options available in setting the budget framework. In 2012/13, the unit completed the first iteration of the country's long term fiscal report. A follow-up report being prepared focuses on South Africa's long-term public infrastructure requirements.

The *Expenditure Planning* unit designs and manages the South African national budget process and plays a central role in the preparation and publication of the various budget documents. The budget decision-making process is a matrix that requires coordination across the three spheres of government and involves engagements with various committees, including Cabinet, to ensure that appropriate budgeting choices are made. Extensive internal and external budget related engagements by various Treasury units require planning, coordination and support, by managing different forums and types of data analyses. To assist with budget preparation and with the publication of documents, the unit prepares budget process and requirement guidelines which are issued to all government institutions. The unit also manages the in-year budget adjustments process in respect of the current financial year, set out in the *Adjusted Estimates of National Expenditure* and the Adjustments Appropriation Bill, published in October.

The unit represents South Africa internationally regarding budget reform matters, and works collaboratively with other institutions at the centre of government, particularly with the Department of Performance

## PROGRAMME 3 / continued

# PUBLIC FINANCE AND BUDGET MANAGEMENT

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Monitoring and Evaluation. The venues of the unit's 2012/13 international engagements included Mauritius, Ghana, Egypt and South Africa. In the 2012 Open Budget Index Survey, conducted independently by the International Budget Partnership, South Africa was rated second out of the 100 countries participating in this assessment of budget transparency.

The *Public Finance Statistics* unit produces fiscal data and public finance statistics. Within a consistent accounting framework which complies with national and international reporting requirements, these statistics support the budget and its auxiliary processes. The aim is to improve the transparency and accountability of government finance data used for budget publications and for submission to international organisations such as the International Monetary Fund (IMF).

The unit published a consolidated government account in the 2013 Budget which provides information on the operating and capital accounts, and a consolidated financing position which ensures closer alignment with the IMF Government Finance Statistics (GFS) presentation format. Coverage and quality of data were further improved through inclusion of all newly listed entities and the extension of the number of inter-entity transactions identified and netted out during production of the account.

To improve budgeting by government function, the function groups were revised and a review of the GFS functional classification of national and provincial departments and public entities was carried out at a detailed level to ensure consistency and compliance with the GFS.

The unit manages the Standard Chart of Accounts (SCOA) committee and, in collaboration with the Office of the Accountant-General, published a number of classification circulars on amendments to the SCOA. Further reforms to the SCOA were made for re-implementation on 1 April 2013. The purpose was to

improve the quality of data and of reporting capabilities. Training continued and a tool to identify inconsistencies in classification was implemented.

The *International Development Cooperation* (IDC) unit is responsible for coordinating, mobilising and managing official development assistance (ODA). The IDC enhanced ODA coordination through continuous engagements with development partners on various platforms including annual consultations, high level bilateral meetings and official visits. Within government departments, the IDC has enhanced coordination by organising national and provincial ODA coordinators' fora, and has facilitated greater accountability and transparency by reporting on ODA programmes to the budget allocation decision-making process. Through a series of community of practice sessions and manuals, the unit has also developed capacity within line departments to report on and manage ODA programmes. Within the last year, the unit has successfully programmed the €100 million Infrastructure Investment Programme for South Africa (IIPSA) between the European Union and South Africa. In an unprecedented agreement with the European Commission, the DBSA has been appointed as the implementing agency for this programme.

In the last year, the South African government received R1.9 billion in the form of grants from bilateral international development partners. These grants support development efforts across many sectors of government.

The *Public Entities Governance* unit implements the recommendations of the public entities governance framework review, and rolls out the budgeting framework for all public entities. During the reporting year, the unit assisted with preparing consolidated financial accounts and maintaining budget databases and the administrative records of the general government sector including public entities. The unit continued efforts to enhance the regulatory



## PROGRAMME 3 / continued

# PUBLIC FINANCE AND BUDGET MANAGEMENT

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environment for governance and management of public entities from a range of perspectives, including the development of applicable remuneration frameworks. The unit provided support to the Presidential Review Commission on State-owned Entities; and consulted with departments on budgets and on policy matters related to public entities. It provides institutional support to these entities, at national and provincial levels, as necessary.

The purpose of the *Public Sector Remuneration Analysis and Forecasting* unit is to provide timely analysis and policy advice about the fiscal impact of government compensation spending and changes in policy. Key areas of work in 2012/13 included preparing a report on the options available for designing an appropriate pension benefit structure for traditional leaders. The report was completed in November 2012. The Public Sector Remuneration Analysis and Forecasting (PSRAF) unit will soon start the process of engaging with the relevant stakeholders on the report.

The Minister of Finance approved the amalgamation of the Temporary Employees Pension Fund (TEPF) with the Government Employees Pension Fund (GEPF). A process is underway to consider implementation details, including a full data audit, communication with members and calculation of transfer values. The amalgamation should be complete by 31 March 2014. The amalgamation of the Associated Institutions Pension Fund (AIPF) with the GEPF has not yet been approved, owing to the pending legal process to amend the AIPF Act (No 41 of 1963) to authorise the Minister of Finance to approve the amalgamation.

A personnel costing model has been developed to improve the unit's contribution to the budget process and fiscal planning. The unit has also developed comprehensive employee compensation guidelines to improve the accuracy of personnel costing by all institutions in the national and provincial spheres of government, and to assist them to reconcile these calculations with their personnel budgets.

The unit has introduced a quarterly remuneration bulletin series to monitor and report on progress made in the implementation of remuneration budgets and policies in government institutions. Four quarterly reports were completed for the 2012/13 financial year.

## PUBLIC FINANCE

The *Public Finance* division oversees budgetary planning and execution in national departments, provides advice and analysis on sectoral policies and programmes, monitors public expenditure and advises on financial and budgetary aspects of public policy and spending proposals. The division provides advice to the Director-General, the Deputy Minister and the Minister on cabinet memoranda and public finance issues that require ministerial concurrence or National Treasury approval. It is the primary link between the National Treasury and other national departments and government agencies.

The *Administrative Services* unit oversees the finances and budgets of a number of central government departments and entities. Key areas of work in 2012/13 included:

- *The Presidency*: the unit worked closely with the department on its budget programme structure and on managing spending.
- *Department of Monitoring and Evaluation*: the unit assisted the department with its planning, budgeting and reporting. The shift of the Presidential Hotline from the Presidency was finalised.
- *Department of Home Affairs*: the unit assisted the department to roll out a movement control system at various ports of entry, and secured funding for the 2014 general elections.
- *Statistics South Africa*: the unit assisted with monitoring spending on household surveys and the 2011 national census. It assisted Stats SA with its PPP project to obtain new head office accommodation. By the end of 2012/13, tenders had been invited for construction of the building.
- *Department of Public Works*: the unit contributed to a rapid performance review which informed the department's proposed turnaround strategy;

## PROGRAMME 3 / continued

# PUBLIC FINANCE AND BUDGET MANAGEMENT

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coordinated initiatives to obtain funding to develop a one-stop border-post policy for South Africa; participated in reviewing the performance of the incentive allocation for the infrastructure sector of the Expanded Public Works programme, and the development of an alternative funding model for the sector; and coordinated an interdepartmental initiative to verify and identify funding for pre-2008 outstanding arrears on the payment of municipal property rates.

- *Department of Women, Children and People with Disabilities:* the unit advised the department on baseline reprioritisation and affordable approaches to capacity building that will ensure that expenditure remains within the allocated budget. It is working closely with the department to ensure spending according to budget.

The *Justice and Protection Services* unit oversees planning, expenditure and service delivery by departments in this sector. Key achievements for 2012/13 included:

- *Department of Correctional Services:* the unit provided advice and support on establishing a production workshops trading entity and a professional council for Correctional Services; creating facilities posts at head office and at regional level to manage municipal services budgets and accounts; the savings to be declared in 2012/13 and over the 2013 MTEF as a result of the 2012 Special Remission of Sentences; procuring uniforms for remand detainees and funding this in 2013/14; and the projected revenue to be generated from manufacturing and supplying school desks to the Department of Basic Education.
- *Department of Defence and Military Veterans:* the unit ensured that financial management systems (BAS and PERSAL) were implemented for the department and a budget allocated for paying benefits to military veterans; provided guidance and advice to the department on the draft regulations on benefits for military veterans; and assisted the department to secure funds for peacekeeping operations in the Central African Republic.
- *Department of Justice and Constitutional Development:* the unit provided advice to the

department on transforming the state legal services and reconfiguring the organisational structure of the Office of the Public Protector; and continued to provide guidance and support to the newly established Department of the Office of the Chief Justice, with a special focus on developing the budget programme structure and on its approval.

In collaboration with other chief directorates (Health, Social Development, Education and related departments), the unit continued to provide advice to the department on the draft regulations on medical and education benefits for victims identified by the Truth and Reconciliation Commission.

- *Independent Police Investigative Directorate (IPID):* the unit provided advice and support on costing IPID's compensation of employees budget; aligning the IPID Act (2011) with the organisation's strategic documents; and the composition of support service budget programmes in terms of National Treasury's Guidelines on Budget Programmes.
- *Department of Police:* the unit advised on the proposed appointment of a service provider to complement capacity to implement capital works projects; the construction of police stations on leased property in deep rural areas; vesting the Directorate for Priority Crime Investigations in the programme structure of the Police vote; the cost implications of implementing the Private Security Industry Regulation Amendment Bill (2012); and options for disposing of the Private Security Industry Regulatory Authority building in Arcadia, Pretoria.
- *Civilian Secretariat for Police:* the unit provided advice and support on establishing the Secretariat as a separate department.
- *Integrated Justice Cluster:* the unit provided advice to the Minister of Finance on reforms for funding political parties in South Africa and Namibia; analysis of the 2011/12 crime statistics; and compilation of the report on the 2011/12 performance of the criminal justice system.

The *Education and Related Departments* unit monitors and advises on several functions which are implemented largely by provinces and public entities. During the

## PROGRAMME 3 / continued

# PUBLIC FINANCE AND BUDGET MANAGEMENT

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year, the unit assisted with improved monitoring of expenditure and service delivery and with reviews of current departmental policy and implementation approaches. Key areas of work in 2012/13 included:

- *Department of Basic Education:* the unit served on the Steering Committee for the Public Expenditure Analysis on Basic Education; assisted and advised the department on improving the delivery of school infrastructure; and advised on the development of a business case for the National Education Evaluation and Development Unit.
- *Department of Higher Education and Training:* the unit participated in the Ministerial Review of the Funding of Universities; advised on developing a feasibility study for the new universities in Mpumalanga and the Northern Cape; assisted and advised on transferring responsibility for the adult education and training function and Further Education and Training Colleges function to the national Department of Higher Education and Training.
- *Department of Sport and Recreation:* the unit assisted and advised the department and host cities with planning and budgeting for the African Cup of Nations Soccer tournament (AFCON) 2013; commented on the National Sport and Recreation Plan; and assisted the department with the planned transfer of earmarked funding for sport and recreation in the Municipal Infrastructure Grant to a sport and recreation infrastructure conditional grant.
- *Department of Labour:* the unit participated in the project steering committee that developed the business case for restructuring and transforming sheltered employment factories, which was completed in 2012 for implementation from 2013; commented on the Unemployment Insurance Amendment Bill and especially the inclusion of public servants, and made a proposal on this; commented on the Youth Wage Incentive with regard to labour legislation; inspection for compliance; training and public employment services aspects of the policy document.
- *Department of Arts and Culture:* the unit assisted the department to develop proposals for the implementation of the Mzansi Golden Economy

Strategy, aimed at generating jobs in arts and culture; strengthened the budgeting and thus the management of capital works projects of entities under the department; provided detailed comments on the ToR for costing the South African Public Library and Information Services Bill Norms and Standards; and provided advice on and support with the delivery of community library services.

The *Health and Social Development Chief Directorate* put in place an NHI conditional grant for 2012/13 to support the district pilots. In preparation for 2013/14, much of this was converted to a new indirect S6A National Health grant (which includes a NHI component) to improve spending and performance on the district general-practitioner contracting and hospital revenue management pilots. The unit carried out various research projects on NHI financing and prepared a discussion document on financing it; this will be released in 2013/14. It also published as an article in the international journal *Vaccine* a report on experience gained in financing new child pneumococcal and rotavirus vaccines. The unit provided support for further rollout of the HIV/AIDS ARV programme, including earlier treatment (threshold of CD4 350); the sustainability of the US President's Emergency Plan for AIDS Relief (PEPFAR) transition; and strengthening the South African National AIDS Council (SANAC) and others. The directorate was invited to co-chair a global HIV Economics Reference Group; and it provided support for an improved tuberculosis diagnostic tool (GeneXpert) for national rollout. A new conditional grant for health facility revitalisation (merging the previous hospital revitalisation, health infrastructure and nursing colleges grants) was formed, and support was provided for strengthening the Medical Research Council and establishing the Office of Standards Compliance.

The unit refined the projection model for social grants and used it to inform the 2013 social grant increases and budgets. It carried out research into the possibility of universalising the old age grant and developing alternative income support options for the foster care grant for orphans living with relatives. A research process on welfare services financing was started; input was

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# PUBLIC FINANCE AND BUDGET MANAGEMENT

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made into NGO financing policy; and some additional funds for welfare NGOs were allocated in the budget. The unit undertook work on the social work scholarship programme, resulting in support for increased employment opportunities. It assisted the Department of Social Development on a possible budget structure change for provinces. Oversight of sectoral financial and performance monitoring was strengthened through the development of a tool for tracking non-financial performance and entity spending. The unit provided the sector with significant support on compiling annual performance plans; participated in steering committee meetings with SASSA and the SARB to monitor the impact of the new social grant payment system; and engaged with the Department of Social Development to initiate a review of the National Development Agency. A service provider for this review was appointed.

The *Economic Services* unit works with government departments and agencies, and analyses policy proposals, strategies, funding requests and expenditure plans of departments and state entities responsible for regulatory oversight, economic development, employment, growth, science and technology, tourism, environmental protection, land reform, rural development, agriculture, forestry, fisheries, trade and industrial development.

Among its activities in the reporting year, the unit:

- Coordinated the economic competitiveness and support programme to support industrial development for public and private investments in the context of the economic downturn
- Assisted the Department of Rural Development and Land Reform's flagship project, the Comprehensive Rural Development Programme, with establishing the National Rural Youth Service Corps. This trained 11 000 young people in skills such as bricklaying and laying water pipes and in providing these services in local communities.
- Supported investment in science and technology and the national system of innovation through the Square Kilometre Array, funding post graduate education and modernising research facilities

- Supported the tourism investment programme, benefitting small-scale tourism enterprises
- Addressed investment needs for environmental regulation, protecting biodiversity and developing a framework for a waste management strategy
- Addressed investment requirements for regulating standards of agricultural products
- Commented on the draft food security policy; proposed funding for the facilities of the Onderstepoort Biological Products and Stellenbosch plan quarantine station; and funded the expansion of the provincial agricultural colleges
- Participated in public enterprises' task teams to develop strategies and business plans to enhance their strategies and operations
- Participated in developing the strategy to merge Khula and the South African Microfinance Apex Fund as the Small Enterprise Finance Agency as a subsidiary of the Industrial Development Corporation, to enhance support to small businesses
- Commented on the draft Infrastructure Bill, the establishment of the Presidential Infrastructure Co-ordination Commission and the Social Accord on Youth Employment
- Participated in the design and establishment of the Manufacturing Competitiveness Enhancement Programme
- Participated in developing a strategy for special economic zones
- Funded the enhancement of facilities for the regulatory oversight of industry standard-setting bodies
- Addressed the funding requirements for rehabilitating derelict and ownerless mines, and research facilities for the Council for Geoscience
- Participated in developing the beneficiation strategy; and commented on the draft Minerals and Petroleum Resources Development Amendment Bill
- Addressed reporting arrangements and under-spending by departments' incentive and disbursement schemes.

The *Urban Development and Infrastructure* unit provides budget, policy and expenditure management and

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# PUBLIC FINANCE AND BUDGET MANAGEMENT

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support to national departments and the 50 associated public entities involved in infrastructure provision including transport, energy, water and sanitation, telecommunications, municipal infrastructure, cooperative governance and human settlements.

The unit made progress in the following areas during the year:

- It engaged in political and public fora on SANRAL's Gauteng Freeway Improvement Project and supported the drafting of legal documentation relating to the user-pay principle in funding national roads; developed a funding framework for the passenger rail rolling stock programme; put in place a new grant to support public transport operations in cities; developed and implemented a new allocation mechanism for provincial roads maintenance; and supported the finalisation of the Rail Policy and the drafting of the Road Accident Benefit Scheme Bill.
- It supported the development and funding of the new electrification strategy and piloting of the accelerated distribution asset-management strategy for local infrastructure; reviewed and finalised funding approaches to the liquid fuel industry to support cleaner fuels, biofuels and the strategic stocks policy of government; and provided guidance on the closure of EDI holdings.
- It undertook a housing grant expenditure review for the period 1994 to the present and reviewed allocations to human settlements in the light of Census 2011; evaluated expenditure on and performance of the rural sanitation programme and recommended changes in the implementation model to ensure legislative alignment with the water supply chain; provided guidance on the mortgage insurance fund for low income households; supported informal settlement upgrading; and provided a legislative framework for assigning the housing function to metropolitan municipalities.
- It represented the National Treasury on the Community Works Project steering committee of the Department of Cooperative Governance;

supported the establishment and funding of the Municipal Infrastructure Support Agency; and reviewed and supported the disaster management allocation process.

- It provided support for creating a waste discharge mechanism; created the Municipal Water Infrastructure Grant; engaged with the sector on financing water infrastructure and commented on the national water resource strategy; supported the development of an off-budget funding mechanism for acid mine drainage; facilitated the review of the de Hoop dam project; and provided support for bulk infrastructure projects to ensure delivery and value for money.
- It provided budget support for the digital terrestrial television programme and policy support for drafting a broadband policy, strategy and implementation plan; and assisted the Dinaledi Schools project to ensure compliance with the PFMA.

The *National Capital Projects* unit conducts in-depth assessments of feasibility studies for major national infrastructure reports. Other responsibilities include monitoring the progress of large projects/programme builds; analyzing and problem-solving infrastructure delivery constraints; and developing frameworks for financing public infrastructure investment.

During the 2012/13 financial year, the unit completed an update of the liquid fuels sector investment study and several studies of the feasibility of gas, nuclear and regional hydro for electricity generation; continued to monitor the electricity sector and particularly the Eskom build programme; reviewed the feasibility of projects in the transport sector; started a comprehensive review of environment expenditure on the budget; completed a review of the impact on delivery of various procurement regulations, and an analysis of funding and pricing mechanisms for various projects and sectors; and drafted a new chapter in the Budget Review on infrastructure. A project appraisal methodology for capital projects was finalized and was supported by training in cost-benefit analysis, studies in various aspects of project costing and

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# PUBLIC FINANCE AND BUDGET MANAGEMENT

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the development of a framework for financing public infrastructure.

The *Social Security and Retirement Reform Project Management Unit* (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 Inter Ministerial Committee (IMC), the Inter Departmental Task Team (IDTT), the National Treasury and the Minister of Finance. During 2012/13, the unit assisted with revising the consolidated government paper and circulated the document to members of the IMC for further comment.

### INTERGOVERNMENTAL RELATIONS

The *Intergovernmental Relations* (IGR) division coordinates fiscal relations between the national, provincial and local spheres of government, an important function given that R461.8 billion or 52.8 per cent of non-interest expenditure in 2012/13 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 managing conditional grants. A number of sections of the 2012 DORA were refined to enhance consultation with Parliament on amendments to items gazetted in terms of the Act; to include specific provisions for infrastructure grants to provinces that improve transparency and reduce the likelihood of corruption; and to make compliance with the requirements for the Expanded Public Works programme grants less onerous. The determination of the health component in the provincial equitable share formula was revised to improve transparency and to make it easier to understand the component. Funding for the institutional costs of poor municipalities was improved through changes to the special support for councillor remuneration and by adding funding for ward committee stipends. The life-span of the conditional

grant for energy efficiency projects in municipalities was extended, and a new grant to fund internships for technical skills in municipalities was introduced.

The division is facilitating the implementation of infrastructure delivery reforms that aim to enforce transparency and cost effectiveness in provincial infrastructure delivery. This is made possible through training on the Infrastructure Delivery Management System (IDMS) that has been designed and implemented through the University of Pretoria. Thirty-nine senior government officials have been trained on these approaches and 120 operational staff have enrolled for the training programme. The initiative aims to institutionalise skills and systems supported by the Infrastructure Delivery Improvement Programme, in order to render this capacity sustainable.

The division also co-ordinates the City Support Programme (CSP) for the government. The aim of the programme, which promotes integrated planning and spatial targeting of investment in the built environment, is not only to deliver services and housing but to create conditions for inclusive economic growth with a greater focus on efficiency and equity of the urban spatial form. Over the past year, there have been extensive engagements with the metropolitan municipalities and with relevant national departments to confirm the objectives and approach of the CSP. A public transport needs assessment has been undertaken across all cities and, in partnership with the South African Cities Network (SACN) and the National Treasury, a workshop on "Transport Reform and Spatial Integration: Making the Connections" took place with the cities. This provided a shared understanding of the challenges and interventions needed.

The new Integrated City Development Grant has been established and guidelines have been drafted to support its implementation in the 2013/14 financial year. The grant will assist metropolitan municipalities with spatial transformation through coordinated planning and implementation of strategically located catalytic investments in economic, housing, transport



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# PUBLIC FINANCE AND BUDGET MANAGEMENT

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and infrastructure. Cities will be required to identify and plan urban networks that consist of a hierarchy of nodes, transport linkages and integration zones so as to crowd in investment, scale up impact and, over time, to build more spatially inclusive and efficient cities. The grant is performance-based and cities will be rewarded in line with their performance on built environment and governance issues. To support the implementation of the grant, an extensive exercise has been initiated with the cities to develop outcomes indicators to measure performance, especially in relation to spatial transformation.

During the reporting period, IGR has progressively improved its monitoring and oversight role over local government. The division was able to ensure that all 278 municipalities complied with the requirements of the Municipal Budget and Reporting Regulations by compiling budgets in the regulated formats. This has enabled reporting by all municipalities to be published quarterly, in line with Section 71 of the MFMA. Although there are varying levels of overall compliance, this development is extremely positive as it indicates that the financial planning and budgeting system at local government level is slowly maturing. The next step will be to ensure higher levels of credibility and reliability of reporting performance which will be supported by the Standard Chart of Accounts (SCOA) for local government. This is currently being developed within the division.

IGR continued to improve the conditional grant monitoring framework for local government. All 278 municipalities' unspent conditional grants were reconciled and verified for the 2010/11 and 2011/12 financial years. Section 21 of the DORA was invoked in offsetting previous years' unspent conditional grants from underperforming municipalities and returning them to the National Revenue Fund (NRF), with a total of R733 million being returned. The division held engagements and meetings with 73 municipalities relating to offsetting unspent conditional grants. For the first time, the National Treasury invoked Section 216 (2) of the Constitution against a municipality: Nala Municipality in the Free State province. This resulted from

a consistent breach of legislation by the municipality, including failure to compile annual financial statements. Various refinements of the conditional grant reporting template, aimed at enhancing the monitoring process, were implemented.

Two engagements with the 17 non-delegated municipalities, namely the Municipal Budget and Benchmark Engagement and the Mid-year Budget and Performance Assessment, were undertaken as planned. Improvements were noted in municipalities' understanding of how to apply the funding compliance methodology and requirements for funded municipal budgets. IGR supported the provincial treasuries of the various delegated municipalities with organising similar engagements. Here, also, the aim was to improve financial management and performance in service delivery. Five provincial treasuries have made a first attempt to apply the municipal funding compliance methodology to the budgets of the delegated municipalities, as informed by Sections 17 and 18 of the MFMA.

During the reporting period, Version 3 of the SCOA was completed, including a comprehensive update of the Project Summary document; and the division held workshops on the SCOA with various stakeholders. These included all 278 municipalities; provincial treasuries; national departments such as the Department of Cooperative Governance and Traditional Affairs (CoGTA) and the Department of Water Affairs and Forestry (DWAF); SALGA; AGSA; and system vendors. Other stakeholders with an interest in local government performance such as NERSA and Stats SA were also consulted. Further research and development achievements in support of the implementation of financial management and budgeting reform included the Costing and Tariff Setting, and Municipal Revenue Value Chain, work streams. The division also commissioned a pilot project in the uMhlatuze local municipality on costing and tariff setting. The piloting process is complete and a generic framework for local government has been established. The objective is to



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# PUBLIC FINANCE AND BUDGET MANAGEMENT

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ensure that municipalities are able to cost properly the services they deliver and to set better tariff structures. In terms of the municipal revenue value chain, MFMA Circular No. 64 was published on the National Treasury's website and distributed to all municipalities. The circular provides municipalities with guidance on managing their revenue base. There were also workshops and engagements with municipalities on applying the municipal revenue value chain, and on costing and tariff setting, processes and procedures.

In relation to provinces, the division continued to support them with preparing their budgets and monitoring their expenditure. Through the budget benchmarking exercise, the credibility of budgets was largely ensured, especially in the critical areas of health and education. There was particular emphasis on proper funding of learner and teacher support material (LTSM) and teacher salaries; on funding "non-negotiables" such as medicines in health; and on funding for NGOs in the social development sector.

Knowledge-sharing remains integral to the division's work, and the reporting year saw the publication of financial and non-financial data on service delivery indicators and targets supporting the development of an informed society. Performance information is being steadily rolled out, with performance outputs for health, social development and agriculture now available to the public.

To serve as a guideline to best practices for building capacity at provincial level, the division has developed an integrated strategic support plan (ISSP) for the provinces. Phase 1 of a programme to improve provinces' financial management has been initiated in the KwaZulu-Natal, North West and Western Cape provinces. Technical support is provided through European Union (EU) donor funding.

A further capacity building initiative with provincial treasuries was initiated through the Public Expenditure and Financial Accountability (PEFA) assessments in the Free State, KwaZulu-Natal, Limpopo and Western Cape

provinces. The aim is to assess the level of financial management capacity and to initiate corrective action where required.

Support provided during the reporting year also included permanent deployment of staff to the Limpopo provincial Treasury where a Section 100 intervention is in progress; and assistance with addressing critical system failures in the Eastern Cape, Free State and Gauteng provinces.

**SERVICE DELIVERY ACHIEVEMENTS**

<b>Measurable objective:</b> The programme aims to promote growth, social development and poverty reduction through sound fiscal and financial policies and the effective, efficient and appropriate allocation of public funds.		<b>Annual Performance Information – 2012/13</b>	
<b>Subprogramme</b>	<b>Output</b>	<b>Measure/Indicator</b>	<b>2012/13 Target Milestone</b>
Programme Management	Leadership and coordination of the programme	Timely completion of budget documents Effective coordination of the budget process	Publication of October MTBPS and February Budget Budget framework consistent with government's fiscal policy guidelines and public expenditure priorities, with draft completed by end-September each year Division of revenue between national, provincial and local government aligned with budget framework and medium term expenditure priorities, with draft completed by end-September each year
Public Finance	Sectoral and departmental policy advice	Departmental correspondence, reports and publications	Timely and relevant analysis and advice Selected expenditure reviews of sectoral programmes and public entities
	Expenditure analysis	Monthly and quarterly monitoring of expenditure; analysis of expenditure trends	Quarterly expenditure reports, completed within six weeks of end-of-quarter Phasing-in of consolidated departmental and agency estimates and expenditure reports
			<p>Departmental correspondence, submissions, reports and cabinet memoranda dealt with timeously by Public Finance chief directorates</p> <p>Expenditure reviews and sectoral programme evaluations undertaken in 2012/13 included options for financing NHI, budget requirements of the Department of Military Veterans and the Office of the Chief Justice, review of the Human Settlements Development Grant and medium term expenditure recommendations on national votes. A joint performance and expenditure review programme has been initiated with the Department of Performance Management and Evaluation</p> <p>A new-format comprehensive quarterly expenditure report was developed, to take effect from the first quarter of 2012/13; submitted to the Standing Committee on Appropriations in September 2012</p> <p>Function group committees have been formed for the Medium Term Expenditure Committee (MTEC) process, to implement consolidated expenditure estimates, as a first step towards reporting on a consolidated basis</p>

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## PROGRAMME 3 / continued

# PUBLIC FINANCE AND BUDGET MANAGEMENT

### SERVICE DELIVERY ACHIEVEMENTS

Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone	Annual Performance Information – 2012/13
<p><b>Measurable objective:</b> The programme aims 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>	<p>Medium-term expenditure recommendations</p>	<p>Inputs on departmental budget submissions to the MTEC</p> <p><i>Estimates of National Expenditure</i> chapters, with improved budget programme structures</p>	<p>Submission of preliminary recommendations to MTEC based on prior consultation with departments</p> <p>Alignment of budget submissions and recommendations with improved programme structure</p> <p>Phasing-in of expenditure estimates and programme information for public entities as part of MTEC process</p> <p>Introduction of longer-term expenditure estimates for selected programmes and entities</p> <p>Phased implementation of contributory social security reforms and retirement industry legislative amendments</p>	<p>Recommendations submitted to MTEC for nine function groups, based on prior consultation with departments, were taken into account when budget documentation was published in February 2013</p> <p>Revised and improved programme structures have been implemented in approximately 20 departments</p> <p>MTEC process included more detailed programme information for public entities</p> <p>Longer term expenditure estimates have been modelled as part of review of NHI options</p> <p>Comments and recommendations made by Cabinet members have been incorporated and the revised discussion paper has been circulated to departments for further comment</p>
<p>Social security and retirement reform (jointly with Financial Sector Policy – Programme 2)</p>	<p>Policy framework and implementation roadmap</p>	<p>Analysis and advisory reports</p>	<p>Analysis, evaluation, monitoring, policy and financing recommendations of major infrastructure projects in energy and transport</p> <p>Development of internal guidelines and best practice analysis of infrastructure projects and related project issues</p> <p>Development of funding mechanism for renewable energy</p> <p>Assistance with the review of the impact of the tendering system on infrastructure delivery</p>	<p>Eskom's long-term electricity price path compiled and presented to Minister of Finance and accepted; task team formed with Departments of Energy and Public Enterprises to prepare detailed technical proposal to take forward tariff recommendations; engagement with Eskom on financial requirements to support tariff recommendations. NERSA ruling on Eskom tariff application modelled and analysed; briefing to Minister of Finance delivered with recommendations; task team with departments to update technical proposal and advise relevant Ministers of options and recommended policy decisions required. Medium-term policy proposal being developed to ensure sustainability of electricity path and of the optimal medium- to long-term infrastructure investment programme</p>

**SERVICE DELIVERY ACHIEVEMENTS**

Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone	Annual Performance Information – 2012/13
<p><b>Measurable objective:</b> The programme aims 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>				<p>Chapter 7 on Infrastructure for the Budget Review 2013 completed</p> <p>Report being finalised: feasibility of Grand Inga project; updated version of feasibility of infrastructure investment in the liquid fuels industry, feasibility of nuclear fleet build programme and feasibility of imported gas as an alternative to nuclear or coal fleet build programme</p> <p>Analysis underway: feasibility of manganese railway project; options analysis for Durban-Gauteng corridor; methodology for environmental externality assessment for large capital projects; expenditure review of environmental projects</p> <p>Quarterly report on monitoring of large infrastructure projects updated. Reconciliation of Treasury and PICC database on large infrastructure projects completed.</p> <p>Partnered the Office of Accountant-General in reviewing public comments on the draft of the new chapter in the PFMA regulation on infrastructure procurement/supply chain management; advised on remaining issues and recommended changes</p>
Budget Office	Determination of annual budget allocations and the vertical division of revenue	Number of national votes provided with allocations in line with government priorities and the fiscal framework per year	38 votes	<p>The indicative baseline allocations issued for each of the 38 votes have been amended throughout the various phases of the budget process. Cabinet approval was obtained for allocations, and allocation schedules for the 38 votes were sent to departments in November 2012. Final allocations were approved by Cabinet in February 2013 and final departmental allocation schedules were issued. These are in line with government's policies and priorities</p>

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### SERVICE DELIVERY ACHIEVEMENTS

Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone	Annual Performance Information – 2012/13
		Allocations to other spheres of government in line with government priorities and the fiscal framework per year	Provincial sphere Local government sphere	The vertical division of revenue has been determined and was first published in the MTBPS. The total allocations to the provincial and local government spheres were approved in a Cabinet meeting in November 2012 and finalised in February 2013 in preparation for tabling of the 2013 Budget
Design, coordination and publication of budget documentation	Number of budget documents designed, coordinated and published per year	1 ENE 1 AENE 1 Appropriation Bill 1 Adjustments Appropriation Bill	1 ENE tabled in Parliament at the time of the MTBPS, on 25 October 2012 1 Adjustments Appropriation Bill tabled in Parliament at the time of the MTBPS, on 25 October 2012 1 ENE tabled in Parliament at the time of the Budget, on 27 February 2013 1 Appropriation Bill tabled in Parliament at the time of the Budget, on 27 February 2013	1 AENE tabled in Parliament at the time of the MTBPS, on 25 October 2012 1 Adjustments Appropriation Bill tabled in Parliament at the time of the MTBPS, on 25 October 2012 1 ENE tabled in Parliament at the time of the Budget, on 27 February 2013 1 Appropriation Bill tabled in Parliament at the time of the Budget, on 27 February 2013
	Number of budget documents per year for which expenditure chapters were compiled	1 MTBPS 1 Budget Review	1 MTBPS document tabled on 25 October 2012 1 Budget Review tabled on 27 February 2013	1 MTBPS document tabled on 25 October 2012 1 Budget Review tabled on 27 February 2013
	Number of guidelines issued in respect of budget document requirements	1 AENE chapter guideline 1 ENE chapter guideline 1 MTEF guideline	1 AENE publication chapter guideline issued in August 2012 1 ENE publication chapter guideline issued in November 2012 1 MTEF guideline issued in August 2012	1 AENE publication chapter guideline issued in August 2012 1 ENE publication chapter guideline issued in November 2012 1 MTEF guideline issued in August 2012
Design and management of the budget process for national government	A well-coordinated budget process that government organisations participate in and are knowledgeable about	One single MTEF budget process	Designed and implemented the single budget process that determined the budget over the 2013 MTEF period; all decisions were taken through Cabinet, whose members fully recognised the fiscal policy impacts From early October 2012 to February 2013: approval of fiscal framework and Division of Revenue finalisation decisions From mid November 2012 to February 2013: approval of MTEF allocations to national departments	Designed and implemented the single budget process that determined the budget over the 2013 MTEF period; all decisions were taken through Cabinet, whose members fully recognised the fiscal policy impacts From early October 2012 to February 2013: approval of fiscal framework and Division of Revenue finalisation decisions From mid November 2012 to February 2013: approval of MTEF allocations to national departments

**SERVICE DELIVERY ACHIEVEMENTS**

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

Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone	Annual Performance Information – 2012/13
	Consolidate general government accounts for use in all publications of the National Treasury	Public finance statistics presented according to function and economic classification, for consolidated general government  Guidance to departments and entities on classification of revenue expenditure	Extend the coverage of the consolidated account to include information on the consolidated accounts and borrowing of the whole of general government  Issue classification circulars and guidelines used by departments for transactional classification guidance  Roll out the SAQA-accredited training programme on the SCOA	<p>Budget 2014</p> <p>Provided data and tables for the MTBPS, ENE and Budget Review (BR) publications classified economically and functionally</p> <p>Coverage of consolidation extended to include all new listed general government public entities</p> <p>Database and reporting</p> <p>Review of the data platform; extension of SQL database and Excel analysis files; SQL consolidation files; implemented electronic submissions and storage of data.</p> <p>Finalised entities' quarterly reporting template for piloting, first quarter of 2013/14</p> <p>Prepared preliminary outcomes numbers by sphere for 2012/13. Data disaggregated by department and by economic classification. Calculation of over-/under-spending; consolidated outcome including the preliminary budget deficit</p> <p>Cash and accrual time series numbers for public entities finalised (from 2002). Time series for main budget and consolidation (from 1999)</p> <p>SCOA: finalised the revisions to the SCOA for implementation on 1 April 2013; held workshops for national and provincial departments on the changes to SCOA for 1 April 2013; issued the ToR for SCOA training.</p> <p>Quarterly meetings of the Public Sector Classification Committee held</p>

## PROGRAMME 3 / continued

# PUBLIC FINANCE AND BUDGET MANAGEMENT

### SERVICE DELIVERY ACHIEVEMENTS

Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone	Annual Performance Information – 2012/13
<p><b>Measurable objective:</b> The programme aims 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>	<p>Capital expenditure planning and evaluation</p>	<p>Improved quality of capital planning leading to more efficient budget allocations and capital expenditure</p>	<p>Putting in place a regulatory framework that applies to conventional projects or revising TR16 for that purpose</p> <p>Development of a broad infrastructure planning course by University of Pretoria</p> <p>Refinement of existing generic planning guidelines</p>	<p>Draft regulations have been provided to the Office of the Accountant-General for publication with other regulations for public comment</p> <p>The last block of a four-block course in the infrastructure planning course ended in May 2013. It is envisaged that the course will continue to be offered, with minor refinements</p> <p>Improved generic guidelines completed; the latest will be uploaded onto the National Treasury website with other MTEC guidelines</p>
	<p>Long-term fiscal report and the development of fiscal guidelines</p>	<p>Enhanced alignment of the budget documentation with fiscal guidelines based on the principles of counter-cyclical, debt sustainability and intergenerational equity</p>	<p>Develop and publish a long-term fiscal report by December 2012. The long-term report should provide an overview of economic, demographic, revenue and expenditure trends over the longer-term in order to encourage public discussion and parliamentary oversight of social commitments and the long-term costs of existing programmes</p>	<p>Developed the long-term fiscal report providing an overview of economic, demographic, revenue and expenditure trends over the longer-term in order to encourage public discussion and parliamentary oversight of social commitments and the long-term costs of existing programmes</p> <p>Engaged with relevant stakeholders to obtain feedback on the structure and content of the long-term report</p>



### SERVICE DELIVERY ACHIEVEMENTS

Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone	Annual Performance Information – 2012/13
<p><b>Measurable objective:</b> The programme aims 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>	<p>Official development assistance (ODA) resources aligned with and mobilised for government policies and priorities</p>	<p>Alignment of ODA funding decisions with the budget process</p>	<p>Support improvements to the delivery in ODA-funded programmes and greater compliance with global commitments. Enhance accountability for ODA receipts through improved monitoring and dissemination of information</p>	<p>Organised and led annual development partner engagements on the development cooperation component, including annual consultations; Joint Cooperation Council; summits; USA Annual Bilateral Forum</p> <p>Created an M&amp;E framework for general budget support funded projects; compiled a budget support report for the functional groups during the budget process; supplied verified information to the budget processes on donor support in departments</p> <p>Supporting work with the Assets and Liabilities Management division to create a tool to calculate the concessional component of loans received from international development finance institutions</p> <p>Support for the political leadership's engagements with development partners (UN meeting in New York, annual development partner engagements)</p> <p>Mobilising domestic resources by building working relations with private philanthropy within and outside SA through the Private Philanthropic Circle and the NGO Inyathelo</p> <p>Supporting processes toward the establishment of a South African Development Partnership Agency (SADPA)</p> <p>Enhancing ODA coordination through the organisation of national and provincial ODA coordinators' meetings; ODA management and best practices discussed</p> <p>Supported and engaged reviews of ODA programmes with development partners including UN, USA, Germany, EU, Irish Aid, Flanders</p>

## PROGRAMME 3 / continued

# PUBLIC FINANCE AND BUDGET MANAGEMENT

## PROGRAMME 3 / continued

# PUBLIC FINANCE AND BUDGET MANAGEMENT

### SERVICE DELIVERY ACHIEVEMENTS

Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone	Annual Performance Information – 2012/13
<p><b>Measurable objective:</b> The programme aims 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>	<p>Deepen governance and accountability in public entities</p>	<p>Implement a governance and financial management monitoring and compliance system in public entities</p>	<p>Broaden institutional budgeting, reporting and support to public entities (national and provincial)</p> <p>Assist entities with implementation of change management and improved business processes</p> <p>Review financial, human resource and administrative frameworks in public entities including Treasury Regulations</p> <p>Make recommendations on frameworks applicable to public entities to be submitted to Cabinet</p> <p>Assist public entities to improve compliance and governance</p>	<p>Engaged SA Parliamentary group in order for them to lobby the European parliament for further EC development cooperation support to SA</p> <p>Held knowledge platforms (knowledge sharing) communities of practice workshops for EU sector budget support (SBS) programmes to improve compliance with regulations</p> <p>Launched the third round of trilateral cooperation programming with USAID</p> <p>Broadened institutional budgeting, reporting and support to public entities (national and provincial)</p> <p>Assisted public entities to improve compliance and governance</p> <p>Contributed to a coherent regulatory environment and promoted a consistent approach to governance, human resource management and financial management in public entities</p> <p>Assisted entities with implementation of Change management, improved business processes and planning and review of institutional forms of public entities</p> <p>Provided institutional support to entities as and when required</p>

**SERVICE DELIVERY ACHIEVEMENTS**

Measurable objective: The programme aims to promote growth, social development and poverty reduction through sound fiscal and financial policies and the effective, efficient and appropriate allocation of public funds.		Annual Performance Information – 2012/13	
Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone
	Improved stakeholder understanding of the implications of changes in the remuneration policy and wage settlements for the public sector wage bill through effective communication of policy analysis and forecasting results	Reports on remuneration analysis	Develop templates for periodic reports Develop Cost of Living Allowance (COLA) model Database for remuneration policy changes Monthly, quarterly and yearly remuneration reports Mandated committee report Budget submission reports Database of remuneration indicators
Inter-governmental Relations	Provincial and local government budget framework in line with fiscal framework and policy objectives  Review of equitable share formulas	Timely publication and quality of the Division of Revenue Bill and explanatory memorandum (Annexure W1)  Funding gaps in existing formulas addressed	<p>Templates for periodic reports are under development and are 90 per cent complete COLA model 100 per cent complete Database for remuneration has been developed and is complete Third quarter remuneration report completed Mandate committee reports completed; negotiations are concluded Budget submission reports: 100 per cent complete Database of remuneration indicators: 100 per cent complete ICS adjustment inputs made for AENE, MTBPS and ENE: 100 per cent complete</p> <p>Provincial and local government budget frameworks for 2013 MTEF tabled in Budget Council and Budget Forum on 8 October 2012 and tabled as part of the 2013 budget</p> <p>2012 Division of Revenue Amendment Bill (dealing with in-year adjustments) was tabled together with 2012 MTBPS and signed into law on 11 December 2012</p> <p>Provincial equitable share allocations for the 2013 MTEF were updated with 2011 Census results and an appropriate manner in which to phase in the new data over the 2013 MTEF was determined. Various forums were consulted including Budget Council, Presidential Coordinating Committee and Cabinet. Provincial equitable allocations were published as part of the 2013 Division of Revenue Bill and supporting documentation tabled on 2013 Budget Day</p>

## PROGRAMME 3 / continued

# PUBLIC FINANCE AND BUDGET MANAGEMENT

### SERVICE DELIVERY ACHIEVEMENTS

Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone	Annual Performance Information – 2012/13
<p><b>Measurable objective:</b> The programme aims 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>			<p>Further revisions to existing local government equitable share formula and commence longer-term review of formula</p>	<p>The review of the local government equitable share formula was accelerated for implementation from the 2013 MTEF to coincide with the release of the new 2011 Census data obtained from Stats SA in early December 2012</p> <p>This review was a collaborative initiative between the National Treasury, CoGTA, SALGA, Financial and Fiscal Commission and Stats SA. Extensive consultation took place on the new draft formula which was refined on the basis of inputs from stakeholders, including municipalities. The new local government equitable share formula, including the phase-in approach, was tabled in the Budget Forum on 7 February 2013</p> <p>The new local government equitable share formula together with data updates from the 2011 Census was introduced from the 2013/14 financial year. A detailed discussion on the new formula was contained in an explanatory memorandum to the 2013 Division of Revenue Bill</p>
<p>Review of Municipal Fiscal Powers and Functions Act</p>	<p>Amendments to Act improve its ease of implementation</p>	<p>Support improved infrastructure planning and management of the built environment in cities</p>	<p>Amendments tabled</p>	<p>The Municipal Fiscal Powers and Functions Act is being reviewed and the Legislation Unit is in the process of appointing a service provider to draft the Amendment Bill</p>
<p>Develop a programme to support cities to manage their built environment</p>			<p>Finalise design of CSP and start pilot implementation of the programme</p>	<ul style="list-style-type: none"> <li>• Director-General's meeting with City Managers held to launch programme with cities</li> <li>• Diagnostic study on public transport and land use undertaken and workshop held with the metropolitan municipalities</li> <li>• Service providers for the built environment and governance work streams appointed</li> <li>• Desktop reviews of the eight cities undertaken</li> <li>• CSP city level co-ordinators nominated by cities</li> </ul>

**SERVICE DELIVERY ACHIEVEMENTS**

Measurable objective: The programme aims to promote growth, social development and poverty reduction through sound fiscal and financial policies and the effective, efficient and appropriate allocation of public funds.			
Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone
	Support improved performance of infrastructure grants	Review of performance of infrastructure grants to provinces	<p><b>Annual Performance Information – 2012/13</b></p> <ul style="list-style-type: none"> <li>The framework for performance grants was adopted in November 2012 by the Technical Committee on Finance (TCF)</li> <li>The principal objective of introducing this new approach is to encourage and reward good infrastructure planning and asset management practices. This will require purposively implementing and using improved systems that contribute to achieving the infrastructure objectives supported by the Infrastructure Delivery Management System (IDMS)</li> </ul>
	Facilitate and monitor infrastructure planning and delivery at provincial and local government	Improved performance in infrastructure delivery for cities	<ul style="list-style-type: none"> <li>Built Environment Performance Plans of all metros assessed and comments incorporated in the final 2012/2013 BEPPs</li> <li>Assessment of Spatial Development Frameworks of the non-delegated municipalities during February to March 2012 and 2013 Bench Marking exercise provided an opportunity to monitor alignment of initiatives with spatial transformation impact in the metros</li> </ul>
	Improved performance in infrastructure delivery for selected provincial departments	Selected provincial departments are assisted with drafting credible and costed infrastructure plans through the provision of appropriate support	<p>Focused on the support and coordination of infrastructure planning and procurement practices in the education and health sectors. Identified needs and gaps in current infrastructure activities across the sectors. Coordinated infrastructure planning with provincial long-term technical assistants (LTTAs) and their counterparts</p> <p>User Asset Management Plans (U-AMPs) and Infrastructure Plans for 2012 were assessed in accordance with the requirements of the IDM Toolkit and DORA. This assessment and review were complete and finalised in September 2012 with the focus on supporting the following issues:</p> <ul style="list-style-type: none"> <li>Planning framework developed: 65 per cent completed</li> <li>Construction procurement standards (CPS) framework developed: 100 per cent</li> </ul>

**PROGRAMME 3 / continued****PUBLIC FINANCE AND BUDGET MANAGEMENT**

## PROGRAMME 3 / continued

# PUBLIC FINANCE AND BUDGET MANAGEMENT

### SERVICE DELIVERY ACHIEVEMENTS

Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone	Annual Performance Information – 2012/13
<p><b>Measurable objective:</b> The programme aims 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>	<p>Building capacity for effective, efficient and transparent processes for infrastructure delivery</p>	<p>Infrastructure Delivery Management (IDM) Toolkit is institutionalised in the IDIP departments</p>	<p>High level training on the IDM Toolkit is conducted for all IDIP departments</p>	<ul style="list-style-type: none"> <li>Province-specific CPS developed: WC 100%; GT 40%; EC 70%; LMP 57%</li> <li>Infrastructure Delivery Management Programme (IDMP) Foundation Course and Executive Course developed and rolled out in collaboration with University of Pretoria; focus on IDM Toolkit methodology and IDMS institutionalisation. Target group was nominated by HODs</li> <li>IDMP Executive Course: 40 candidates enrolled; 39 completed the course. The course was successfully completed in October 2012</li> <li>IDMP Foundation Course: 120 candidates enrolled from IDIP-related departments, the DBSA, CIDB, DHET and the National Department of Public Works. Participants were middle and senior management. Course to be complete in May 2013</li> </ul>
<p>Effective implementation of the annual DORA and conditions stipulated for conditional grants</p> <p>Training on the requirements of the DORA</p> <p>Performance assessments for conditional grant programmes</p>	<p>Number of workshops, courses and officials trained</p>	<p>Seven DORA workshops</p> <p>Two business planning training courses</p> <p>Four hundred officials trained</p> <p>Six conditional grant programmes comprehensively assessed</p>	<p>Six DORA workshops conducted</p> <p>Two business planning training workshops conducted</p> <p>Three hundred and eleven officials trained</p> <p>Seven conditional grant programmes comprehensively assessed</p>	

**SERVICE DELIVERY ACHIEVEMENTS**

Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone	Annual Performance Information – 2012/13
	Building capacity in provincial treasuries	Hands-on support for provincial treasuries	Develop the draft blueprint for provincial treasuries	<p>Developed integrated strategic support plan (ISSP) blueprint for all nine provincial treasuries; tabled at TCF in May 2012. Finalised detailed ToR for project support plans for three provincial treasuries</p> <p>Finalised ToR for the PEFA assessments for four provinces</p> <p>Hands-on support provided over and above the target:</p> <ul style="list-style-type: none"> <li>• Technical assistance panel to Free State to address the 23 roads projects</li> <li>• Permanent deployment of staff to Limpopo provincial Treasury</li> <li>• Deployed staff to post-benchmark process in provinces to assist with finalising 2013/14 provincial budgets</li> </ul> <p>Municipal workshops and training sessions held, including:</p> <ul style="list-style-type: none"> <li>• Budget assessment training (all provinces) in preparation for the tabled budgets</li> <li>• Training and hands-on mentoring and support to enable the provincial treasuries to assist with verifying the 2012/13 MTREF provided to the following seven provincial treasuries: EC, FS, GT, KZN, NC, NW and WC</li> <li>• Support to provincial treasuries to strengthen municipal CFO forums in EC, NW and NC</li> <li>• Training of Gauteng provincial treasury officials as part of additional advanced councillor training on budget formats</li> </ul>
	Building budgetary capacity in provincial departments	Number of training on budget formulation and budget analysis courses	To be phased out to PALAMA	Decision held in abeyance due to skill and capacity challenges within PALAMA and lack of agreement on the course costs proposed by PALAMA



**PROGRAMME 3 / continued**

**PUBLIC FINANCE AND BUDGET MANAGEMENT**

**SERVICE DELIVERY ACHIEVEMENTS**

Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone	Annual Performance Information – 2012/13
	Roll out Municipal Budget and Reporting Regulations (MBRR)	Number of municipalities complying with new formats	Budgets of all 278 municipalities are in accordance with formats	<p>Thirteen of the 17 non-delegated municipalities achieved full compliance with MBRR for the 2012/13 tabled MITREF budgets</p> <p>Of the 266 delegated municipalities, 161 completed the A schedules; 18 of these were in the wrong version; 90 did not comply with the MBRR; and 53 were fully compliant. Only two did not submit 2012/13 budgets: Nala Local Municipality (FS) and Mbizana Local Municipality (EC)</p> <p>The following reports and memoranda were prepared:</p> <ul style="list-style-type: none"> <li>• Briefing note for Parliament on reporting requirements for local government</li> <li>• Report relating to non-viable municipalities in the FS</li> <li>• Report for Luthuli House on political intervention in municipalities</li> <li>• TCF Lekgotla Papers (SCOA, financial modelling and municipal revenue management)</li> <li>• Memo on the affordability of the 2012 municipal wage demands</li> <li>• Memo on the salary remuneration of the Tshwane and Johannesburg City Managers</li> <li>• Abuse of the official credit card by the Gauteng MEC for Local Government and Housing</li> </ul>

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

**SERVICE DELIVERY ACHIEVEMENTS**

Measurable objective: The programme aims to promote growth, social development and poverty reduction through sound fiscal and financial policies and the effective, efficient and appropriate allocation of public funds.				
Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone	Annual Performance Information – 2012/13
	Publication of municipal non-financial information	Annual publication of non-financial information with focus on quality and scope	Preparation and development of reporting formats	A reporting template was drafted, based on the selection of common indicators across the eight metros. Non-financial information is being collected on a quarterly basis for these metros. The quality of reporting still needs improvement as the information submitted contains significant gaps.
	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	The task was 100 per cent achieved for the non-delegated municipalities as part of the first quarter municipal budget assessment. The outcome indicated that seven of the eight metros and seven out of nine secondary cities were adequately funded.  Five out of nine provincial treasuries have attempted to apply the methodology to the assessment of the 2012/13 MTREF: EC, KZN, NW, NC and WC
	Mid-year budget and performance assessment in line with Section 72 of the MFMA	Number of municipalities assessed, and corresponding reports sent to the municipalities	Mid-year budget and performance assessments conducted for all non-delegated municipalities between February and March each year	This task was 100 per cent achieved in Quarter 1  All nine provincial treasuries conducted the mid-year budget and performance engagements

**PROGRAMME 3 / continued**

**PUBLIC FINANCE AND BUDGET MANAGEMENT**

**SERVICE DELIVERY ACHIEVEMENTS**

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

Subprogramme	Output	Measure/Indicator	2012/13 Target/Milestone	Annual Performance Information – 2012/13
	Development of a SCOA for municipalities	Project progress against plan	Regulating chart and implementation	Completed the technical specifications for developing a management accounting framework to inform SCOA, as well as mapping of chart of accounts of pilot municipalities to Version 2  Finalised Version 3 and subsequently engaged with all nine provinces including all municipalities and other stakeholders, national departments, professional bodies and system vendors
Municipal budget benchmarking engagement		Number of municipalities involved in the benchmarking exercise between April and June	Budgets for all non-delegated municipalities assessed to determine adequacy of funding, credibility and sustainability	Achieved: Municipal budget and benchmark assessments conducted from 30 April to 24 May 2012 for the 17 non-delegated municipalities including compilation of individual reports and briefing note for the Minister prepared earlier in the previous year; the engagement framework was revised and improved and timing of the engagements brought slightly forward  Most budgets were found to be adequately funded  Assessment reports for the delegated municipalities received for all nine provinces  Compliance assessment for 2012/13 MTREF completed for the 278 municipalities  Eight provincial treasuries attempted to conduct benchmark engagements to assess budgets for the delegated municipalities though the quality was not uniform

**SERVICE DELIVERY ACHIEVEMENTS**

Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone	Annual Performance Information – 2012/13
<p><b>Measurable objective:</b> The programme aims 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>	Monitoring of conditional grants	Number of municipalities correctly verifying their conditional grants expenditure	Apply to all 278 municipalities Monitor expenditure on conditional grants to ensure improved spending aligned to grant conditions	Section 21 of DoRA was invoked to offset previous year's unspent conditional grants from under-performing municipalities  R733 million was returned to the NRF after being off-set from the equitable share. This off-set related to unspent conditional grants for the 2010/11 financial year  Hosted 73 municipalities through a series of meetings regarding the decision of Section 21 of the DoRA  Created a monthly reporting template for the 2012/13 financial year to enhance the monitoring process  For the fourth quarter of the municipal financial year, 235 municipalities verified their conditional grants but only 149 signed-off on the verification
Provincial and local government budget and expenditure reviews		Publish the provincial and local government budget reviews with focus on quality and scope	Publish provincial government budgets and expenditure review in August 2012	Chapter outlines submitted; local government budget and expenditure review due for publication September 2013  Audit information for all 278 municipalities has been collected and verified for 2008/9 to 2011/12; verified 3 637 out of 4 448 returns (82 per cent completed verification) as well as personnel information for the 2012 MTREF
Publication of provincial and local government expenditure reports in terms of the PFMA (Section 32), MIFMA (Section 71) and DoRA (Section 44(3))		Timely and accurate reports	Publish updated local government data in October	2013 MTREF budgets published on 30 November 2012  Substantial improvement in the number of budgets verified and reconciled, from 112 in 2011/12 to 149 in 2012/13

## PROGRAMME 3 / continued

# PUBLIC FINANCE AND BUDGET MANAGEMENT

### SERVICE DELIVERY ACHIEVEMENTS

Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone	Annual Performance Information – 2012/13
<p><b>Measurable objective:</b> The programme aims 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>		<p>Coverage and reliability of municipal and provincial information</p>	<p>Publish provincial quarterly reports a month after the end of the quarter</p> <p>Publish municipal reports 45 days after the end of each quarter</p>	<p>Continuous rollout of the verification and sign-off process for the conditional grants and Section 71</p> <p>Section 71 2011/12 Quarter 4 published on 31 August 2012; coverage 276 for 571 and 275 for conditional grants</p> <p>Section 71 2012/13 Quarter 1 published on 5 December 2012; coverage 276 for 571 and 278 for conditional grants</p> <p>Section 71 2012/13 Quarter 2 published on 8 March 2013; coverage 274 for 571 and 268 for conditional grants</p>
			<p>Maintain coverage at 278 municipalities</p> <p>Improve reliability of data</p> <p>Maintain coverage of 120 departments in nine provinces</p>	<p>Published the State of Local Government Finances report which was approved and signed by the Minister; the report is available on the National Treasury website</p> <p>Published the following circulars: Circular 64: Revenue Management; Circulars 66 and 67: Budget circulars</p> <p>A report to Parliament relating to over-/under-spending for the year under review was submitted</p>



▶ **PROGRAMME 4**  
ASSET  
AND LIABILITY  
MANAGEMENT

## PROGRAMME 4

# ASSET AND LIABILITY MANAGEMENT

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

**Measurable objective:** Manage government's annual funding programme in a manner that ensures prudent cash management and an optimal portfolio of debt and other fiscal obligations. Promote and enforce prudent financial management of state-owned entities through financial analysis and oversight.

There are six sub-programmes:

- *Management* provides strategic guidance and direction to the overall programme, including management of the divisional budget.
- *State-Owned Entities Financial Management and Governance* promotes the optimal allocation and use of financial resources, and sound corporate governance by public entities.
- *Government Debt 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, 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 cash investments, debt and contingent liabilities of the State.
- *Financial Investments* provides funding mainly for the recapitalisation of Eskom and the Land and Agricultural Development Bank of South Africa.

## SERVICE DELIVERY OBJECTIVES AND INDICATORS

### RECENT OUTPUTS

The *Asset and Liability Management* division financed government's gross borrowing requirement and maintained sufficient cash levels to meet government's

daily commitments. It also provided support to the development finance institutions (DFIs) and public entities through guarantees and capital injections to ensure that they were financially able to deliver on their development mandates.

The *State-Owned Entity Financial Management and Governance* unit monitored the development finance institutions, particularly in relation to financial performance, position and governance of the progress made on any turnaround strategies.

On an annual basis, the *Asset and Liability Management* division reviews the corporate plans of all public entities listed in Schedule 2 and 3B of the PFMA, including some selected Schedule 3A entities. In addition to assessing their alignment with government's priorities, and any financial sustainability and governance issues, the review aims to timeously identify possible risks so that appropriate mitigating actions can be taken. Similarly, the public entities' performance is evaluated through a review of their annual reports. In 2012/13, 28 corporate plans and 33 annual financial statements of public entities and DFIs were reviewed.

Notable activities during the period under review included:

- Providing a R5.006 billion guarantee to SAA, valid until 30 September 2013
- Extending the term of the existing R1.85 billion guarantee to Denel until 30 September 2017
- Providing a R539 million guarantee to South African Express (SAX), valid until 28 February 2015
- Approving domestic borrowing limits for Rand Water and the Trans-Caledon Tunnel Authority, and a foreign borrowing limit for Transnet
- Government approval of R7.9 billion capital support for the DBSA over the MTEF period
- Government guarantee of a R1 billion line of credit from the African Development Bank (AfDB) for the Land Bank
- Capitalisation of the Land Bank with R200 million in April 2012; successful increase of its loan book for development funding to R802.4 million for developing and emerging farmers.



## PROGRAMME 4 / continued

# ASSET AND LIABILITY MANAGEMENT

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During 2012/13, the *State-Owned Entity Financial Management and Governance* unit also undertook the following activities:

- Enhanced its oversight of the public entities reporting directly to the Minister of Finance. Quarterly meetings were held with the Public Investment Corporation (PIC) and SASRIA to discuss the entities' financial performance and their progress toward achieving their strategic objectives.
- Reviewed the corporate plans and annual reports of the PIC, SASRIA, DBSA and Land Bank. They were tabled in Parliament by the Minister of Finance.
- Completed a review of the treasury structures and functions of South African Express and Broadband Infraco.
- Consolidated data on funding products offered by international development finance institutions, including the terms and conditions of loan facilities, for the purpose of developing a comparative cost structure from concessional funders.
- Analysed the remuneration trends of nine public entities against the State-Owned Entities Remuneration Guide (SOERG) and shared findings with shareholder departments.
- Strengthened monitoring of the guarantees provided to public entities by establishing committees that maintain close oversight of their financial performance and progress in relation to any turnaround strategies.
- As required in terms of the Municipal Finance Management Act (MFMA), the National Treasury provided written comments on Eskom's proposed third multi-year price determination (MYPD3) application. Comments were also provided to each of the water boards regarding proposed tariff adjustments. A briefing was made to the Parliamentary Portfolio Committee on the boards' tariffs and performance, enabling improved parliamentary oversight.
- The Presidential Infrastructure Coordination Commission (PICC) has developed a National Infrastructure Plan. Many of the identified projects are to be undertaken by public entities and others by national, provincial or local government.

- In addition to participating in a number of the Strategic Integrated Project (SIP) Steering Committees, the National Treasury has been developing approaches for financing the pipeline of projects. It has also worked closely with the PICC on finalising the Infrastructure Development Bill that has been released for comment.
- A number of policies or amendments to Acts with implications for the public entities were considered, and comments provided. Policies of particular importance included the National Water Resources Strategy (NWRS) and the National Water Investment Framework (NWIF). The NWIF estimates the required level of investment for the water sector. The NWRS 2 outlines the strategic direction for managing the country's water resources over the next 20 years. It focuses on priorities and objectives and provides the framework for managing water at catchment level in defined water management areas.
  - The National Treasury convened a market sounding on broadband where stakeholders from across the value chain were given the opportunity to advise the government on how best to achieve the objective of universal broadband access. The inputs informed the redrafting of the National Broadband Policy which was released for comment by the Department of Communications.
  - The unit participated in work streams and cluster forums that contribute to an efficient, competitive and responsive economic infrastructure network.

The DBSA undertook an organisational review and restructuring which included reviewing its mandate, strategy and operating model. Central to the review process was the need to ensure that the DBSA returns to its core mandate of lending for infrastructure projects with maximum socio-economic impact while achieving long-term financial sustainability. The process of amending the DBSA Act is currently underway. The aim is to extend the DBSA's mandate beyond the Southern African region to include the rest of the African continent, and to increase its share capital.

## PROGRAMME 4 / continued

# ASSET AND LIABILITY MANAGEMENT

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The *Government Debt Management* unit successfully financed the gross borrowing requirement of R219 billion, originally budgeted at R211.9 billion. Government raised R61.1 billion from international export credit agencies and R180.2 billion in the domestic market. R3.7 billion was raised from retail bond investors. The balance was financed by drawing R38.7 billion on cash balances. Compared to a revised budget of R88.3 billion, R88.1 billion was paid in debt service costs. The saving was mainly the result of not issuing a sukuk (Islamic bond) as planned.

In an effort to manage refinancing risks, 64 per cent of new long-term debt was issued in bonds with maturities beyond 19 years, 31 per cent with maturities between 10 and 19 years and only 4.7 per cent between 7 and 10 years. In addition, R37.4 billion was switched out of the R206 bond, maturing on 15 January 2014, and the R201 bond, maturing on 21 December 2014, into longer dated bonds.

The *Financial Operations* unit ensured that government had sufficient funds available to meet its daily cash requirements and that surplus cash was optimally invested. Short-term investment and lending between the national government, provincial governments and related public entities within the Corporation of Public Deposits saved up to 3.5 per cent on borrowing costs; this was the difference between the repo and prime rates. As part of government's on-going broadening of the coordination of public sector cash, 13 new accounts were added to the public sector portfolio of accounts at the Corporation for Public Deposits, making on average R41 billion available for bridging finance for national and provincial governments. National government on average borrowed R18 billion against this facility.

The unit successfully met all the relevant reporting requirements of the PFMA and of the International Monetary Fund's Special Data Dissemination Standards on debt issuances, cash balances and other market information.

On the systems front, the user requirements and system specifications for the retail bonds module on the new

back office system were finalised. The concept of the new top-up retail bonds has been developed and tested. The development of the remaining portion of the retail debt module on the new system is currently in progress. The Commonwealth Secretariat's public debt analytical tool, Horizon, was piloted and implemented in South Africa and a workshop, attended by representatives of 17 Commonwealth member countries, was held in Cape Town to provide training on the Horizon software.

The *Strategy and Risk Management* unit ensured that government's funding strategy continued to be informed by domestic and foreign debt portfolio risk benchmarks and government's exposure to contingent liabilities, primarily emanating from its public sector infrastructure programme.

Government debt increased from R1 187 billion in 2011/12 to R1 366 billion in 2012/13, with domestic debt accounting for 90.88 per cent of the total and foreign currency debt the remaining 9.12 per cent. This is well below the foreign debt risk benchmark of 20-25 per cent. Increased issuance of inflation-linked bonds and Treasury bills, due to market demand, resulted in government's domestic debt portfolio being composed of 64.91 per cent fixed and 35.09 per cent non-fixed rate instruments.

Government's guarantee exposure to public entities increased to R179.4 billion in 2012/13 from R153.9 billion in 2011/12; Eskom makes up 57.7 per cent of the total government guarantee portfolio.

During 2012/13, four major credit rating agencies reviewed South Africa's investment grade credit ratings. In 2012, Moody's Investor Services and Standard and Poor's downgraded the country's credit ratings to 'Baa1' and 'BBB' from 'A3' and 'BBB+' respectively. Both agencies have maintained a negative credit outlook on South Africa. Early in 2013 Fitch Ratings followed, and downgraded the country's credit rating to 'BBB' from 'BBB+' and revised the credit outlook to stable from negative. However, unlike the other rating agencies, the Japanese rating agency, Ratings and Investment Information, Inc., affirmed the country's credit rating at "A-" with a stable outlook.

## SERVICE DELIVERY ACHIEVEMENTS

Measurable objective: Manage government's annual funding programme to ensure prudent cash management and an optimal portfolio of debt and other fiscal obligations. Promote and enforce prudent financial management of state-owned entities through financial analysis and oversight.				
Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone	Annual Performance Information – 2012/13
Oversight and governance of state-owned enterprises	Exercise oversight over public enterprises to enable achievement of government's policy objectives in a financially sustainable manner	Report and resolve DFI issues regarding cost effectiveness, development effectiveness and financial sustainability	Report annually on the review of corporate plans and financial statements to ensure financial sustainability and alignment with mandates	<ul style="list-style-type: none"> <li>Analysis of the corporate plans of the DBSA and the Land Bank completed</li> <li>Analysis of the corporate plans of the IDC, IDT and NEF completed</li> <li>Compiled shareholder compact for the Land Bank</li> <li>Quarterly reports on the Land Bank completed</li> <li>Analysed the Land Bank and DBSA annual reports</li> </ul>
			Monitor and report on achievement of targets (shareholder compact) of the Land Bank and the DBSA	Attended to the following functions and provided advice and commentary on all DFI related matters: <ul style="list-style-type: none"> <li>Completed analysis of the eight IDC PFMA requests</li> <li>Completed input into the analysis of the DBSA's request that the National Treasury waive the Guarantee Fee Waiver, and submitted it for consideration by the Fiscal Liability Committee</li> <li>Completed the Land Bank's LBC request to submit its key performance indicators and targets in its 2013 corporate plan</li> <li>The recapitalisation of the DBSA</li> </ul>
			Provide support to DFIs on the implementation of mandates	
			Analyse all DFI related applications	
			Report annually on the achievement of monitoring and evaluation targets	
			Motivate for approval of and support for the implementation of the DFI policy, once approved by Cabinet	Motivation provided for approval and support of the implementation of the DFI policy
			Development of DFI best practice reporting framework and consultation with responsible departments and their respective DFIs	DFI best practice reporting framework finalised
		Compile fact sheets for provincial DFIs	Report on the landscape and financial position of all provincial DFIs	Fact sheets, financial dashboard and consolidated report on eight provincial DFIs completed.
	Promote appropriate treasury management policies and practices through monitoring adherence to treasury guidelines by SOEs and metros		Review the process of establishing new treasury operations of two SOEs	South African Express (SAX) treasury financial risk management policies reviewed as part of comprehensive treasury restructuring process for SAX.
			Facilitate the option of bringing outsourced treasury divisions of SOEs in-house	Due diligence of treasury functions in broadband infrastructure company completed.
			Monitor adherence to treasury review report	Report on treasury review of nineteen SOEs completed.

## PROGRAMME 4 / continued

# ASSET AND LIABILITY MANAGEMENT

### SERVICE DELIVERY ACHIEVEMENTS

Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone	Annual Performance Information – 2012/13
<p><b>Measurable objective:</b> Manage government's annual funding programme to ensure prudent cash management and an optimal portfolio of debt and other fiscal obligations. Promote and enforce prudent financial management of state-owned entities through financial analysis and oversight.</p>		<p>Coordinate borrowing programmes of SOEs and ensure alignment with sovereign borrowing through compilation of borrowing calendar and consolidated maturity profile</p>	<p>Conduct research on the funding/costing models by multilaterals in providing cost effective funding to SOEs</p> <p>Undertake a consultative process with stakeholders, and draft recommendations to the Minister of Finance on the application of Section 66(7)(b) regulating foreign currency borrowing limits .</p> <p>Quarterly reports/up-dates on SOEs:</p> <ul style="list-style-type: none"> <li>Borrowing programmes</li> <li>Capital expenditure</li> <li>Hedging risk exposure</li> </ul> <p>Annual publication of borrowing calendar by March</p>	<p>Data consolidation on loan products offered by major international DFIs completed</p> <p>Treasury instruction note regarding the application of Section 66(7) (b) and for the submission of borrowing programmes and funding plans completed</p> <ul style="list-style-type: none"> <li>Quarterly borrowing data consolidated and communicated to relevant stakeholders</li> <li>Collected and analysed SOEs' capital expenditure programmes and reported quarterly</li> <li>Comprehensive hedging template developed</li> <li>Conducted three public sector borrowers' fora.</li> <li>Publication of annual borrowing calendar completed by March 2013</li> <li>Processed borrowing limit applications for Transnet, Rand Water, SAA and TCTA</li> <li>Processed guarantee applications for Denel, SAA, SAX and the Land Bank</li> <li>Processed application for approval of Land Bank treasury policies</li> </ul> <p>Review completed</p>
	<p>Benchmark to determine appropriate target capital structure for SOEs</p>		<p>Review the outcomes/results of SOEs piloted</p>	
	<p>Monitor shareholder compliance with PFMA; King III code and remuneration guidelines compliance monitored</p>		<p>Annual reporting on compliance of major SOEs</p>	<ul style="list-style-type: none"> <li>100% of Schedule 2 and 3B public entities' corporate plans were received in terms of Section 52 of the PFMA</li> <li>94% of Schedule 2 and 3B public entities' annual reports were received with the exception of SAX, Botshelo Water and Bushbuckridge Water</li> <li>Appointment of members to the Boards of DBSA, SASRIA, PIC and the Land Bank</li> <li>Submitted a review on the appointment of Board members to CEF, SANEDI, NECSA, SAA and Transnet</li> </ul>

## SERVICE DELIVERY ACHIEVEMENTS

Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone	Annual Performance Information – 2012/13
<p><b>Measurable objective:</b> Manage government's annual funding programme to ensure prudent cash management and an optimal portfolio of debt and other fiscal obligations. Promote and enforce prudent financial management of state-owned entities through financial analysis and oversight.</p>				<ul style="list-style-type: none"> <li>IDC exemptions for Sections 54(2) and 51(g) of the PFMA complete</li> <li>Facilitated the review of treasury regulations for public entities</li> <li>Drafted an instruction note on quarterly reporting of Schedule 2 and 3 B public entities</li> <li>Reviewed the current practice notes on Section 52 and 54 and aligned them with the new instruction notes template to be issued in terms of corporate plan submissions</li> <li>PIC and SASRIA Mol for submission to CIPRO by SOEs' Company Secretaries in compliance with the new Companies Act complete</li> <li>Memorandum on executive and non-executive directors' remuneration for water boards completed</li> <li>The proposed new remuneration standards on executive and non-executive directors' remuneration analysed and forwarded to the Minister of Public Enterprises for his consideration</li> <li>Thirty-three SOEs' annual reports for 2011/12 analysed</li> <li>Twenty-eight SOEs' corporate plans for 2013-2015 analysed</li> <li>PFMA applications reviewed for various entities</li> <li>Reviewed guarantee applications for SABC, Rand Water, SAA, Denel, TCTA and SAX. Regular monitoring of guarantees provided to Eskom, SABC, SAA and Denel.</li> <li>Reviewed borrowing limit application from Pelladrift Water Board.</li> <li>Funding requests from SAA, Denel, SABC, Sentech, SAPO, Infracore, TCTA, Umgeni Water and Magalies Water reviewed, and recommended funding allocations to public enterprises. Funding for SAPO (PostBank) and DBSA approved. Monitored funding allocated in Budget 2012 to Alexkor and Denel.</li> <li>Responded to Eskom's MYPD3 draft submission.</li> <li>Responded to water boards on tariff proposals.</li> </ul>
	<p>Review corporate plans, shareholder compacts and annual reports</p>	<p>Review and report on compliance with remuneration guidelines</p>	<p>Shareholder compacts of public enterprises requested annually</p> <p>Annually, produce report reviewing public enterprises' corporate plans, shareholder compacts and annual reports in consolidated form</p>	
	<p>Review PFMA submissions, and applications for guarantees, funding, borrowing limits and MFMA Section 42 tariff applications</p>	<p>Submission on PFMA applications for guarantees, funding or borrowing limits from public enterprises produced as received</p> <p>Respond to MFMA Section 42 applications for amendments to water and electricity tariffs</p>		

## PROGRAMME 4 / continued

# ASSET AND LIABILITY MANAGEMENT

### SERVICE DELIVERY ACHIEVEMENTS

Measurable objective: Manage government's annual funding programme to ensure prudent cash management and an optimal portfolio of debt and other fiscal obligations. Promote and enforce prudent financial management of state-owned entities through financial analysis and oversight.			
Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone
		Undertake industry and sector research to build knowledge and influence policy and public enterprises' strategic direction	Research reports on identified issues relating to public enterprises in the areas of regulation and administered prices, industry structure, sector policies, sector trends, infrastructure requirements, regional integration and financing produced as required
	Actively participate and contribute in fora where sector reforms are being implemented		As required, actively participated in and contributed to relevant fora where sector reforms are being implemented
	Review and provide input into corporate plans and shareholder compacts of the public enterprises reporting to the National Treasury: PIC, SASRIA, DBSA and the Land Bank		Reviewed the annual corporate plans and shareholder compacts of the DBSA, Land Bank and PIC, and SASRIA's corporate plan prepared for submission to Parliament Inputs provided and identified issues taken up with PIC, SASRIA and other relevant stakeholders
			<p><b>Annual Performance Information – 2012/13</b></p> <ul style="list-style-type: none"> <li>• Reports compiled on water pricing across the value chain and on water revenue and equitable share allocations to municipalities with outstanding debts to water boards</li> <li>• Hosted a broadband market sounding and compiled a report on the findings</li> <li>• Reviewed studies undertaken on the aviation sector</li> <li>• Reported on the financing models for infrastructure projects</li> <li>• Participated in FOSAD Infrastructure Development Cluster PICC technical committee to discuss priority projects, approaches to financing and budget process</li> <li>• Participated in PICC Strategic Integrated Project (SIP) steering committees for SIPs 2, 3 and 15</li> <li>• Commented on the broadband policy, ICASA Amendment Act, ECA Amendment Act, national water resources strategy and water investment framework, Infrastructure Development Bill and the Green Paper on rail.</li> <li>• Participated <i>inter alia</i> in the integrated nuclear infrastructure review (INIR) undertaken by the International Atomic Energy Agency (IAEA), the study undertaken on the independent system and market operator (ISMO) and transmission system operator (TSO), the single transport economic regulator (STER) steering committee and the restructuring of the ECIC's interest make-up (IMU) scheme</li> <li>• Corporate plans and shareholder compacts of DBSA, Land Bank, PIC and SASRIA reviewed and prepared for submission to Parliament</li> <li>• Identified issues taken up with PIC and SASRIA in quarterly meetings</li> </ul>

## SERVICE DELIVERY ACHIEVEMENTS

Measurable objective: Manage government's annual funding programme to ensure prudent cash management and an optimal portfolio of debt and other fiscal obligations. Promote and enforce prudent financial management of state-owned entities through financial analysis and oversight.		Annual Performance Information – 2012/13	
Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone
Government debt management	Optimal debt management and funding of government borrowing requirement	Review, and prepare for submission to Parliament, the annual reports of the public enterprises reporting to the National Treasury: PIC, SASRIA, DBSA and the Land Bank	Reviewed the annual reports of the DBSA, Land Bank, PIC and SASRIA  Annual reports of the DBSA, Land Bank, PIC and SASRIA prepared for submission to Parliament  Identified issues taken up with the DBSA, Land Bank, PIC, SASRIA and other relevant stakeholders
		Annual total government borrowing needs fully met	Revised gross borrowing requirement of R219 billion met through short-term loans (R22.5 billion), domestic long-term loans (R157.7 billion), foreign loans (R61 million) and draw down on cash balances (R38.7 billion)
		Enhanced liquidity	The total issuance was distributed among benchmark bonds with the following maturities: less than 7 years (6.9%); 7-10 years (19.8%); 10-19 years (25.3%); 19 years and longer (48%)
		Active debt management	R37 billion was switched out under the switch auction programme: R15.3 billion out of the R206 maturing on 15 January 2014 and R22.1 billion out of the R201 maturing on 21 December 2014
		Ensure timely and accurate payment of debt-related obligations	R88.1 billion paid in debt-service costs compared to a revised budget of R88.3 billion for 2012/13. The saving of R0.2 billion was mainly due to not issuing the Sukuk (Islamic bond), and lower interest on retail bonds and treasury bills
		Diversification of funding instruments	Issuance in 2012/13 consisted of 76 per cent fixed-rate bonds and 24 per cent inflation-linked bonds
		Retain current investors and attract new ones	International funding through capital market and export credit agency loans  Conduct two domestic and two foreign road shows annually
			Two domestic and three foreign road shows were undertaken in 2012/13



## PROGRAMME 4 / continued

# ASSET AND LIABILITY MANAGEMENT

### SERVICE DELIVERY ACHIEVEMENTS

Measurable objective: Manage government's annual funding programme to ensure prudent cash management and an optimal portfolio of debt and other fiscal obligations. Promote and enforce prudent financial management of state-owned entities through financial analysis and oversight.	
Subprogramme	Annual Performance Information – 2012/13
Output	2012/13 Target Milestone
Measure/Indicator	
Financial operations	Regular updates were provided on the investor website as data became available for dissemination
Ensure sound management of government's cash resources	Managed cash flows amounting to R4.5 trillion in 2012/13
Government's liquidity requirements met every time	Quarterly analysis performed to review investment rate for tax and loan accounts. SABOR investment rate for tax and loan accounts were on average 2 basis points higher than the average rate paid by banks
Investment of surplus cash at market-related rates	Public sector portfolio increased by 12 accounts. On average a total of R41 billion of public sector cash was accessible for bridging finance by national and provincial governments. National government borrowed R18 billion on average; no borrowing by the provinces
Public sector cash coordinated	Saving of up to 3.5 per cent on borrowing costs compared to borrowing from commercial banks
Saving on the borrowing costs of national and provincial governments	In line with PFMA reporting requirements, financial information was provided for the National Treasury's financial statements and the consolidated financial information of the national government, the National Revenue Fund, state debt and investment accounts
Timely and accurate reporting of national government debt	Reporting requirements for the special data dissemination standards of the IMF were met. Market information was disseminated on a timely basis
Reliable, automated and integrated systems implemented	Finalised user requirements and system specifications for the retail bonds module on the new Back Office system. Developed and tested Top-up bond module as part of the new retail products on the system
	Timely dissemination of reliable information
	Forecasting R3.1 trillion of cash flows
	Quarterly analysis and review of investment rates
	Ongoing broadening of the coordination of public sector cash
	Saving of up to 3.5 per cent on borrowing costs compared to borrowing from commercial banks
	Compliance with PFMA reporting requirements regarding annual financial statements
	Timely dissemination of reliable market information
	Implement the retail bonds module on the new Back Office system. Implement new retail bond products

## SERVICE DELIVERY ACHIEVEMENTS

Measurable objective: Manage government's annual funding programme to ensure prudent cash management and an optimal portfolio of debt and other fiscal obligations. Promote and enforce prudent financial management of state-owned entities through financial analysis and oversight.			
Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone
			<b>Annual Performance Information – 2012/13</b>
			<ul style="list-style-type: none"> <li>Finalised user requirements and system specifications for the retail bonds website on the new Back Office system. Documented retail bond website web service's technical specification for the system.</li> <li>Analysed and workshopped a better solution for the correspondence module to the new Back Office system as part of the retail bonds module</li> </ul>
			<ul style="list-style-type: none"> <li>Implement new interfaces for the retail bonds website and correspondence module to the new Back Office system retail bonds module</li> </ul>
			<ul style="list-style-type: none"> <li>Implement the Commonwealth Secretariat's public debt analytical tool</li> </ul>
			<ul style="list-style-type: none"> <li>Finalise systems requirements for consolidating public sector debt for reporting to the World Bank</li> </ul>
			<ul style="list-style-type: none"> <li>Implement improved operational controls</li> </ul>
			<ul style="list-style-type: none"> <li>Participation on the National Treasury ICT steering committee to integrate the divisional information and communications technology (ICT) governance within the broader National Treasury ICT governance framework</li> </ul>
			<ul style="list-style-type: none"> <li>Engaged with the Commonwealth Secretariat on the use of their debt recording system.</li> </ul>
			<ul style="list-style-type: none"> <li>Monthly and quarterly funding assessments were compiled and presented at the Funding Requirements Committee meeting in the first week of every month and quarter in the 2012/13 fiscal year. These reports served as monitoring and reporting tools of the performance of the annual funding strategy against risk guidelines. Quarterly risk profile reports assessing the impact of funding, market and macro-economic variables on the debt portfolio risks were completed</li> </ul>
			<ul style="list-style-type: none"> <li>As at 28 March 2013, the debt portfolio consisted of 64.91 per cent in fixed rate debt (63.92 per cent in fixed rate bonds, 0.91 per cent in retail bonds and 0.08% in zero coupon bonds) and 35.09 per cent in non-fixed rate debt (19.70 per cent in inflation-linked bonds and 15.39 per cent in T-bills.) Foreign debt made up 9.12 per cent of total debt as at 28 March 2013</li> </ul>
Strategy and risk management	Minimise and mitigate risks emanating from government's fiscal obligations	Performance against benchmarks: <ul style="list-style-type: none"> <li>Non-fixed vs fixed debt</li> <li>Foreign debt vs domestic debt</li> </ul> Address refinancing risk in government's debt portfolio	Implement, monitor and review strategic benchmarks of 70/30 fixed vs non-fixed rate domestic debt and 20 per cent maximum foreign debt exposure as a percentage of total debt
			Quarterly review of performance against benchmarks (including cost-at-risk)

## PROGRAMME 4 / continued

# ASSET AND LIABILITY MANAGEMENT

### SERVICE DELIVERY ACHIEVEMENTS

Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone	Annual Performance Information – 2012/13
<p><b>Measurable objective:</b> Manage government's annual funding programme to ensure prudent cash management and an optimal portfolio of debt and other fiscal obligations. Promote and enforce prudent financial management of state-owned entities through financial analysis and oversight.</p>			<p>Maximum nominal issuance limits on inflation linked bonds of R33 billion (excluding revaluations)</p> <p>Maximum limits on fixed rate bonds consistent with maintaining average maturity of the debt portfolio between 10 and 13 years in the medium-term</p> <p>Quarterly review of refinancing risk against risk guidelines, including the performance of actual switch programme against planned switches (ie. the exchange of short-term bonds for long-term bonds)</p> <p>Annual review of investment ratios and limits per counterparty</p> <p>Semi-annual reports on adherence to ratios and limits</p> <p>Annual analysis of settlement risk exposure to primary dealers</p>	<p>The R202 inflation-linked bond exceeded the R33 billion issuance limit; the total nominal outstanding amount was R37 billion (excluding revaluations) as at 28 March 2013</p> <p>As at 28 March 2013, average maturity of fixed rate bonds was 11.37 years while that of inflation-linked bonds was 13.13 years; the weighted average maturity of the domestic debt was 12.63 years</p> <p>Total switches amounted to R37.4 billion (R15.3 billion in R206 bond and R22.1 billion in R201 bond) which translated in a lesser nominal equivalent of R34.8 billion in longer-term destination bonds, implying a lesser increase in the nominal stock of debt outstanding. The switch assisted in extending the maturity of government's domestic debt portfolio, which is in line with the strategy to reduce refinancing risk</p> <p>Analysis of banks' interim and annual reports performed to determine government's exposure to counterparty risk. Risk exposure from investment of surplus cash classified as moderate low risk</p> <p>Monitored the financial position of banks and adherence to credit risk guidelines for the investment of surplus cash. For the financial year, surplus cash was invested in line with the credit risk guidelines</p> <p>Analysis of primary dealers' annual and interim reports performed to determine government exposure to settlement risk. Settlement risk exposure from auction activities classified as moderate risk</p>

**SERVICE DELIVERY ACHIEVEMENTS**

<b>Measurable objective:</b> Manage government's annual funding programme to ensure prudent cash management and an optimal portfolio of debt and other fiscal obligations. Promote and enforce prudent financial management of state-owned entities through financial analysis and oversight.			
<b>Subprogramme</b>	<b>Output</b>	<b>Measure/Indicator</b>	<b>2012/13 Target Milestone</b>
	Minimise and mitigate sovereign credit rating risks	Quantitative and qualitative indicators of sovereign risk	<p><b>Annual Performance Information – 2012/13</b></p> <p>Compiled and published the sovereign risk reports.</p> <p>Two semi-annual reports were produced and distributed</p> <p>The timing of the sovereign credit rating reviews was aligned with the Budget and the MTBPS; this ensured that the visits took place immediately after these key documents were tabled</p> <p>Regularly communicated the country's key economic, socio-economic and political developments to the credit rating agencies</p> <ul style="list-style-type: none"> <li>• Frequent engagements with the credit rating agencies during and after the sovereign credit rating review visits</li> <li>• Effectively coordinated the rating review visits of Moody's Investors Service, Standard and Poor's, Fitch Ratings and Rating and Investment Information, Inc.</li> </ul>
	Produce reserve investment performance reports	Measure the optimal level of reserves and analyse the performance against the peers Analyse the risk exposure	<p>Review of the sovereign risk policy</p> <p>Report on the investment performance and management of the official foreign exchange reserves</p> <p>Sovereign risk policy reviewed</p> <p>Three reports were produced on the investment performance of the official foreign exchange reserves</p>

## PROGRAMME 4 / continued

# ASSET AND LIABILITY MANAGEMENT

### SERVICE DELIVERY ACHIEVEMENTS

<p><b>Measurable objective:</b> Manage government's annual funding programme to ensure prudent cash management and an optimal portfolio of debt and other fiscal obligations. Promote and enforce prudent financial management of state-owned entities through financial analysis and oversight.</p>				
Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone	Annual Performance Information – 2012/13
	<p>Manage and monitor risks emanating from implicit contingent liabilities</p> <p>Produce reserve investment performance reports</p>	<p>Capping total government debt, provisions and contingent liabilities at sustainable levels and improving the quality of exposure</p>	<p>Monitor benchmark of net government debt, provisions and contingent liabilities to ensure that they remain within sustainable levels consistent with the country's credit rating</p>	<p>Report on government's contingent liability exposure completed. The portfolio exposure amount as at 31 March 2013 was R179.4 billion, while the risk classification was at moderate risk. There was overexposure to the energy (Eskom) and infrastructure development (TCTA and SANRAL) sectors</p> <p>Five SOCs were analysed for implicit contingent liability exposure. One SOC was classified as very high risk, two were classified as moderate risk and the other two as moderate low risk</p>
			<p>Review and monitor the quality of government's contingent liability exposure</p>	<p>Net debt, provision and contingent liabilities are projected to increase from 47.9 per cent of GDP as at the end of 2011/12 to 51.4 per cent by 31 March 2013. They are projected to peak at 53.3 per cent in 2014/15 before declining to 52.7 per cent by 2015/16</p>
			<p>Review and monitor exposure to PPP projects and their possible impact on the fiscus</p>	<p>Finalised quarterly reports on government's contingent liability exposure from PPPs. As at 31 December 2012, the maximum likelihood estimate (MLE) for PPPs was R11 billion. Thus, should all projects have been terminated, the maximum amount to which government was exposed was R11 billion. The Gauteng Province Rail Rapid Link had the highest MLE, at R4.8 billion. The minimum amount that government would have had to pay should one of the projects fail was R5.5 million (for the Limpopo Polokwane Hospital Dialysis D.B.F.O.T). The internal credit risk analysis of the PPPs reflects a risk rating of 2.4, which is classified as low risk</p>



▶ **PROGRAMME 5**  
FINANCIAL  
ACCOUNTING  
AND REPORTING

## PROGRAMME 5

# FINANCIAL ACCOUNTING AND REPORTING

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**Purpose:** Promote and enforce transparency and effective management of revenue, expenditure, assets and liabilities by departments, public entities, constitutional institutions and local government.

**Measurable objectives:** To facilitate accountability, governance and oversight by promoting transparent, economic, efficient and effective management of revenue, expenditure, assets and liabilities in the public sector.

The programme consists of the following sub-programmes:

- *Management* provides support for planning, monitoring and delivering the programme's activities.
- *Supply Chain Policy* develops supply chain policies for each sphere of government.
- *Financial Systems* updates financial management systems to comply with the Public Finance Management Act (1999) and GRAP.
- *Financial Reporting for National Accounts* for the National Revenue Fund and the Reconstruction and Development Fund: provides banking services for national government and support to each sphere of government in implementing the financial reporting frameworks and in preparing consolidated financial statements.
- *Financial Management Policy and Compliance Improvement* assists with improving financial management; developing reporting frameworks in line with international and local best practice; developing and implementing accounting policies; monitoring compliance with public finance legislation; and improving financial management, internal audit and risk management capacity within government. It also provides performance auditing and forensic auditing capacity to the public sector.
- *Audit Statutory Bodies* covers shortfalls in audit fees in statutory bodies and municipalities in terms of the Auditor General Act (1995).
- *Service Charges: Commercial Banks* provides for bank service charges related to departments' deposit accounts.

The programme contributes towards the aims of Outcome 12 (An efficient, effective and development-

oriented public service), Output 3 (Business processes, systems, decision rights and accountability), Output 4 (Corruption tackled effectively), Outcome 9 (A responsive, accountable, effective and efficient local government system), and Output 6 (Improvement to municipal financial and administrative capability).

## SERVICE DELIVERY OBJECTIVES AND INDICATORS

### RECENT OUTPUTS

The programme is organised into two divisions: *Specialist Functions* and the *Office of the Accountant-General*.

### OFFICE OF THE ACCOUNTANT-GENERAL

*Technical Support Services:* During the reporting year, the unit completed the conversion of the departmental guide to preparing financial statements into an accounting standard that sets out the accounting principles for the recognition, measurement, presentation and disclosure of transactions and events in a modified cash environment. No similar standard exists internationally. It will facilitate a smoother transition to a principles-based approach to accounting and financial statement preparation as applied by other public sector entities in an accrual environment. Other significant research and development activities by the unit include a guideline on the content of an annual report for departments and public entities; a template for preparing financial statements in compliance with GRAP Standards; and the release of a new version of the SCOA for departments. The unit continued to participate in the development of local and international accounting standards by attending work group and Board meetings and submitting comment letters on exposure drafts.

*Accounting Support and Reporting:* During the 2012/13 financial year, the unit prepared and tabled the consolidated annual financial statements for national



## PROGRAMME 5 / continued

# FINANCIAL ACCOUNTING AND REPORTING

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departments and public entities. It also prepared and tabled the annual financial statements of the Reconstruction and Development Programme Fund. Both of these financial statements were prepared and tabled in Parliament within the timeframes required by the Public Finance Management Act (PFMA). The unit also monitored and reported information on national revenue and expenditure through reports published monthly in terms of Section 32 of the PFMA. Training and accounting support interventions assisted all spheres of government to improve financial management.

*Internal Audit Support:* During the year under review, internal audit strategic support plans were developed and implemented to assist a range of institutions to enhance the effectiveness of their internal audit units and audit committees. Sixteen state of readiness, internal audit and follow-up reviews were conducted, generating recommendations for improvement to Accounting Officers, audit committee members and Chief Audit Executives (CAEs). The unit partnered with the Western Cape and Eastern Cape provincial treasuries on three additional reviews, and participated in the external quality assurance review of Eskom. Two staff members were seconded to provide hands-on support to internal audit units of the departments of Arts & Culture and Public Works. The unit provided support to various audit committees through induction, interviewing potential members and participating in meetings; and it continued its participation in the Steering Committee of the Public Sector Audit Committee Forum where a training plan was crafted and the first exposure draft launched. A delegation from Kenya undertaking a study and international benchmarking exercise on audit committees was hosted by the unit.

Revision of the internal audit framework began with input requested from various role players to make it more robust and in step with developments in the internal audit profession. Knowledge-sharing initiatives included hosting three national and provincial CAE forums; a CAE forum for the 17 non-delegated municipalities; and presentations at various forums across provinces and municipalities. MFMA Circular 65 was drafted; this gives

guidance and enforces key principles to ensure the effectiveness of local government internal audit units and audit committees. The iKUTU research project on the status and demand for internal auditing in the South African public sector was completed; its findings will inform the unit's ongoing support initiatives.

*Risk Management:* During the reporting year, the unit continued to assist institutions to embed the Public Sector Risk Management Framework. There was a particular emphasis on training for the monitoring and oversight functions in the risk management process, with 194 people being trained. One hundred and sixty nine officials obtained certificates on risk management through the dedicated e-learning platform, bringing to 984 the total number of certifications since the programme started three years ago. Four risk management workshops for risk practitioners in national government departments, national public entities and non-delegated municipalities were attended by a total of 286 officials. The unit also provided a range of active hands-on support to certain prioritised institutions to improve their risk management systems and processes.

*Capacity Building:* During the period under review, the unit developed PFM talent pipeline policy, framework and practise notes on PFM recruitment, development and retention strategies as well as talent pipeline aspects. It finalised the Knowledge and Information diagnostic study, and the Knowledge Management Framework was developed and submitted for approval. By 31 December 2012, the date on which the regulations took effect, 3 230 learners were registered for attaining the minimum competencies for municipalities. The unit facilitated knowledge sharing on financial management practices through formal platforms, and 243 learners were trained. It continued to support the development of a pool of accounting and auditing professionals through the Chartered Accountants Academy (CAA), with 19 public sector participants attending training (CA Succeed) conducted in partnership with the University of Johannesburg. The unit also assisted with mobilizing, coordinating and harmonising donor support for public finance management capacity building. This resulted

## PROGRAMME 5 / continued

# FINANCIAL ACCOUNTING AND REPORTING

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in three Donor Coordination Forum meetings with key international donor agencies as well as the initiation of numerous donor-funded PFM capacity building projects.

The *Governance Monitoring and Compliance* unit is the custodian of the Public Finance Management Act (PFMA) (1999) and regularly reviews the Treasury Regulations and Treasury Instructions to ensure that they are aligned with local and international financial management best practices. The unit continues to analyse results from the Financial Management Capability Maturity Model (FMCMM), focusing on the state of financial management in departments. The results of the analysis are then presented to the Standing Committee on Public Accounts (SCOPA) and to the Standing Committee on Finance (SCoF). These assessments are also provided to provincial treasuries and accounting officers, highlighting areas of concern for which strategies could be developed to improve financial management.

During 2012/2013, financial maturity assessments were conducted in departments and a detailed report on progress with financial management was forwarded to the SCOPA and the SCoF. In December 2012, revision commenced on the architecture and the questions contained in the FMCMM to broaden its scope in assessing institutions. The revised model will also enable the assessment of financial management maturity in constitutional institutions and in public entities listed in Schedules 3A and 3C of the PFMA. On 30 November 2012, the National Treasury published draft Treasury Regulations for public comment with a due date of 8 February 2013. Comments received were considered and the draft Regulations amended where deemed necessary. The revised Regulations will be published in the 2013/2014 financial year. The unit also continued to support institutions by contributing to the development of circulars, guidelines and instruction notes about PFMA-related concepts. Information sessions were also held with internal and external stakeholders.

The unit receives monthly information from departments about the timeous payment of their invoices. This information is analysed and bi-monthly reports are

submitted to the Forum of South African Directors-General (FOSAD) on the status of departments' compliance with the legal requirement to effect payments within thirty days from receipt of an invoice. Presentations were also made to other oversight structures about this issue.

The *MFMA Implementation* unit coordinates the implementation of the MFMA (2003) in all municipalities and related entities. It also develops policies, regulations, guides and circulars to strengthen implementation; assists in monitoring compliance; provides reports; and supports municipalities to improve their financial management policies, procedures and practices. The unit administers the MFMA helpdesk which responds to municipalities' enquiries about the MFMA; and attends regional CFO Forums to explain MFMA prescripts and guides. Work has commenced on contributing to Presidential Outcome 12 on developing a system of delegation to improve financial management performance and accountability and on the financial management capability maturity model to be used as a basis for measuring financial management capabilities.

The unit also administers and manages the financial management grant programme and the technical advisory support offered to selected municipalities. This is reported on in more detail in Programme 8. The Municipal Finance Recovery Services will continue to monitor municipalities' performance and to respond to their requests for assistance in developing financial recovery plans.

The unit supported municipalities' implementation of the MFMA through, among other means, quarterly meetings with officials of national and provincial departments and SALGA. These meetings are also intended to improve the coordination of financial management reforms in municipalities. Thirty new indicators were developed to enhance monitoring and reporting, and circulars and guidelines were developed to assist municipalities to comply with the legislation. In cooperation with COGTA, the unit developed draft regulations on financial misconduct, currently being discussed

## PROGRAMME 5 / continued

# FINANCIAL ACCOUNTING AND REPORTING

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with stakeholders; and it is giving technical financial management implementation support to 76 small and rural municipalities countrywide.

*Specialised Audit Services:* During the period under review, the unit conducted performance audits on major public procurement in 11 departments and municipalities, an exercise which discovered incidences of collusive bidding and non-compliance with supply chain management policies. These discoveries resulted in certain bids being cancelled. BAS fraud was discovered to have occurred in seven national and one provincial department.

As part of the national government team that intervened in Limpopo in terms of Section 100 of the Constitution, the Chief Directorate investigated contraventions of policies and regulations in four of the province's departments. Twenty-seven forensic investigation reports were produced and used as the basis for 39 criminal cases referred to the Anti-Corruption Task Team (ACTT) for further criminal investigation. Twenty arrests have already been made by the SAPS in the province.

Based on reported allegations of fraud and corruption, the unit conducted 23 other forensic investigations in departments and municipalities. These resulted in the arrest of senior members of municipal managements and the removal of mayoral committees, with criminal cases being referred to the (ACTT) for further investigations. During the year under review, the unit also worked closely with the Anti-Corruption Task Team, providing support to the investigation approach and methodology.

*Financial Systems:* This unit was previously located in the Specialist Functions Division. On 1 October 2012, after a reorganisation of functions, it was transferred to the Office of the Accountant-General.

## SPECIALIST FUNCTIONS

During the 2012/13 financial year, the division achieved the following objectives per sub-programme:

*Supply Chain Policy (SCP):* The process of drawing up, reviewing and approving the User Requirement Specification for the Preferential Procurement Policy Framework Act (PPPFA) regulations to inform system development was completed, and the system successfully developed and tested. The product is ready for implementation in the first quarter of the 2013/14 financial year. Implementation of the Services Procurement module could not be done during this financial year as the acquisition process has not been finalised; however, structures to facilitate the implementation of the module have been established. The development of the Inventory Management module has been completed and will be undergoing the user acceptance testing phase in the second quarter of the 2013/14 financial year. The review of the catalogue is a continuous process and new and revised items are perpetually populated in the item master as and when they are created. The codification process at the Department of Health in Limpopo was not finalised as data cleansing was not completed and the department has requested an extension due to lack of capacity.

The accreditation of SCM training service providers is done through PSETA and the Directorate: Supply Chain Policy Training only facilitates the provision of training to increase capacity. For the period under review, only one accredited service provider existed. The facilitation of training was also not commissioned, but awareness sessions were provided as and when requested by institutions.

## PROGRAMME 5 / continued

# FINANCIAL ACCOUNTING AND REPORTING

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*Norms & Standards:* The Preferential Procurement Regulations (2011) have become applicable to all state-owned enterprises with effect from 7 December 2012. Instructions were issued in respect of nine sectors that have been designated for local production and content. Institutions in all three spheres of government report continuously to the National Treasury on information relating to contracts awarded above the value of R100 000. Procurement plans have been received from institutions. Monitoring of compliance with prescribed SCM processes and reports relating to them will be conducted, completed and reported in 2013/2014.

The draft revised regulatory framework for the SCM including regulations for infrastructure delivery and maintenance have been completed. The Office of the Accountant-General initiated the legal refinement of these regulations and the revised Regulatory Framework will be formally promulgated in the new financial year.

*Contract Management:* Of the 35 transversal contracts due for renewal during the review period, 14 were renewed, 15 were taken over by the National Department of Health, 4 expired and new contracts could not be arranged before financial year end.

However, these contracts will be awarded in the first quarter of the 2013/14 financial year. Two transversal contracts were extended and new contracts will be awarded in the second quarter of 2013/14.

*Financial Systems:* The transversal systems (BAS, LOGIS, PERSAL & VULINDLELA) were available for 99% of the time; this exceeded the targeted 98% availability.

Implementation of the Human Resource Management (HRM) module at the DPSA, the Procurement

Management Module (PMM) at the National Treasury and the Asset Management Module at the National Treasury and four Limpopo Provincial Departments as lead sites was completed during the 2011/12 financial year.

Implementation of the HRM module at the Free State Department of Education as a lead site, the PMM and Asset Management (AM) modules at the Department of Defence as a lead site and AM module at the Limpopo Department of Health as a lead site has commenced.

**SERVICE DELIVERY ACHIEVEMENTS**

<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>Annual Performance Information – 2012/13</b>	
<b>Subprogramme</b>	<b>Output</b>	<b>Measure/Indicator</b>	<b>2012/13 Target Milestone</b>
Supply Chain Management (SCM) policy	Maintain corporate reference data	Fully specified SCM URS to support systems functionality and requirements at all times	Ongoing maintenance and enhancement of SCM URS
		Enhancing URS to support new system development requirements: for example, the Services Procurement Module (SPM)	Implementation of the SPM in line with the revised roll-out plan
		Development of procurement catalogue	The catalogue reviewed annually and populated with new items where required
	Roll out strategic sourcing principles to the public sector, and assist institutions with implementation	Training material validated to assist in the implementation and accreditation of service providers	Increase training capacity through the accreditation of service providers through the Public Administration Leadership and Management Academy (PALAMA)
	Alignment of preferential procurement with the aims of the BBBEE Act and its related strategy	Promulgate and implement revised preferential procurement regulations	Monitor implementation of the revised preferential procurement regulations and provide support where necessary
			The accreditation of service providers is done through SETA and the Directorate: Supply Chain Policy. Training only facilitates the provision of training to increase capacity. There is only one accredited service provider; no additional service providers were accredited in the 2012/13 financial year
			The Preferential Procurement Regulations (2011) became applicable to all state-owned enterprises from 7 December 2012. Instructions have been issued in respect of nine sectors designated for local production and content. Institutions in all three spheres of government report to the National Treasury on information relating to contracts awarded above the value of R100 000

**PROGRAMME 5 / continued****FINANCIAL ACCOUNTING AND REPORTING**

## PROGRAMME 5 / continued

# FINANCIAL ACCOUNTING AND REPORTING

### SERVICE DELIVERY ACHIEVEMENTS

Measurable objective: 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.				
Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone	Annual Performance Information – 2012/13
Financial Systems	Monitor compliance with prescribed SCM processes	Improved compliance in respect of SCM processes by organs of state	Complete annual reports on identified gaps and weaknesses in SCM processes, and introduce remedial actions when required	Procurement plans have been received from institutions. Monitoring of compliance with prescribed SCM processes, and related reporting, will be conducted and completed during 2013/14
	Review statutory framework in respect of SCM	Promulgated revised statutory framework	Draft revised framework for SCM	The draft revised regulatory framework for SCM, including regulations for infrastructure delivery and maintenance, has been completed. The Office of the Accountant-General is in the process of having these regulations legally refined and formally promulgated
	Facilitation and management of transversal term contracts	Renewal of transversal contracts on due dates	35 transversal term contracts due for renewal in 2012/13	<ul style="list-style-type: none"> <li>• 14 transversal contracts were successfully awarded</li> <li>• 15 transversal contracts were taken over by the national Department of Health (DoH)</li> <li>• 4 transversal contracts expired; new ones could not be awarded before the financial year end. New contracts will however be awarded in the first quarter of 2013/14</li> <li>• 2 transversal contracts were extended and new contracts will be awarded during the second quarter of 2013/2014</li> </ul>
	Maintenance of current transversal systems: BAS, FMS, Logis, Persal and Vulindlela	Percentage availability of systems during working hours	Provide 98 per cent availability of systems during working hours	Percentage availability has been > 99 per cent
	Develop outstanding IFMS modules and roll out integrated solutions to national and provincial departments	<ul style="list-style-type: none"> <li>• Configure and customise the Human Resource module (HRM) and the Procurement Management Module (PMM) solutions in lead sites</li> <li>• Develop Inventory Management Module (IMM)</li> </ul>	Roll out to the rest of national and provincial government  Complete the development of IMM, Financial Management Module and Payroll Module	Has not commenced. Project delayed No formal process exists to analyse calls and identify user training intervention. Should be resolved by 31 Dec 2013  Slow response time should be resolved by 31 Sept 2013  Developments for Inventory and Fin are still in progress

**SERVICE DELIVERY ACHIEVEMENTS**

<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>Subprogramme</b>	<b>Output</b>	<b>Measure/Indicator</b>	<b>2012/13 Target Milestone</b>
		<ul style="list-style-type: none"> <li>Develop specifications for IMM, Payroll Module, Fin Core, Master Data Management (MDM) and Business Intelligence (BI) solution</li> <li>Roll out IFMS to government departments</li> </ul>	<p><b>Annual Performance Information – 2012/13</b></p> <p>A service provider to develop the payroll solution has still to be sourced</p> <p>The revised dates for the development of these solutions are to be determined and agreed by the National Treasury and SITA</p> <p>Has not commenced. Project delayed. SITA is preparing a revised project plan to be considered by the steering committee</p> <p>Has not commenced. Project delayed. No formal process exists to analyse calls and identify user training intervention. Should be resolved by 31 Dec 2013</p> <p>Slow response time should be resolved by 31 Sept 2013</p> <p>Has not commenced. Project delayed</p> <p>The implementation has been significantly delayed due to client delays in data and technology preparation. Furthermore, the module is not being utilized by the lead sites in Limpopo as a result of capacity shortages.</p> <p>These will be addressed during the first two quarters of 2013 / 14</p> <p>Has not commenced. Project delayed due to various challenges, ranging from technology vendors, delays in infrastructure acquisition and organisational capacity losses</p> <p>A deployable solution has not been finally tested. SITA is preparing a revised project plan to be considered by the steering committee</p>
			<p>Management Module and Payroll Module</p> <p>Procurement Management Module implemented in national and provincial departments<sup>1</sup></p> <p>Human Resources Module implemented in national and provincial departments<sup>1</sup></p> <p>Asset Management Module implemented in national and provincial departments<sup>1</sup></p> <p>Business Intelligence implemented in national and provincial departments<sup>1</sup></p>

<sup>1</sup>These workshops and information sessions are based on demand for them from the relevant oversight structures.



## PROGRAMME 5 / continued

# FINANCIAL ACCOUNTING AND REPORTING

### SERVICE DELIVERY ACHIEVEMENTS

Measurable objective: 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.			
Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone
			<b>Annual Performance Information – 2012/13</b>
			Has not commenced. Project delayed. A deployable solution has not been finally developed. SITA is preparing a revised project plan to be considered by the steering committee
			Has not commenced. Project delayed. A deployable solution has not been finally developed. SITA is preparing a revised project plan to be considered by the steering committee
			Has not commenced. Project delayed. A deployable solution has not been finally developed. SITA is preparing a revised project plan to be considered by the steering committee
Financial Management Policy and Compliance Improvement	Enforce compliance with public sector financial management legislation in each sphere of government	Monitor the improvement of financial management in national and provincial institutions and the submission of progress reports to parliamentary oversight committees	During December 2012, detailed reports were compiled on the progress made with financial management and forwarded to the Standing Committee on Public Accounts and to the Standing Committee on Finance. Delays were experienced with the finalisation of these reports due to the late receipt of information from departments
		Monitor and report on municipal financial management and regulations to inform support initiatives and interventions for affected municipalities	Four quarterly MFMA meetings were concluded, all minutes and resolutions circulated for implementation and an annual MFMA Implementation Report was finalized. Thirty MFMA Monitoring Indicators were revised and updated for roll out by all provincial treasuries
			Support rendered to 76 municipalities and 8 provinces.

<sup>1</sup>These workshops and information sessions are based on demand for them from the relevant oversight structures.

**SERVICE DELIVERY ACHIEVEMENTS**

<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>Annual Performance Information – 2012/13</b>	
<b>Subprogramme</b>	<b>Output</b>	<b>Measure/Indicator</b>	<b>2012/13 Target Milestone</b>
		Conduct fraud and corruption investigations	Eight departments/municipalities/public entities
		Conduct performance audits and promote the economical procurement of goods and services and the effective and efficient utilisation of state resources	Eight targeted departments per annum
		Implementation of the recommendations of the multi-agency working group established to counter SCM fraud and corruption	Produce forensic and performance reports for implementation of corrective actions
		Conduct internal control breakdown reviews in procurement processes	Four financial system fraud reviews per annum
Support public sector institutions to execute their financial management functions effectively, efficiently, economically and transparently		Develop and publish the framework for annual financial statement reporting by national and provincial departments	2013/2014 reporting framework published by 31 March 2013
		Develop and maintain guidelines on the Standards of GRAP	31 March 2013 for new guides Ongoing maintenance and enhancement of existing guides
		Develop and maintain policies, frameworks and practices in line with approved reporting frameworks	31 March 2013 for new policies, frameworks and practices Ongoing maintenance and enhancement of existing policies, frameworks and practices
		Conduct fraud and corruption investigations were conducted and completed. The criminal and disciplinary proceedings are in progress with the SAPS and the DPSA. Civil recovery has also been considered, where applicable, by the NPA and the Assets Forfeiture Unit (AFU)	27 fraud and corruption investigations were conducted and completed. The criminal and disciplinary proceedings are in progress with the SAPS and the DPSA. Civil recovery has also been considered, where applicable, by the NPA and the Assets Forfeiture Unit (AFU)
		11 performance audits were completed	11 performance audits were completed
		54 cases of fraud and corruption referred to the Anti-Corruption Task Team (ACTT) for further criminal investigation	54 cases of fraud and corruption referred to the Anti-Corruption Task Team (ACTT) for further criminal investigation
		Seven investigations into BAS fraud were conducted and completed	Seven investigations into BAS fraud were conducted and completed
		The 2013/14 framework was finalised in March 2013 and published in April 2013 after final editorial review	The 2013/14 framework was finalised in March 2013 and published in April 2013 after final editorial review
		Annual report guide for departments and public entities published in April 2013.	Annual report guide for departments and public entities published in April 2013.
		No new guides required for development	No new guides required for development
		Published new GRAP compliance template for PFMA entities.	Published new GRAP compliance template for PFMA entities.
		Updated GRAP disclosure checklist	Updated GRAP disclosure checklist
		Updated existing FM policies based on proposed amendments to the Treasury Regulations and identified new policies to be developed to support the implementation of the new regulations	Updated existing FM policies based on proposed amendments to the Treasury Regulations and identified new policies to be developed to support the implementation of the new regulations

**PROGRAMME 5 / continued**

**FINANCIAL ACCOUNTING AND REPORTING**

**SERVICE DELIVERY ACHIEVEMENTS**

Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone	Annual Performance Information – 2012/13
<p><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.</p>	<p>Develop and maintain guidelines to strengthen the monitoring and oversight responsibilities of parliamentarians</p> <p>Develop and maintain fraud and corruption prevention frameworks</p> <p>Develop and maintain MFMA regulations, supporting circulars and guides</p>	<p>31 March 2013 for development of guides</p> <p>Framework developed by 31 March 2013</p> <p>Increased criminal charges based on PFMA, Treasury Regulations and civil recovery</p> <p>Empowered law enforcement agencies in investigation and prosecution of public procurement fraud and corruption</p> <p>Ongoing maintenance and enhancement of regulations, supporting circulars and guides</p>	<p>Due to substantial revisions to the Treasury Regulations, it was considered prudent to finalise these guidelines after finalisation of the Treasury Regulations</p> <p>Six fraud and corruption workshops were conducted in different provinces and one Corporate Governance conference was hosted to assist a public entity to enhance its public image affected by media reports of allegations of fraud</p> <p>Fraud and corruption framework currently under development in consultation with the Chief Procurement Officer as the custodian</p> <p>Discussions and issues at CFO Forum for 17 non-delegated municipalities hosted in January 2013. These were taken up in draft circulars and other responses to address the matters raised. Circular dealing with interpretation and process flows of the MFMA on unauthorised, irregular, fruitless and wasteful expenditure has been drafted and is in the consultation process. Amendment to Circular 62 to clarify SCM issues raised by the CFOs</p> <p>All comments received on the Financial Misconduct Regulations (FMR) have been analysed and are currently awaiting consultation and finalisation from a legal perspective</p> <p>Project on the development of uniform financial ratios/ indicators and norms suitable for municipalities are at the completion stage. Project outcomes presented at the Joint MFMA coordination meeting. Draft circular prepared to accompany the release of the indicators after consultation with DCOG and AG has been concluded</p> <p>Over 90 per cent of responses through the MFMA helpdesk were concluded within 30 days and 196 of 205 enquiries received in the 2012/13 financial year finalised</p>	<p>31 March 2013 for development of guides</p> <p>Framework developed by 31 March 2013</p> <p>Increased criminal charges based on PFMA, Treasury Regulations and civil recovery</p> <p>Empowered law enforcement agencies in investigation and prosecution of public procurement fraud and corruption</p> <p>Ongoing maintenance and enhancement of regulations, supporting circulars and guides</p> <p>Portal finalized by 30 September 2012</p> <p>75 per cent of responses concluded within 30 days</p>
	<p>Develop and maintain a queries portal for the OAG</p> <p>Maintain MFMA helpdesk</p>			

**SERVICE DELIVERY ACHIEVEMENTS**

<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>Subprogramme</b>	<b>Output</b>	<b>Measure/Indicator</b>	<b>2012/13 Target Milestone</b>
		<b>Annual Performance Information – 2012/13</b>	
	Maintain and enhance the FMCMM	Ongoing maintenance and enhancement of the FMCMM	The electronic platform and the questions contained in the FMCMM have been enhanced significantly and will now be extended to assess constitutional institutions and public entities listed in Schedules 3A and 3C to the Public Finance Management Act (PFMA), 1999
	Maintain and enhance Treasury Regulations and Treasury Instructions	Ongoing maintenance and enhancement of Treasury Regulations and Treasury Instructions	Draft Treasury Regulations were published for public comment in Government Gazette No. 35939 dated 30 November 2012. The finalised Supply Chain Management regulations will be published during August 2013 to take effect from date of publication whilst other chapters of the regulations will be published during September 2013 to take effect from 1 April 2014
	Contribute towards the development of local and international standards on accounting, auditing and risk management	Reports on all IPSASB meetings attended submitted within seven days of return Comment letters submitted on 100 per cent of documents published for comment	Done  95 per cent achieved. Separate comment letters were not submitted where the National Treasury participated in workgroup discussions to submit verbal views on the document issued for comment. Inputs were however sought from a user group within the National Treasury
	Review and respond to requests for development of financial recovery plans	Recovery plans prepared within 90 days	Meeting held with municipal manager, CFO and MIP advisor on progress in Madibeng, Mafikeng and Msunduzi municipalities  Assisted Naledi municipality with the development of the financial recovery plan  Assisted Matlosana municipality to make arrangements with Eskom for payment to avoid cut off of electricity supply

## PROGRAMME 5 / continued

# FINANCIAL ACCOUNTING AND REPORTING

### SERVICE DELIVERY ACHIEVEMENTS

**Measurable objective:** 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.

Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone	Annual Performance Information – 2012/13
	Support to provincial treasuries with preparation of provincial consolidated financial statements, provincial revenue fund statements and implementation of GRAP Standards	200 trainees in provincial treasuries, municipalities and public entities	The total training numbers for banking services and GRAP for all quarters are:  Banking: 199 GRAP standards: 635 Total trainees: 834	
	Conduct workshops/information sessions to empower oversight structures to fulfil their responsibilities <sup>1</sup>	150 participants		
	Conduct internal audit and state of readiness quality assurance reviews to assess compliance with PFMA, MFMA, the International Standards for the Professional Practice of Internal Audit (ISPPA) and adoption of best practice	12 institutions		16 institutions
	Strategic support plans (SSPs) to support financial management improvement in prioritised institutions	SSPs signed off by Head of Department and Accountant-General by September 2012		<ul style="list-style-type: none"> <li>SSPs developed and discussed for all prioritised clients</li> <li>SSPs for the Departments of Correctional Services, Defence, Health, Justice and Constitutional Development, Rural Development and Land Reform, Transport, Water Affairs and Women, Children and People with Disabilities were signed by all parties. An SSP was also signed with Mangaung Metropolitan Municipality</li> </ul>

<sup>1</sup>These workshops and information sessions are based on demand for them from the relevant oversight structures.

**SERVICE DELIVERY ACHIEVEMENTS**

**Measurable objective:** 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.

Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone	Annual Performance Information – 2012/13
	Facilitate capacity development for the enhancement of skills and competency levels across all spheres of government	Implementation of financial management capacity development strategy	Institutionalise PFM talent management by 31 March 2013  Develop and issue guidelines on structures for CFO's office, Supply Chain Management, Internal Audit and Enterprise Risk Management by 31 March 2013  Develop and implement PFM internship and learnership programmes by 31 March 2013	PFM talent pipeline policy, framework and practice notes developed, with emphasis on PFM recruitment, development and retention strategies and on talent pipeline management aspects. Initial discussions with DPSA started to finalise agreement on this  Circular on the suggested structure issued in September 2012  Formal proposal for learnerships for accounting, internal audit and SCM submitted to DHET in December 2012; funding to be through National Skills Fund (NSF)
		Implementation of the academic support programme for the Chartered Accountants Academy (CAA) and for other accountants in government	20 participants	21 participants
		Facilitate knowledge sharing on financial management practices through formal platforms	300 participants	243 learners trained
		Facilitate opportunities for relevant officials in municipalities to obtain financial management competencies	1 000 learners	A total of 3 230 learners were registered towards attaining the minimum competencies for municipalities at 31 December 2012 (date on which regulations take effect)

## PROGRAMME 5 / continued

# FINANCIAL ACCOUNTING AND REPORTING

### SERVICE DELIVERY ACHIEVEMENTS

Measurable objective: 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.				
Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone	Annual Performance Information – 2012/13
Financial Reporting for National Accounts	Support public sector institutions to execute their financial management effectively, efficiently, economically and transparently	Timely and accurate publication of monthly statements of actual revenue and expenditure for the National Revenue Fund  Banking services for national government	Reports published on the last working day of each month  Daily bank reconciliation of the National Revenue Fund (NRF)  Electronic verification of supplier banking details within four working days  31 October 2012	All Section 32 reports published timeously for the 2012/13 financial year  Bank reconciliations for NRF accurately performed and electronic verification of supplier banking details performed by the National Treasury within the allowed timeframes  The consolidated financial statements for the National departments and the national public entities prepared and tabled in Parliament by 31 October 2012. The consolidated set of financial statements was expanded in the current year and the scope of the audit for the public entities progressed to a full scope audit and opinion in the current year. The financial statements for the RDP were tabled by 31 October 2012
		Tabling of the consolidated annual financial statements for national departments and for public entities as well as annual financial statements for the RDP fund		





▶ **PROGRAMME 6**  
INTERNATIONAL  
FINANCIAL  
RELATIONS

## PROGRAMME 6

# INTERNATIONAL FINANCIAL RELATIONS

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**Purpose:** To facilitate the deepening of South Africa's role in regional and international economic integration.

**Measurable objectives:**

- To advance South Africa's interests specifically, and those of Africa more generally, through regular strategic analysis, engagement and negotiation in financial and economic fora.
- To increase Africa's voice and South Africa's influence in multilateral international institutions including the International Monetary Fund, the G20, the African Development Bank (AfDB) and BRICS.
- To promote regional economic integration in the Southern African Development Community (SADC) and strengthen economic links within Africa by providing on-going support in SADC forums and by supporting the Southern African Customs Union (SACU).

There are nine sub-programmes:

- *Management* supports the planning, monitoring and implementation of the programme's activities. The office of the Deputy Director-General (DDG) oversees South Africa's representation in international and regional financial institutions; manages bilateral and multilateral relationships on behalf of the National Treasury; and plans, implements and monitors programmes and activities that advance South Africa's national interests.
- *International Economic Cooperation* facilitates South Africa's contribution to shaping international financial and development policies through its participation in regional and global institutions and fora and through strategic bilateral engagements.
- The remaining sub-programmes, including Common Monetary Area Compensation; Financial and Technical Support; African Development Bank and African Development Fund; the World Bank Group; the Collaborative Africa Budget Reform Initiative (CABRI); the Commonwealth Fund for Technical Cooperation; and the International Funding Facility for Immunisation, transfer funds to various institutions in accordance with South Africa's participation in the associated forums.

## SERVICE DELIVERY OBJECTIVES AND INDICATORS

### RECENT OUTPUTS

The *International and Regional Economic Policy* (IREP) division gives effect to the work of this programme. It has two units: African Economic Integration (AEI) and International Finance and Development (IFD) which fall under the sub-programme *International Economic Cooperation*. The other sub-programmes transfer funds to various institutions in accordance with South Africa's participation in the associated forums.

The AEI unit manages South Africa's interests in shaping regional and global policies that advance the economic, financial and development objectives of the country and of Africa. It does so through regular strategic analysis, engagement and negotiation at financial and economic forums; and promotes integration and strengthens links within Africa by creating an enabling environment for economic activity. In collaboration with the Department of Trade and Industry (DTI), the unit played a leading role in presenting and negotiating South Africa's position on the review of the SACU agreement and particularly on arriving at a new revenue sharing arrangement.

The unit also aims to increase Africa's voice and South Africa's influence in international institutions and fora and to play a leading role in the reform of the governance and administration structures of African institutions. During the period under review, the unit continued to engage in multilateral efforts to ensure full implementation of SADC's Finance and Investment Protocol.

Playing a prominent role in SADC's Finance Committee, the unit continues to work towards effective financial administration of the SADC Secretariat, aligning the organisation's expenditure with its stated priorities. In collaboration with DIRCO, the unit contributed

## PROGRAMME 6 / continued

# INTERNATIONAL FINANCIAL RELATIONS

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meaningfully to the review of SADC's Regional Indicative Strategic Development Plan.

The unit represented South Africa's interests at the AfDB, the African Union Commission (Economic Affairs) and the United Nations Economic Commission for Africa. It focused particularly on increasing South Africa's shareholding in, and influence on, the AfDB and its concessionary lending window.

International Finance and Development (IFD) participates in multilateral caucus groups and global international institutions to advance South Africa's economic, financial and developmental agenda.

The unit participated in multilateral efforts aimed at implementing the reforms agreed to by the G20 heads of state and governments. These include measures to improve the state of the global economy, increase emerging economy representation in global fora, increase cooperation on tax operations and foster closer cooperation between member countries in support of development in low-income countries and especially in Africa.

In collaboration with the South African Reserve Bank (SARB), the unit leads South Africa's participation in the finance track of the G20. This includes participating in a number of working groups and in G20 Ministerial and Deputies' meetings. South Africa co-chaired the study group on Climate Finance. The unit helped to develop a strategy for South Africa's interaction with the G20 as a whole, working with the Presidency, DIRCO and SARS among others.

The unit also leads South Africa's engagement in the finance track of BRICS. South Africa joined BRICS in 2011. In 2012 BRICS leaders announced that their finance ministers were exploring the feasibility and viability of establishing a new development bank; this has become a cornerstone for consolidating BRICS co-operation as well as co-operation among emerging markets and developing countries (EMDCs). In 2013, the leaders' decision on the establishment of the bank was identified

by Cabinet as the major deliverable of South Africa's hosting the BRICS Summit. The IFD unit contributed towards this major outcome for the country. The unit has also engaged the National Treasury's stakeholders to ensure that their interests are well-represented in BRICS initiatives and decisions.

The IFD unit continued to strengthen relations with multilateral development banks. This was accomplished at two levels. The first was the completion of the World Bank Country Partnership Strategy for 2013-2016. This strategy relates in broad terms to the areas in which the World Bank intends to provide support to South Africa. The second level relates to South Africa's contribution to the global development agenda through the ongoing International Development Assistance (IDA) and the African Development Fund (ADF) concessional financing windows.

**PROGRAMME 6 / continued**

**INTERNATIONAL FINANCIAL RELATIONS**

**SERVICE DELIVERY ACHIEVEMENTS**

Measurable objective: To facilitate the deepening of South Africa's role in regional and international economic integration.			
Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone
International Economic Cooperation	Advance South Africa's interests specifically, and those of Africa generally, through regular strategic analysis, engagement and negotiation at financial and economic forums	Influence the development finance policy agenda	An ambitious ADF and IDA replenishment for Africa's benefit
		Play a prominent role in capacity building initiatives in the region	Support CABRI in establishing itself as an independent and standalone institution
		An AfDB country strategy paper (CSP) for South Africa	Finalise a new CSP
		A World Bank country partnership strategy (CPS) for South Africa	Finalise a new CPS
		Conclude the IMF-SA Article 4 consultation	Explore even wider participation in this discussion process by engaging think tanks and policy caucus groups
Increase Africa's voice and enhance South Africa's contribution to and participation in international institutions and fora		Meaningful contribution by Africa in the international policy discourse	Lead on the G20 Finance Agenda Support the Presidency function as co-chair of the Development Working Group (DWG) with clear positions on the agenda
			Lead on the BRICS Finance Agenda
			<p><b>Annual Performance information – 2012/13</b></p> <p>Attended meetings of IDA17 and ADF13 to discuss financing scenarios for the replenishment of these multilateral concessional windows. Made a case for an ambitious replenishment for both concessional windows; and for Africa to receive a large share of IDA</p> <p>Negotiations are on-going</p> <p>CABRI successfully became an independent regional organisation and has moved to its own premises</p> <p>The CSP was finalised and approved by the Board of Directors of the AfDB in December 2012</p> <p>The consultative process with various stakeholders in the country has been completed. Taking account of these inputs, the World Bank made further revisions</p> <p>The CPS is presently awaiting Cabinet endorsement and World Bank Board approval</p> <p>The IMF-SA Article 4 report is presently awaiting Cabinet noting and IMF Board endorsement</p> <p>A G20 strategy paper was produced and used to inform policy positions at various meetings. Developed the SA position paper entitled "The road to Los Cabos: G20 Summit" and circulated for endorsement by Cabinet</p> <p>Successfully coordinated the BRICS Finance Agenda, including coordination of meetings, and drafting inputs for BRICS IMC and the Summit declaration. Support for the Minister in his role as Chair of the BRICS Finance Ministers' meetings</p>

**SERVICE DELIVERY ACHIEVEMENTS**

Measurable objective: To facilitate the deepening of South Africa's role in regional and international economic integration.

Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone	Annual Performance Information – 2012/13
			Propose a reformulated position on the WEF, and particularly on WEF Africa. Support the Ministry in co-ordinating SA's participation in WEF Africa to be held in Addis Ababa	South Africa's policy position with key messages submitted to Cabinet for endorsement and use in WEF Davos and WEF Africa  Established an interdepartmental coordinating structure for SA's participation in the WEF
		A more effective G24 as a result of leadership by South Africa within this group	Work with India, Mexico, and Egypt to conclude the reforms and achieve greater synergy between the G24 and the G20	IREP prepared technical inputs used by South African representatives in the World Bank and IMF country offices participating in the G24 Technical Working Group in Washington on 21–22 March 2013. IREP also prepared notes and provided support to the Minister in the G24 Ministerial Meeting at the 2013 Spring Meetings in April 2013. SA organised a C10 outreach event at the margins of the AfDB Annual Meetings to discuss the G20 agenda and African priorities for the 2012 G20 Summit  Effectively used the G24 as a caucus for developing country voice within the G20
		IMF reform	Conclude South Africa's formal acceptance of the 2010 Executive Board reform IMF Quota Reform; seek outcome that delivers more voice and participation. 3 <sup>rd</sup> chair for South Africa and Africa in the globally-agreed IMF Executive Board configuration; review the quota formula put forward in January 2013 by the IMF that is in the interest of South Africa and Africa	South Africa continued to make interventions at the International Monetary and Financial Committee (IMFC) on the need for quota share protection for African middle income countries (MICs) such as South Africa, and a third African chair on the Executive Board. This argument was made strongly during the G24 and bilaterally to a number of countries at the margins of the 2012 Annual Meetings, followed up with a letter to the IMFC Chair and the MD of the IMF. Formally accepted the 2010 IMF quota reform  In pursuit of South Africa's interventions on the need for quota share protection for MICs and a third African chair on the Executive Board, the Chief Director IFD made a strong intervention at the IMFC Deputies' meeting on the IMF quota formula review discussion in Paris in January 2013. The effort continues

## PROGRAMME 6 / continued

# INTERNATIONAL FINANCIAL RELATIONS

### SERVICE DELIVERY ACHIEVEMENTS

Measurable objective: To facilitate the deepening of South Africa's role in regional and international economic integration.				
Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone	Annual Performance Information – 2012/13
	World Bank reform		Present output to the membership at the IDA16 mid-term review. Conclude South Africa's participation in the World Bank reform through the establishment of a third chair for SSA; and consolidate SSA's shareholding position at the IRBD.	<p>The first meeting on IDA17 replenishment took place in Paris in March 2013. There are to be four meetings in the 2013 calendar year, with the second to take place on 1-4 July 2013 in Nicaragua. The meeting is likely to discuss financing scenarios for the replenishment round. This round will provide details about the estimated size of the resource envelope, and the breakdown of the sources of financing. No agreement is expected. The meeting will be informed of the revisions made to the discussion items of the first meeting. These include streamlining the IDA agenda to focus more on fragile and conflict affected (FCA) states and the impact on non-FCA countries. South Africa's approach is to seek a common approach with the BRICs countries and the African borrowers from IDA about ensuring that the global development agenda, especially for Africa, is not compromised due to the on-going global economic crisis. Among other issues, the meeting discussed support for India as it graduates, scaling up resource support to FCAs and the assessment of proposed alternative sources of financing for the IDA to increase sustainability and predictability. The forum agreed to meet in June/July 2013 in Nicaragua under the overall theme of maximizing the development impact. The third chair for SSA has been established, with SA as a permanent member. The shareholding position is done through the purchase of shares as they become available.</p>
Lead reform of the governance and administration structures of African institutions	Progressive and effective governance structures of key African institutions	Increased voice and enlarged shareholding for South Africa in African multilateral institutions	Alignment of a greater proportion of SADC expenditure with regional integration projects	Participated in the SADC Finance sub-committee and ensured that its budget for 2013/14 was properly aligned with the priorities of SADC and of regional integration. Discussions are on-going
			Finalise the permanent management of the Common Revenue Pool	No shares were made available for purchase during the reporting period.
			Buy more shares as and when they become available, to reach shareholding target approved by Cabinet	

**SERVICE DELIVERY ACHIEVEMENTS**

Measurable objective: To facilitate the deepening of South Africa's role in regional and international economic integration.

Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone	Annual Performance information – 2012/13
	Promote integration and strengthen links with Africa by creating an enabling environment for economic activity	<p>New SACU revenue-sharing formula (RSF) operational</p> <p>Implementation of SADC's Finance and Investment Protocol (FIP)</p> <p>Support regional trade facilitation</p> <p>Increase the number of bilateral financial engagements with strategic economies</p>	<p>South Africa's policy position on the new RSF developed</p> <p>Coordinate SA's alignment with the FIP and facilitate regional implementation</p> <p>Develop the policy on One-Stop Border Posts and submit to Cabinet for approval</p> <p>Finalise South Africa's membership of the Africa Export Import Bank (AFEXIMBANK)</p> <p>Further negotiations with the Angolan authorities on areas of closer cooperation.</p> <p>Identify pilot projects for implementation.</p> <p>Further discussions on areas of possible technical assistance</p> <p>Develop a policy with regard to financial and technical assistance to African countries</p> <p>Establish a roundtable with key African finance ministries for the exchange of policy information</p>	<p>Negotiations within SACU are on-going</p> <p>Actively participated in the relevant review meetings on the FIP targets</p> <p>AFDB funding secured for the appointment of consultants who will undertake the study</p> <p>Legal processes to facilitate SA's membership are on-going</p> <p>Discussions are on-going with relevant departments and stakeholders</p> <p>Negotiations on-going with the Namibian Ministry of Finance, the Ministry of Finance of South Sudan and others on possible technical assistance with specific reference to public finance management</p> <p>Discussions on the draft policy were held with various stakeholders. Taking into account the feedback from these consultations, it will be finalised during this reporting year</p> <p>This work is carried out in parallel with on-going discussions on areas of bilateral cooperation between respective finance ministers leading up to the formalisation of the roundtable</p>





**ANNUAL  
REPORT  
2012/13**

▶ **PROGRAMME 7**  
CIVIL AND MILITARY  
PENSIONS, CONTRIBUTIONS  
TO FUNDS AND  
OTHER BENEFITS

## PROGRAMME 7

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

**Purpose:** Provide pensions and post-retirement medical benefits to former employees of state departments and bodies. Provide similar benefits to members of the military, special pensioners, injury- on-duty state employees and other related benefits.

**Measurable objective:** The programme ensures the payment of benefits and awards to rightful beneficiaries in terms of various statutes, collective bargaining and other agreements. It is the responsibility of the programme to ensure that benefits are paid to the correct recipients within a specified time.

The programme is divided into the following key delivery sub-programmes:

- *Management* provides support for planning, monitoring and delivering the programme's activities.
- *Government Pensions Administration Agency* provides administrative services as regulated by various statutes.
- *Military Pensions and Other Benefits* provides for the payment of military pension benefits and medical claims arising from treatment for disability, medical assistance devices and other related expenses in terms of statutory commitments,
- *Post Retirement Medical Benefits* deals with the processing of medical aid applications for retired government employees.
- *Special Pensions* provides for the payment of pension to persons who made sacrifices or served the public interest in the cause of establishing a democratic constitutional order.
- *Injury On Duty Payments* provides pensions and gratuities to injured or deceased employees in terms of the Compensation for Occupational Injury and Diseases Act (COIDA)

the fund resulted in the creation of the GPAA on 1 April 2010. The agency administers the GEPF occupational pension, and National Treasury civil pensions and non-contributory benefits, to qualifying members on the basis of service level agreements.

The GPAA has embarked on a five-year programme to streamline and automate a number of operational processes and thus to substantially improve services to beneficiaries.

During the reporting period, the programme paid 98 per cent of benefits accurately, a significant improvement on the 81 per cent achieved in 2011/2012. An improvement of 15.4 per cent was recorded in the payment of benefits within 60 days of receipt of fully completed documents.

As an indirect consequence of these achievements, the backlog decreased by 78 per cent. This compares favourably with the organisation's target for the year of 50 per cent.

The programme leadership prioritized the resolution of outstanding audit findings. This intervention led to 78 per cent of the findings by the external auditor being fully resolved, with remedial action on-going in relation to 22 per cent of them. 90 per cent of the internal audit findings have been resolved.

A new risk register was compiled during the financial year and at year end 72 per cent of risk-mitigating actions were completed.

Whilst no incidences of fraud were recorded during the year under review, the Government Pensions Administration Agency will remain highly vigilant in continuing fraud prevention in the future.

## SERVICE DELIVERY OBJECTIVES AND INDICATORS

### RECENT OUTPUTS

The separation of the administration of the GEPF from

**PROGRAMME 7 / continued**

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

**SERVICE DELIVERY ACHIEVEMENTS**

Measurable objective: To ensure the payment of benefits and awards to rightful beneficiaries in terms of various statutes, collective-bargaining and other agreements				
Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone	
Civil Pensions and Contributions to Funds (post-retirement medical benefits, injury on duty, special pensions and other benefits)	Timely and accurate payment of benefits	% of payments made on time from date of receipt of application	100% of all benefits paid in the prescribed time frames PRMB: 30 days IOD: 45 days SP: 60 days	
	Reduction of backlog	% of benefits paid accurately (audited) % reduction of backlog (> 60 days) baseline.	80% of quality assured payment samples were paid accurately Reduce backlog to 50% of baseline >60 days from receipt of new applications	
	Improvement of customer experience	% of calls on customer demand responded to within service level agreement Query, complaint or request (QCR) responded to within two days % QCR resolved within seven days	74% call centred service levels maintained due to capacity shortages 96% of responses in two days 83.2% resolved in seven days	
	GPAA modernised capabilities (operating) and funding models	Defined operating and funding models	Funding model documented	
	Unqualified external audit with no matters of emphasis	% external audit findings resolved	Unqualified audit opinion	
	Enterprise-wide risks management (including fraud and corruption and business continuity management)	<ul style="list-style-type: none"> <li>% risks mitigated</li> <li>% of finalised fraud cases</li> <li>Extent of business continuity plan implementation</li> </ul>	80% risks mitigated	
				<ul style="list-style-type: none"> <li>71.5% of mitigation strategies implemented. Below target because other strategies are addressed through modernization project underway.</li> <li>No fraud cases reported</li> <li>Business continuity plan implemented:                             <ul style="list-style-type: none"> <li>two disaster recovery site exercises conducted</li> <li>two business continuity desktop exercises conducted</li> </ul> </li> </ul>
				New organisational structure defined, documented and socialized Benchmark created for funding models
				56% significant audit findings resolved: 5 resolved, 3 in progress or partially resolved, 1 not resolved



**SERVICE DELIVERY ACHIEVEMENTS**

**Measurable objective:** To ensure the payment of benefits and awards to rightful beneficiaries in terms of various statutes, collective-bargaining and other agreements

Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone	Annual Performance Information – 2012/13
	Compliance with stakeholder SLAs	% compliance with stakeholder SLA performance requirements	80%	95% compliance
	Institutionalised key account management	<ul style="list-style-type: none"> <li>% level of key account management</li> <li>Number of hours taken to respond to stakeholder complaints</li> <li>Number of working days taken to resolve stakeholder complaints</li> </ul>	<ul style="list-style-type: none"> <li>Interviews and appointments</li> <li>Two hours to respond</li> <li>Five working days</li> </ul>	<ul style="list-style-type: none"> <li>Not done, will be addressed during the year ahead</li> <li>86% of auto-responses sent to clients within two hours</li> <li>86% of complaints resolved within five working days</li> </ul>
	Deployment of applicable technology to automate processes	% core processes automated	% core processes automated	<ul style="list-style-type: none"> <li>All Programme 7 standard operating procedures mapped</li> <li>30% of processes automated</li> </ul>



**ANNUAL  
REPORT  
2012/13**

▶ **PROGRAMME 8**  
TECHNICAL  
SUPPORT  
AND DEVELOPMENT  
FINANCE

## PROGRAMME 8

# TECHNICAL SUPPORT AND DEVELOPMENT FINANCE

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**Purpose:** The *Technical Support and Development Finance* programme provides specialised infrastructure development planning and implementation support and technical assistance to aid capacity building in the public sector.

**Measurable objectives:** The programme promotes public and private investment in infrastructure and public services by providing technical support for organisational strengthening and capital expenditure planning. This includes advising on strategic spatial urban planning, PPPs, project management, infrastructure service delivery, financing alternatives and precinct management for municipal development. It also provides financial assistance for catalytic projects that drive sustainable neighbourhood development and job creation. Objectives include:

- Building public sector clients' capacity through a combination of diagnostic services, organisation development and programme and project implementation support
- Providing transaction advice and support to PPPs and large infrastructure projects
- Promoting a strategic planning and investment framework to transform the spatial form of South Africa's larger urban centres
- Assisting with the design and co-financing of the Neighbourhood Development Partnership grant
- Building financial skills by improving internal and external reporting on financial management grants as they relate to budget, service delivery and budget implementation plans, in-year monitoring and annual reports
- Ensuring proper planning and implementation of infrastructure maintenance by provincial departments of Education, Health and Public Works through quarterly monitoring of their infrastructure

*Technical and Management Support and Development Finance* consists of the following sub-programmes:

- *Technical and Advisory Support:* includes the Technical Assistance unit (TAU) and Public Private Partnership (PPP) unit
- The *Neighbourhood Development Partnership* (NDP)
- *Infrastructure Delivery Improvement Programme* (IDIP)

- Local Government Financial Management Grant (FMG)
- The *Municipal Finance Improvement Programme* (MFIP)
- The Employment Creation Facilitation Fund (ECFF)

## SERVICE DELIVERY OBJECTIVES AND INDICATORS

Programme 8 is a cross-cutting programme that provides professional advice and implements capacity-building initiatives. Its links to the other programmes show these organisational relationships. The targets and outputs of its sub-programmes are summarised thematically below.

### CAPACITY BUILDING

*Technical and advisory support* was provided, during the reporting year, to strengthen public institutions and thus contribute to government's ability to deliver results effectively.

TAU supported 85 projects; this was above target. Seventy per cent of clients were national and 30 per cent provincial. The year was marked by an intake of highly complex projects with long-term support requirements and by a reduction in the number of small-scale projects.

TAU has its most direct effect on service delivery when it supports clients from front-line service areas such as the Education cluster departments. Sixty per cent of its clients are service delivery departments. By enabling them to fulfil their mandates, TAU contributes indirectly to better service delivery as most of the support to these departments focuses on their capacity to deliver services.

Forty per cent of TAU's clients are centre of government departments at national and provincial levels; they mainly benefit from TAU's support through institutional strengthening. Sixty-one per cent of all projects directly relate to Outcome 12.

During the reporting year, capacity building took

## PROGRAMME 8 / continued

# TECHNICAL SUPPORT AND DEVELOPMENT FINANCE

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place through programme and project management support, provincial learning networks, organisational support (Quality Council for Trades and Occupations, and sector education and training authorities projects) and change management (South African Biodiversity Institute, and projects of the Eastern Cape Office of the Premier on sustainable transformation and culture change).

TAU also supported the health sector through various projects including the establishment of the Health Standards Compliance Office; the financial management improvement programme to improve the management of finances in the health system, with a special focus on provincial departments; and a costing model for tertiary services at the Helen Joseph Hospital.

Other assistance included technical and advisory support to the Cape Catalyst, an agency of the Western Cape Department of Economic Development and Tourism which aims at strengthening the province's economic infrastructure; and support for the implementation of the Employment Creation Facility Fund and for IDIP in all provinces.

## INFRASTRUCTURE DEVELOPMENT

The Public Private Partnership (PPP) Unit has broadened its transaction support capacity for capital and infrastructure projects, building on the experience of supporting the Department of Energy to contract 28 renewable energy projects to be undertaken by independent power producers. This was followed by the issuance of a second tender for renewables which will be evaluated and concluded in 2013.

The unit has also provided substantial support to the Passenger Rail Agency of South Africa (PRASA) with its feasibility study, and tender management, for an entirely new passenger rail fleet to be manufactured in South Africa. This has reached the preferred bidder stage, and negotiations with the preferred bidder are still underway. A separate tender for the Broad-Based Black Economic Empowerment (B-BBEE) partner in this undertaking is in progress.

On 26 June 2012, the office accommodation PPP for the Department of Environmental Affairs reached financial closure, and construction is underway. The tender process for the new Stats SA office accommodation was initiated, with TA III to be achieved this year. On 27 March 2013, final views and recommendations were provided to Maluti-a-Phofung local municipality on its PPP for electricity distribution services.

By the end of the fiscal year, there were twenty-three PPPs in implementation, with over fifty projects in the pipeline for either PPP oversight or for implementation under the expanded transaction support methodology for capital and infrastructure initiatives.

The NDP programme manages the Neighbourhood Development Partnership Grant (NDPG) with direct and indirect conditional grant components. The Technical Assistance (Allocation in Kind) grant assists municipalities to put in place strategic spatial planning frameworks to prioritise infrastructure projects across sectors, spheres and public entities and create the conditions for sustained economic growth and development. Based on the strategic infrastructure prioritisation, the Capital Grant (Direct Transfer) seeks to stimulate, accelerate and connect targeted investment in poor, marginalised and under-served neighbourhoods by identifying catalytic projects funded by the NDPG. The NDP provided technical assistance to 35 municipalities during the past year and contributed R50.1 million to long-term township regeneration planning and co-ordination in local government.

The NDP implemented the following key projects during the 2012/13 year:

- Relocation of the unit to the City Support Programme within the Intergovernmental Relations Branch of the National Treasury; this enables the unit to play a more direct role in strategic infrastructure prioritisation and grant implementation.
- Focus on a strategic planning and investment framework to transform the spatial form of South Africa's larger urban centres in alignment with Vision 2030. The aim is to address the urban and



## PROGRAMME 8 / continued

# TECHNICAL SUPPORT AND DEVELOPMENT FINANCE

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spatial components highlighted in the National Development Plan. The unit's Urban Network Strategy consists of a number of elements including CBDs, urban hubs, activity corridors and primary and secondary public transport networks.

- Best practice documentation and ISO compliant internal operational efficiencies
- Introduction of a project pipelining concept for capital project prioritization and implementation budgeting
- Unlocking R1.1 billion in leveraged funding through its Capital Grant funds.

The NDP uses the direct portion of its grant to implement catalytic projects identified by municipalities, and has a portfolio of 118 projects in 60 municipalities. In the 2012/13 financial year, expenditure against the direct grant was R 578.1 million (100 per cent of the budgeted allocation).

The National Treasury continues to support the building of sustainable infrastructure delivery capacity in the provincial departments of Education and Health. With an allocation of R75 million, IDIP supported the implementation of the Infrastructure Delivery Management Toolkit and facilitated the signing of intergovernmental agreements in five provinces. Over the same period, it enabled the roll-out of the Toolkit Course for senior government officials and contributed to the drafting of the National Treasury Regulations supporting best practices in infrastructure construction procurement. These initiatives were supported through technical assistants procured and deployed in the nine provinces and targeting the departments of Health and Education.

*The Infrastructure Skills Development Grant* is aimed at addressing key constraints to capacity development and delivery of infrastructure projects, especially the shortage of engineering and planning skills. The grant assists unemployed built environment graduates to be trained in municipalities in line with the requirements of their relevant professional bodies or statutory councils. In its first intake, the grant has created jobs for 150 graduates

in various municipalities; this number is set to increase over time. The graduates will be on internship training for approximately three years, when they are expected to be qualified to register with their professional bodies or statutory councils. This will help to ensure that the country develops a pool of professionally-registered experts who will be employed full-time in municipalities after their training.

## FINANCIAL MANAGEMENT

The *Municipal Finance Improvement Programme* (MFIP) supports provincial treasuries and municipalities by placing financial experts to facilitate skills and capacity transfer to provincial and municipal officials. This is a new multi-year programme which was established in response to requests from provincial treasuries and municipalities for technical assistance and support in implementing financial management reforms. It seeks to reduce duplication and encourages a coordinated approach to providing technical support on financial management. The budget allocated for this initiative was R110 million.

In the first quarter of the year, the focus was primarily on the development of appropriate structures to deal with the number of requests for technical support and to develop holistic support plans that address institutional and technical matters as well as a set of conditions that will ensure the sustainability of support.

The MFIP initially targeted 20 municipalities but had to respond positively to requests from 76, the majority of which were small, rural and poor. Further technical support was provided to eight provincial treasuries.

The *Municipal Finance Management Grant* provides direct allocations to municipalities in support of financial management reforms underpinning the implementation of the MFMA. The grant framework is published and regulated in terms of the DORA.

An amount of R478 million was allocated to the programme for the 2012/13 financial year. This was

## PROGRAMME 8 / continued

# TECHNICAL SUPPORT AND DEVELOPMENT FINANCE

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made up of two components: a financial management transfer component of R403 million and an infrastructure internship development component on water and energy of R75 million. The former component is administered by the Office of the Accountant-General and the latter by the Intergovernmental Relations division of the National Treasury.

The full amount was transferred to 278 municipalities by 31 August 2012 for the Financial Management transfer component, meeting the requirements of the conditional grant framework. In terms of the newly introduced Infrastructure Skills Development grant, the full amount of R75 million was transferred to eleven municipalities covering the infrastructure internship component during the 2012 financial year. Municipalities are expected to have fully spent the allocations for both the Finance and Infrastructure aspect of the internship programme by their municipal year end, 30 June 2013.

### EMPLOYMENT CREATION

The Jobs Fund is a R9 billion employment creation programme launched by the Minister of Finance in June 2011. The DBSA implements the fund on behalf of the National Treasury, selects projects against pre-defined and publicised criteria and allocates funding on the basis of an open, competitive process.

The fund aims to support self-sustainable job creation initiatives and improve the employment prospects of the unemployed, especially young people and women. The fund has four funding windows, each aimed at addressing a particular constraint to job creation:

- **Enterprise Development:** this co-finances innovative business development projects or enterprise support programmes with the potential to create long-term sustainable jobs linked to the advancement of private sector business development.
- **Infrastructure:** this assists with co-financing critical missing infrastructure that creates trading opportunities and enhances access to markets

or enhances the quality and security of work in established trading centres and light manufacturing or business service zones. The focus is on infrastructure development initiatives that unlock job creation potential.

- **Support for Work Seekers:** this targets initiatives that provide rapid access to employment and work-related training for unemployed people, particularly youth and women.
- **Institutional Capacity Building:** this provides for cross-cutting institutional strengthening and capacity-building at institutions through which job creation is facilitated.
- To date, R3.418 billion has been allocated to 66 projects.
- This has potentially raised a further R3.518 billion in matched contributions for job creation initiatives.
- 100 524 permanent new jobs are targeted to be achieved over the three year implementation period of the 66 approved projects.
- 56 194 individuals are targeted to be placed in existing vacancies within the projects
- 112 302 people are targeted to be trained through the projects.

Of the 66 projects approved, 28 have been in operation for periods ranging between five and 12 months; 2 960 jobs have been created; an additional 2 504 individuals have been placed in existing vacancies; and 14 304 people have completed training programmes.



## SERVICE DELIVERY ACHIEVEMENTS

Measurable objective: To promote public and private investment in infrastructure and public services by providing technical support for capital expenditure planning and PPPs, advice on financing alternatives for municipal development and financial assistance for neighbourhood development projects			
Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone
Technical and Advisory Support	Project management support/capacity building/technical and advisory services	Percentage of clients' capacity improved as a result of TAU's assistance	85% of clients surveyed satisfied
		Increased learning about effective approaches to technical support and capacity building	2 methodologies, 5 practices, 5 case studies, 2 learning sessions
			<p><b>Annual Performance Information – 2012/13</b></p> <p>85% for customer satisfaction survey 67% for Infrastructure Delivery Improvement Programme (IDIP) survey 87.81% for Communities of Practice satisfaction</p> <p>Total %: TAU Customer Satisfaction Surveys: 86.4% IDIP Customer Satisfaction Surveys: 67%</p> <p><b>Methodologies: 5</b></p> <ul style="list-style-type: none"> <li>Operational Management Support as an Approach</li> <li>Facilitating Change Leadership</li> <li>Management for Results</li> <li>Dynamic Enquiry</li> <li>Resonant Leadership for Results</li> </ul> <p><b>Practices: 6</b></p> <ul style="list-style-type: none"> <li>Organisational Development</li> <li>Operational Management Support as an Approach</li> <li>Facilitating Change Leadership</li> <li>Management for Results</li> <li>Dynamic Enquiry</li> <li>Resonant Leadership for Results</li> </ul> <p><b>Case studies: 5</b></p> <ul style="list-style-type: none"> <li>Leadership in Transition</li> <li>Diagnostic Research Report</li> <li>Sustainable transformation for internal use</li> <li>Sustainable transformation for external use</li> <li>Culture Change programme</li> </ul> <p><b>Learning sessions: 29</b></p> <p><b>Internal within TAU: 22</b></p> <ul style="list-style-type: none"> <li>Technical Knowledge Exchanges: 10</li> <li>Knowledge Exchanges: 3</li> <li>Orientation: 3</li> <li>Management for Results: 1</li> <li>Coaching Mastery: 1</li> <li>Gestalt Introduction: 1</li> <li>Dyad Programme: 1</li> <li>IDIP Review: 1</li> <li>TAU Strategic Review: 1</li> </ul>

## PROGRAMME 8 / continued

# TECHNICAL SUPPORT AND DEVELOPMENT FINANCE

### SERVICE DELIVERY ACHIEVEMENTS

Measurable objective: To promote public and private investment in infrastructure and public services by providing technical support for capital expenditure planning and PPPs, advice on financing alternatives for municipal development and financial assistance for neighbourhood development projects			
Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone
			Annual Performance Information – 2012/13
	PPP and capital projects oversight	Expanded project appraisal methodology for capital and infrastructure projects developed	<p><b>External: 7</b></p> <ul style="list-style-type: none"> <li>Project Management Interest Group: 1</li> <li>Economic Development Learning Networks: 3</li> <li>Results and Risk Management: 1</li> <li>Leadership Development: 1</li> <li>DPME Learning Network: 1</li> </ul> <p>The pilot methodology was drafted and approval was obtained during quarter 2, and is currently piloted in selected projects</p>
		Number of projects reaching financial close	28 renewable energy projects reached financial close in September 2012; 19 closed in April 2013
	Infrastructure Delivery Capacity programme	Number of teams of technical assistants (TAs) deployed in provinces, targeting Education, Health, Public Works and Treasuries	<p>Preferred bidder for the rolling stock project selected; negotiations to be concluded by end of June 2013</p> <ul style="list-style-type: none"> <li>36 long-term TAs (one in each department) have been deployed across all 9 provinces. One contract terminated during the last quarter due to poor performance</li> </ul> <p>TAs deployed nationally:</p> <ul style="list-style-type: none"> <li>One TA to NDoBE (for capacity building)</li> <li>Two TAs to NDoH (for capacity building and development and management of reporting systems)</li> </ul>
		Number of people trained per province, and proportion of Infrastructure Delivery Management (IDM) Toolkit utilised by provinces	<p>120 officials from provincial and national departments are enrolled in the foundation course on the IDM Toolkit presented by the University of Pretoria. Three out of five modules have been covered. Due to budget preparation pressures, the course was pushed forward; the remaining two modules will be completed during the first quarter of the new financial year</p> <p>A once-off IDM Toolkit training course was conducted for senior government officials. 40 senior government officials attended and 39 completed the course</p>

## PROGRAMME 8 / continued

## TECHNICAL SUPPORT AND DEVELOPMENT FINANCE

## SERVICE DELIVERY ACHIEVEMENTS

Measurable objective: To promote public and private investment in infrastructure and public services by providing technical support for capital expenditure planning and PPPs, advice on financing alternatives for municipal development and financial assistance for neighbourhood development projects			
Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone
			Annual Performance Information – 2012/13
		Number of interns/ graduates in engineering, science, town planning and project management managed and coached	250
		Transfers made according to conditions	Transfers made by 31 March 2013
Local Government Financial Management Grant sub-programme	Financial Management Capacity Building programme		All transfers concluded. In-year monitoring and reporting in place, and monthly spending against grant conditions provided to IGR in terms of the DORA
Municipal Finance Improvement Programme sub-programme	Financial Management Capacity Building programme	Number of municipalities assisted	75
		Number of provinces assisted	8
		Number of long-term township regeneration programmes	52
Neighbourhood Development Partnership Grant sub-programme	Neighbourhood Development Partnership programme	Number of Neighbourhood Development Partnership grant projects under construction	85
		Third-party investment leveraged	R1.5 billion
			R1.458 billion
			The number of municipalities which received support during the reporting period stabilised at 81 in the last quarter
			Eight provincial treasuries receiving assistance
			52: the target was met for the 2012/2013 financial year
			102

## PROGRAMME 8 / continued

# TECHNICAL SUPPORT AND DEVELOPMENT FINANCE

### SERVICE DELIVERY ACHIEVEMENTS

Measurable objective: To promote public and private investment in infrastructure and public services by providing technical support for capital expenditure planning and PPPs, advice on financing alternatives for municipal development and financial assistance for neighbourhood development projects			
Subprogramme	Output	Measure/Indicator	2012/13 Target Milestone
Employment Creation Facilitation Fund sub-programme	Jobs Fund programme	Number of sustainable job creation projects funded	30
			Grants have been allocated to 66 projects Three calls for proposals have been issued All applications from the first two rounds have been processed and funding decisions finalised The first phase of assessment of the applications in the third funding round has been completed
		Documented and disseminated learning on effective approaches to job creation	One learning intervention hosted, one case study and first evaluation of the fund
	Effective governance framework and M&E tools established and implemented		The formative evaluation of the fund has been completed. Recommendations are being implemented Five training sessions for DBSA teams have been hosted Three grantee learning forums/training sessions have been completed The quality assurance process on the second funding round has been completed Two disbursement war rooms were put in place to facilitate Quarters 3 and 4 grant disbursements to projects 20 projects were visited, site reports prepared and learnings shared with grantees and the DBSA The electronic reporting modules of the grant management system have been completed and grantees reported on-line for Quarter 4



▶ **ANNUAL  
FINANCIAL  
STATEMENTS**



# NATIONAL TREASURY | VOTE 10 ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

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# NATIONAL TREASURY | VOTE 10 REPORT OF THE AUDIT COMMITTEE

For the year ended 31 March 2013

We are pleased to present our report for the financial year ended 31 March 2013.

## 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 2013		
Name of member	*Number of meetings attended	Remarks
Mr Vuyo Jack (Chairperson)	6 of 6	Appointment effective from 1 October 2010
Ms Mamoroke Lehobye	4 of 6	Resigned 1 May 2013
Ms Lesibana Fosu	1 of 4	Resigned 23 October 2012
Mr Joe Lesejane	5 of 6	Contract renewed effective 1 March 2013
Mr Zach Le Roux	4 of 6	Contract renewed effective 1 March 2013
Ms Berenice Francis	6 of 6	Appointment effective 2 July 2010

**\*Note:** The 6 audit committee meetings consist of two special meetings and four quarterly meetings.

## 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 ADEQUACY, RELIABILITY AND ACCURACY OF THE FINANCIAL INFORMATION PROVIDED TO MANAGEMENT AND OTHER USERS OF SUCH INFORMATION

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.

## THE EFFECTIVENESS OF INTERNAL CONTROL

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

# NATIONAL TREASURY | VOTE 10 REPORT OF THE AUDIT COMMITTEE

For the year ended 31 March 2013

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reported. We can report that the system of internal control for the period under review was effective. However, attention is drawn to the following area of concern:

- The Integrated Financial Management System has not been rolled out as per the original timeline. This system is developed in collaboration with DPSA and SITA. New deadlines are being negotiated and the department had recent changes in leadership to address this issue.

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 received a wide variety of audit reports from the internal auditors and is of the opinion that internal audit is effective in the fulfillment of their mandate. We are satisfied with the activities of the internal audit function, including its annual work programme, co-ordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations.

## 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 programmes and entities under the National Treasury are recorded.

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

The accounting concern reported by the Auditor-General has been corrected. This deals with an interpretation of GRAP regarding the capitalisation of the IFMS development cost. The costs are not capitalised until such time as the issues of ownership of the system are clarified.

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

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, there is no material non-compliance with legal and regulatory provisions, except for the late renewal of the SITA service level agreements.

## THE QUALITY OF IN YEAR MANAGEMENT AND MONTHLY/QUARTERLY REPORTS SUBMITTED IN TERMS OF THE ACT AND THE DIVISION OF REVENUE ACT; AND

The Audit Committee has reviewed the in year management and monthly/quarterly reports submitted in terms of the Act and the Division of Revenue Act and is satisfied with the quality thereof.

# NATIONAL TREASURY | VOTE 10 / continued


## REPORT OF THE AUDIT COMMITTEE

For the year ended 31 March 2013

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### **EVALUATION OF FINANCIAL STATEMENTS**

The Audit Committee has evaluated the annual financial statements of the National Treasury for the year ended 31 March 2013 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: 31 July 2013

# NATIONAL TREASURY | VOTE 10 REPORT OF THE ACCOUNTING OFFICER

For the year ended 31 March 2013

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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

Against a challenging background, The National Treasury (NT) has once again continued to deliver good results and this can be attributed to the benefits of a consistent, vibrant strategy and operational strengths built up over the past years. In the face of an uncertain global economic climate, NT has maintained a balance in the allocation of resources towards the improvement of the economic outlook of the country and creating more job opportunities. NT measures its progress against a range of key performance indicators which recognise the department's role in achieving the outcomes of government. Chapter 13 of the Constitution defines the role of the National Treasury as that of ensuring transparency, accountability and sound financial controls in the management of public finances. NT continues to carry out its legal mandate as set out in the Public Finance Management Act (1999) as well as other laws governing financial and fiscal affairs. These promote the national government's fiscal policy and the coordination of macroeconomic policy; ensure the stability and soundness of the financial system and financial services; coordinate intergovernmental financial and fiscal relations; manage the budget preparation process; and enforce transparency and effective management in respect of revenue and expenditure, assets and liabilities, public entities and constitutional institutions.

During the period under review, the National Treasury continued to provide the relevant analysis to shape the economic discourse that appropriately addresses the key challenges facing the country's economy as outlined in the National Development Plan (Vision 2030) and the New Growth Path (NGP) with the aim of contributing meaningfully to, amongst other targets, the creation of decent jobs. The Jobs Fund, a co-financing initiative, was established by NT to facilitate sustainable job creation

on a large scale. Among the key highlights for the 2012/13 financial year is the commitment to identifying a series of microeconomic reforms required to change the pace of growth, increase productivity and improve the competitiveness of the economy. Attention is also given to sound financial management and financial sustainability through building capacity and transferring skills and knowledge to the provincial and municipal spheres to improve the management of government programmes and the quality of expenditure. NT reviewed the Treasury Regulations and consulted with stakeholders and interested parties by publishing Draft Treasury Regulations for comment. It is foreseen that the Regulations will contribute to an improved quality of financial management in the public sector. In addition, a Capacity Development Programme was launched during the financial year with a view to improving financial management across all spheres of government.

The Government Technical Advisory Centre (GTAC), an entity that incorporates the externally-oriented professional assistance and management support programmes of the department, has been set up and its full operations commenced in April 2013. The National Treasury remained committed to improving the general state of infrastructure provision in government through implementation support and the formulation of long term township regeneration programmes. This culminated in the institutionalisation of good practices in the management of infrastructure delivery as demonstrated by the infrastructure delivery management system and the Training for Township Renewal initiative. Significant strides have been made to address shortcomings in the management and monitoring of public finances through a multi-faceted approach that has been adopted. This includes changes to the supply chain policy and practices, selected expenditure reviews and provision of targeted technical support; this has been enhanced by the establishment of a Chief Procurement Office (CPO). Further steps will also be taken to root out corruption and wastage. On the international front, the National Treasury continues to influence regional and global policies to advance the economic, financial and development

# NATIONAL TREASURY | VOTE 10 / continued

## REPORT OF THE ACCOUNTING OFFICER

For the year ended 31 March 2013

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objectives of our country and of Africa in general despite the difficult global economic environment. On 27 March 2013, South Africa hosted the 5th BRICS Summit in Ethekekwini, KwaZulu-Natal, which resolved amongst other steps, to establish a new development bank with the purpose of mobilising resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries.

The National Treasury will continue to promote public-private partnerships (PPP) as a financing alternative for development, and to focus on monitoring the financial sector performance and markets, developing policies and regulatory frameworks and maintaining stable economic growth at aggressive yet sustainable levels in order to enable the country's developmental agenda. Whilst the internship and the Chartered Accountants Academy (CAA) programmes continued to be a success in the year under review, the attraction and retention of scarce and critical skills remains one of the key challenges facing the department in its efforts to reduce vacancy rates and turnaround times in the recruitment process.

For a more detailed discussion of the outcome of the aforementioned strategic activities, please refer to the chapters dealing with programme performance included in this report.

### 1.2 Infrastructure spending

#### Mega projects- Neighbourhood Development Partnership grant projects

The purpose of the Neighbourhood Development Partnership programme is to eradicate spatial inequality through the creation of habitable, sustainable, resilient, efficient and integrated human settlements by funding both the programme and project planning activities and infrastructure projects that advance the aim of the grant. The funded projects include a wide range of public infrastructure development such as public transport facilities, roads, small and medium enterprises and community facilities, public spaces and landscaping. The capital investment on the Neighbourhood Development

Partnership programme had reached R2.8 billion as at 31 March 2013. The programme also facilitated the employment of local labour and supported the Expanded Public Works programme in local government. In 2012/13, the Neighbourhood Development Partnership programme had 270 submitted project plans valued at R3.9 billion. The programme had completed 129 catalytic projects valued at more than R1 billion as at 31 March 2013.

#### Large projects

Annual spending on infrastructure for the integrated financial management system has remained stable at approximately R177 million and is expected to increase marginally to R180.3 million over the medium term. The purpose of the Integrated Financial Management System (IFMS) project is to replace the existing government financial management systems. The project spent R603.9 million on the development and implementation of the human resources management, procurement management, asset management and business intelligence modules during 2012/13. The rollout of the human resources management module has progressed well at the Department of Public Service and Administration lead site while the rollout of the procurement management module at the lead sites of the National Treasury and the Department of Defence has progressed, although there are systems integration issues at the Department of Defence. The asset management module has been implemented at five departments in the Limpopo provincial government and the first phase of the business intelligence module has been completed and is currently undergoing testing before being rolled out. The development of the financial management, payroll management and inventory management modules is estimated to cost R650 million.

### 1.3 Annual appropriation and vote structure

The total appropriation for the National Treasury for the year ended 31 March 2013 amounted to R21.1 billion (2011/12: R23.8 billion) and is divided into the following

# NATIONAL TREASURY | VOTE 10 / continued

## REPORT OF THE ACCOUNTING OFFICER

For the year ended 31 March 2013

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main components: the operational budget, transfers and payments for financial assets. Operational budget amounted to R1.5 billion (2011/12: R1.5 billion), and comprised R615 million (2011/12: R601 million) for compensation of employees, R894 million (2011/12: R899 million) for goods and services and R34 million (2011/12: R21 million) for the acquisition of capital assets.

The transfers budget of R19.4 billion (2011/12: R21.6 billion) included transfers to municipalities, universities, departmental agencies and foreign institutions; and payments of post-retirement benefits for a specific category of former employees and members of liberation movements. The remaining funding of R200 million (2011/12: R750 million) was for the recapitalisation of the Land and Agricultural Development Bank of South Africa.

### 1.4 Virement

A virement of R1.2 million from Programmes 1 to 6 was utilised to curb the over-spending on compensation of employees due to financial assistance to officials who have been seconded to the World Bank in Washington. Another virement of R5.9 million from Programmes 3 to 7 was utilised to curb the over-spending on goods and services for administrative services. The virements were approved by the Accounting Officer.

### 1.5 Programme structure

There are ten programmes which fall under Vote 10: The National Treasury: *Administration; Economic Policy, Tax and Financial Regulation and Research; Public Finance and Budget Management; Asset and Liability Management; Financial Systems and Accounting; International Financial Relations; Civil and Military Pensions; Contributions to Funds and Other Benefits; Technical Support and Development Finance; Revenue Administration; and Finance Intelligence and State Security.*

Refer to the Notes to the Appropriation Statement for the

reasons for variances between the financial appropriation and actual expenditure.

*Administration* provides leadership and strategic management, and continues its commitment to and responsibility for the overall institutional management of and support to the entire department. This is achieved by ensuring that activities carried out by the department are in harmony with its strategy and structure and in compliance with the relevant legislation and best practices. The programme consists of the *Ministry, Departmental Management, Corporate Services, Enterprise Wide Risk Management, Financial Administration, Legal Services, Internal Audit, Communications and Office Accommodation.*

The total appropriation for this programme amounted to R320 million (2011/12: R281 million). Expenditure incurred on compensation of employees was R132 million (2011/12: R117 million), goods and services R147 million (2011/12: R129 million), transfers R2.6 million (2011/12: R2.4 million) and capital expenditure R14 million (2011/12: R6 million).

*Economic Policy, Tax, Financial Regulation and Research* provides specialist policy research, analysis and advisory services in the areas of macroeconomics, microeconomics, taxation, the financial sector and regulatory reform in order to promote economic growth, employment and macroeconomic stability. The programme also focuses on policy formulation and the drafting of legislation in support of government's economic policy. The programme consists of five sub-programmes: *Management, Research, Financial Sector Policy, Tax Policy and Economic Policy.*

The total appropriation for this programme amounted to R123 million (2011/12: R210 million)<sup>1</sup>. Expenditure incurred on compensation of employees was R62 million (2011/12: R56 million), goods and services R22 million (2011/12: R63 million), transfers R26 million (2011/12: R20 million) and capital assets R0.5 million (2011/12: R0.4 million).

<sup>1</sup> The reduction in the appropriation amount is due to a once-off fee paid to the SARB in terms of an agreement to co-fund an exchange control voluntary disclosure programme performed in the previous financial year.



# NATIONAL TREASURY | VOTE 10 / continued

## REPORT OF THE ACCOUNTING OFFICER

For the year ended 31 March 2013

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*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 with the aim of promoting growth, social development and poverty reduction through sound fiscal and financial policies and the effective, efficient and appropriate allocation of public funds. These activities are organised into three sub-programmes: *Public Finance*, *Budget Management* and *Intergovernmental Relations*.

The total appropriation for this programme amounted to R241 million (2010/11: R210 million). Current expenditure incurred totalled R182 million (2011/12: R161 million) and mainly consisted of compensation of employees R141 million (2011/12: R131 million) and goods and services R41 million (2011/12: R30 million). Transfers amounted to R38 million (2011/12: R35 million). Payment for capital assets amounted to R1.2 million (2011/12: R0.6 million).

*Asset and Liability Management* is responsible for managing government's annual funding programme in a manner that ensures access to global and domestic markets, prudent cash management and an optimal portfolio of debt and other fiscal obligations. It is also responsible for exercising effective oversight over state-owned enterprises to enable the achievement of government's policy objectives in a fiscally sustainable manner. There are six sub-programmes: *Programme Management*, *Oversight and Governance of State Owned Enterprises*, *Government Debt Management*, *Financial Operations*, *Strategy and Risk Management* and *Financial Investments*.

The total appropriation amounted to R283 million (2011/12: R826 million). Total expenditure incurred amounted to R278 million (2011/12: R822 million) and mainly consisted of compensation of employees R58 million (2011/12: R53 million), goods and services

R20 million (2011/12: R18 million) and payments for capital expenditure R0.5 million (2011/12: R0.3 million). Payment for financial assets amounted to R200 million (2011/12: R750 million)<sup>2</sup>.

*Financial Systems and Accounting* promotes and enforces transparency and effective management of revenue, expenditure, and assets and liabilities by departments, public entities, constitutional institutions and local governments. It also provides policy that regulates supply chain management processes; monitors and enhances compliance in respect of supply chain management processes in all spheres of government; facilitates and manages transversal term contracts; and maintains and improves existing financial systems by replacing out-dated systems to comply with the Public Finance Management Act (PFMA) (1999) and the Generally Recognised Accounting Practice (GRAP). There are nine sub-programmes: *Management*, *Supply Chain Policy*, *Supply Chain Norms and Standards*, *Contract Management*, *Financial Systems*, *Financial Reporting for National Accounts*, *Financial Management Policy and Compliance Improvement*, *Audit Statutory Bodies* and *Service Charges: Commercial Banks*.

The total appropriation for this programme amounted to R686 million (2011/12: R608 million). Current expenditure incurred totalled R564 million (2011/12: R430 million) and comprised compensation of employees R136 million (2011/12: R126 million) and goods and services R428 million (2011/12: R304 million). Capital expenditure amounted to R2.8 million (2011/12: R0.8 million). Transfer payments amounted to R73 million (2011/12: R73 million).

*International Financial Relations* facilitates the deepening of South Africa's role in regional and international economic integration and advances South Africa's national economic interests through regular strategic analysis, engagement and negotiation at financial and economic forums. The

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<sup>2</sup> The reduction in the spending in comparison to the previous financial year is due to the recapitalisation of the Land and Agricultural Development Bank loan of R200 million (2011/12: R750 million).

# NATIONAL TREASURY | VOTE 10 / continued

## REPORT OF THE ACCOUNTING OFFICER

For the year ended 31 March 2013

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programme relates to Programme 6 and is made up of a single division, *International and Regional Economic Policy (IREP)*, with two chief directorates: International Finance and Development (IFD) and Africa Economic Integration (AEI). The programme is made up of nine sub-programmes: *Management, International Economic Cooperation, Common Monetary Area Compensation, Financial and Technical Support, African Development Bank and African Development Fund, World Bank Group, Collaborative Africa Budget Reform Initiative (CABRI), Commonwealth Fund for Technical Cooperation and International Funding Facility for Immunisation.*

The total appropriation for this programme amounted to R1 billion (2011/12: R877 million). Total expenditure incurred amounted to R1 billion (2011/12: R858 million) and consisted of compensation of employees R21 million (2011/12: R18 million) and goods and services R9 million (2011/12: R8 million). Transfer payments amounted to R973 million (2011/12: R832 million). Payment for capital assets amounted to R0.1 million (2011/12 R0.1 million).

*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 R3.3 billion (2011/12: R3.8 billion). Expenditure for the period under review amounted to R3.3 billion (2011/12: R3.3 billion) which comprised civil pensions and other contributions R2.6 billion (2011/12: R3.1 billion) and military pensions and other contributions R547 million (2011/12: R181 million). Goods and services amounted to R50 million (2011/12: R64 million).

*Technical Support and Development Finance* provides specialised infrastructure development planning and implementation support and technical assistance to aid capacity building in the public sector. The programme comprises five-sub programmes: *Technical and Advisory*

*Support, Local Government Financial Management Grant, Municipal Finance Improvement Programme (MFIP), Neighbourhood Development Partnership Grant (NDPG), Infrastructure Delivery Programme (IDIP) and Employment Creation Facilitation Fund (ECFF).* The Technical and Advisory Support component of this programme has moved into the newly established government component, the Government Technical Advisory Centre (GTAC).

The total appropriation for this programme amounted to R2 billion (2011/12: R4.6 billion). Expenditure for the period under review amounted to R2 billion (2011/12: R2.9 billion) which comprised compensation of employees R40 million (2011/12: R36 million) and goods and services R104 million (2011/12: R118 million). Transfer payments amounted to R1.9 billion (2011/12: R2.7 billion).

*Revenue Administration* makes transfers to allow the South African Revenue Service to provide core tax administration services and maintain the information technology (IT) services that support operations. Activities include branch operations, tax payer audits, call centre operations, processing operations, debt management and IT support.

The total appropriation for this programme amounted to R9.1 billion (2011/12: R8.7 billion) which represents total transfers made to the South African Revenue Service.

*Financial Intelligence and State Security* transfers funds to the Financial Intelligence Centre and Secret Services to combat financial crime including money laundering and terror financing activities, and to gather intelligence for purposes of national security, defence and combating crime.

The total appropriation for this programme amounted to R4 billion (2011/12: R3.8 billion) which comprises transfers made to the Secret Services R3.8 billion (2011/12: R3.6 billion) and Financial Intelligence Centre R197 million (2011/12: R137 million).

### 1.6 Departmental revenue

Departmental revenue received during the reporting period amounted to R4.2 billion (2011/12: R3.4 billion) and consisted of sales of goods and services of

# NATIONAL TREASURY | VOTE 10 / continued

## REPORT OF THE ACCOUNTING OFFICER

For the year ended 31 March 2013

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R54 million (2011/12: R72 million), fines, interest and dividends R3.2 billion (2011/12: R2.9 billion) and other recoveries R0.9 million (2011/12: R0.5 million).

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

### 1.7 Utilisation of donor funds

Local and foreign assistance received in cash during the reporting period amounted to R28 million (2011/12: R6 million). Expenditure incurred amounted to R26 million (2011/12: R4 million). Other funds amounting to R3 million (2011/12: R0.2 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 the National Treasury was only channelling the funds as a link between the donors and spending agencies. The European Union agreed to contribute €20 million over the Medium Term Expenditure Framework (MTEF) period towards developing the financial management capacity of the state. The programme commenced in January 2013.

### 1.8 Events after the reporting date

Payments amounting to R50 million (2011/12: R53 million) relate to the 2012/13 financial year .were processed during April 2013. These payments were not included in the annual financial statements for the 2012/13 financial year, which are prepared on the modified cash basis of accounting (refer to Note 22). Departmental revenue amounting to R 243 million (2011/12: R319 million) was received after year-end and surrendered to the National Revenue Fund (refer to Note 25). Contract commitments amounting to R12.5 million (2011/12: R8.4 million) were entered into after 31 March 2013. There were no non-adjusting events identified after reporting date.

### 1.9 Service rendered by the department

With the exception of Programme 7 which provides pensions and post retirement civil and military benefits, 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. The 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 entities which will be moved into Government Technical Advisory Centre (GTAC) in the 2013/14 financial year.

## 2. CAPACITY CONSTRAINTS

The Talent Management Programme has been rolled out across the National Treasury. The key focus is to reduce the vacancy rate and turnaround times for the recruitment process. In 2012/13, the vacancy rate decreased from 9.5% in 2011/12 to 8.2% with a turnaround time of 12 weeks in 2012/13 from 21 weeks in 2011/12. In addressing the challenges around improving the turnaround time, discussions have taken place with the South African Qualifications Authority (SAQA) to address the verification process that takes longer than expected. The turnaround time for receiving feedback from SAQA has improved from 4 weeks in the 2011/12 financial year to an average of 1 to 2 weeks in the 2012/13 financial year. The termination rate has also had an impact on the vacancy rate and the replacement rate.

Focus has also been on increasing the internal hire rate (internal mobility with promotions: 23% of recruitment positions filled by NT employees). There has also been improvement in equity representation with focus on two key aspects: female representation at senior management service (SMS) is currently at 42% compared with the

# NATIONAL TREASURY | VOTE 10 / continued

## REPORT OF THE ACCOUNTING OFFICER

For the year ended 31 March 2013

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national target of 50%. The other area is recruiting employees with disabilities, currently at 1% as against the 2% national target. Referrals of skills profile and résumés of candidates with disabilities were received; there was a gap in skill sets which resulted in only two people with relevant technical skill sets being interviewed.

The NT has implemented a leadership development programme. The purpose of this programme is to equip senior management across the National Treasury with skills and knowledge to adapt to the changing environment in which we operate focusing on adaptive behavioural skills. These programmes are also aimed at ensuring that managers perform effectively in their day-to-day operations. 46% (2011/12: 53%) of SMS members participated in these leadership and technical programmes.

The Employee Wellness Programme was enhanced through the adoption of the Siyaphila initiative that created greater awareness of the services. This programme served as an important health awareness vehicle in the education of employees regarding their health and its maintenance. The programme has achieved a reduction in the absenteeism rate of 1.69% (2011/12) against 2.5% target set. The utilisation of the services has increased by 34% (2012/13:118%; 2011/12: 84%) against the 60% target.

### 3. TRADING ENTITIES AND PUBLIC ENTITIES

#### 3.1 Trading entities

##### Project Development Facility

The Project Development Facility (PDF) is a single function trading entity in the National Treasury's PPP unit, created in accordance with the PFMA. Its mandate is to assist national, provincial and municipal spheres of government to pay for the services provided by

consultants (transaction advisors) to conduct feasibility studies for PPP projects. After the financial closure of the PPP, the funds may be 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 (NDP) grant.

##### Technical Assistance Unit

The Technical Assistance Unit (TAU) is a support facility that was established in 2001 by the National Treasury. It provides programme and project management support and technical assistance through a wide range of services to all spheres of government. It was created as a trading entity in 2008. The TAU trading entity plays a major role in the fields of institutional strengthening, organisational development and strategic, operational and project management support and capacity building and development at an organisational, team and individual levels by improving management practices and thus contributing to value for money and efficient and effective public service. The TAU had positive 85% client satisfaction in supporting the following key areas: employment creation, food security, health and education, crime prevention and security and public service capacity, with 61% of support rendered in the area of public service improvement (Outcome 12).

#### 3.2 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.

# NATIONAL TREASURY | VOTE 10 / continued

## REPORT OF THE ACCOUNTING OFFICER

For the year ended 31 March 2013

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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, the Cooperative Banks Development Agency, the Financial and Fiscal Commission, the Financial Intelligence Centre and the Independent Regulatory Board for Auditors 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).

For detailed comparative information, refer to Annexures 2A and 2B.

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

The Development Bank of Southern Africa (DBSA) was reconstituted in terms of the DBSA Act 13 of 1997 to promote economic development and growth, human resource development, institutional capacity building and the support of development projects and programmes in Southern Africa. The DBSA as a Schedule 2 entity is subject to the provisions of the PFMA and its regulations.

The DBSA's strategic direction is drawn from its shared vision and is premised on the following four strategic goals:

- Catalyse, expand and enable delivery of basic and economic infrastructure
- Provide and build human and institutional capacity
- Promote broad-based economic growth, job creation, efficiency, fixed capital formation and regional integration
- Engender sustainability, external (environmental, social and economic) and internal (financial and institutional).

Following 2011/12 financial year, the DBSA continued to carry forward its infrastructure development objectives, complementing its on-going work in local government with new initiatives and partnerships with various national departments to accelerate infrastructure delivery aimed at expediting the delivery of essential social services, such as the provision of running water, sanitation and electricity; as well as investments to support economic growth. The bank thus targeted infrastructure investment disbursement of R6.9 billion in the 2012/13 financial year.

In support of the government and its development objectives, the DBSA has continued to reposition itself during 2012/13 to further drive effective financial and non-financial infrastructure investments in sectors such as energy, transport and logistics, water, health and education. Similarly government has committed itself to DBSA's strategic goals by planning to inject R7.9 billion over the next three years (2013/14: R2.4 billion, 2014/15: R2.5 billion and 2015/16: R3.0 billion) into the DBSA to better position the bank to deliver successfully in the future, both in terms of the volume and cost effectiveness of development financing expected to emanate from the bank's financing role in key national infrastructure.

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

The mandate of the South African Revenue Service (SARS) is to collect all revenue due to the state and administer trade, to support government in meeting its key growth developmental objectives by facilitating legitimate trade, protecting South African ports of entry and eliminating illegal trade and tax evasion. As an innovative revenue and customs agency, 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.

# NATIONAL TREASURY | VOTE 10 / continued

## REPORT OF THE ACCOUNTING OFFICER

For the year ended 31 March 2013

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

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

The service has identified a number of strategic priorities for the medium term: to ensure sustainability; to drive productivity, service quality and cost efficiency; to fully deliver on its customs mandate in a way that is aligned with government's stated intentions; to streamline governance and strengthen leadership; to fully implement taxpayer and trader segmentation to strengthen the business model; to maximise value creation by enabling employees to perform optimally; and to deepen key external relationships to enhance the service's reputation. The service is continuing with its modernisation strategy, in which core processes and systems are streamlined and routine tasks automated. Detailed and tangible measurables have been developed for each of these four core outcomes. These are outlined in the organisation's strategic plan.

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

The Financial Services Board (FSB) 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 FSB promotes and maintains a sound financial investment environment in South Africa by ensuring that the regulated entities comply with the relevant legislation and with capital adequacy requirements, promote the financial soundness of these entities and protect the investing community. The FSB also advises the Minister of Finance through various advisory committees comprised of industry experts.

The FSB's goal is to supervise and regulate the non-banking financial services industry in the following areas: long term and short term insurance; retirement funds and friendly societies, financial service providers, collective investment schemes and capital markets.

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
- Implement organisational development strategies that will positively impact the work environment.

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

In terms of the Financial Intelligence Centre (FIC) Act (No. 38 of 2001), the FIC is mandated to: identify the proceeds of unlawful activities, combat money laundering activities, combat financing of terrorist and related activities, exchange information with law enforcement and other local and international agencies, supervise and enforce compliance with the FIC Act and facilitate effective supervision and enforcement by supervisory bodies. In providing the mandate for protecting the integrity of South Africa's financial system, the FIC Act works in conjunction with other legislation that includes the Prevention of Organised Crime Act, the Protection of Constitutional Democracy Against Terrorist and Related Activities Act, and the South African Police Service Amendment Act.

The FIC identified five strategic outcomes for achievement over the medium-term:

- Improved levels of compliance with the FIC Act
- Better utilisation of financial intelligence
- Promoting the national interest by maintaining the integrity of SA's financial system
- Reduced compliance burden for clients of entities subject to the FIC Act
- Increased FIC efficiency and effectiveness.



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One of the on-going focus areas of strategic alignment efforts within the FIC involves reconciling the strategic direction set through the outcomes approach and the current budget programmes: Compliance and Prevention, Monitoring and Analysis, Legal and Policy, Business Enablement (which includes support units such as ICT, HR, and Finance). It is envisaged that the FIC's reconciled outcomes approach and budget structures will be one of the means of enabling the achievement of planned outputs per outcome, as well as enabling progress towards having the desired positive impact in South Africa and in the global arena

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

The key function of the Accounting Standards Board (ASB) is to set standards of Generally Recognised Accounting Practice (GRAP) 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 2012/13 work programme focused on the following key areas:

- Developing Standards of GRAP for statutory receivables, principal and agency transactions and natural resources
- Further development and improvement of GRAP through the bi-annual improvements project
- Implementing a post-implementation review of the Standards of GRAP on Property, Plant and Equipment and Investment Property
- Co-operation with the International Public Sector Accounting Standards Board to develop International Public Sector Accounting Standards (IPSAS) and a Conceptual Framework for Financial Reporting
- Facilitating concurrent exposure of proposed IPSAS in South Africa
- Providing secretarial support to the IPSAS Board in developing an exposure draft on First Time Implementation of Standards of GRAP as it will assist in implementing Standards of GRAP by national and provincial departments

- Developing 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 accountability and transparency as all spheres of government will prepare 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.

The objectives of the Board over the medium term are to develop and maintain auditing and ethical standards that are internationally comparable, provide an appropriate framework for the education and training of properly qualified auditors, inspect and review the work of registered auditors and investigate and take appropriate action against registered auditors who do not comply with standards and are guilty of improper conduct.

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

The SASRIA was established in 1979 and was registered in terms of Section 21 of the Companies Act (1973). In 1999, the conversion of the South African Special Risk Insurance Association Act (1999) made government the sole shareholder. The association is mandated to support the insurance industry by providing cover for special risks such as riots, strikes, political unrest, terrorist attacks, civil commotion, public disorder and labour disturbances. It is required to cover the following risks as defined in the



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Reinsurance of Material Damages and Losses Act (1989): any act directed to overthrow the government by means of fear, violence or terrorism; any act directed to bring about damage to achieve political, social or economic change or in protest against any government or for the purpose of inspiring fear in the public; any riot, strike or public disorder including civil commotion, labour disturbances or lockouts; any attempt to perform any act mentioned above; and any act by lawfully established authority in controlling or suppressing any occurrence referred to above.

The association's strategic goals over the medium term are to:

- optimise shareholder value by increasing premium and investment income and managing operational expenses
- establish a broader customer base by maximising brand and product awareness, introducing new products and enhancing current products
- optimise efficiencies by better integration and alignment of processes to ensure good corporate governance and knowledge management
- invest in human capital development to create a sustainable employment brand
- develop a customer-centric culture to provide superior customer service and exceed industry benchmarks.

The association's investments did not perform as expected due to the economic slowdown; however investment income is forecast to remain at R19.5 million in 2013/14. Premium income is expected to increase from R737.9 million in 2012/13 to R1 billion in 2015/16.

The association will increase its social responsibility budget from R8.2 million in 2012/13 to R8.9 million in 2015/16 for the training of actuarial science students.

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

The Public Investment Corporation (PIC) was 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 and public sector bodies. 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.

Strategic priorities over the medium term include:

- Growing the assets under management for clients and meeting or exceeding set client benchmarks
- Expanding investment into the unlisted space, in line with the revised GEPF mandate
- Aiding development and transformation in South Africa through investments that deliver a social and a financial return
- Entrenching environmental social responsibility and governance factors and good practices within the entities in which the PIC invests.

The total investment portfolio of the Corporation is approximately R1.2 trillion. Most of that amount is invested in listed bonds and equities. However, in the unlisted space the Isibaya Fund provides finance for projects which are able to generate good financial returns while also supporting positive, long term, economic, social and environmental outcomes for South Africa. Over the medium term, approximately R50 billion is earmarked for developmental investments through the Fund. This is to take place across four investment pillars: economic infrastructure; social infrastructure; priority sectors and SME development; and environmental sustainability.

The four pillars encompass the following sectors:

- Economic infrastructure: commuter transport, broadband, water, liquid fuels
- Social infrastructure: affordable housing, healthcare, education and skills development
- Priority sectors and SME: SME development, agriculture, manufacturing
- Environmental sustainability: renewable energy, clean technologies, recycling

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### **The Land and Agricultural Development Bank of South Africa (Land Bank)** (Schedule 2: national government business enterprise)

The Land Bank is a development finance institution with a mandate to finance agricultural and rural development in South Africa. It 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.

Over the past three years, the bank has managed to maintain sound financial controls and build investor confidence as evidenced by clean audit reports and the diversification in the bank's investor profile. In the 2009 to 2011 financial years, the bank reported respectable profits. The National Treasury's support through capital injections and the guarantee is assuring potential and existing investors that the bank is a stable institution. In the 2010/11 financial year, the bank successfully launched the domestic medium term note with success.

The bank managed to raise R1 billion from the open market in the year under review. The medium term paper will reduce refinancing risk to some extent and enhance the stability of the bank's lending operations. Over the medium term, the bank will focus on sharpening the development focus through support to emerging farmers and strengthening the agriculture value chain.

The bank provides for the financing of developing farmers and agricultural related businesses through the following programmes: business and corporate banking, which deals with corporate clients in agricultural related businesses; retail commercial banking services, which supports individuals and small companies that have graduated to the commercial stage; and retail emerging markets, which finances developing farmers.

### **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 including deposit-taking financial services co-operatives and savings and credit co-operatives; and the regulation and supervision of these financial co-operatives. The CBDA will also facilitate, promote and fund the education and training of these co-operative financial institutions (CFIs).

The CBDA aims at consolidating the co-operative financial institutions sector by ensuring growth in the registration of new institutions. The CBDA is also addressing the issue of failing institutions to ensure improved compliance with the banking regulations after obtaining the Minister's approval for the management of the exemption notice which was withdrawn from the South African Micro-Finance Apex Fund (SAMAF) and the Savings and Credit Co-operative League of South Africa (SACCOL). The CBDA also aims to assist representative bodies to improve their leadership, management and operational capability; establish sector-specific learning programmes with existing universities, colleges and support organisations; and facilitate the establishment of an ICT-enabled environment for institutions, with linkages to the national payment system.

Strategic priorities over the medium term include:

- Registering, regulating and supervising CFIs in line with international best practice
- Setting up mechanisms to further safeguard member deposits
- Implementing programmes to promote and support the growth and development of the CFI sector
- Providing strategic leadership, sound governance structures and adherence to laws and regulations and positioning the CBDA as a knowledge management centre for the CFI sector.

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### **Government Employees Pension Fund**

Government Employees Pension Fund (GEPF) is a defined-benefit fund that provides members with retirement, resignation, disability and death benefits. It 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.

The GEPF accounts for the majority of the PIC's assets under management which amount to about R1 trillion rand and has recently expanded the PIC's mandate to enable the corporation to make investments on the African continent as well as offshore.

### **Government Pensions Administration Agency**

The GPAA is an agency that provides administration services to GEPF and National Treasury. The provision of services is regulated by two service level agreements (SLAs) with GEPF and National Treasury (for its Programme 7). On behalf of GEPF, it administers government employee pensions and funeral benefits in terms of the Government Employees Pension (GEP) Law of 1996 on behalf of GEPF's Board of Trustees. The funds it administers for National Treasury are the Temporary Employees Pension Fund (TEPF) in terms of the Temporary Employees Pension Fund (TEPF) Act 75 of 1979, the Associated Institutions Pension Fund (AIPF) in terms of the Associated Institutions Pension Fund (AIPF) Act 41 of 1963, Post-Retirement Medical Subsidies as provided for and regulated by the Public Service Coordinating Bargaining Council (PSCBC), Military Pensions in terms of the Military Pensions Act 84 of 1976, Injury on Duty payments in terms of the Compensation for Occupational Injuries and Diseases Act 130 of 1993 and Special Pensions in terms of the Special Pensions Act 69 of 1996.

The GPAA's medium term strategy seeks to consolidate the organisation's modernisation process so as to strengthen operational effectiveness and efficiency, stakeholder management and governance. To this end, various value-adding projects have been initiated within the modernisation programme and will be implemented over the medium term. The modernised GPAA will have competent personnel who are committed to serve, effectively communicate with members and, through automated processes, pay benefits accurately and timeously. Modernisation will transform the GPAA into a leading pension and related benefits administrator.

### **The Financial Advisory and Intermediary Services Ombudsman (FAIS Ombudsman)**

The FAIS Ombudsman was established in terms of Section 20 of the Financial Advisory and Intermediary Services Act (Act 37 of 2002) (FAIS Act). The FAIS Ombudsman is a Schedule 3A entity in terms of the Public Finance Management Act (Act 1 of 1999) (PFMA) and reports to the Board of the Financial Services Board (FSB), the accounting authority. From time to time as may be required, the FAIS Ombudsman reports to the Select Committee on Finance and Public Service, by invitation. The reports to this committee include reporting on its work and finance. The FAIS Ombudsman also submits its annual report to the National Treasury and Parliament.

The main objective of the FAIS Ombudsman is to investigate and resolve complaints in terms of the FAIS Act and the Rules promulgated thereunder. In resolving complaints in terms of the FAIS Act and Rules, the FAIS Ombudsman acts independently and must be impartial. The FAIS Ombudsman would normally resolve complaints through mediation or conciliation and if these methods are not successful in resolving the complaint the Ombudsman will then issue a determination. This is binding and is enforceable like a judgment of a Court of Law. There is an appeal process for aggrieved parties.

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A further function of the FAIS Ombudsman is to resolve complaints in terms of the Financial Services Ombudsman Schemes Act (Act No. 37 of 2004) (FSOS Act) which is not covered by any of the other voluntary Ombudsman schemes or where there is uncertainty over jurisdiction.

The FAIS Ombudsman will prioritise the following strategic objectives in the next 5 years:

- The resolution of complaints in a fair, expeditious and informal manner to the satisfaction of customers. This will be achieved by obtaining more than 60 per cent of customers satisfied with the Office's service, as measured on customer satisfaction surveys, through properly implementing the approved complaints-handling process which includes a cost effective service, quicker turnaround times on cases and ensuring smooth flow and consistent performance standards
- The achievement of operational excellence by strengthening the organisation's capacity to deliver on its mandate in an economic, efficient and effective manner in accordance with the relevant regulatory frameworks
- The enhancement of stakeholder relations in order to increase transparency and build public confidence and accountability.

### Office of the Pension Fund Adjudicator (OPFA)

The Pension Funds Adjudicator was established in terms of Section 30B of the Pension Funds Act (Act 24 of 1956) with effect from 1 January 1998 to investigate and determine complaints lodged in terms of the Act. It is funded in terms of Section 30R of the Pension Funds Act by way of a levy imposed by national legislation and collected by the Financial Services Board.

The mandate of the OPFA in terms of Section 30D of the Act is to ensure procedurally fair, economical and expeditious resolution of complaints by ensuring that its services are accessible to all; investigating complaints in a procedurally fair manner; and reaching a just and

expeditious resolution of complaints in accordance with the law.

The strategic outcome oriented goals for the OPFA are:

- To resolve complaints in a procedurally fair, economical and expeditious manner by complying with the Act within the available budget and in line with set targets
- To identify, develop and maintain key stakeholder relationships involved in industry, public and governing bodies to enhance performance, accountability and public confidence
- To achieve operational excellence by developing and maintaining an employee value proposition that will ensure that the OPFA retains the necessary talent to achieve its goals such as increased cost effectiveness whilst complying with all regulatory prescripts applicable to the OPFA including the PFMA and Treasury Regulations.

The office continues to identify measures that will improve productivity in order to attend to complaints received efficiently and expeditiously. Special focus is placed on ensuring that basic governance and management processes and procedures are established and adhered to. Considerable effort is put into developing key external relationships with stakeholders to improve the reputation of the organisation and instil confidence in its ability to perform its duties with all stakeholders.

## 4. ORGANISATIONS TO WHICH 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 through various programmes. Refer to Annexures 1A to 1H. There were no accounting arrangements in place regarding transfer payments in the financial year ended 31 March 2013.

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### 5. CORPORATE GOVERNANCE ARRANGEMENTS

#### 5.3 Internal audit function

In the period under review, the Internal Audit Function (IAF) of the National Treasury continued to fulfil its mandate to provide an independent, objective assurance and consulting activity that is designed to add value and improve the National Treasury's operations. The IAF assisted the National Treasury to accomplish its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control and governance within the department. The function operates in accordance with an approved Internal Audit Charter. The IAF is guided by a fully functional Audit Committee which operates in terms of an approved Audit Committee terms of reference. 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 with the assistance of a co-sourced service provider. The IAF also performed a number of consulting activities, and relationships with management improved as evidenced by the number of unplanned specialised 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.

#### 5.4 Audit Committee

The Audit Committee continues to operate within its written terms of reference, which are reviewed annually. The Audit Committee met four 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 and transparent as possible.

#### 5.5 Risk management

The risk management culture within the National Treasury has continued to improve, with management taking an active role in implementing risk management principles in the department's day to day activities. The Enterprise Risk Management Strategy has been successfully implemented during the year.

The Chief Risk Officer championed good governance practices through representation on key governance committees, and the direct reporting line to the Accounting Officer continues to create a strong tone at the top. The benefits of risk management were continuously communicated through ongoing awareness campaigns promoting the embedding of risk management principles and processes within the department. The department refined its risk profile which is actively monitored by the Risk Management Committee and the Audit Committee. The profile includes strategic, operational, corruption and business continuity risks and forms the basis for the department's internal audit plans.

The department supported and monitored the successful implementation of its anti-corruption plan and encouraged strong ethical values from all of its employees. The anti-corruption plan is implemented across numerous functions and results in a multi-dimensional approach to mitigating identified corruption risks and combating corruption holistically. The National Treasury has a zero tolerance stance on corruption and the mitigation of identified corruption risks receives ongoing support at all levels.

The Risk Management Committee met four times during the year under review, and continues to provide

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objective oversight and advice on the institutionalisation of risk management, business continuity and anti-corruption processes throughout the department.

### 5.6 Internal policy review

During the 2012/13 financial year, the National Treasury continued to improve its policies, prescripts and related business processes to ensure good strategy execution and compliance with statutory requirements. The Governance Review Committee (GRC), which is mandated by the Accounting Officer to assess and evaluate departmental policies, managed to review nine policies and one framework which were considered crucial to improving the operational efficiency of the department.

The approved policy documents included:

- a. Revised GRC terms of reference
- b. Records management
- c. Papertrail usage and electronic signatures
- d. Asset management
- e. Security management
- f. Subsistence and travel
- g. Petty cash management
- h. Information and communication technology business framework
- i. Management of performance information.

Emphasis was also put on strengthening proper policy planning, efficient policy development and policy training and awareness through group coordination and knowledge-sharing in a team orientated approach. This initiative has culminated in a more cohesive and inclusive policy culture within the department. This will be further supported by streamlined processes, improved communication and technology. The GRC will continue to spearhead the strengthening of good governance practices and ensuring that they are embedded in the daily operations of the department.

### 5.7 Other governance matters

#### 5.5.1 Integrated sustainability management

The National Treasury recognises that strategy, risk, performance and sustainability are inseparable, as outlined in the King III best practices, and that the organisation is and is seen to be a responsible corporate citizen. The National Treasury views sustainability as a business practice which creates value for stakeholders through managing environmental, social and governance factors impacting on the department's ability to achieve sustainable service delivery to its stakeholders. The National Treasury acknowledges the importance of reporting the results of its operations in a way that brings together information about the department's strategy, governance, and performance and future prospects while reflecting the commercial, social and environmental context within which it operates.

In the period under review, the National Treasury has continued to emphasise the importance of embedding the management of environmental and sustainable development issues in its core business. The department has already integrated sustainability aspects in its strategic objectives which are reported in chapters dealing with programme performance included as parts of this report and the human resource report to provide a unified view on the performance of the department. The sustainability agenda for the National Treasury will continue to aim at delivering a high quality service that impacts positively on the stakeholders while aiming at being a responsible corporate citizen. The National Treasury will continue to be responsive to the changing environment and expectations of the stakeholders with a view to making a meaningful contribution to the betterment of the lives of the people and the improvement of the country's economy.

At the core of its sustainability agenda, the department has recognised the need to be cost efficient and



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environmentally friendly to ensure that its resources are used efficiently and in a socially and environmentally responsible manner. To this end, cost-saving initiatives and green practices are being gradually introduced into business practices. To ensure this, certain key cost drivers have been monitored in the past financial year to measure performance against the sustainability agenda. The results show that paper consumption has been reduced by 17 per cent the number of flights booked has been reduced by 7.5 per cent, car rentals have been reduced by 25.4 per cent and business travel accommodation by 11.6 per cent.

### 5.5.2 Operational controls

The Supply Chain Management Enhancement Project has progressed very well and the implementation of its outcomes have begun to make a visible contribution towards operational efficiency and good governance within the department. The National Treasury is committed to monitoring the implementation of the project to ensure that corrective action is taken promptly against any identified discrepancies and keep the supply chain function responsive to the strategic needs of the department. Amongst the key initiatives in the period under review was the development of the Internal Control Framework which is aimed at ensuring:

- the reliability and integrity of financial and operational information
- the effectiveness of operations
- safeguarding of assets
- compliance with laws, regulations and controls.

### 5.5.3 Improvements implemented by the National Treasury on Special Pensions

Special Pensions is part of Programme 7 which is administered by the Government Pensions Administration Agency (GPAA). In the 2012/13 financial year, management continued to improve controls to eliminate deficiencies and strengthen operational efficiencies of Special Pensions. The National Treasury

is committed to implement the recommendations of the investigation report on fraud and corruption made by the Special Investigating Unit (SIU), Percy Sonn and Nexus Forensics.

284 Schedule 1 offence cases identified were dealt with and it was found that:

- 101 cases were stopped by March 2010
- 183 cases were submitted to SAPS for Schedule 1 offences
- All 183 cases had convictions but only 74 cases had convictions that fall under Schedule 1 offences
- 74 cases have since been stopped after following all administrative processes
- Although the SIU report referred to 284 cases that were being paid but had Schedule 1 offences, only 175 cases had convictions that fall under Schedule 1 offences in terms of the Criminal Procedure Act

In relation to the 752 beneficiaries deemed to be incorrectly interpreted in terms of the Act, the SIU's legal department advised that the High Court's determination needs to be obtained. Due to the cases being dealt with on an individual basis, the process of going through all of the cases will be prolonged for an unsustainably long period of time. Therefore, after legal advice it was agreed by management to maintain the *status quo* as it is not feasible for the National Treasury to recover the funds from the beneficiaries due to obstacles which include long term expectations which have been created. By the end of March 2012/13, only 644 cases were being paid; therefore the *status quo* for the remaining cases will be retained and these will be written off annually.

## 6. NEW DEPARTMENTAL ACTIVITIES

### The Government Technical Advisory Centre

The Government Technical Advisory Centre (GTAC) was established as a government component of the National Treasury on 30 March 2012. It is envisaged to be a creative centre of excellence in public sector



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management assistance which promotes learning and co-operation for improved service delivery and sustainability. GTAC's purpose is to contribute towards further improvements in the management of government programmes and the quality of spend. This purpose is linked to one of the National Treasury's strategic pillars: improving the capacity of government in respect of the allocation and optimal utilisation of financial resources for service delivery. Formalising GTAC's operation is a phase-in process; it will be fully operational from 1 April 2014. This will cause minimal disruption to the services presently provided by the National Treasury.

### The Office of the Chief Procurement Officer

During the 2012/13 financial year, operations of the Office of the Chief Procurement Officer (CPO) were set up to lead the modernisation of the state procurement system. In the 2013/14 financial year, the office will be fully capacitated and in operation. This will enable the efficient, economic, effective and transparent utilisation of state resources; and promote and support effective state procurement and the sound stewardship of government assets.

## 7. ASSET MANAGEMENT

In terms of sub-section 38(1) (b) of the Public Finance Management Act 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 the overall asset management environment of the department. These activities are as follows:

### 7.8 Asset verification

As part of skills development and taking ownership and control of specific key functions within the department, the Asset Management Unit has undertaken to manage and perform the asset verification process with internal staff instead of outsourcing the service as was done in prior financial years. The initiative to do asset verification with internal staff presents many benefits which include cost saving, capacity building and ensuring that officials understand the importance of safeguarding state assets and reporting on them. Furthermore, starting in the 2013/14 financial year, the formal process of asset verification will be supplemented by quarterly confirmation/count of assets and their status by the appointed asset coordinators of the department. The Asset Management Unit endeavours to develop a culture of ownership and accountability for assets in all employees of the department.

### 7.9 Asset disposal

During the 2012/13 financial year, the Asset Management Unit, in line with The National Treasury's Asset Management Disposal Policy, Treasury Regulations and the King III Code of Corporate Governance report pertaining to corporate social responsibility, managed to dispose of redundant and obsolete assets as follows:

- Donated desktop computers to state-owned educational institutions: Kgetseysie Middle School, Khaele Secondary School and Sibongimpumelelo Primary School. The schools are situated in semi-rural areas where there is a need for such computer equipment; each school received 20 desktop computer.
- Donated five desktop and one laptop computer to Ithuteng Community Development Centre situated in Soshanguve
- Identified and disposed of 116 assets through a bid process to The National Treasury staff members.

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These consisted of computer equipment, kitchen appliances, office machinery and equipment and a motor vehicle. During the process, revenue amounting to R231 481 was collected.

The department will continue to support needy communities in the 2013/14 financial year.

### 7.10 Acquisition of ICT assets

The department follows supply chain management processes in the acquisition of assets. To achieve efficient and effective utilisation of state resources, the Information Communication and Technology (ICT) Procurement Committee was enhanced; it consists of Financial Management, Information Technology and Security Management. The committee enforces internal control measures to ensure accountability and eliminate wasteful expenditure. During the last six months of the financial year, an initiative to negotiate discount prices based on bulk buying mainly of computer equipment was implemented and is starting to yield positive results in terms of cost saving.

## 8. INVENTORIES

All inventory opening and closing balances, together with movements for the year, is reflected in Annexure 5. The department validates controls and implements procedures to ensure the optimal issuing of inventory for groceries and photocopy paper, and controls the accuracy of reporting in terms of stock levels and cost allocations.

## 9. INFORMATION ON PREDETERMINED OBJECTIVES

Divisional heads reported to the Director-General on a quarterly basis on the progress made with regard to programme delivery and measurable objectives, as contained in the National Treasury's Strategic Plan and the annual performance plan. These were also incorporated in an internal management report; detailed information on predetermined objectives is included on

pages 29-121 of the Annual Report.

## 10. SCOPA RESOLUTIONS

The committee recommended in a report dated 9 May 2013 that the executive authority should submit a progress report to SCoPA on the implementation of controls for material impairments and under-spending of the vote. It also recommended that the Accounting Officer submit quarterly reports on the implementation of the above.

## 11. RESTATEMENT OF PRIOR YEAR FIGURES

In the 2012/13 financial year, the department disclosed a provision relating to the GEPP. This arose as a result of the amendments done by the GEPP to the act with effect from 1 April 2011 to bring into effect the change in dispensation with respect to non-statutory forces (NSFs). The acknowledgement of the provision by management on 28 March 2013 subsequently resulted in the prior year's figures being restated to account for the provision in the National Treasury's financial statements taking the valuation report for the 2011/12 financial year. The restatement of the prior year's figures amounted to R5.3 billion.

Lease commitments have been restated to take into account the lease contract pertaining to the 240 Madiba street building. The restatement of prior year figures amounted to R50.4 million. Commitments have been restated to take into account commitments pertaining to approved contracts not contracted. The restatement of prior year figures amounted to R77 million. The related party transactions disclosure has been restated to take into account the related party transaction with DPW pertaining to 40 Church building. National Treasury is paying a below market value rental on the 40 Church building owned by DPW. The restatement of prior year figures amounted to R2.9 million. Assets relating to software intangibles have been restated to take into account legacy systems (BAS, Persal, Logis, and Vulindlela) at a fair value of R4 (R1 each).

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For the year ended 31 March 2013

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### **12. EXEMPTIONS AND DEVIATIONS RECEIVED FROM THE NATIONAL TREASURY**

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

### **13. INTERIM FINANCIAL STATEMENTS**

Interim financial statements were issued for various quarters of the financial year that depicted a true and fair view of the financial performance, financial position, changes in net assets and cash flows of the department at the end of each quarter. The interim financial statements were prepared on a modified cash basis of accounting and the National Treasury-determined Framework as prescribed in the PFMA and Treasury Regulations and the relevant guidelines issued by the National Treasury.

### **14. APPROVAL**

The Annual Financial Statements set out on pages 152 - 247 have been approved by the Accounting Officer.



Lungisa Fuzile  
**Director-General**  
Date: 31 May 2013



**ANNUAL  
REPORT  
2012/13**

**REPORT OF THE  
AUDITOR-GENERAL  
TO PARLIAMENT**



**AUDITOR-GENERAL  
SOUTH AFRICA**

*Auditing to build public confidence*

PUBLISHED BY AUTHORITY



# NATIONAL TREASURY | VOTE 10 REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT

For the year ended 31 March 2013

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## REPORT ON THE FINANCIAL STATEMENTS

### Introduction

1. I have audited the financial statements of the National Treasury set out on pages 152 - 247, which comprise the appropriation statement, the statement of financial position as at 31 March 2013, the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

### 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, 2012 (Act No. 5 of 2012) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the

Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. 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.

4. 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 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.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Treasury as at

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT

For the year ended 31 March 2013

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31 March 2013, and its financial performance and cash flows for the year then ended in accordance with the *Departmental Financial Reporting Framework* and the requirements of the PFMA and DoRA.

## Emphasis of matter

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

## Restatement of corresponding figures

7. As disclosed in note 30 to the financial statements, the corresponding figures for 31 March 2012 have been restated as a result of amendments made to the Government Employees Pension Law, effective 1 April 2011 to bring into effect the change in dispensation with respects to non-statutory forces.

## Additional matter

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

## Financial reporting framework

8. The financial reporting framework prescribed by the National Treasury and applied by the department is a compliance framework. The wording of my opinion on a compliance framework should reflect that the financial statements have been prepared in accordance with this framework and not that they "present fairly". Section 20(2) (a) of the PAA, however, requires me to express an opinion on the fair presentation of the financial statements.

The wording of my opinion therefore reflects this requirement.

## Unaudited supplementary schedules

9. The supplementary information set out on pages 210 - 247 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion:

## Predetermined objectives

10. I performed procedures to obtain evidence about the usefulness and reliability of the annual performance information as set out on pages 28-121 of the annual report.
11. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of the annual performance information relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT

For the year ended 31 March 2013

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usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury *Framework for managing programme performance information*.

The reliability of the information in respect of the selected programmes is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

12. There were no material findings on the annual performance information concerning its usefulness and reliability.

## Compliance with laws and regulations

I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

## Financial statements, performance and annual reports

13. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 40(1) (b) of the PFMA. The auditors identified material misstatements in the submitted financial statements in respect of non-current assets, as well as various disclosure

notes, which management subsequently corrected resulting in the financial statements receiving an unqualified audit opinion.

## Integrated Financial Management System

14. Contrary to the requirements of section 20(1) and (2) of the State Information Technology Agency (SITA) Act, the department did not enter into service level agreements with the SITA in respect of the Integrated Financial Management System project.

## Internal control

I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on the annual performance information and compliance with laws and regulations included in this report:

## Leadership

15. Management did not adequately review the annual financial statements, resulting in material adjustments to the financial statements and findings on non-compliance with laws and regulations.

## Financial and performance management

16. Management did not fully comply with the requirements of the financial reporting framework in preparing the annual financial statements.



# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT

For the year ended 31 March 2013

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17. Management did not fully comply with the regulatory requirements of the SITA Act.

## OTHER REPORTS

### Investigations

18. An investigation was conducted by the Public Service Commission based on an allegation received by their office in terms of the irregular appointment of service providers by the National Treasury. The National Treasury has supported this investigation, the outcome of which is yet to be considered by the Minister and the Commissioner.

### Performance audits

19. I conducted a performance audit on the readiness of government to report on its performance. The focus of this audit was on how government institutions are guided and assisted to report on their performance, as well as the systems and processes that they have put in place. The audit is currently in the reporting phase and the findings will be reported in a separate report.

*Auditor-General*

Pretoria  
31 July 2013



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

# NATIONAL TREASURY | VOTE 10 ACCOUNTING POLICIES

For the year ended 31 March 2013

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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.

Under this basis, the effects of transactions and other events are recognised in the financial records when the resulting cash is received or paid. The "modification" results from the recognition of certain near-cash balances in the financial statements as well as the revaluation of foreign investments and loans and the recognition of resulting revaluation gains and losses.

In addition, supplementary information is provided in the disclosure notes to the financial statements where it is deemed to be useful to the users of the financial statements.

### 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 the final appropriation per major classification of expenditure is included in the Appropriation Statement.

## 2. REVENUE

### 2.1 Appropriated funds

Appropriated funds comprise departmental allocations as well as direct charges against revenue fund (e.g. 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 Revenue Fund. Any amounts owing to the National 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 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 Revenue Fund, unless stated otherwise.

# NATIONAL TREASURY | VOTE 10 / continued

## ACCOUNTING POLICIES

For the year ended 31 March 2013

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Any amount owing to the National Revenue Fund at the end of the financial year 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 notes 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 Revenue Fund, unless stated otherwise.

Any amount owing to the National Revenue Fund 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).

### 2.5 Aid assistance

Aid 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 expended 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 Criminal Asset Recovery Account (CARA) funds received must be recorded as revenue when the 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 is 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 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 per cent 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

# NATIONAL TREASURY | VOTE 10 / continued

## ACCOUNTING POLICIES

For the year ended 31 March 2013

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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.

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

### 3.5 Transfers and subsidies

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

### 3.6 Unauthorised expenditure

When 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 stipulated in the Act.

### 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

# NATIONAL TREASURY | VOTE 10 / continued

## ACCOUNTING POLICIES

For the year ended 31 March 2013

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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 First In First Out (FIFO) cost formula.

# NATIONAL TREASURY | VOTE 10 / continued

## ACCOUNTING POLICIES

For the year ended 31 March 2013

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### 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. The 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 at 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. The 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.

#### 4.8.3 Intangible assets

##### *Initial recognition*

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

All intangible assets acquired prior to 1 April 2002 can be included in the asset register at R1.

##### *Subsequent expenditure*

Subsequent expenditure of a capital nature is recorded in the statement of financial performance as "expenditure for capital asset" and is capitalised in the asset register of the department.

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

## 5. LIABILITIES

### 5.1 Payables

Recognised payables mainly comprise 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.

## ACCOUNTING POLICIES

For the year ended 31 March 2013

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### 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 a capital expense in the statement of financial performance and are not apportioned between the capital and the interest portions. The total finance lease payment 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 to the financial statement.

### 5.8 Impairment

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 amounts and the present values of the expected future cash flows/service potential flowing from the instrument.

### 5.9 Provisions

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. These receivables are written off when identified as irrecoverable and are disclosed separately.

## 7. NET ASSETS

### 7.1 Capitalisation reserve

The capitalisation reserve comprises 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 Revenue Fund when the underlying 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.



# NATIONAL TREASURY | VOTE 10 / continued

## ACCOUNTING POLICIES

For the year ended 31 March 2013

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

### **8. RELATED PARTY TRANSACTIONS**

Specific information with regard to related party transactions is included in the disclosure notes. Refer to Note 31.

### **9. KEY MANAGEMENT PERSONNEL**

Compensation paid to key management personnel including their family members where relevant is included in the disclosure notes. Refer to Note 28.

# NATIONAL TREASURY | VOTE 10 APPROPRIATION STATEMENT

For the year ended 31 March 2013

Appropriation per programme	2012/13					2011/12			
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>1. Administration</b>									
Current payment	292,070	(201)	(1,271)	290,598	279,812	10,786	96,0%	264,170	245,623
Transfers and subsidies	2,587	201	-	2,788	2,635	153	94,5%	2,688	2,417
Payment for capital assets	26,481	-	-	26,481	14,292	12,189	54,0%	14,209	6,470
Payment for financial assets	-	-	-	-	4	(4)	-	-	24
	321,138	-	(1,271)	319,867	296,743	23,124	-	281,067	254,534
<b>2. Economic Policy, Tax, Financial Regulation &amp; Research</b>									
Current payment	95,819	(164)	-	95,655	84,521	11,134	88,4%	189,245	119,550
Transfers and subsidies	26,029	164	-	26,193	26,191	2	100,0%	20,501	20,498
Payment for capital assets	660	-	-	660	522	138	79,1%	618	408
Payment for financial assets	-	-	-	-	-	-	-	-	11
	122,508	-	-	122,508	111,234	11,274	-	210,364	140,467
<b>3. Public Finance and Budget Management</b>									
Current payment	208,068	(680)	(5,888)	201,500	181,661	19,839	90,2%	173,795	160,518
Transfers and subsidies	37,422	680	-	38,102	38,095	7	100,0%	35,300	35,296
Payment for capital assets	1,825	-	-	1,825	1,231	594	67,5%	783	597
Payment for financial assets	-	-	-	-	65	(65)	(100,0%)	-	18
	247,315	-	(5,888)	241,427	221,052	20,375	-	209,878	196,429
<b>4. Asset and Liability Management</b>									
Current payment	82,111	(45)	-	82,066	77,684	4,382	94,7%	75,169	71,515
Transfers and subsidies	-	45	-	45	44	1	98,6%	96	95
Payment for capital assets	696	-	-	696	474	222	68,1%	595	289
Payment for financial assets	200,000	-	-	200,000	200,003	(3)	100,0%	750,000	750,008
	282,807	-	-	282,807	278,205	4,602	-	825,860	821,907
<b>5. Financial Systems and Accounting</b>									
Current payment	610,409	(394)	-	610,015	563,627	46,388	92,4%	531,372	429,701
Transfers and subsidies	72,491	394	-	72,885	72,881	4	99,9%	73,818	73,407
Payment for capital assets	3,435	-	-	3,435	2,833	602	82,5%	2,830	807
Payment for financial assets	-	-	-	-	5	(5)	-	-	946
	686,335	-	-	686,335	639,346	46,989	-	608,020	504,861
<b>6. International Financial Relations</b>									
Current payment	29,811	(46)	1,271	31,036	29,771	1,265	95,9%	33,877	25,763
Transfers and subsidies	1,010,497	46	-	1,010,543	973,151	37,392	96,3%	842,789	831,926
Payment for capital assets	190	-	-	190	129	61	67,8%	173	98
Payment for financial assets	-	-	-	-	-	-	-	-	-
	1,040,498	-	1,271	1,041,769	1,003,051	38,718	-	876,839	857,787

# NATIONAL TREASURY | VOTE 10 / continued

## APPROPRIATION STATEMENT

For the year ended 31 March 2013

Appropriation per programme	2012/13						2011/12		
	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>7. Civil and Military Pensions, Contributions to Funds and Other Benefits</b>									
Current payments	43,854	-	5,888	49,742	49,741	1	100.0%	66,612	64,951
Transfers and subsidies	3,302,018	-	-	3,302,018	3,168,767	133,251	96.0%	3,710,297	3,249,072
Payments for capital assets	-	-	-	-	-	-	-	-	-
Payments for financial assets	-	-	-	-	125,095	(125,095)	(100%)	-	150
	3,345,872	-	5,888	3,351,760	3,343,603	8,157		3,776,909	3,314,173
<b>8. Technical Support and Development Finance</b>									
Current payment	148,243	(26)	-	148,217	143,418	4,799	96.8%	165,678	153,314
Transfers and subsidies	1,850,383	26	-	1,850,409	1,850,408	1	100.0%	4,474,861	2,709,539
Payment for capital assets	1,010	-	-	1,010	415	595	41.1%	1,401	392
Payment for financial assets	-	-	-	-	49	(49)	(100%)	-	51
	1,999,636	-	-	1,999,636	1,994,291	5,345		4,641,940	2,863,296
<b>9. Revenue Administration</b>									
Current payment	-	-	-	-	-	-	-	-	-
Transfers and subsidies	9,149,374	-	-	9,149,374	9,149,374	-	100.0%	8,653,573	8,653,573
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
	9,149,374	-	-	9,149,374	9,149,374	-		8,653,573	8,653,573
<b>10. Financial Intelligence and State Security</b>									
Current payment	-	-	-	-	-	-	-	-	-
Transfers and subsidies	3,982,121	-	-	3,982,121	3,982,121	-	100.0%	3,755,021	3,755,021
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
	3,982,121	-	-	3,982,121	3,982,121	-		3,755,021	3,755,021
<b>Total annual appropriation per programme<sup>1</sup></b>	<b>21,177,604</b>	<b>-</b>	<b>-</b>	<b>21,177,604</b>	<b>21,019,020</b>	<b>158,584</b>	<b>99.3%</b>	<b>23,839,471</b>	<b>21,362,048</b>
Reconciliation with Statement of Financial Performance									
Add:									
Departmental receipts	-	-	-	4,201,708	-	-		3,409,060	-
Direct Exchequer receipts	-	-	-	-	-	-		-	-
NRF receipts	-	-	-	-	-	-		-	-
Aid assistance	-	-	-	27,844	-	-		5,768	-
Actual amounts per Statement of Financial Performance (total revenue)				25,407,156				27,254,299	
Add:									
Aid assistance				26,399					4,108
Actual amounts per Statement of Financial Performance (total expenditure)				21,045,419					21,366,156

<sup>3</sup> Note: differences between the Appropriation statement and the financial performance and position, is due to rounding off differences between excel and word.

# APPROPRIATION STATEMENT

For the year ended 31 March 2013

## APPROPRIATION PER ECONOMIC CLASSIFICATION

Economic classification	2012/13					2011/12			
	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	616,099	(1,424)	-	614,675	589,747	24,928	95.9%	600,814	537,101
Goods and services	894,286	(132)	-	894,154	820,487	73,667	91.8%	899,104	733,834
<b>Transfers and subsidies</b>									
Provinces and municipalities	1,056,345	-	-	1,056,345	1,056,345	-	100.0%	2,263,324	2,251,717
Departmental agencies and accounts	13,396,801	132	-	13,396,933	13,396,786	147	100.0%	12,776,706	12,744,655
Universities and technikons	9,000	-	-	9,000	9,000	-	100.0%	-	-
Foreign governments and international organisations	1,012,713	-	-	1,012,713	974,627	38,086	96.2%	844,671	833,808
Public corporations and private enterprises	655,502	-	-	655,502	655,502	-	100.0%	1,972,426	250,712
Non-profit institutions	85	-	-	85	-	85	-	71	71
Households	3,302,476	1,424	-	3,303,900	3,171,408	132,492	96.0%	3,711,746	3,249,881
<b>Payments for capital assets</b>									
Buildings and other fixed structures	5,002	-	-	5,002	615	4,387	12.3%	3,600	-
Machinery and equipment	29,295	-	-	29,295	19,282	10,013	65.8%	17,009	9,061
Software & other intangible assets	-	-	-	-	-	-	-	-	-
<b>Payments for financial assets</b>	200,000	-	-	200,000	325,221	(125,221)	162.6%	750,000	751,208
<b>Total annual appropriation per economic classification</b>	<b>21,177,604</b>	<b>-</b>	<b>-</b>	<b>21,177,604</b>	<b>21,019,020</b>	<b>158,584</b>	<b>99.3%</b>	<b>23,839,471</b>	<b>21,362,048</b>

**PROGRAMME 1: ADMINISTRATION****NATIONAL TREASURY | VOTE 10 / continued**  
**APPROPRIATION STATEMENT**

For the year ended 31 March 2013

Programme 1 per economic classification	2012/13						2011/12		
	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	137,411	(142)	(1,271)	135,998	132,490	3,508	97,4%	128,205	116,546
Goods and services	154,659	(59)	-	154,600	147,322	7,278	95,3%	135,965	129,077
<b>Transfers and subsidies</b>									
Departmental agencies and accounts	621	59	-	680	533	147	78,3%	528	482
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Households	1,966	142	-	2,108	2,102	6	99,7%	2,160	1,935
<b>Payments for capital assets</b>									
Buildings and other fixed structures	5,002	-	-	5,002	615	4,387	12,3%	3,600	-
Machinery and equipment	21,479	-	-	21,479	13,677	7,802	63,7%	10,609	6,470
<b>Payments for financial assets</b>									
	-	-	-	-	4	(4)	(100%)	-	24
<b>Total appropriation per economic classification</b>	<b>321,138</b>	<b>-</b>	<b>(1,271)</b>	<b>319,867</b>	<b>296,743</b>	<b>23,124</b>	<b>92,8%</b>	<b>281,067</b>	<b>254,534</b>

# APPROPRIATION STATEMENT

For the year ended 31 March 2013

**PROGRAMME 1: ADMINISTRATION / continued**

Programme 1 per sub-programme	2012/13						2011/12		
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>1.1 Ministry</b>									
Current expenditure	3,599	-	-	3,599	3,143	456	87.3%	3,465	2,976
<b>1.2 Departmental Management</b>									
Current expenditure	36,351	2,334	-	38,685	37,112	1,573	95.9%	32,084	29,753
Transfers and subsidies	-	-	-	-	-	-	-	174	174
Payment for capital assets	920	43	-	963	711	252	73.8%	1,278	1,214
Payment for financial assets	-	-	-	-	-	-	-	-	7
<b>1.3 Corporate Services</b>									
Current expenditure	89,747	(3,493)	(400)	85,854	81,090	4,764	94.5%	80,459	73,981
Transfers and subsidies	2,472	96	-	2,568	2,511	57	97.8%	2,285	2,016
Capital expenditure	11,567	(43)	-	11,524	5,427	6,097	47.1%	4,839	4,313
Payment for financial assets	-	-	-	-	4	(4)	(100%)	-	17
<b>1.4 Enterprise Wide Risk Management</b>									
Current expenditure	19,807	-	-	19,807	18,933	874	95.6%	18,228	17,334
Transfers and subsidies	7	-	-	7	7	-	93.6%	-	-
Capital expenditure	7,623	(95)	-	7,528	6,697	831	89.0%	3,532	195
<b>1.5 Financial Administration</b>									
Current expenditure	36,809	(2,241)	(400)	34,168	31,990	2,178	93.6%	31,605	29,558
Transfers and subsidies	-	60	-	60	58	2	96.8%	69	68
Capital expenditure	251	-	-	251	133	118	53.1%	554	463
Payment for financial assets	-	-	-	-	-	-	-	-	-
<b>Sub-total appropriation per programme 1</b>	<b>209,153</b>	<b>(3,339)</b>	<b>(800)</b>	<b>205,014</b>	<b>187,816</b>	<b>17,198</b>	<b>91.6%</b>	<b>178,572</b>	<b>162,069</b>





# APPROPRIATION STATEMENT

For the year ended 31 March 2013

## PROGRAMME 2: ECONOMIC POLICY, TAX, FINANCIAL REGULATION AND RESEARCH

Programme 2 per economic classification	2012/13						2011/12		
	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	66,820	(164)	-	66,656	62,226	4,430	93.4%	70,692	56,188
Goods and services	28,999	-	-	28,999	22,295	6,704	76.9%	118,553	63,362
<b>Transfers and subsidies</b>									
Departmental agencies and accounts	16,000	-	-	16,000	16,000	-	100.0%	9,310	9,310
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	10,000	-	-	10,000	10,000	-	100.0%	11,000	11,000
Households	29	164	-	193	191	2	99.0%	191	188
<b>Payment for capital assets</b>									
Machinery and equipment	660	-	-	660	522	138	79.0%	618	408
<b>Payment for financial assets</b>									
	-	-	-	-	-	-	-	-	11
<b>Total appropriation per economic classification</b>	<b>122,508</b>	<b>-</b>	<b>-</b>	<b>122,508</b>	<b>111,234</b>	<b>11,274</b>	<b>90.8%</b>	<b>210,364</b>	<b>140,467</b>

# NATIONAL TREASURY | VOTE 10 / continued

## APPROPRIATION STATEMENT

For the year ended 31 March 2013

### PROGRAMME 2: ECONOMIC POLICY, TAX, FINANCIAL REGULATION AND RESEARCH / continued

Programme 2 per sub-programme	2012						2011/12		
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>2.1 Programme Management</b>									
Current expenditure	9,303	209	-	9,512	9,331	181	98.1%	11,873	8,639
Transfers and subsidies	10,000	-	-	10,000	10,000	-	100.0%	11,070	11,070
Payment for capital assets	60	-	-	60	20	40	33.6%	53	23
Payment for financial assets	-	-	-	-	-	-	-	-	4
<b>2.2 Research</b>									
Current expenditure	12,707	-	-	12,707	7,493	5,214	59.0%	10,968	9,749
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
<b>2.3 Financial Sector Policy</b>									
Current expenditure	23,009	-	-	23,009	21,188	1,821	92.1%	116,884	61,288
Transfers and subsidies	3	-	-	3	3	0	89.2%	77	75
Payment for capital assets	256	-	-	256	202	54	78.7%	215	124
Payment for financial assets	-	-	-	-	-	-	-	-	-
<b>2.4 Tax Policy</b>									
Current expenditure	26,761	(155)	-	26,606	23,932	2,674	89.9%	26,875	22,971
Transfers and subsidies	-	155	-	155	154	1	99.3%	13	13
Payment for capital assets	165	-	-	165	147	18	89.2%	90	41
Payment for financial assets	-	-	-	-	-	-	-	-	1
<b>2.5 Economic Policy</b>									
Current expenditure	24,039	(218)	-	23,821	22,577	1,244	94.8%	22,645	16,903
Transfers and subsidies	26	9	-	35	34	1	98.4%	31	30
Payment for capital assets	179	-	-	179	153	26	85.4%	260	220
Payment for financial assets	-	-	-	-	-	-	-	-	6
<b>2.6 Cooperative Banking Development Agency</b>									
Current expenditure	-	-	-	-	-	-	-	-	-
Transfers and subsidies	16,000	-	-	16,000	16,000	-	100.0%	9,310	9,310
<b>Total appropriation per programme 2</b>	<b>122,508</b>	<b>-</b>	<b>-</b>	<b>122,508</b>	<b>111,234</b>	<b>11,274</b>	<b>90.8%</b>	<b>210,364</b>	<b>140,467</b>



# NATIONAL TREASURY | VOTE 10 / continued

## APPROPRIATION STATEMENT

For the year ended 31 March 2013

### PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT / continued

Programme 3 per sub-programme	2012/13						2011/12		
	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>3.1 Management</b>									
Current expenditure	44,668	850	(5,888)	39,630	33,383	6,247	84.2%	15,445	14,615
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	388	-	-	388	335	53	86.3%	36	11
Payment for financial assets	-	-	-	-	63	(63)	(100%)	-	-
<b>3.2 Public Finance</b>									
Current expenditure	63,327	(1,757)	-	61,570	56,193	5,377	91.3%	63,311	58,029
Transfers and subsidies	125	195	-	320	316	4	98.7%	108	106
Payment for capital assets	520	-	-	520	311	209	59.8%	335	292
Payment for financial assets	-	-	-	-	2	(2)	(100%)	-	3
<b>3.3 Budget Office and Coordination</b>									
Current expenditure	51,762	(76)	-	51,686	46,931	4,755	90.8%	45,246	41,925
Transfers and subsidies	12	297	-	309	308	1	99.6%	145	144
Payment for capital assets	577	-	-	577	354	223	61.4%	228	186
Payment for financial assets	-	-	-	-	-	-	-	-	14
<b>3.4 Intergovernmental Relations</b>									
Current expenditure	48,311	303	-	48,614	45,154	3,460	92.9%	49,793	45,949
Transfers and subsidies	17	188	-	205	203	2	99.1%	2,011	2,010
Payment for capital assets	340	-	-	340	231	109	68.0%	184	108
Payment for financial assets	-	-	-	-	-	-	-	-	1
<b>3.5 Financial and Fiscal Commission</b>									
Current expenditure	-	-	-	-	-	-	-	-	-
Transfers and subsidies	37,268	-	-	37,268	37,268	-	-	33,036	33,036
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
<b>Total appropriation per programme 3</b>	<b>247,315</b>	<b>-</b>	<b>(5,888)</b>	<b>241,427</b>	<b>221,052</b>	<b>20,375</b>	<b>91.6%</b>	<b>209,878</b>	<b>196,429</b>

# APPROPRIATION STATEMENT

For the year ended 31 March 2013

## PROGRAMME 4: ASSET AND LIABILITY MANAGEMENT

Programme 4 per economic classification	2012/13						2011/12		
	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	61,496	(45)	-	61,451	58,183	3,268	94.7%	56,483	53,497
Goods and services	20,615	-	-	20,615	19,501	1,114	94.6%	18,686	18,018
<b>Transfers and subsidies</b>									
Households	-	45	-	45	44	1	97.8%	96	95
<b>Payment for capital assets</b>									
Machinery and equipment	696	-	-	696	474	222	68.1%	595	289
<b>Payment for financial assets</b>	200,000	-	-	200,000	200,003	(3)	100.0%	750,000	750,008
<b>Total appropriation per economic classification</b>	<b>282,807</b>	-	-	<b>282,807</b>	<b>278,205</b>	<b>4,602</b>	<b>98.4%</b>	<b>825,860</b>	<b>821,907</b>

**PROGRAMME 4: ASSET AND LIABILITY MANAGEMENT / continued****NATIONAL TREASURY | VOTE 10 / continued**  
**APPROPRIATION STATEMENT**

For the year ended 31 March 2013

	2012/13						2011/12		
	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>Programme 4 per sub-programme</b>									
<b>4.1 Programme Management</b>									
Current expenditure	14,907	(33)	-	14,874	14,408	466	96.8%	13,541	12,586
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	696	-	-	696	474	222	68.1%	595	289
Payment of financial assets	-	-	-	-	-	-	-	-	8
<b>4.2 SOE Financial Management and Governance</b>									
Current expenditure	25,703	69	-	25,772	23,690	2,082	91.9%	23,281	21,778
Transfer and subsidies	-	-	-	-	-	-	-	38	37
Payment for financial assets	-	-	-	-	1	(1)	(100%)	-	-
<b>4.3 Government Debt Management</b>									
Current expenditure	16,628	(63)	-	16,565	15,693	872	94.7%	15,006	14,943
Transfers and subsidies	-	14	-	14	14	-	-	-	-
Payment for financial assets	-	-	-	-	1	(1)	(100%)	-	-
<b>4.4 Financial Operations</b>									
Current expenditure	16,474	-	-	16,474	15,874	600	96.4%	15,295	14,727
Transfers and subsidies	-	-	-	-	-	-	-	43	43
Payment for financial assets	-	-	-	-	1	(1)	(100%)	-	-
<b>4.5 Strategy and Risk Management</b>									
Current expenditure	8,399	(18)	-	8,381	8,019	362	95.7%	8,046	7,481
Transfers and subsidies	-	31	-	31	30	1	96.8%	15	15
<b>4.6 Financial Investments</b>									
Payment for financial assets	200,000	-	-	200,000	200,000	-	100.0%	750,000	750,000
<b>Total appropriation per programme 4</b>	<b>282,807</b>	<b>-</b>	<b>-</b>	<b>282,807</b>	<b>278,205</b>	<b>4,602</b>	<b>98.4%</b>	<b>825,860</b>	<b>821,907</b>

# APPROPRIATION STATEMENT

For the year ended 31 March 2013

## PROGRAMME 5: FINANCIAL SYSTEMS AND ACCOUNTING

Programme 5 per economic classification	2012/13						2011/12		
	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	141,531	(321)	-	141,210	135,606	5,604	96.0%	137,998	125,708
Goods and services	468,878	(73)	-	468,805	428,021	40,784	91.3%	393,374	303,993
<b>Transfers and subsidies</b>									
Departmental agencies and accounts	71,912	73	-	71,985	71,985	-	100.0%	73,204	73,199
Households	579	321	-	900	896	4	99.5%	614	208
<b>Payment for capital assets</b>									
Machinery and equipment	3,435	-	-	3,435	2,833	602	82.5%	2,830	807
<b>Payment for financial assets</b>	-	-	-	-	5	(5)	(100.0%)	-	946
<b>Total appropriation per economic classification</b>	<b>686,335</b>	-	-	<b>686,335</b>	<b>639,346</b>	<b>46,989</b>	<b>93.2%</b>	<b>608,020</b>	<b>504,861</b>



**PROGRAMME 5: FINANCIAL SYSTEMS AND ACCOUNTING / continued****NATIONAL TREASURY | VOTE 10 / continued**  
**APPROPRIATION STATEMENT**

For the year ended 31 March 2013

Programme 5 per sub-programme	2012/13						2011/12		
	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 Programme Management</b>									
Current expenditure	10,258	(2,470)	-	7,788	7,262	526	93.2%	10,672	8,290
Transfers and subsidies	-	-	-	-	-	-	-	400	-
Payment for capital assets	249	(210)	-	39	-	39	100%	180	22
Payment for financial assets	-	-	-	-	-	-	-	-	-
<b>5.2 Supply Chain Policy</b>									
Current expenditure	34,887	(1,114)	-	33,773	33,049	724	97.9%	39,468	33,041
Transfers and subsidies	564	157	-	721	719	2	99.7%	48	48
Payment for capital assets	468	(15)	-	453	314	139	67.1%	244	48
Payment for financial assets	-	-	-	-	-	-	-	-	941
<b>5.3 Financial Systems</b>									
Current expenditure	406,977	-	-	406,977	367,739	39,238	90.4%	343,386	279,055
Payment for capital assets	1,593	264	-	1,857	1,852	5	99.7%	1,651	39
Payment for financial assets	-	-	-	-	2	(2)	(100%)	-	-
<b>5.4 Financial Reporting for National Accounts</b>									
Current expenditure	38,504	212	-	38,716	37,450	1,266	96.7%	40,024	34,564
Transfers and subsidies	41,677	98	-	41,775	41,774	1	100.0%	43,342	43,338
Payment for capital assets	214	-	-	214	167	47	78%	188	167
Payment for financial assets	-	-	-	-	2	(2)	(100%)	-	-
<b>5.5 Financial Management Policy and Compliance</b>									
Current expenditure	119,603	2,978	-	122,581	117,972	4,609	96.2%	97,652	74,751
Transfers and subsidies	15	66	-	81	80	1	98.8%	109	107
Payment for capital assets	911	(39)	-	872	500	372	57.3%	567	531
Payment for financial assets	-	-	-	-	1	(1)	(100%)	-	5
<b>5.6 Audit Statutory Bodies</b>									
Transfers and subsidies	30,235	73	-	30,308	30,308	-	100.0%	29,919	29,914
<b>5.7 Service Charges: Commercial Bank</b>									
Current Payments	180	-	-	180	155	25	86.1%	170	-
<b>Total appropriation per programme 5</b>	<b>686,335</b>	-	-	<b>686,335</b>	<b>639,346</b>	<b>46,989</b>	<b>93.2%</b>	<b>608,020</b>	<b>504,861</b>

# APPROPRIATION STATEMENT

For the year ended 31 March 2013

## PROGRAMME 6: INTERNATIONAL FINANCIAL RELATIONS

Programme 6 per economic classification	2012/13						2011/12		
	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	19,736	(46)	1,271	20,961	20,824	137	99.3%	22,302	17,619
Goods and services	10,075	-	-	10,075	8,946	1,129	88.8%	11,575	8,144
<b>Transfers and subsidies</b>									
Foreign governments and international organisations	1,010,474	-	-	1,010,474	973,084	37,390	96.3%	842,719	831,857
Households	23	46	-	69	68	1	98.6%	70	69
<b>Payment for capital assets</b>									
Machinery and equipment	190	-	-	190	129	61	67.8%	173	98
<b>Payment for financial assets</b>	-	-	-	-	-	-	-	-	-
<b>Total appropriation per economic classification</b>	<b>1,040,498</b>	<b>-</b>	<b>1,271</b>	<b>1,041,769</b>	<b>1,003,051</b>	<b>38,718</b>	<b>96.3%</b>	<b>876,839</b>	<b>857,787</b>

# NATIONAL TREASURY | VOTE 10 / continued

## APPROPRIATION STATEMENT

For the year ended 31 March 2013

### PROGRAMME 6: INTERNATIONAL FINANCIAL RELATIONS / continued

Programme 6 per sub-programme	2012/13						2011/12		
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
								R'000	R'000
<b>6.1 Programme Management</b>									
Current expenditure	8,484	(175)	1,271	9,580	8,965	615	93.6%	10,482	6,586
Payment for capital assets	40	12	-	52	42	10	80.4%	50	-
<b>6.2 International Economic Cooperation</b>									
Current expenditure	21,327	129	-	21,456	20,806	650	97.0%	23,395	19,177
Transfers and subsidies	23	46	-	69	68	1	98.6%	70	69
Payment for capital assets	150	(12)	-	138	87	51	63.0%	123	98
Payment for financial assets	-	-	-	-	-	-	-	-	-
<b>6.3 Common Monetary Area Compensation</b>									
Transfers and subsidies	602,132	(86,270)	-	515,862	490,719	25,143	95.1%	450,327	450,327
<b>6.4 Financial and Technical Support</b>									
Transfers and subsidies	6,651	-	-	6,651	-	6,651	-	7	-
<b>6.5 African Development Bank and African Dev. Fund</b>									
Transfers and subsidies	241,872	73,784	-	315,656	313,773	1,883	99.4%	244,380	244,298
<b>6.6 World Bank</b>									
Transfers and subsidies	142,500	12,474	-	154,974	153,743	1,231	99.2%	135,500	124,730
<b>6.7 Collaborative African Budget Reform Initiative</b>									
Transfers and subsidies	1,260	-	-	1,260	1,260	-	100.0%	1,200	1,200
<b>6.8 Commonwealth Fund for Technical Cooperation</b>									
Transfers and subsidies	4,709	-	-	4,709	4,469	240	94.9%	3,840	3,838
<b>6.9 International Fund Facility for Immunisation</b>									
Transfers and subsidies	10,000	-	-	10,000	8,758	1,242	87.6%	7,465	7,464
<b>6.10 Infrastructure Consortium for Africa</b>									
Transfers and subsidies	1,000	-	-	1,000	-	1,000	-	-	-
<b>6.11 Artac for Southern Africa</b>									
Transfers and subsidies	350	12	-	362	361	1	99.8%	-	-
<b>Total appropriation per programme 6</b>	<b>1,040,498</b>	<b>-</b>	<b>1,271</b>	<b>1,041,769</b>	<b>1,003,051</b>	<b>38,718</b>	<b>96.3%</b>	<b>876,839</b>	<b>857,787</b>

# APPROPRIATION STATEMENT

For the year ended 31 March 2013

## PROGRAMME 7: CIVIL AND MILITARY PENSIONS, CONTRIBUTIONS TO FUNDS AND OTHER BENEFITS

Programme 7 per economic classification	2012/13						2011/12		
	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>	-	-	-	-	-	-	-	2,323	1,014
Compensation of employees	43,854	-	5,888	49,742	49,741	1	100.0%	64,289	63,937
Goods and services	2,239	-	-	2,239	1,543	696	68.9%	1,952	1,951
<b>Transfers and subsidies</b>	85	-	-	85	-	85	71	71	71
Foreign governments and international organisations	3,299,694	-	-	3,299,694	3,167,224	132,470	96.0%	3,708,274	3,247,050
Non-profit institutions	-	-	-	-	-	-	(100%)	-	150
Households	-	-	-	-	125,095	(125,095)		-	-
<b>Payment for financial assets</b>	-	-	-	-	-	-		-	-
<b>Total appropriation per economic classification</b>	<b>3,345,872</b>	-	<b>5,888</b>	<b>3,351,760</b>	<b>3,343,603</b>	<b>8,157</b>	<b>99.8%</b>	<b>3,776,909</b>	<b>3,314,173</b>
<b>Programme 7 per sub-programme</b>									
	<b>Adjusted appropriation</b>	<b>Shifting of funds</b>	<b>Virement</b>	<b>Final appropriation</b>	<b>Actual expenditure</b>	<b>Variance</b>	<b>Expenditure as % of final appropriation</b>	<b>Final appropriation</b>	<b>Actual expenditure</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>%</b>	<b>R'000</b>	<b>R'000</b>
<b>7.1 Programme Management</b>									
Current expenditure	-	-	-	-	-	-	-	2,323	1,014
<b>7.2 Government Pension Admin Agency</b>									
Current expenditure	43,854	-	5,888	49,742	49,741	1	100.0%	64,289	63,937
Payment for financial assets	-	-	-	-	-	-	-	-	-
<b>7.3 Civil Pensions and Contributions to Funds</b>									
Transfers and subsidies	2,910,913	(170,000)	-	2,740,913	2,621,679	119,234	95.6%	3,519,691	3,068,151
Payment for financial assets	-	-	-	-	125,095	(125,095)	(100%)	-	150
<b>7.4 Military Pensions and Other Benefits</b>									
Transfers and subsidies	391,105	170,000	-	561,105	547,088	14,017	97.5%	190,606	180,921
<b>Total appropriation per programme 7</b>	<b>3,345,872</b>	-	<b>5,888</b>	<b>3,351,760</b>	<b>3,343,603</b>	<b>8,157</b>	<b>99.8%</b>	<b>3,776,909</b>	<b>3,314,173</b>



# APPROPRIATION STATEMENT

For the year ended 31 March 2013

## PROGRAMME 8: TECHNICAL SUPPORT AND DEVELOPMENT FINANCE / continued

Programme 8 per sub-programme	2012/13						2011/12		
	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>8.1 Programme Management</b>									
Current expenditure	138,276	(26)	-	138,250	135,151	3,099	97.8%	156,678	147,107
Transfers and subsidies	22,536	26	-	22,562	22,561	1	100.0%	21,511	21,510
Payment for capital assets	625	-	-	625	355	270	56.7%	401	392
Payment for financial assets	-	-	-	-	49	(49)	(100%)	-	51
<b>8.2 Local Government Fin. Man. &amp; Restructuring Grant</b>									
Transfers and subsidies	478,213	-	-	478,213	478,213	-	100.0%	423,641	423,641
<b>8.3 Neighbourhood Development Partnership Grant</b>									
Current expenditure	-	-	-	-	-	-	-	-	-
Transfers and subsidies	658,132	-	-	658,132	658,132	-	100.0%	850,000	808,393
<b>8.4 Development Bank of Southern Africa</b>									
Current expenditure	-	-	-	-	-	-	-	-	-
Transfers and subsidies	109,962	-	-	109,962	109,962	-	100.0%	100,026	100,026
<b>8.5 Post Disaster Recovery and Reconciliation</b>									
Current expenditure	-	-	-	-	-	-	-	-	-
Transfers and subsidies	-	-	-	-	-	-	-	1,089,683	1,089,683
<b>8.6 Employment Creation Facilitation Fund</b>									
Current expenditure	9,967	-	-	9,967	8,267	1,700	82.9%	9,000	6,207
Transfers and subsidies	581,540	-	-	581,540	581,540	-	100.0%	1,990,000	266,286
Payment for capital assets	385	-	-	385	61	324	15.8%	1,000	-
<b>Total appropriation per programme 8</b>	<b>1,999,636</b>	<b>-</b>	<b>-</b>	<b>1,99,636</b>	<b>1,994,291</b>	<b>5,345</b>	<b>99.7%</b>	<b>4,641,940</b>	<b>2,863,296</b>

# NATIONAL TREASURY | VOTE 10 / continued

## APPROPRIATION STATEMENT

For the year ended 31 March 2013

### PROGRAMME 9: REVENUE ADMINISTRATION

Programme 9 per economic classification	2012/13				2011/12	
	Adjusted appropriation R'000	Shifting of funds R'000	Virement R'000	Final appropriation R'000	Actual expenditure R'000	Final appropriation R'000
<b>Transfers and subsidies</b>						
Departmental agencies and accounts	9,149,374	-	-	9,149,374	9,149,374	8,653,573
<b>Total appropriation per economic classification</b>	<b>9,149,374</b>	<b>-</b>	<b>-</b>	<b>9,149,374</b>	<b>9,149,374</b>	<b>8,653,573</b>
						<b>Expenditure as % of final appropriation</b>
						<b>100.0%</b>
						<b>100.0%</b>
Programme 9 per sub-programme	2012/13				2011/12	
Adjusted appropriation R'000	Shifting of funds R'000	Virement R'000	Final appropriation R'000	Actual expenditure R'000	Final appropriation R'000	Actual expenditure R'000
<b>9.1 South African Revenue Service</b>						
Transfers and subsidies	9,149,374	-	-	9,149,374	9,149,374	8,653,573
<b>Total appropriation per programme 9</b>	<b>9,149,374</b>	<b>-</b>	<b>-</b>	<b>9,149,374</b>	<b>9,149,374</b>	<b>8,653,573</b>
						<b>Expenditure as % of final appropriation</b>
						<b>100.0%</b>
						<b>100.0%</b>



# APPROPRIATION STATEMENT

For the year ended 31 March 2013

## PROGRAMME 10: REVENUE ADMINISTRATION

Programme 10 per economic classification	2012/13						2011/12		
	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>Transfers and subsidies</b>									
Departmental agencies and accounts	3,982,121	-	-	3,982,121	3,982,121	-	100.0%	3,755,021	3,755,021
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
<b>Payment for financial assets</b>	-	-	-	-	-	-	-	-	-
<b>Total appropriation per economic classification</b>	<b>3,982,121</b>	-	-	<b>3,982,121</b>	<b>3,982,121</b>	-	<b>100.0%</b>	<b>3,755,021</b>	<b>3,755,021</b>
Programme 10 per sub-programme	2012/13						2011/12		
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>10.1 Financial Intelligence Centre</b>									
Transfers and subsidies	197,314	-	-	197,314	197,314	-	100.0%	136,500	136,500
<b>10.2 Secret Services</b>									
Transfers and subsidies	3,784,807	-	-	3,784,807	3,784,807	-	100.0%	3,618,521	3,618,521
<b>Total appropriation per programme 10</b>	<b>3,982,121</b>	-	-	<b>3,982,121</b>	<b>3,982,121</b>	-	<b>100.0%</b>	<b>3,755,021</b>	<b>3,755,021</b>

# NATIONAL TREASURY | VOTE 10

## NOTES TO THE APPROPRIATION STATEMENT

For the year ended 31 March 2013

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	319,867	296,743	23,124	7.2%	33 unfilled positions, the delayed upgrade of the Network Infrastructure and PABX telephone system, delayed procurement of audio visual equipment for 40 Church Square, savings on consultancy fees pertaining to information technology services and renovations to 38 Church Square due to delay by landlord.
<b>Programme 2:</b> Economic Policy, Tax, Financial Reg. and Research	122,508	111,234	11,274	9.2%	11 unfilled positions and unspent funds on Economic Research due to the cost of research work carried in the year being less than anticipated.
<b>Programme 3:</b> Public Finance and Budget Management	241,427	221,052	20,375	8.4%	35 unfilled positions and savings caused by negotiations on consultant fees for the Limpopo Section 100 intervention and the Comprehensive Expenditure Review project.
<b>Programme 4:</b> Asset and Liability Management	282,807	278,205	4,602	1.6%	7 unfilled positions and cost cutting initiatives on travel and subsistence costs such as negotiated lower airfares, flying economic class and group booking of accommodation.
<b>Programme 5:</b> Financial Systems and Accounting	686,335	639,346	46,989	6.8%	13 unfilled positions, less than anticipated usage on transversal systems resulting in lower computer costs and less than anticipated spend on the Integrated Financial Management Systems Development project which is still continuing through the medium term.
<b>Programme 6:</b> International Financial Relations	1,041,769	1,003,051	38,718	3.7%	4 unfilled positions and payments to the Common Monetary Area Compensation, various factors, such as the rand exchange rate and the level of interest rates have an impact on the amount of compensation to be paid. These factors are not fixed and often result in a variance, between the South African Reserve Bank estimates and actual compensation payments, which culminate in a saving or deficit.
<b>Programme 7:</b> Civil and Military Pensions, Contributions to Funds and Other Benefits	3,351,760	3,343,603	8,157	0.2%	Savings on Post-Retirement Medical Benefits that resulted from migration of members to a more economical medical scheme.
<b>Programme 8:</b> Technical Support and Development Finance	1,999,636	1,994,291	5,345	0.3%	3 unfilled positions and cost savings on travel and subsistence costs due to negotiated lower airfares, flying economic class and group booking of accommodation and payments for capital assets due to bulk buying which result into negotiated lower prices.
<b>Programme 9:</b> Revenue Administration	9,149,374	9,149,374	-	-	N/A
<b>Programme 10:</b> Financial Intelligence and State Security	3,982,121	3,982,121	-	-	N/A
<b>Total per programme</b>	<b>21,177,604</b>	<b>21,019,020</b>	<b>158,584</b>	<b>0.7%</b>	

## NOTES TO THE APPROPRIATION STATEMENT

For the year ended 31 March 2013

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>1,508,829</b>	<b>1,410,234</b>	<b>98,595</b>	<b>6.53%</b>
Compensation of employees	614,675	589,747	24,928	4.0%
Goods and services	894,154	820,487	73,667	6.9%
<b>Transfers and subsidies</b>	<b>19,434,478</b>	<b>19,263,666</b>	<b>170,812</b>	<b>0.9%</b>
Provinces and municipalities	1,056,345	1,056,345	-	-
Universities and technikons	9,000	9,000	-	-
Departmental agencies and accounts	13,396,933	13,396,786	147	0.0%
Public corporations and private enterprises	655,502	655,502	-	-
Foreign governments and international organisations	1,012,713	974,627	38,086	3.8%
Non-profit institutions	85	-	85	100.0%
Households	3,303,900	3,171,408	132,492	4.0%
<b>Payments for capital assets</b>	<b>34,297</b>	<b>19,897</b>	<b>14,400</b>	<b>41.98%</b>
Buildings and other fixed structures	5,002	615	4,387	87.7%
Machinery and equipment	29,295	19,282	10,013	34.2%
Software and other intangible assets	-	-	-	-
<b>Payments for financial assets</b>	<b>200,000</b>	<b>325,221</b>	<b>(125,221)</b>	<b>-62.6%</b>
<b>Total per economic classification</b>	<b>21,177,604</b>	<b>21,019,020</b>	<b>158,584</b>	<b>0.7%</b>

Per economic classification	Final appropriation	Actual expenditure	Variance	Variance as a % of final appropriation
	R'000	R'000	R'000	%
Local Gov. Fin Man Grant	402,753	402,753	-	-
NeighborhoodDev. Partners Grant	578,132	578,132	-	-
Infrastructure Skills DevelopmentGrant	75,460	75,460	-	-
<b>Total</b>	<b>1,056,345</b>	<b>1,056,345</b>	<b>-</b>	<b>-</b>

# NATIONAL TREASURY | VOTE 10

## STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 March 2013

	Note	2012/13 R'000	2011/12 R'000
<b>REVENUE</b>			
Annual appropriation	1	21,177,604	23,839,471
Departmental revenue	2	4,201,708	3,409,060
Aid assistance	3	27,844	5,768
<b>TOTAL REVENUE</b>		<b>25,407,156</b>	<b>27,254,299</b>
<b>EXPENDITURE</b>			
Current expenditure			
Compensation of employees	4	589,747	537,101
Goods and services	5	820,488	733,834
Aid assistance	3	26,315	4,108
<b>Total current expenditure</b>		<b>1,436,550</b>	<b>1,275,043</b>
Transfers and subsidies		19,263,666	19,330,844
Transfers and subsidies	7	19,263,666	19,330,844
Expenditure for capital assets		19,982	9,061
Tangible capital assets	8	19,982	9,061
Software and other intangible assets	8	-	-
<b>Total expenditure for capital assets</b>			
Payment for financial assets	6	325,221	751,208
<b>TOTAL EXPENDITURE</b>		<b>21,045,419</b>	<b>21,366,156</b>
<b>SURPLUS FOR THE YEAR</b>		<b>4,361,737</b>	<b>5,888,143</b>
<b>Reconciliation of net surplus for the year</b>			
Voted funds <sup>4</sup>		158,584	2,477,423
Annual appropriation		158,584	2,477,423
Departmental revenue	2	4,201,708	3,409,060
Aid assistance	3	1,445	1,660
<b>SURPLUS FOR THE YEAR</b>		<b>4,361,737</b>	<b>5,888,143</b>

<sup>4</sup> The difference between the financial performance and the appropriation statement of R1, 000 is due to rounding off.

# NATIONAL TREASURY | VOTE 10

## STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Note	2012/13 R'000	2011/12 R'000
<b>ASSETS</b>			
<b>Current assets</b>		<b>1,401,333</b>	<b>2,492,064</b>
Cash and cash equivalents	9	160,902	2,299,670
Prepayments and advances	10	62,587	3,907
Receivables	11	18,277	188,487
Loans <sup>5</sup>	13	1,159,567	-
Aid assistance receivable	3	-	-
<b>Non-current assets</b>		<b>65,039,224</b>	<b>65,747,539</b>
Investments	12	400,956	400,956
Loans	13	64,638,268	65,346,583
<b>TOTAL ASSETS</b>		<b>66,440,557</b>	<b>68,239,603</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>241,239</b>	<b>2,491,837</b>
Voted funds to be surrendered to the Revenue Fund	14	158,584	2,477,423
Departmental revenue to be surrendered to the Revenue Fund	15	11,804	544
Bank Overdraft <sup>7</sup>	16	50,062	-
Payables	17	19,344	13,226
Aid assistance payable	3	1,445	644
Aid assistance unutilised	3	-	-
<b>TOTAL LIABILITIES</b>		<b>241,239</b>	<b>2,491,837</b>
<b>NET ASSETS</b>		<b>66,199,318</b>	<b>65,747,766</b>
<b>Represented by:</b>			
Capitalisation reserve		400,956	400,956
Recoverable revenue		65,798,362	65,346,810
<b>TOTAL</b>		<b>66,199,318</b>	<b>65,747,766</b>

<sup>5</sup> This amount is the current portion of the Gautrain loan receivable in 2013/14 financial year.

<sup>7</sup> The overdraft related to GPAA and it was due to pensioners paid on 28 March 2013 and the funds from NT had not yet cleared. The overdraft was cleared on 01 April 2013.

# NATIONAL TREASURY | VOTE 10

## STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 March 2013

	Note	2012/13	2011/12
		R'000	R'000
<b>NET ASSETS</b>			
<b>Capitalisation reserves</b>			
Opening balance	Annex 2A	400,956	400,956
Closing balance		<b>400,956</b>	<b>400,956</b>
<b>Recoverable revenue</b>			
Opening balance		65,346,810	64,930,722
<b>Transfers:</b>		<b>451,552</b>	<b>416,088</b>
Debts recovered (included in departmental receipts)		300	(42)
Debts raised		451,252	416,130
Closing balance		<b>65,798,362</b>	<b>65,346,810</b>
<b>TOTAL</b>		<b>66,199,318</b>	<b>65,747,766</b>

# NATIONAL TREASURY | VOTE 10 CASH FLOW STATEMENT

For the year ended 31 March 2013

	Note	2012/13 R'000	2011/12 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts		<b>25,250,256</b>	<b>27,127,643</b>
Annual appropriated funds received	1	21,177,604	23,839,471
Departmental revenue received	2	4,044,808	3,282,404
Aid assistance received	3	27,844	5,768
Net decrease/(increase) in working capital		117,648	(46,055)
Surrendered to Revenue Fund		(6,667,871)	(3,894,785)
Surrendered to RDP Fund/Donor		(644)	(380)
Current payments		(1,436,550)	(1,275,043)
Payments for financial assets		(325,221)	(751,208)
Transfers and subsidies paid		(19,263,666)	(19,330,844)
<b>Net cash flow from operating activities</b>	<b>18</b>	<b>(2,326,048)</b>	<b>1,829,328</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for capital assets	8	(19,982)	(9,061)
Proceeds from sale of capital assets	2	-	-
Increase in loans	13	(451,252)	(416,130)
<b>Net cash flows from investing activities</b>		<b>(471,234)</b>	<b>(425,191)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Distribution/dividend received	2	156,900	126,656
Increase in net assets		451,552	416,088
<b>Net cash flows from financing activities</b>		<b>608,452</b>	<b>542,744</b>
Net increase/(decrease) in cash and cash equivalents		(2,188,830)	1,946,881
Cash and cash equivalents at beginning of period		2,299,670	352,789
<b>Cash and cash equivalents at end of period<sup>8</sup></b>	<b>9 &amp; 19</b>	<b>110,840</b>	<b>2,299,670</b>

<sup>8</sup> Consolidated cash and cash equivalent at end of period includes GPAA's overdraft of R50 million.



# NATIONAL TREASURY | VOTE 10

## NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2013

### 1. ANNUAL APPROPRIATION

	Final Appropriation	Actual Funds Received	Funds not requested/ not received	Appropriation received 2011/12
	R'000	R'000	R'000	R'000
Administration	319,867	321,138	(1,271)	281,067
Economic Policy, Tax, Financial Regulation and Research	122,508	122,508	-	210,364
Public Finance and Budget Management	241,427	247,315	(5,888)	209,878
Asset and Liability Management	282,807	282,807	-	825,860
Financial Systems and Accounting	686,335	686,335	-	608,020
International Financial Relations	1,041,769	1,040,498	1,271	876,839
Civil and Military Pensions, Contribution to Funds and Other benefits	3,351,760	3,345,872	5,888	3,776,909
Technical Support and Development Finance	1,999,636	1,999,636	-	4,641,940
Revenue Administration	9,149,374	9,149,374	-	8,653,573
Financial Intelligence and State Security	3,982,121	3,982,121	-	3,755,021
<b>Total</b>	<b>21,177,604</b>	<b>21,177,604</b>	<b>-</b>	<b>23,839,471</b>
			<b>2012/13</b>	<b>2011/12</b>
			<b>R'000</b>	<b>R'000</b>
<b>Conditional Grants<sup>9</sup></b>				
Total grants received			1,056,345	1,173,641

### 2. DEPARTMENTAL REVENUE

	Note		
Sales of goods and services other than capital assets	2.1	53,866	71,713
Interest, dividends and rent on land	2.2	3,245,937	2,861,771
Financial transactions in assets and liabilities	2.3	901,905	475,576
<b>Departmental revenue collected</b>		<b>4,201,708</b>	<b>3,409,060</b>

<sup>9</sup> The conditional grants are included in the amounts as per the Annual Appropriation.

# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2013



Note	2012/13	2011/12
	R'000	R'000

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

Sales of goods and services produced by the department	53,855	71,643
Sales by market establishment	96	91
Administrative fees	7	5
Other sales	53,752	71,547
Sales of scrap, waste and other used current goods	11	70
<b>Total</b>	<b>53,866</b>	<b>71,713</b>

## 2.2 Interest, dividends and rent on land

Interest	3,089,037	2,735,115
Dividends	156,900	126,656
<b>Total</b>	<b>3,245,937</b>	<b>2,861,771</b>

## 2.3 Financial transactions in assets and liabilities

Loans and advances	261	-
Receivables	232	205
Other receipts including Recoverable Revenue	901,412	475,371
<b>Total</b>	<b>901,905</b>	<b>475,576</b>

## 3. AID ASSISTANCE

### 3.1 Aid assistance received in cash from RDP

<b>Foreign</b>		
Opening balance	644	(636)
Revenue	27,844	5,768
Expenditure	(26,399)	(4,108)
Current	(26,315)	(4,108)
Capital	(84)	-
Surrendered to the RDP	(644)	(380)
<b>Closing balance</b>	<b>1,445</b>	<b>644</b>



# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2013



	Note	2012/13	2011/12
		R'000	R'000
<b>3.2 Total assistance</b>			
Opening balance		644	(636)
Revenue		27,844	5,768
Expenditure		(26,399)	(4,108)
Current		(26,315)	(4,108)
Capital		(84)	-
Surrendered/transferred to retained funds		(644)	(380)
<b>Closing balance</b>		<b>1,445</b>	<b>644</b>

### 3.3 Analysis of balance

Aid assistance repayable	1,445	644
<b>Closing balance</b>	<b>1,445</b>	<b>644</b>

## 4. COMPENSATION OF EMPLOYEES

### 4.1 Salaries and Wages

Basic salary	370,979	331,560
Performance award	29,561	33,764
Service Based	193	809
Compensative/circumstantial	2,069	1,490
Other non-pensionable allowances	129,801	117,222
<b>Total</b>	<b>532,603</b>	<b>484,845</b>

### 4.2 Social contributions

#### Employer contributions

Pension	44,770	39,780
Medical	12,315	12,418
Bargaining council	59	58
<b>Total</b>	<b>57,144</b>	<b>52,256</b>

<b>Total compensation of employees</b>	<b>589,747</b>	<b>537,101</b>
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Average number of employees	1,189	1,127
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# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2013

	Note	2012/13 R'000	2011/12 R'000
<b>5. GOODS AND SERVICES</b>			
Administrative fees		5,003	49,335
Advertising		2,385	2,105
Assets less than R5,000	5.1	832	345
Bursaries (employees)		3,606	3,043
Catering		1,834	2,070
Communication		8,455	7,689
Computer services	5.2	227,719	286,714
Consultants, contractors and agency/outsourced services	5.3	419,187	247,906
Entertainment		230	187
Audit cost – external	5.4	11,036	10,048
Inventory	5.5	15,420	14,373
Operating leases		41,039	38,616
Owned and leasehold property expenditure	5.6	11,421	11,306
Travel and subsistence	5.7	48,933	40,932
Venues and facilities		8,059	7,644
Training and staff development		10,548	8,893
Other operating expenditure	5.8	4,781	2,628
<b>Total</b>		<b>820,488</b>	<b>733,834</b>

## 5.1 Assets less than R5, 000

### Tangible assets

Machinery and equipment	832	345
<b>Total</b>	<b>832</b>	<b>345</b>

## 5.2 Computer services

SITA computer services	29,835	27,915
External computer service providers	197,884	258,799
<b>Total</b>	<b>227,719</b>	<b>286,714</b>

## 5.3 Consultants, contractors and agency/outsourced services

Business and advisory services	243,810	225,980
Legal costs	11,017	7,324
Contractors	1,483	1,602
Agency and support/outsourced services	162,877	13,000
<b>Total</b>	<b>419,187</b>	<b>247,906</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2013

	Note	2012/13	2011/12
		R'000	R'000
<b>5.4 Audit cost – External</b>			
Regularity audits		10,634	9,531
Performance audits		402	501
Forensic investigations		-	16
<b>Total</b>		<b>11,036</b>	<b>10,048</b>
<b>5.5 Inventory</b>			
Food supplies		743	913
Fuel, oil and gas		565	607
Other consumable materials		1,031	916
Maintenance material		119	131
Stationery and printing		12,961	11,805
Medical supplies		1	1
<b>Total</b>		<b>15,420</b>	<b>14,373</b>
<b>5.6 Owned and leasehold property expenditure</b>			
Municipal services		9,938	10,616
Property management fees		497	514
Other		986	176
<b>Total</b>		<b>11,421</b>	<b>11,306</b>
<b>5.7 Travel and subsistence</b>			
Local		28,598	26,404
Foreign		20,335	14,528
<b>Total</b>		<b>48,933</b>	<b>40,932</b>
<b>5.8 Other operating expenditure</b>			
Professional bodies, membership and subscription fees		4,214	2,015
Resettlement costs		127	301
Other		440	312
<b>Total</b>		<b>4,781</b>	<b>2,628</b>

<sup>10</sup> This amount includes expenditure of R662, 807 incurred in the current financial year relating to maintenance of property. The remaining amount of R322, 921 is made up of fumigating cost to the NT building.

# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2013

	Note	2012/13	2011/12
		R'000	R'000
<b>6. PAYMENT FOR FINANCIAL ASSETS</b>			
Extension of loans for policy purposes		200,000	750,000
Other material losses written off	6.1	118	1,208
Debts written off	6.2	125,103	-
<b>Total</b>		<b>325,221</b>	<b>751,208</b>

## 6.1 Other material losses written off

Nature of losses			
Miscellaneous		118	1,208
<b>Total</b>		<b>118</b>	<b>1,208</b>

## 6.2 Debts written off

Claims recoverable - Western Cape Provincial Government <sup>11</sup>		124,965	-
Civil and military pension (bad debts)		5	-
Staff debts written-off		9	-
Forex losses		124	-
<b>Total</b>		<b>125,103</b>	<b>-</b>

## 7. TRANSFERS AND SUBSIDIES

Municipalities and Provinces	Note 36	1,056,345	2,251,717
Departmental agencies and accounts*	Annex 1B	13,396,786	12,744,655
Universities and technikons	Annex 1C	9,000	-
Public corporations and private enterprises*	Annex 1D	655,502	250,712
Foreign governments and international organisations	Annex 1E	974,626	833,808
Non-profit institutions	Annex 1F	-	71
Households	Annex 1G	3,171,157	3,249,881
Gifts, donations and sponsorships made	Annex 1H	250	-
<b>Total</b> <sup>12</sup>		<b>19,263,666</b>	<b>19,330,844</b>

<sup>11</sup> An amount of R125 million owed by the Western Cape provincial government was written off in the current financial year. Refer to note 11.1.

<sup>12</sup> Amounts disclosed in the notes to the annual financial statements in the prior year are the actual expenditure on transfer and subsidies, amounts disclosed in the related annexures are the amounts appropriated per the Appropriation Act (Budget amount).

\* An amount of R139 686 was reclassified from transfers to departmental agencies and account into transfers to public corporations and private enterprises to bring the disclosures in line with the appropriation statement.

# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2013

Note	2012/13	2011/12
	R'000	R'000

## 8. EXPENDITURE FOR CAPITAL ASSETS

Tangible assets

Building and other fixed structures

Machinery and equipment

**Total**

615	-
19,367	9,061
<b>19,982</b>	<b>9,061</b>

### 8.1 Analysis of funds utilised to acquire capital assets – 2012//13

	Voted funds	Aid assistance	Total
	R'000	R'000	R'000
Tangible assets	19,898	84	19,982
Building and other fixed structures	615	-	615
Machinery and equipment	19,283	84	19,367
<b>Total</b>	<b>19,898</b>	<b>84</b>	<b>19,982</b>

### 8.2 Analysis of funds utilised to acquire capital assets – 2011/12

	Voted funds	Aid assistance	Total
	R'000	R'000	R'000
Tangible assets			
Machinery and equipment	9,061	-	9,061
<b>Total</b>	<b>9,061</b>	<b>-</b>	<b>9,061</b>

## 9. CASH AND CASH EQUIVALENTS

Consolidated Paymaster General Account

Cash on hand

Cash with commercial banks (Local)

**Total**

156,893	1,886,098
23	21
3,986	413,551
<b>160,902</b>	<b>2,299,670</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2013

	Note	2012/13 R'000	2011/12 R'000
Travel and subsistence		9	26
Prepayments <sup>12</sup>		58,566	3,881
Advances paid	10.1	4012	-
<b>Total</b>		<b>62,587</b>	<b>3,907</b>

## 10. PREPAYMENTS AND ADVANCES

### 10.1 Advances paid

National departments	Annex 6A	4,012	-
<b>Total</b>		<b>4,012</b>	<b>-</b>

## 11. RECEIVABLES

	Note	2012/13			2011/12	
		R'000	R'000	R'000	R'000	R'000
		<1 year	1-3 years	>3 years	Total	Total
Claims recoverable	11.1	368	-	1,402	1,770	137,944
Recoverable expenditure	11.2	807	231	25	1,063	907
Staff debt	11.3	224	455	335	1,014	759
Other debtors	11.4	4,358	3,633	6,439	14,430	48,877
<b>Total</b>		<b>5,757</b>	<b>4,319</b>	<b>8,201</b>	<b>18,277</b>	<b>188,487</b>

### 11.1 Claims recoverable

National departments	1,038	1,054
Provincial departments <sup>13</sup>	21	125,113
Foreign governments	711	555
Households and non-profit institutions	-	11,222
<b>Total</b>	<b>1,770</b>	<b>137,944</b>

<sup>12</sup> The amount includes R58 million from GPAA relating to payments to pensioners. Refer to note 16.

<sup>13</sup> An amount of R125 million owed by the Western Cape provincial government was written off in the current financial year. Refer to note 6.2.



# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2013

	Note	2012/13	2011/12
		R'000	R'000
<b>11.2 Recoverable expenditure</b>			
Disallowance damages and losses		525	237
Disallowance miscellaneous		519	619
Private telephones		19	51
<b>Total</b>		<b>1,063</b>	<b>907</b>

## 11.3 Staff debt

Departmental Debt		1,014	759
<b>Total</b>		<b>1,014</b>	<b>759</b>

## 11.4 Other debtors

Value Added Tax (SARS)		454	281
Disbursements		-	48,596
Amounts owed by other departments – Civil and Military Pensions		576	-
Outstanding debt – Civil and Military Pensions		8	-
Disallowance – Civil and Military Pensions		5,360	-
Disallowance – Special Pensions		8,032	-
<b>Total</b>		<b>14,430</b>	<b>48,877</b>

## 12. INVESTMENTS

### Non-Current (non-current shares)

Development Bank of Southern Africa	Annex 2A	200,000	200,000
Public Investment Corporation Limited	Annex 2A	1	1
SASRIA	Annex 2A	-	-
Land Bank	Annex 2A	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 STATEMENT

For the year ended 31 March 2013

	Note	2012/13	2011/12
		R'000	R'000
<b>13. Loans</b>			
Public corporations <sup>15</sup>		65,797,835	65,346,583
- Non-Current		64,638,268	65,346,583
- Current		1,159,567	-
<b>Total</b>		<b>65,797,835</b>	<b>65,346,583</b>
<b>Analysis of balance</b>			
Opening balance		65,346,583	64,930,453
New issues		451,252	416,130
<b>Closing balance</b>		<b>65,797,835</b>	<b>65,346,583</b>

## 14. VOTED FUNDS TO BE SURRENDERED TO THE REVENUE FUND

Opening balance	2,477,423	478,747
Transfer from statement of financial performance	158,584	2,477,423
Paid during the year	(2,477,423)	(478,747)
<b>Closing balance</b>	<b>158,584</b>	<b>2,477,423</b>

## 15. DEPARTMENTAL REVENUE TO BE SURRENDERED TO THE REVENUE FUND

Opening balance	544	7,522
Transfer from Statement of Financial Performance	4,201,708	3,409,060
Paid during the year	(4,190,448)	(3,416,038)
<b>Closing balance</b>	<b>11,804</b>	<b>544</b>

## 16. BANK OVERDRAFT

Consolidated Paymaster General Account <sup>16</sup>	(50,062)	-
<b>Total</b>	<b>(50,062)</b>	<b>-</b>

<sup>15</sup> This amount includes loans to Eskom R60 billion and Gautrain R5.8 billion (Capital R4.2 billion plus Interest R1.6 billion). The Eskom loan is disclosed excluding the accrued interest. The interest to be accrued is only determined upon receipt of a compliance certificate from Eskom auditors. The compliance certificate is due 90 days after year end (31 March 2013). As at 31 March 2013 it had not yet been received.

<sup>16</sup> The overdraft related to GPAA and it was due to pensioners paid on 28 March 2013 and the funds from NT had not yet cleared. The overdraft was cleared on 01 April 2013.

# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2013

	Note	2012/13 R'000	2011/12 R'000
<b>17. PAYABLES – CURRENT</b>			
Advances received	17.1	143	-
Clearing accounts	17.2	116	84
Other payables	17.3	19,085	13,142
<b>Total</b>		<b>19,344</b>	<b>13,226</b>

## 17.1 Advances received

Other institutions	Annex 6B	143	-
<b>Total</b>		<b>143</b>	<b>-</b>

## 17.2 Clearing accounts

Income tax (PAYE)		116	40
Persal Reversal Account		-	44
<b>Total</b>		<b>116</b>	<b>84</b>

## 17.3 Other payables

Civil and military pensions		7,181	6,802
Special pensions		11,851	6,340
Salary reversals		53	-
<b>Total other pension</b>		<b>19,085</b>	<b>13,142</b>

## 18. NET CASH FLOW AVAILABLE FROM OPERATING ACTIVITIES

Net surplus as per Statement of Financial Performance		4,361,737	5,888,143
Add back non cash/cash movements not deemed operating activities		(6,687,785)	(4,058,815)
Decrease/(increase) in receivables – current	11	170,210	(48,705)
Increase in prepayments and advances	10	(58,680)	(1,604)
Increase/(decrease) in payables – current	17	6,118	4,254
Expenditure on capital assets	8	19,982	9,061
Surrenders to Revenue Fund	14&15	(6,667,871)	(3,894,785)
Surrenders to RDP Fund/Donor	3	(644)	(380)
Dividend received	2.2	(156,900)	(126,656)
<b>Net cash flow (utilised)/generated by operating activities</b>		<b>(2,326,048)</b>	<b>1,829,328</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENT

For the year ended 31 March 2013



Note	2012/13	2011/12
	R'000	R'000

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

Consolidated Paymaster General account	106,831	1,886,098
Cash on hand	23	21
Cash with commercial banks (local)	3,986	413,551
<b>Total<sup>16</sup></b>	<b>110,840</b>	<b>2,299,670</b>

<sup>16</sup> Consolidated cash and cash equivalent at end of period includes GPAA's overdraft of R50 million.

## NATIONAL TREASURY | VOTE 10

# DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

The amounts disclosed in the disclosure notes are not recognised in the Annual Financial Statements and are disclosed to enhance the usefulness of the Annual Financial Statements.

	Note	2012/13	2011/12
		R'000	R'000
<b>20. CONTINGENT LIABILITIES</b>			
<b>Liable to</b>	<b>Nature</b>		
Motor vehicle guarantees	Employees	Annex 3A	-
Housing loans guarantees	Employees	Annex 3A	-
Other guarantees <sup>18</sup>		Annex 3A	26,514,055
Claims against the department		Annex 3B	1,392,674
Other contingent liabilities		Annex 3B	693,202
<b>Total</b>		<b>28,599,931</b>	<b>28,505,834</b>

## 21. COMMITMENTS

### Current expenditure

Approved and contracted	135,677	77,785
<b>Total</b> <sup>19</sup>	<b>135,677</b>	<b>77,785</b>

## 22. ACCRUALS

### Listed by economic classification

	30 Days	30+ Days	Total	Total
Goods and services	23,310	1,362	24,672	10,268
Transfers and subsidies	3,966	20,457	24,423	42,227
Capital Assets	24	-	24	-
Other	584	158	742	225
<b>Total</b>	<b>27,884</b>	<b>21,977</b>	<b>49,861</b>	<b>52,720</b>

### Listed by programme level

Administration	6,037	3,637
Economic Policy, Tax, Financial Regulation and Research	478	809
Public Finance and Budget Management	2,652	1,476
Asset and Liability Management	862	287
Financial Systems and Accounting	15,786	1,607
International Financial Relations	301	704
Civil and Military Pensions, Contributions to Funds and Other Benefits	23,442	43,581
<b>Total</b>	<b>49,861</b>	<b>52,720</b>

<sup>18</sup> Amount per annexure 3A is made up of the closing balance R26,448,505 and the guaranteed interest R65,550.

<sup>19</sup> Prior year balances have been restated to take into account commitments pertaining to open contracts at year end (31 March 2012).

## DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

	Note	2012/13	2011/12
		R'000	R'000
<b>23. EMPLOYEE BENEFITS</b>			
Leave entitlement		19,851	16,159
Service bonus (thirteenth cheque)		11,335	10,277
Performance awards		29,612	33,000
Capped leave commitments		15,256	14,561
<b>Total<sup>20</sup></b>		<b>76,054</b>	<b>73,997</b>

## 24. LEASE COMMITMENTS

### Operating leases expenditure

	Buildings and other fixed structures	Machinery and equipment	Total
<b>2012/13</b>			
Not later than 1 year	28,358	1,435	29,793
Later than 1 year and not later than 5 years	-	1,069	1,069
<b>Total lease commitments</b>	<b>28,358</b>	<b>2,504</b>	<b>30,862</b>
<b>2011/12</b>			
Not later than 1 year	27,645	1,357	29,002
Later than 1 year and not later than 5 years	27,154	1,301	28,455
<b>Total<sup>21</sup></b>	<b>54,799</b>	<b>2,658</b>	<b>57,457</b>

## 25. RECEIVABLES FOR DEPARTMENTAL REVENUE

Sales of goods and services other than capital assets	261	30
Interest, dividends and rent on land	224,354	312,743
Financial transactions in assets and liabilities	18,271	6,081
<b>Total</b>	<b>242,886</b>	<b>318,854</b>

### 25.1 Analysis of receivables for departmental revenue

Opening balance	318,854	190,473
Less: Amount received	(318,854)	(190,473)
Add: Amount recognised	242,886	318,854
<b>Total</b>	<b>242,886</b>	<b>318,854</b>

<sup>20</sup> Included in the Leave entitlement and Capped leave commitments balances are negative leave balances amounting to R 873,082 and R9,725 respectively.

<sup>21</sup> Prior year balances have been restated to take into account lease commitments pertaining to 240 Madiba Street building.

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013



Note	2012/13	2011/12
	R'000	R'000

**26. IRREGULAR EXPENDITURE**

Reconciliation of irregular expenditure

Opening balance	-	8,282
Add: Irregular expenditure – relating to current year	115	-
Less: Amounts condoned	(115)	(8,282)
Irregular expenditure awaiting condonation	-	-

Analysis of awaiting condonation per age classification

Current year	-	(8,282)
Prior years	-	8,282
<b>Total</b>	<b>-</b>	<b>-</b>

Details of irregular expenditure condoned	Amount	Condoned by
Services rendered without an approved contract extension	R106,096	The National Treasury
Public sector forum attended without an approved order	R8,664	The National Treasury

**27. FRUITLESS AND WASTEFUL EXPENDITURE**

Opening balance	-	-
Fruitless and wasteful expenditure –relating to prior year	-	1,107
Fruitless and wasteful expenditure –relating to current year	-	3,988
Less: Amounts Condoned	-	(5,095)
<b>Fruitless and wasteful expenditure awaiting condonation</b>	<b>-</b>	<b>-</b>

Analysis of current year's fruitless and wasteful expenditure

32 Church Square lease

Accommodation charges	-	885
Municipal charge (pro-rata to office space)	-	261
Penalties on municipal charges	-	42
Settlement Charge	-	2,800
<b>Total</b>	<b>-</b>	<b>3,988</b>

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013



Note	2012/13	2011/12
	R'000	R'000

**28. KEY MANAGEMENT PERSONNEL**

	No. of Individuals		
Political office bearers	2	3,801	3,968
Officials:			
Level 15 to 16	11	13,634	12,718
Level 14	67	64,681	63,509
<b>Total</b>		<b>82,116</b>	<b>80,195</b>

**29. IMPAIRMENT**

Ex-employee debtors	1,014	647
Other debtors (Material Losses) <sup>18</sup>	36,290	17,165
<b>Total</b>	<b>37,304</b>	<b>17,812</b>

**30. PROVISIONS**

Military Pension	6,160	1,977
Injury on duty	37,801	33,562
Military Medical benefits	684	1,253
Post-Retirement Medical benefits	240	-
Admin Expense Claim	4,401	3,755
Special Pension	105,451	5,059
Government Employees Pension Fund <sup>19</sup>	5,901,790	5,289,170
<b>Total</b>	<b>6,056,527</b>	<b>5,334,776</b>

<sup>18</sup> Other debtors include R35.7 million from GPAA relating to material losses as a result of beneficiaries investigated by the Special Investigating Unit (SIU), Percy Sonn and Nexus Forensics on Programme 7, to show accumulated amounts in line with the Department Departmental Reporting Framework. Amounts representing the material losses are Schedule 1 offences (2012/13 R179,789; 2011/12 R5.4 million), Fraud offences (2012/13 R198,000; 2011/12R12 million) and Misinterpretation of the Act (2012/13 R35.3 million; 2011/12 R0). The Schedule 1 and fraud offences were terminated in the month of April 2012. Per the cost benefit analysis performed on Misinterpretation of the Act of 644 cases and legal advice obtained, pension pay-outs will be made annually to the 644 pensioners and amounts paid will be written off in the financial year that they are incurred until all have been fully paid out.

<sup>19</sup> This provision arose as a result of the amendments done by the GEFP to the Rules of the Fund with effect from 01 April 2011 to bring into effect the change in dispensation with respect to Non-Statutory Forces (NSF). Prior year figures were restated to account for the provision in the NT financial statements as the valuation report for the 2011/12 financial year was only approved by the Minister on 28 March 2013. GEFP's balance as at 31 March 2013 was R6,272 million (NT has disclosed R5,902 million taking into account a payment of R370 million made on 28 March 2013, refer to Annexure 1G).





## DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

### 31. RELATED PARTIES

#### 31.1 Parties related to 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 Development Bank of South Africa (Land Bank)
11. Corporation for Public Deposits
12. DBSA Development Fund
13. Independent Regulatory Board for Auditors (IRBA)
14. South African Reserve Bank (SARB)
15. Financial Advisory Intermediary Services (FAIS) Ombudsman
16. Office of the Pension Fund Adjudicator (OPFA)
17. The Co-operative Banks Development Agency (CBDA)
18. Technical Assistance Unit (TAU)
19. Government Pensions Administration Agency (GPAA)

#### 31.2 RELATED PARTY TRANSACTIONS

Name	Nature	Space Occupied	2012/13	2011/12
			R'000	R'000
Financial				
TAU	Building Occupied	1225	1,429	1,323
CBDA	Building Occupied	646	753	698
Public Private Partnerships	Building Occupied	665	776	718
Department of Public Works	Building Occupied (40 Church Square)		3,366	2,927
<b>TOTAL<sup>24</sup></b>			<b>6,324</b>	<b>5,666</b>

<sup>24</sup> The amounts relating to TAU, CBDA, PPP are reflected at fair values as the entities do not pay actual rent. Prior year balances have been restated to take into account the related party transaction with DPW pertaining to 40 Church building

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

**32. MOVABLE TANGIBLE CAPITAL ASSETS**

Movement in movable tangible capital assets per asset register for the year ended 31 March 2013

	Opening balance	Current Year adjustments to prior year balances	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000	R'000
<b>Machinery and equipment</b>					
Transport assets	3,841	(1)	1,013	(1,053)	3,800
Computer equipment	57,247	(12)	9,254	(3,490)	62,999
Furniture and office equipment	17,052	3	908	(115)	17,848
Other machinery and equipment	7,952	(1)	8,652	(12)	16,591
<b>Total movable tangible capital assets</b>	<b>86,092</b>	<b>(11)</b>	<b>19,827</b>	<b>(4,670)</b>	<b>101,238</b>

**32.1 Additions**

Additions to movable tangible capital assets per asset register for the year ended 31 March 2013

	Cash	Non-cash	(Capital work in progress current costs and finance lease payments)	Received current, not paid (paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
<b>Description</b>					
Transport assets	553	460	-	-	1,013
Computer equipment	9,254	-	-	-	9,254
Furniture and office equipment	908	-	-	-	908
Other machinery and equipment	8,652	-	-	-	8,652
<b>Total additions of movable tangible capital assets</b>	<b>19,367</b>	<b>460</b>	<b>-</b>	<b>-</b>	<b>19,827</b>



DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

**32.2 Disposals**

Disposals of movable tangible capital assets per asset register for the year ended 31 March 2013

Description	Assets Sold	Transfer out or destroyed or scrapped	Total Disposals	Cash received actual
	R'000	R'000	R'000	R'000
Transport assets	1,053	-	1,053	1,053
Computer equipment	3,026	464	3,490	3,026
Furniture and office equipment	115	-	115	115
Other machinery and equipment	12	-	12	12
<b>Total Disposal of movable tangible capital assets</b>	<b>4,206</b>	<b>464</b>	<b>4,670</b>	<b>4,206</b>

**32.3 Movement for 2011/12**

Movement in the movable tangible capital assets per asset register for the year ended 31 March 2012

Description	Opening balance	Current Year adjustments to prior year balances	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000	R'000
Transport assets	2,783	-	1,058	-	3,841
Computer equipment	52,581	-	5,627	(961)	57,247
Furniture and office equipment	16,277	-	775	-	17,052
Other machinery and equipment	6,359	-	1,602	(9)	7,952
<b>Total movable tangible assets</b>	<b>78,000</b>	<b>-</b>	<b>9,062</b>	<b>(970)</b>	<b>86,092</b>

**32.4 Minor assets**

Movement in minor assets per the asset register for the year ended 31 March 2013

Description	Intangible Assets	Heritage Assets	Machinery and equipment	Biological assets	Closing balance
	R'000	R'000	R'000	R'000	R'000
Opening balance	-	-	33,671	-	33,671
Current year adjustment to prior year balances	-	-	-	-	-
Additions	-	-	848	-	848
Disposal	-	-	(655)	-	(655)
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>33,864</b>	<b>-</b>	<b>33,864</b>

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013



	Machinery and equipment	Total
	'000	'000
Number of minor assets at cost	22	22
<b>Total number of minor assets</b>	<b>22</b>	<b>22</b>

Movement in minor assets per the asset register for the year ended 31 March 2012

	Intangible Assets	Heritage Assets	Machinery and equipment	Biological assets	Closing balance
	R'000	R'000	R'000	R'000	R'000
Opening balance	-	-	33,525	-	33,525
Current year adjustment to prior year balances	-	-	-	-	-
Additions	-	-	347	-	347
Disposal	-	-	(201)	-	(201)
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>33,671</b>	<b>-</b>	<b>33,671</b>

	Machinery and equipment	Total
	'000	'000
Number of minor assets at cost	23	23
<b>Total number of minor assets</b>	<b>23</b>	<b>23</b>

### 33. INTANGIBLE CAPITAL ASSETS

Movement in intangible capital assets per the asset register for the year ended 31 March 2013

	Opening Balance	Current year adjustments to prior year balances	Additions	Disposals	Closing balance
	R'	R'	R'	R'	R'
Computer Software	4	-	-	-	4
<b>TOTAL<sup>25</sup></b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4</b>

<sup>25</sup> Prior year balances were restated to take into account legacy systems (BAS, Persal, Logis, and Vulindlela) at a fair value of R4 (R1 each).



## DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

### 33.1 Additions

Additions to intangible capital assets per asset register for the year ended 31 March 2013

Description	Cash	Non-cash	(Development work-in- progress current costs )	Received current, not paid (paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
Computer Software	-	-	-	-	-
<b>Total additions of intangible capital assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 33.2 Disposals

Disposals of intangible capital assets per asset register for the year ended 31 March 2013

Description	Assets Sold	Transfer out or destroyed or scrapped	Total Disposals	Cash received actual
	R'000	R'000	R'000	R'000
Computer Software	-	-	-	-
<b>Total Disposal of intangible capital assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 34. IMMOVABLE TANGIBLE CAPITAL ASSETS

Movement in immovable tangible capital assets per the asset register for the year ended 31 March 2013

Description	Opening Balance	Current year adjustments to prior year balances	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000	R'000
Other fixed Structures	-	-	615	-	615
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>615</b>	<b>-</b>	<b>615</b>

## DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

### 34.1 Additions

Additions to immovable tangible capital assets per asset register for the year ended 31 March 2013

	Cash	Non-cash	(Capital work-in-progress current costs and finance lease payments)	Received current, not paid (paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
Description					
Other Fixed Structures	615	-	-	-	615
<b>Total additions of immovable tangible capital assets</b>	<b>615</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>615</b>

### 34.2 Disposals

Disposals of immovable tangible capital assets per asset register for the year ended 31 March 2013

	Assets Sold	Transfer out or destroyed or scrapped	Total Disposals	Cash received actual
	R'000	R'000	R'000	R'000
Description				
Other Fixed Structures	-	-	-	-
<b>Total disposal of immovable tangible capital assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 35. STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES

#### STATEMENT OF CONDITIONAL GRANTS RECEIVED

NAME OF CONDITIONAL GRANT	GRANT ALLOCATION (2012/13)						SPENT (2012/13)			2011/12	
	Division of Revenue Act	Rollovers	DORA Adjustments	Other Adjustments	Total Available	Amount received by department	Amount spent by department	Under/overspending	% of available funds spent by department	Division of Revenue Act	Amount spent by department
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Local Government Financial Management Grant	402,753	-	-	-	402,753	402,753	402,753	-	100%	423,641	423,641
Neighborhood Development Partners Grant	578,132	-	-	-	578,132	578,132	578,132	-	100%	750,000	738,393
Infrastructure Skills Development Grant	75,460	-	-	-	75,460	75,460	75,460	-	100%	-	-
<b>Total conditional grants to municipalities</b>	<b>1,056,345</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,056,345</b>	<b>1,056,345<sup>21</sup></b>	<b>1,056,345</b>	<b>-</b>	<b>100%</b>	<b>1,173,641</b>	<b>1,162,034</b>

<sup>21</sup> This total relates to transfers to municipalities. Refer to annexure 1A for a detailed breakdown.

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

**36. STATEMENT OF CONDITIONAL GRANTS PAID TO THE PROVINCES<sup>27</sup>**

NAME OF PROVINCE	GRANT ALLOCATION (2012/13)				TRANSFER (2012/13)			SPENT (2012/13)		2011/12	
	Division of Revenue Act	Rollovers	Adjustments	Total Available Total	Actual Transfer	Funds Withheld	Re-allocations by The National Treasury or National Department	Amount received by department	Amount spent by department	% of available funds spent by department	
											R'000
Free State	-	-	-	-	-	-	-	-	-	-	117,119
Limpopo	-	-	-	-	-	-	-	-	-	-	261,514
Mpumalanga	-	-	-	-	-	-	-	-	-	-	302,437
Northern Cape	-	-	-	-	-	-	-	-	-	-	213,999
North West	-	-	-	-	-	-	-	-	-	-	194,614
<b>Total conditional grants to provinces<sup>28</sup></b>	-	-	-	-	-	-	-	-	-	-	<b>1,089,683</b>

<sup>27</sup> Conditional Grants to Provinces are no longer transferred by the National Treasury, they are transferred directly by the responsible departments.  
<sup>28</sup> Amounts disclosed in the annexures are the amounts appropriated per the Appropriation Act (Budget amount), amounts disclosed in the notes to the annual financial statements in the prior year are the actual expenditure on transfer and subsidies.



## ANNEXURE 1A

# NATIONAL TREASURY | VOTE 10

## ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

## STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES: NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT

NAME OF MUNICIPALITY	GRANT ALLOCATION (2012/13)				TRANSFER (2012/13)		SPENT (2012/13)		2011/12		
	Division of Revenue Act	Rollovers	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocation by The National Treasury or National Department	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	Division of Revenue Act
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000
Amatole District Municipalities	64,156	-	(31,216)	32,940	32,940	-	-	32,940	29,000	88%	34,000
Ba-Phalaborwa	6,000	-	3,000	9,000	9,000	-	-	9,000	4,570	51%	7,000
Beaufort West	5,300	-	-	5,300	5,300	-	-	5,300	4,101	77%	2,800
Bitou	213	-	-	213	213	-	-	213	213	100%	14,000
Buffalo City	-	-	-	-	-	-	-	-	-	-	2,500
Cederburg	750	-	195	945	945	-	-	945	945	100%	-
Cape Town	52,547	-	(22,547)	30,000	30,000	-	-	30,000	30,000	100%	75,000
Dhlabeng	-	-	-	-	-	-	-	-	-	-%	4,000
Ekurhuleni Metro	-	-	-	-	-	-	-	-	-	-	20,000
Ernamibithi (Ladysmith)	10,000	-	5,000	15,000	15,000	-	-	15,000	7,244	48%	12,000
Ethekwini	10,000	-	-	10,000	10,000	-	-	10,000	7,935	79%	85,100
Ga-Segonyana	-	-	-	-	-	-	-	-	-	-	5,000
Greater Taung	9,308	-	1,534	10,842	10,842	-	-	10,842	7,712	71%	28,000
Greater Tzaneen	500	-	-500	-	-	-	-	-	-	-	-
Johannesburg	5,000	-	5,000	10,000	10,000	-	-	10,000	4,924	49%	14,000
King Sabata Dalindyebo	70,831	-	(22,831)	48,000	48,000	-	-	48,000	5,355	11%	60,000
Knysna	5,000	-	-	5,000	5,000	-	-	5,000	-	-	-
Kwadukuza	94	-	-51	43	43	-	-	43	43	100%	5,000
Langeberg	20,000	-	(17,093)	2,907	2,907	-	-	2,907	2,907	100%	15,000
<b>Subtotal carried forward</b>	<b>259,699</b>	<b>-</b>	<b>(79,509)</b>	<b>180,190</b>	<b>180,190</b>	<b>-</b>	<b>-</b>	<b>180,190</b>	<b>104,949</b>	<b>-</b>	<b>385,400</b>

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

## ANNEXURE 1A / continued

### STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES: NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT (CONTINUED)

NAME OF MUNICIPALITY	GRANT ALLOCATION (2012/13)				TRANSFER (2012/13)			SPENT (2012/13)		2011/12
	Division of Revenue Act	Rollovers	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocation by The National Treasury or National Department	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	R'000	R'000	%
<b>Subtotal brought forward</b>	<b>259,699</b>	<b>-</b>	<b>(79,509)</b>	<b>180,190</b>	<b>180,190</b>	<b>-</b>	<b>-</b>	<b>180,190</b>	<b>104,949</b>	<b>-</b>
Lekwa	1,745	-	-	1,745	1,745	-	-	1,745	-	-
Makana	20,000	-	(6,700)	13,300	13,300	-	-	13,300	13,300	100%
Mandeni	-	-	-	-	-	-	-	-	130	-
Matjhabeng	715	-	-	715	715	-	-	715	450	63%
Matlosana	-	-	-	-	-	-	-	-	-	-
Matzikama	2,139	-	-	2,139	2,139	-	-	2,139	896	42%
Mbombela	-	-	-	-	-	-	-	-	-	-
Mogalakwena	15,000	-	(4,374)	10,626	10,626	-	-	10,626	4,991	47%
Mogale City	700	-	-700	-	-	-	-	-	-	-
Msunduzi	-	-	-	-	-	-	-	-	-	-
Ndwedwe	-	-	-	-	-	-	-	-	-	-
Nelson Mandela Bay	64,062	-	-	64,062	64,062	-	-	64,062	58,040	91%
Newcastle	8,900	-	100	9,000	9,000	-	-	9,000	2,694	30%
Nongoma	20,554	-	-	20,554	20,554	-	-	20,554	9,575	47%
Oudtshoorn	10,825	-	-	10,825	10,825	-	-	10,825	9,901	91%
Overstrand	2,418	-	-	2,418	2,418	-	-	2,418	2,418	100%
Polokwane	30,000	-	(12,000)	18,000	18,000	-	-	18,000	11,658	65%
Ramotshere Moila	10,000	-	-	10,000	10,000	-	-	10,000	6,228	62%
<b>Subtotal carried forward</b>	<b>446,757</b>	<b>-</b>	<b>(103,183)</b>	<b>343,574</b>	<b>343,574</b>	<b>-</b>	<b>-</b>	<b>343,574</b>	<b>225,230</b>	<b>616,100</b>

**ANNEXURE 1A / continued****STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES: NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT (CONTINUED)**

NAME OF MUNICIPALITY	GRANT ALLOCATION (2012/13)			TRANSFER (2012/13)		SPENT (2012/13)		2011/12			
	Division of Revenue Act	Rollovers	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocation by The National Treasury or National Department		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	R'000	R'000	%	R'000
<b>Subtotal brought forward</b>	<b>446,757</b>	<b>-</b>	<b>(103,183)</b>	<b>343,574</b>	<b>343,574</b>	<b>0</b>	<b>0</b>	<b>343,574</b>	<b>225,230</b>		<b>616,100</b>
Rustenburg	-	-	-	-	-	-	-	-	-	-	4,000
Sedibeng	2,508	-	-	2,508	2,508	-	-	2,508	2,508	100%	14,000
Senqu	2,300	-	7,905	10,205	10,205	-	-	10,205	9,418	92%	2,900
Sol Plaatjje	2,000	-	(2,000)	-	-	-	-	-	-	-	10,000
Steve Tshwete	10,000	-	(6,000)	4,000	4,000	-	-	4,000	1,670	42%	15,000
Thulamela	55,000	-	(15,000)	40,000	40,000	-	-	40,000	34,481	86%	25,000
Tlokwe	-	-	-	-	-	-	-	-	-	-	4,000
Tshwane	59,567	-	92,433	152,000	152,000	-	-	152,000	71,267	47%	45,000
Umtshezi	-	-	11,113	11,113	11,113	-	-	11,113	4,246	38%	4,000
Umzimkhulu	-	-	13,353	13,353	13,353	-	-	13,353	6,962	52%	5,000
West Rand	-	-	-	-	-	-	-	-	-	-	5,000
Witzenberg	-	-	1,379	1,379	1,379	-	-	1,379	907	-	-
<b>Total<sup>29</sup></b>	<b>578,132</b>	<b>-</b>	<b>-</b>	<b>578,132</b>	<b>578,132</b>	<b>-</b>	<b>-</b>	<b>578,132</b>	<b>356,689</b>	<b>62%</b>	<b>750,000</b>

<sup>29</sup> Amounts disclosed in the annexures are the amounts appropriated per the Appropriation Act (Budget amount), amounts disclosed in the notes to the annual financial statements in the prior year are the actual expenditure on transfer and subsidies.

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

## ANNEXURE 1A / continued

### STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES: INFRASTRUCTURE SKILLS DEVELOPMENT GRANT

NAME OF MUNICIPALITY	GRANT ALLOCATION (2012/13)				TRANSFER (2012/13)				SPENT (2012/13)		2011/12
	Division of Revenue Act	Rollovers	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocation by The National Treasury or National Department	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	Division of Revenue Act
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000
Buffalo City	3,000	-	-	3,000	3,000	-	-	3,000	411	14%	-
Nelson Mandela Bay	5,300	-	-3,000	2,300	2,300	-	-	2,300	2,143	93%	-
Lukhanji	2,000	-	-	2,000	2,000	-	-	2,000	278	14%	-
King Sabata Dalindyebo	-	-	1,500	1,500	1,500	-	-	1,500	-	-	-
Alfred Nzo	-	-	1,500	1,500	1,500	-	-	1,500	-	-	-
Emluleni	19,230	-	-	19,230	19,230	-	-	19,230	11,321	59%	-
Westonaria	2,600	-	-1,000	1,600	1,600	-	-	1,600	1,303	81%	-
Ethekwini	25,930	-	-3,000	22,930	22,930	-	-	22,930	11,341	49%	-
Ugu	-	-	2,000	2,000	2,000	-	-	2,000	-	-	-
Umhlathuze	3,000	-	-	3,000	3,000	-	-	3,000	1,597	53%	-
Polokwane	3,000	-	-	3,000	3,000	-	-	3,000	3,254	108%	-
John Taolo Gaetsewe	-	-	2,000	2,000	2,000	-	-	2,000	-	-	-
Sol Plaatje	3,000	-	-	3,000	3,000	-	-	3,000	243	8%	-
Ditsobotla	5,400	-	-	5,400	5,400	-	-	5,400	1,836	34%	-
George	3,000	-	-	3,000	3,000	-	-	3,000	1,032	34%	-
<b>Total</b> <sup>30</sup>	<b>75,460</b>	<b>-</b>	<b>-</b>	<b>75,460</b>	<b>75,460</b>	<b>-</b>	<b>-</b>	<b>75,460</b>	<b>34,759</b>		<b>-</b>

<sup>30</sup> Amounts disclosed in the annexures are the amounts appropriated per the Appropriation Act (Budget amount), amounts disclosed in the notes to the annual financial statements in the prior year are the actual expenditure on transfer and subsidies.

**ANNEXURE 1A** / continued

# NATIONAL TREASURY | VOTE 10 / continued

## ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

## STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES: LOCAL GOVERNMENT FINANCIAL MANAGEMENT GRANT

NAME OF MUNICIPALITY	GRANT ALLOCATION (2012/13)						TRANSFER (2012/13)		SPENT (2012/13)		2011/12						
	Division of Revenue Act	R'000	Rollovers	R'000	Adjustments	R'000	Total Available	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	Total Available	R'000
Ikait Garib	1,500	-	-	-	-	-	1,500	1,500	100%	1,500	1,500	511	34%	1,450		1,450	
Ykheis	1,500	-	-	-	-	-	1,500	1,500	100%	1,500	1,500	1,405	94%	1,450		1,450	
//KharaiHais	1,500	-	-	-	-	-	1,500	1,500	100%	1,500	1,500	872	58%	1,450		1,450	
Abaqulusi	1,500	-	-	-	-	-	1,500	1,500	100%	1,500	1,500	1,058	71%	1,450		1,450	
Aganang	1,500	-	-	-	-	-	1,500	1,500	100%	1,500	1,500	945	63%	1,250		1,250	
Albert Luthuli	1,250	-	-	-	-	-	1,250	1,250	100%	1,250	1,250	1,250	100%	1,250		1,250	
Alfred Nzo	1,250	-	-	-	-	-	1,250	1,250	100%	1,250	1,250	806	64%	1,250		1,250	
Amahlathi	1,500	-	-	-	-	-	1,500	1,500	100%	1,500	1,500	1,427	95%	1,500		1,500	
Amajuba	1,500	-	-	-	-	-	1,500	1,500	100%	1,500	1,500	668	45%	1,250		1,250	
Amatole	1,250	-	-	-	-	-	1,250	1,250	100%	1,250	1,250	862	69%	1,250		1,250	
Ba-Phalaborwa	1,500	-	-	-	-	-	1,500	1,500	100%	1,500	1,500	531	35%	1,250		1,250	
Baviaans	1,250	-	-	-	-	-	1,250	1,250	100%	1,250	1,250	546	44%	1,500		1,500	
Beaufort West	1,250	-	-	-	-	-	1,250	1,250	100%	1,250	1,250	1,104	88%	1,250		1,250	
Bela-Bela	1,500	-	-	-	-	-	1,500	1,500	100%	1,500	1,500	579	39%	1,250		1,250	
Bergivier	1,250	-	-	-	-	-	1,250	1,250	100%	1,250	1,250	1,092	87%	1,250		1,250	
Bitou	1,250	-	-	-	-	-	1,250	1,250	100%	1,250	1,250	786	63%	1,250		1,250	
Blouberg	1,500	-	-	-	-	-	1,500	1,500	100%	1,500	1,500	900	60%	1,500		1,500	
Blue Crane Route	1,500	-	-	-	-	-	1,500	1,500	100%	1,500	1,500	1,343	90%	1,450		1,450	
<b>Subtotal carried forward</b>	<b>25,250</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,250</b>	<b>25,250</b>		<b>25,250</b>	<b>25,250</b>	<b>16,685</b>		<b>24,250</b>		<b>24,250</b>	

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

**ANNEXURE 1A** / continued

STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES: LOCAL GOVERNMENT FINANCIAL MANAGEMENT GRANT

NAME OF MUNICIPALITY	GRANT ALLOCATION (2012/13)					TRANSFER (2012/13)			SPENT (2012/13)			2011/12	
	Division of Revenue Act	Rollovers	Adjustments	Total Available	R'000	Actual Transfer	% of Available Funds Transferred	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	R'000	R'000	Total Available
<b>Subtotal brought forward</b>	<b>25,250</b>	<b>-</b>	<b>-</b>	<b>25,250</b>	<b>R'000</b>	<b>25,250</b>	<b>%</b>	<b>25,250</b>	<b>16,685</b>	<b>%</b>	<b>R'000</b>	<b>R'000</b>	<b>24,250</b>
Bojanala Platinum	1,250	-	-	1,250	R'000	1,250	100%	1,250	1,200	96%	1,250	1,250	1,250
Dr. Ruth Segomotsi Mompati District	1,250	-	-	1,250	R'000	1,250	100%	1,250	1,095	88%	1,250	1,250	1,250
Langerberg	1,250	-	-	1,250	R'000	1,250	100%	1,250	848	68%	1,250	1,250	1,250
Breede Valley	1,250	-	-	1,250	R'000	1,250	100%	1,250	931	74%	1,250	1,250	1,250
Buffalo City	1,500	-	-	1,500	R'000	1,500	100%	1,500	381	25%	1,500	1,450	1,450
Bushbuckridge	1,500	-	-	1,500	R'000	1,500	100%	1,500	1,179	79%	1,500	1,250	1,250
Cacadu	1,250	-	-	1,250	R'000	1,250	100%	1,250	1,073	86%	1,250	1,250	1,250
Camdeboo	1,750	-	-	1,750	R'000	1,750	100%	1,750	1,519	87%	1,750	2,000	2,000
Cape Agulhas	1,250	-	-	1,250	R'000	1,250	100%	1,250	1,148	92%	1,250	1,250	1,250
Cape Town	1,250	-	-	1,250	R'000	1,250	100%	1,250	932	75%	1,250	1,250	1,250
Cape Winelands	1,250	-	-	1,250	R'000	1,250	100%	1,250	1,116	89%	1,250	1,250	1,250
Capricorn	1,250	-	-	1,250	R'000	1,250	100%	1,250	773	62%	1,250	1,250	1,250
Cederberg	1,250	-	-	1,250	R'000	1,250	100%	1,250	1,099	88%	1,250	1,250	1,250
Central Karoo	1,250	-	-	1,250	R'000	1,250	100%	1,250	820	66%	1,250	1,250	1,250
Chris Hani	1,500	-	-	1,500	R'000	1,500	100%	1,500	509	34%	1,500	1,250	1,250
Dannhauser	1,250	-	-	1,250	R'000	1,250	100%	1,250	506	40%	1,250	1,250	1,250
Delmas	1,500	-	-	1,500	R'000	1,500	100%	1,500	1,262	84%	1,500	1,250	1,250
Dhlabeng	1,500	-	-	1,500	R'000	1,500	100%	1,500	1,066	71%	1,500	1,450	1,450
Dikgatlong	1,500	-	-	1,500	R'000	1,500	100%	1,500	1,500	100%	1,500	1,450	1,450
Dipaleseng	1,500	-	-	1,500	R'000	1,500	100%	1,500	870	58%	1,500	1,250	1,250
<b>Subtotal carried forward</b>	<b>52,500</b>	<b>-</b>	<b>-</b>	<b>52,500</b>	<b>R'000</b>	<b>52,500</b>	<b>%</b>	<b>52,500</b>	<b>36,512</b>	<b>%</b>	<b>52,500</b>	<b>50,600</b>	

## ANNEXURE 1A / continued

## NATIONAL TREASURY | VOTE 10 / continued

## ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

NAME OF MUNICIPALITY	GRANT ALLOCATION (2012/13)						TRANSFER (2012/13)			SPENT (2012/13)			2011/12		
	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	%
<b>Balance brought forward</b>	<b>52,500</b>	-	-	<b>52,500</b>	<b>52,500</b>	%	<b>52,500</b>	<b>36,512</b>	%	<b>50,600</b>					
Ditsobotla	1,500	-	-	1,500	1,500	100%	1,500	1,018	68%	4,250					
Dr JS Moroka	1,250	-	-	1,250	1,250	100%	1,250	1,214	97%	1,250					
Drakenstein	1,250	-	-	1,250	1,250	100%	1,250	849	68%	1,250					
Eden	1,250	-	-	1,250	1,250	100%	1,250	1,196	96%	1,250					
Edumbe	1,500	-	-	1,500	1,500	100%	1,500	1,428	95%	1,450					
Ehlanzeni	1,500	-	-	1,500	1,500	100%	1,500	852	57%	1,250					
Ekurhuleni Metro	1,250	-	-	1,250	1,250	100%	1,250	845	68%	1,250					
Elundini	1,500	-	-	1,500	1,500	100%	1,500	1,131	75%	1,500					
Emadlangeni	1,500	-	-	1,500	1,500	100%	1,500	1,137	76%	1,500					
Emakhazeni	1,500	-	-	1,500	1,500	100%	1,500	1,065	71%	1,250					
Emalahleni (Eastern Cape)	1,500	-	-	1,500	1,500	100%	1,500	1,248	83%	1,500					
Emalahleni (Mpumalanga)	1,500	-	-	1,500	1,500	100%	1,500	1,500	100%	1,250					
Emfuleni	1,250	-	-	1,250	1,250	100%	1,250	901	72%	8,750					
Emnambithi (Ladysmith)	1,500	-	-	1,500	1,500	100%	1,500	922	61%	1,450					
Emthanjeni	1,500	-	-	1,500	1,500	100%	1,500	1,130	75%	1,450					
Endumeni	1,500	-	-	1,500	1,500	100%	1,500	1,412	94%	1,450					
Engcobo	1,500	-	-	1,500	1,500	100%	1,500	970	65%	1,450					
Ethekwini	1,500	-	-	1,500	1,500	100%	1,500	1,500	100%	15,750					
Ezingolweni	1,500	-	-	1,500	1,500	100%	1,500	1,245	83%	1,500					
Fetakgomo	1,500	-	-	1,500	1,500	100%	1,500	949	63%	1,500					
<b>Subtotal carried forward</b>	<b>81,250</b>	-	-	<b>81,250</b>	<b>81,250</b>		<b>81,250</b>	<b>59,024</b>		<b>102,850</b>					

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

**ANNEXURE 1A / continued**

NAME OF MUNICIPALITY	GRANT ALLOCATION (2012/13)				TRANSFER (2012/13)		SPENT (2012/13)		2011/12	
	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>81,250</b>	-	-	<b>81,250</b>	<b>81,250</b>		<b>81,250</b>	<b>59,024</b>		<b>102,850</b>
Fezile Dabi	1,250	-	-	1,250	1,250	100%	1,250	638	51%	1,250
Frances Baard	1,250	-	-	1,250	1,250	100%	1,250	757	61%	1,250
Gamagara	1,500	-	-	1,500	1,500	100%	1,500	881	59%	1,450
Gariep	1,500	-	-	1,500	1,500	100%	1,500	939	63%	1,450
Ga-Segonyana	1,500	-	-	1,500	1,500	100%	1,500	994	66%	1,450
George	1,250	-	-	1,250	1,250	100%	1,250	518	41%	1,250
Gert Sibande	1,250	-	-	1,250	1,250	100%	1,250	1,181	94%	1,250
Govan Mbeki	1,500	-	-	1,500	1,500	100%	1,500	1,232	82%	4,250
Great Kei	1,500	-	-	1,500	1,500	100%	1,500	1,197	80%	1,500
Greater Giyani	1,500	-	-	1,500	1,500	100%	1,500	596	40%	1,250
Greater Kokstad	1,500	-	-	1,500	1,500	100%	1,500	779	52%	1,250
Greater Letaba	1,500	-	-	1,500	1,500	100%	1,500	750	50%	1,250
Greater Marble Hall	1,500	-	-	1,500	1,500	100%	1,500	745	50%	1,250
Greater Sekhukhune	1,250	-	-	1,250	1,250	100%	1,250	837	67%	1,250
Greater Taung	1,500	-	-	1,500	1,500	100%	1,500	326	22%	1,250
Greater Tubatse	1,500	-	-	1,500	1,500	100%	1,500	720	48%	1,250
Greater Tzaneen	1,500	-	-	1,500	1,500	100%	1,500	1,382	92%	1,250
Hantam	1,500	-	-	1,500	1,500	100%	1,500	1,107	74%	1,450
Hessequa	1,250	-	-	1,250	1,250	100%	1,250	871	70%	1,250
Hibiscus Coast	1,500	-	-	1,500	1,500	100%	1,500	1,256	84%	1,450
<b>Subtotal carried forward</b>	<b>109,750</b>	-	-	<b>109,750</b>	<b>109,750</b>		<b>109,750</b>	<b>76,730</b>		<b>132,100</b>



ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

**ANNEXURE 1A / continued**

STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES: LOCAL GOVERNMENT FINANCIAL MANAGEMENT GRANT

NAME OF MUNICIPALITY	GRANT ALLOCATION (2012/13)				TRANSFER (2012/13)		SPENT (2012/13)		2011/12	
	Division of Revenue Act	Rolovers	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>109,750</b>	-	-	<b>109,750</b>	<b>109,750</b>		<b>109,750</b>	<b>76,730</b>		<b>132,100</b>
Hlabisa	1,500	-	-	1,500	1,500	100%	1,500	718	48%	1,450
Ikwezi	1,500	-	-	1,500	1,500	100%	1,500	669	45%	1,450
iLembe	1,250	-	-	1,250	1,250	100%	1,250	1,067	85%	1,250
Imbabazane	1,500	-	-	1,500	1,500	100%	1,500	747	50%	1,500
Impendle	1,500	-	-	1,500	1,500	100%	1,500	876	58%	1,500
Indaka	1,500	-	-	1,500	1,500	100%	1,500	1,168	78%	1,500
Ingwe	1,500	-	-	1,500	1,500	100%	1,500	1,252	83%	1,450
Inkwanca	1,500	-	-	1,500	1,500	100%	1,500	1,353	90%	2,000
Intsika Yethu	1,500	-	-	1,500	1,500	100%	1,500	1,242	83%	1,500
Inxuba Ye Themba	1,500	-	-	1,500	1,500	100%	1,500	1,120	75%	1,500
City of Johannesburg	1,250	-	-	1,250	1,250	100%	1,250	978	78%	1,250
Jozini	1,500	-	-	1,500	1,500	100%	1,500	1,101	73%	1,450
Kagisano	3,000	-	-	3,000	3,000	100%	3,000	1,579	53%	2,000
Kamiesberg	1,500	-	-	1,500	1,500	100%	1,500	660	44%	1,450
Kannaland	1,250	-	-	1,250	1,250	100%	1,250	1,250	100%	1,250
Kareeberg	1,500	-	-	1,500	1,500	100%	1,500	1,500	100%	1,450
Karoo Hoogland	1,500	-	-	1,500	1,500	100%	1,500	1,021	68%	1,250
Kgalagadi	1,250	-	-	1,250	1,250	100%	1,250	686	55%	1,250
Kgatlapele	1,500	-	-	1,500	1,500	100%	1,500	1,156	77%	1,500
Kgetlervier	1,500	-	-	1,500	1,500	100%	1,500	379	25%	1,250
<b>Subtotal carried forward</b>	<b>140,250</b>	-	-	<b>140,250</b>	<b>140,250</b>		<b>140,250</b>	<b>97,252</b>		<b>161,300</b>

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

**ANNEXURE 1A** / continued

STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES: LOCAL GOVERNMENT FINANCIAL MANAGEMENT GRANT

NAME OF MUNICIPALITY	GRANT ALLOCATION (2012/13)				TRANSFER (2012/13)		SPENT (2012/13)		2011/12	
	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>140,250</b>	-	-	<b>140,250</b>	<b>140,250</b>		<b>140,250</b>	<b>97,252</b>		<b>161,300</b>
Khai-Ma	1,500	-	-	1,500	1,500	100%	1,500	1,098	73%	1,250
King Sabata Dalindyebo	1,500	-	-	1,500	1,500	100%	1,500	1,500	100%	1,450
Knysna	1,250	-	-	1,250	1,250	100%	1,250	893	71%	1,250
Kopanong	1,500	-	-	1,500	1,500	100%	1,500	1,127	75%	1,450
Kouga	1,500	-	-	1,500	1,500	100%	1,500	1,032	69%	1,450
Koukamma	1,500	-	-	1,500	1,500	100%	1,500	1,098	73%	1,250
Kwa Dukuza	1,500	-	-	1,500	1,500	100%	1,500	499	33%	1,450
Kwa Sani	1,500	-	-	1,500	1,500	100%	1,500	1,382	92%	1,500
Laingsburg	1,500	-	-	1,500	1,500	100%	1,500	1,184	79%	1,500
Lejweleputswa	1,250	-	-	1,250	1,250	100%	1,250	766	61%	1,250
Lekwa	1,250	-	-	1,250	1,250	100%	1,250	804	64%	1,250
Lekwa-Temane	1,500	-	-	1,500	1,500	100%	1,500	1,500	100%	1,500
Lepelle-Nkumpi	1,500	-	-	1,500	1,500	100%	1,500	728	49%	1,250
Lephalale	1,500	-	-	1,500	1,500	100%	1,500	1,051	70%	1,250
Lesedi	1,250	-	-	1,250	1,250	100%	1,250	990	79%	1,250
Letsemeng	1,500	-	-	1,500	1,500	100%	1,500	957	64%	1,450
Lukhanji	1,500	-	-	1,500	1,500	100%	1,500	885	59%	1,500
Elias Mtshele	1,500	-	-	1,500	1,500	100%	1,500	839	56%	1,250
Madibeng	1,500	-	-	1,500	1,500	100%	1,500	1,360	91%	1,500
<b>Subtotal carried forward</b>	<b>167,750</b>	-	-	<b>167,750</b>	<b>167,750</b>		<b>167,750</b>	<b>116,945</b>		<b>187,300</b>

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

**ANNEXURE 1A / continued**

STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES: LOCAL GOVERNMENT FINANCIAL MANAGEMENT GRANT

NAME OF MUNICIPALITY	GRANT ALLOCATION (2012/13)				TRANSFER (2012/13)		SPENT (2012/13)		2011/12	
	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>167,750</b>	-	-	<b>167,750</b>	<b>167,750</b>		<b>167,750</b>	<b>116,945</b>		<b>187,300</b>
Mafikeng	1,500	-	-	1,500	1,500	100%	1,500	1,092	73%	2,000
Mafube	1,500	-	-	1,500	1,500	100%	1,500	923	62%	1,450
Magareng	1,500	-	-	1,500	1,500	100%	1,500	913	61%	1,500
Makana	1,500	-	-	1,500	1,500	100%	1,500	957	64%	1,450
Makhado	1,500	-	-	1,500	1,500	100%	1,500	617	41%	1,250
Makhuutamaga	1,500	-	-	1,500	1,500	100%	1,500	1,385	92%	1,500
Maletswai	1,500	-	-	1,500	1,500	100%	1,500	1,080	72%	1,500
Maluti-A-Phofung	1,500	-	-	1,500	1,500	100%	1,500	607	40%	1,450
Mamusa	1,500	-	-	1,500	1,500	100%	1,500	1,500	100%	1,250
Mandeni	1,500	-	-	1,500	1,500	100%	1,500	1,097	73%	1,450
Mangaung	1,500	-	-	1,500	1,500	100%	1,500	675	45%	1,450
Mantsopa	1,500	-	-	1,500	1,500	100%	1,500	1,346	90%	1,450
Maphumulo	1,500	-	-	1,500	1,500	100%	1,500	1,465	98%	1,450
Maquassi Hill	1,500	-	-	1,500	1,500	100%	1,500	1,460	97%	1,250
Maruleng	1,500	-	-	1,500	1,500	100%	1,500	775	52%	1,500
Masifonyana	1,500	-	-	1,500	1,500	100%	1,500	1,433	96%	1,250
Matatiele	1,500	-	-	1,500	1,500	100%	1,500	365	24%	1,450
Matjhabeng	1,500	-	-	1,500	1,500	100%	1,500	1,500	100%	1,450
City of Matlosana	1,500	-	-	1,500	1,500	100%	1,500	1,045	70%	1,250
Matzikama	1,250	-	-	1,250	1,250	100%	1,250	1,250	100%	1,250
<b>Subtotal carried forward</b>	<b>197,500</b>	-	-	<b>197,500</b>	<b>197,500</b>		<b>197,500</b>	<b>138,430</b>		<b>215,850</b>

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

**ANNEXURE 1A** / continued

STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES: LOCAL GOVERNMENT FINANCIAL MANAGEMENT GRANT

NAME OF MUNICIPALITY	GRANT ALLOCATION (2012/13)			TRANSFER (2012/13)		SPENT (2012/13)		2011/12		
	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>197,500</b>	-	-	<b>197,500</b>	<b>197,500</b>		<b>197,500</b>	<b>138,430</b>		<b>215,850</b>
Mbhashe	1,500	-	-	1,500	1,500	100%	1,500	1,353	90%	1,500
Mbizana	1,500	-	-	1,500	1,500	100%	1,500	405	27%	1,450
Mbombela	1,500	-	-	1,500	1,500	100%	1,500	1,101	73%	1,250
Mfolozi	1,500	-	-	1,500	1,500	100%	1,500	642	43%	1,450
Merafong City	1,500	-	-	1,500	1,500	100%	1,500	467	31%	1,250
Metsimaholo	1,500	-	-	1,500	1,500	100%	1,500	945	63%	1,450
Mhlontlo	1,500	-	-	1,500	1,500	100%	1,500	1,197	80%	1,450
Midvaal	1,250	-	-	1,250	1,250	100%	1,250	943	75%	1,250
Mier	1,500	-	-	1,500	1,500	100%	1,500	851	57%	1,450
Mkhambathini	1,500	-	-	1,500	1,500	100%	1,500	704	47%	1,500
Mkhondo	1,500	-	-	1,500	1,500	100%	1,500	1,331	89%	1,250
Mnquma	1,500	-	-	1,500	1,500	100%	1,500	1,101	73%	1,450
Modimolle	1,500	-	-	1,500	1,500	100%	1,500	656	44%	1,250
Mogalakwena	1,500	-	-	1,500	1,500	100%	1,500	665	44%	1,250
Mogale City	1,250	-	-	1,250	1,250	100%	1,250	963	77%	1,250
Mohokare	1,500	-	-	1,500	1,500	100%	1,500	545	36%	1,500
Molemole	1,500	-	-	1,500	1,500	100%	1,500	894	60%	1,250
Mpofana	1,500	-	-	1,500	1,500	100%	1,500	1,468	98%	1,500
<b>Subtotal carried forward</b>	<b>224,000</b>	-	-	<b>224,000</b>	<b>224,000</b>		<b>224,000</b>	<b>154,661</b>		<b>240,550</b>

## ANNEXURE 1A / continued

## NATIONAL TREASURY | VOTE 10 / continued

## ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

NAME OF MUNICIPALITY	GRANT ALLOCATION (2012/13)						TRANSFER (2012/13)		SPENT (2012/13)		2011/12	
	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>224,000</b>	-	-	<b>224,000</b>	<b>224,000</b>		<b>224,000</b>	<b>154,661</b>		<b>240,550</b>		
Mookgopong	1,500	-	-	1,500	1,500	100%	1,500	1,090	73%	1,250		
Mopani	1,250	-	-	1,250	1,250	100%	1,250	731	58%	1,250		
Mophaka	1,500	-	-	1,500	1,500	100%	1,500	1,099	73%	1,450		
Moretele	1,500	-	-	1,500	1,500	100%	1,500	657	44%	1,250		
Moses Kotane	1,500	-	-	1,500	1,500	100%	1,500	845	56%	1,250		
Moshaweng	1,500	-	-	1,500	1,500	100%	1,500	1,500	100%	1,450		
Mossel Bay	1,250	-	-	1,250	1,250	100%	1,250	717	57%	1,250		
Misinga	1,500	-	-	1,500	1,500	100%	1,500	1,500	100%	1,450		
Msukaligwa	1,500	-	-	1,500	1,500	100%	1,500	1,257	84%	1,250		
Msunduzi	1,500	-	-	1,500	1,500	100%	1,500	1,197	80%	1,441		
Mthonjaneni	1,500	-	-	1,500	1,500	100%	1,500	911	61%	1,450		
Mtubatuba	1,500	-	-	1,500	1,500	100%	1,500	999	67%	1,250		
Musina	1,250	-	-	1,250	1,250	100%	1,250	771	62%	1,250		
Mutale	1,500	-	-	1,500	1,500	100%	1,500	1,376	92%	1,250		
Nala	1,500	-	-	1,500	1,500	100%	1,500	779	52%	1,500		
Naledi (Free State)	1,500	-	-	1,500	1,500	100%	1,500	954	64%	1,450		
Naledi (North West)	1,500	-	-	1,500	1,500	100%	1,500	1,326	88%	1,500		
Namakhoe	1,500	-	-	1,500	1,500	100%	1,500	1,500	100%	1,450		
Namakwa	1,250	-	-	1,250	1,250	100%	1,250	1,093	87%	1,250		
<b>Subtotal carried forward</b>	<b>251,500</b>	-	-	<b>251,500</b>	<b>251,500</b>		<b>251,500</b>	<b>174,963</b>		<b>266,191</b>		

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

**ANNEXURE 1A / continued**

STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES: LOCAL GOVERNMENT FINANCIAL MANAGEMENT GRANT

NAME OF MUNICIPALITY	GRANT ALLOCATION (2012/13)						TRANSFER (2012/13)		SPENT (2012/13)		2011/12
	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
<b>Balance brought forward</b>	<b>251,500</b>	-	-	<b>251,500</b>	<b>251,500</b>		<b>251,500</b>	<b>174,963</b>		<b>266,191</b>	
Ndlambe	1,753	-	-	1,753	1,753	100%	1,753	1,614	92%	2,000	
Ndwedwe	1,500	-	-	1,500	1,500	100%	1,500	807	54%	1,450	
Nelson Mandela Bay	1,250	-	-	1,250	1,250	100%	1,250	683	55%	6,250	
Newcastle	1,500	-	-	1,500	1,500	100%	1,500	482	32%	1,450	
Ngakamodiri/Molema	1,250	-	-	1,250	1,250	100%	1,250	731	58%	1,250	
Ngqushwa	1,500	-	-	1,500	1,500	100%	1,500	691	46%	1,450	
Ngwathe	1,500	-	-	1,500	1,500	100%	1,500	436	29%	1,450	
Nkandla	1,500	-	-	1,500	1,500	100%	1,500	1,098	73%	1,500	
Nkangala	1,250	-	-	1,250	1,250	100%	1,250	839	67%	1,250	
Nketoana	1,500	-	-	1,500	1,500	100%	1,500	1,459	97%	1,450	
Nkomazi	1,500	-	-	1,500	1,500	100%	1,500	1,109	74%	1,250	
Nkonkobe	1,500	-	-	1,500	1,500	100%	1,500	1,042	69%	1,450	
Nongoma	1,500	-	-	1,500	1,500	100%	1,500	1,046	70%	1,450	
Nquthu	1,500	-	-	1,500	1,500	100%	1,500	1,030	69%	1,500	
Ntabankulu	1,500	-	-	1,500	1,500	100%	1,500	1,077	72%	1,500	
Ntambanana	1,500	-	-	1,500	1,500	100%	1,500	1,430	95%	1,450	
Nxuba	1,500	-	-	1,500	1,500	100%	1,500	1,318	88%	1,450	
Nyandeni	1,500	-	-	1,500	1,500	100%	1,500	1,267	84%	1,450	
O.R Tambo	1,500	-	-	1,500	1,500	100%	1,500	1,100	73%	1,250	
<b>Subtotal carried forward</b>	<b>279,503</b>	-	-	<b>279,503</b>	<b>279,503</b>		<b>279,503</b>	<b>194,222</b>		<b>298,441</b>	

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

**ANNEXURE 1A / continued**

NAME OF MUNICIPALITY	GRANT ALLOCATION (2012/13)						TRANSFER (2012/13)		SPENT (2012/13)		2011/12	
	Division of Revenue Act	R'000	Rollovers	Adjustments	Total Available	R'000	Actual Transfer	% of Available Funds Transferred	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	Total Available
Balance brought forward	279,503	-	-	-	279,503	279,503	279,503	100%	279,503	194,222	100%	298,441
Okhahlamba	1,500	-	-	-	1,500	1,500	1,500	100%	1,500	1,500	100%	1,450
Oudtshoorn	1,250	-	-	-	1,250	1,250	1,250	100%	1,250	1,112	89%	1,250
Overberg	1,250	-	-	-	1,250	1,250	1,250	100%	1,250	623	50%	1,250
Overstrand	1,250	-	-	-	1,250	1,250	1,250	100%	1,250	605	48%	1,250
Phokwane	1,500	-	-	-	1,500	1,500	1,500	100%	1,500	1,173	78%	1,500
Phumelela	1,500	-	-	-	1,500	1,500	1,500	100%	1,500	1,137	76%	1,300
Pixley KaSeme (Mpumalanga)	1,500	-	-	-	1,500	1,500	1,500	100%	1,500	494	33%	1,250
Karoo District	1,250	-	-	-	1,250	1,250	1,250	100%	1,250	1,250	100%	1,250
Polokwane	1,500	-	-	-	1,500	1,500	1,500	100%	1,500	1,349	90%	4,250
Port St John	1,500	-	-	-	1,500	1,500	1,500	100%	1,500	900	60%	2,000
Prince Albert	1,250	-	-	-	1,250	1,250	1,250	100%	1,250	1,250	100%	1,250
Ngquza Hill (Qaukeni)	1,500	-	-	-	1,500	1,500	1,500	100%	1,500	1,500	100%	1,450
Ramontshere Molloa	1,500	-	-	-	1,500	1,500	1,500	100%	1,500	1,387	92%	1,500
Randfontein	1,250	-	-	-	1,250	1,250	1,250	100%	1,250	1,239	99%	1,250
Ratlou	1,500	-	-	-	1,500	1,500	1,500	100%	1,500	1,126	75%	1,500
Renosterberg	1,500	-	-	-	1,500	1,500	1,500	100%	1,500	1,071	71%	1,450
Richmond	1,500	-	-	-	1,500	1,500	1,500	100%	1,500	1,314	88%	1,500
<b>Subtotal carried forward</b>	<b>303,503</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>303,503</b>	<b>303,503</b>	<b>303,503</b>		<b>303,503</b>	<b>213,252</b>		<b>325,091</b>

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

**ANNEXURE 1A** / continued

STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES: LOCAL GOVERNMENT FINANCIAL MANAGEMENT GRANT

NAME OF MUNICIPALITY	GRANT ALLOCATION (2012/13)					TRANSFER (2012/13)		SPENT (2012/13)		2011/12	
	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>303,503</b>	-	-	<b>303,503</b>	<b>303,503</b>		<b>303,503</b>	<b>213,252</b>		<b>325,091</b>	
Richtersveld	1,500	-	-	1,500	1,500	100%	1,500	902	60%	1,450	
Rustenburg	1,500	-	-	1,500	1,500	100%	1,500	604	40%	1,250	
Sakhisizwe	1,500	-	-	1,500	1,500	100%	1,500	1,058	71%	1,500	
Saldanha Bay	1,250	-	-	1,250	1,250	100%	1,250	672	54%	1,250	
Sedibeng	1,250	-	-	1,250	1,250	100%	1,250	1,066	85%	1,250	
Senqu	1,500	-	-	1,500	1,500	100%	1,500	1,055	70%	1,450	
Setsoho	1,500	-	-	1,500	1,500	100%	1,500	1,333	89%	1,450	
Sisonke	1,250	-	-	1,250	1,250	100%	1,250	980	78%	1,250	
Siyancuma	1,500	-	-	1,500	1,500	100%	1,500	1,295	86%	1,450	
Siyanda	1,250	-	-	1,250	1,250	100%	1,250	514	41%	1,250	
Siyathemba	1,500	-	-	1,500	1,500	100%	1,500	1,480	99%	1,450	
Sol Plaatje	1,500	-	-	1,500	1,500	100%	1,500	831	55%	1,450	
Dr. Kenneth Kaunda District	1,250	-	-	1,250	1,250	100%	1,250	643	51%	1,250	
Stellenbosch	1,250	-	-	1,250	1,250	100%	1,250	571	46%	1,250	
Steve Tshwete	1,500	-	-	1,500	1,500	100%	1,500	126	8%	1,250	
Sunday's River Valley	1,500	-	-	1,500	1,500	100%	1,500	1,434	96%	1,500	
Swartland	1,250	-	-	1,250	1,250	100%	1,250	875	70%	1,250	
Swellendam	1,250	-	-	1,250	1,250	100%	1,250	316	25%	1,250	
<b>Subtotal carried forward</b>	<b>328,503</b>	-	-	<b>328,503</b>	<b>328,503</b>		<b>328,503</b>	<b>229,007</b>		<b>349,291</b>	



ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

**ANNEXURE 1A / continued**

STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES: LOCAL GOVERNMENT FINANCIAL MANAGEMENT GRANT

NAME OF MUNICIPALITY	GRANT ALLOCATION (2012/13)				TRANSFER (2012/13)		SPENT (2012/13)		2011/12	
	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>328,503</b>	-	-	<b>328,503</b>	<b>328,503</b>		<b>328,503</b>	<b>229,007</b>		<b>349,291</b>
Thaba Chweu	1,500	-	-	1,500	1,500	100%	1,500	1,418	95%	1,250
Thabazimbi	1,500	-	-	1,500	1,500	100%	1,500	595	40%	1,500
Thabo Mofutsanyane	1,250	-	-	1,250	1,250	100%	1,250	1,132	91%	1,250
The Big 5 False Bay	1,500	-	-	1,500	1,500	100%	1,500	1,003	67%	1,450
Theewaterskloof	1,500	-	-	1,500	1,500	100%	1,500	1,500	100%	1,250
Thembellihle	1,500	-	-	1,500	1,500	100%	1,500	640	43%	1,500
Thembisile	1,250	-	-	1,250	1,250	100%	1,250	1,250	100%	1,250
Thulamela	1,500	-	-	1,500	1,500	100%	1,500	1,500	100%	1,250
Tlokwe	1,500	-	-	1,500	1,500	100%	1,500	1,500	100%	1,250
Tokologo	1,500	-	-	1,500	1,500	100%	1,500	1,319	88%	1,450
Tsantsabane	1,500	-	-	1,500	1,500	100%	1,500	1,500	100%	1,450
City Of Tshwane	5,000	-	-	5,000	5,000	100%	5,000	1,166	23%	5,250
Tsoiwana	1,500	-	-	1,500	1,500	100%	1,500	964	64%	1,250
Tswaing	1,500	-	-	1,500	1,500	100%	1,500	378	25%	1,250
Tswelopele	1,500	-	-	1,500	1,500	100%	1,500	1,020	68%	1,450
Ukhlebezwe	1,500	-	-	1,500	1,500	100%	1,500	614	41%	1,250
Ubuntu	1,500	-	-	1,500	1,500	100%	1,500	887	59%	1,450
<b>Subtotal carried forward</b>	<b>357,003</b>	-	-	<b>357,003</b>	<b>357,003</b>		<b>357,003</b>	<b>247,393</b>		<b>376,041</b>

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

**ANNEXURE 1A / continued**

STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES: LOCAL GOVERNMENT FINANCIAL MANAGEMENT GRANT

NAME OF MUNICIPALITY	GRANT ALLOCATION (2012/13)				TRANSFER (2012/13)		SPENT (2012/13)		2011/12	
	Division of Revenue Act	Rolovers	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>357,003</b>	-	-	<b>357,003</b>	<b>357,003</b>		<b>357,003</b>	<b>247,393</b>		<b>376,041</b>
Ugu	1,250	-	-	1,250	1,250	100%	1,250	244	20%	1,250
Ukhahlamba	1,250	-	-	1,250	1,250	100%	1,250	591	47%	1,250
Ulundi	1,500	-	-	1,500	1,500	100%	1,500	583	39%	1,450
Umdoni	1,500	-	-	1,500	1,500	100%	1,500	1,500	100%	1,450
Umgungundlovu	1,250	-	-	1,250	1,250	100%	1,250	1,220	98%	1,250
Umhlabuyalinga	1,500	-	-	1,500	1,500	100%	1,500	1,219	81%	1,450
Umhlabuthuze	1,500	-	-	1,500	1,500	100%	1,500	1,470	98%	1,450
Umjindi	1,500	-	-	1,500	1,500	100%	1,500	1,500	100%	1,250
Umkhanyakude	1,250	-	-	1,250	1,250	100%	1,250	1,075	86%	1,250
Umlalazi	1,500	-	-	1,500	1,500	100%	1,500	763	51%	1,450
Umngeni	1,500	-	-	1,500	1,500	100%	1,500	1,419	95%	1,450
Umshwathi	1,500	-	-	1,500	1,500	100%	1,500	928	62%	1,500
Umsobomvu	1,500	-	-	1,500	1,500	100%	1,500	1,500	100%	1,450
Umtshezi	1,500	-	-	1,500	1,500	100%	1,500	604	40%	1,450
Umuziwabantu	1,500	-	-	1,500	1,500	100%	1,500	1,271	85%	1,450
Umvoti	1,500	-	-	1,500	1,500	100%	1,500	1,277	85%	1,450
Umzimkhulu	1,500	-	-	1,500	1,500	100%	1,500	1,500	100%	1,450
Umzimvubu	1,500	-	-	1,500	1,500	100%	1,500	663	44%	1,450
Umzinyathi	1,250	-	-	1,250	1,250	100%	1,250	1,174	94%	1,250
<b>Subtotal carried forward</b>	<b>384,253</b>	-	-	<b>384,253</b>	<b>384,253</b>		<b>384,253</b>	<b>267,894</b>		<b>402,441</b>

## ANNEXURE 1A / continued

# NATIONAL TREASURY | VOTE 10 / continued

## ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

## STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES: LOCAL GOVERNMENT FINANCIAL MANAGEMENT GRANT

NAME OF MUNICIPALITY	GRANT ALLOCATION (2012/13)			TRANSFER (2012/13)		SPENT (2012/13)		2011/12		
	Division of Revenue Act	Rolovers	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>384,253</b>	-	-	<b>384,253</b>	<b>384,253</b>		<b>384,253</b>	<b>267,894</b>		<b>402,441</b>
Urmzumbe	1,500	-	-	1,500	1,500	100%	1,500	940	63%	1,500
Uphongolo	1,500	-	-	1,500	1,500	100%	1,500	1,067	71%	1,450
Uthukela	1,250	-	-	1,250	1,250	100%	1,250	1,250	100%	1,250
Uthungulu	1,250	-	-	1,250	1,250	100%	1,250	583	47%	1,250
Ventersdorp	1,500	-	-	1,500	1,500	100%	1,500	631	42%	1,250
Vhembe	1,250	-	-	1,250	1,250	100%	1,250	1,031	82%	1,250
Vulamehlo	1,500	-	-	1,500	1,500	100%	1,500	1,500	100%	1,500
Waterberg	1,250	-	-	1,250	1,250	100%	1,250	702	56%	1,250
West Coast	1,250	-	-	1,250	1,250	100%	1,250	812	65%	1,250
West Rand	1,250	-	-	1,250	1,250	100%	1,250	628	50%	1,250
Westonaria	1,250	-	-	1,250	1,250	100%	1,250	371	30%	4,250
Witzenberg	1,250	-	-	1,250	1,250	100%	1,250	1,017	81%	1,250
Xhariep	1,250	-	-	1,250	1,250	100%	1,250	739	59%	1,250
Zululand	1,250	-	-	1,250	1,250	100%	1,250	1,250	100%	1,250
<b>Total<sup>31</sup></b>	<b>402,753</b>	-	-	<b>402,753</b>	<b>402,753</b>		<b>402,753</b>	<b>280,415</b>		<b>423,641</b>

<sup>31</sup> Amounts disclosed in the annexures are the amounts appropriated per the Appropriation Act (Budget amount), amounts disclosed in the notes to the annual financial statements in the prior year are the actual expenditure on transfer and subsidies.

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

## ANNEXURE 1B

### STATEMENT OF TRANSFERS TO DEPARTMENTAL AGENCIES AND ACCOUNTS

DEPARTMENT/ AGENCY/ ACCOUNT	TRANSFER ALLOCATION (2012/13)						TRANSFER (2012/13)		2011/12
	Adjusted Appropriation	Rollovers	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Appropriation Act		
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	
Accounting Standards Board	9,469	-	-	9,469	9,469	100%	8,561	8,561	
Audit Statutory Bodies	30,235	-	73	30,308	30,308	100%	29,919	29,919	
Skills Development Levy	435	-	147	582	527	91%	-	-	
Cooperative Bank Development Agency	16,000	-	-	16,000	16,000	100%	9,310	9,310	
FASSET	-	-	-	-	-	-	128,600	128,600	
Financial and Fiscal Commission	37,268	-	-	37,268	37,268	100%	528	528	
Financial Intelligence Centre	142,325	-	54,989	197,314	197,314	100%	33,036	33,036	
Finance, Accounting, Management Consulting and other Financial Services	-	-	-	-	-	-	136,500	136,500	
Independent Regulatory Board for Auditors	32,208	-	-	32,208	32,208	100%	34,724	34,724	
Institute of Public Finance and Auditing	-	-	-	-	-	-	-	-	
Project Development Facility <sup>23</sup>	101,000	-	14,000	115,000	115,000	100%	103,000	103,000	
PALAMA	-	-	-	-	-	-	-	-	
TV Licences	-	-	98	98	6	6%	-	-	
SALGA	-	-	-	-	-	-	2,000	2,000	
Secret Services	3,755,513	-	29,294	3,784,807	3,784,807	100%	3,618,521	3,618,521	
South African Revenue Service	9,194,374	-	-45,000	9,149,374	9,149,374	100%	8,653,573	8,653,573	
Technical Assistance Unit Trading Account	39,505	-	-15,000	24,505	24,505	100%	18,434	18,434	
<b>Total transfers to departmental agencies</b>	<b>13,358,332</b>	<b>-</b>	<b>38,601</b>	<b>13,396,933</b>	<b>13,396,786</b>		<b>12,776,706</b>	<b>12,776,706</b>	

<sup>23</sup> R100 million was allocated for the energy renewable project.

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

**ANNEXURE 1C**

STATEMENT OF TRANSFERS TO UNIVERSITIES AND TECHNIKONS

UNIVERSITY/TECHNIKON	TRANSFER ALLOCATION (2012/13)						TRANSFER (2012/13)		2011/12
	Adjusted Appropriation	Rollovers	Adjustments	Total Available	Actual Transfer	Amount not transferred	% of Available funds Transferred	Appropriation Act	
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	
University of Cape Town	8,000	-	1,000	9,000	9,000	-	-	-	
<b>Total transfers to universities and technikons</b>	<b>8,000</b>	<b>-</b>	<b>1,000</b>	<b>9,000</b>	<b>9,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

## ANNEXURE 1D

### STATEMENT OF TRANSFERS/SUBSIDIES TO PUBLIC CORPORATIONS AND PRIVATE ENTERPRISES

NAME OF PUBLIC CORPORATION/ PRIVATE ENTERPRISE	TRANSFER ALLOCATION (2012/13)				EXPENDITURE (2012/13)			2011/12	
	Adjusted Appropriation Act	Rollovers	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Capital	Current	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000
Public Corporations									
Development Bank of Southern Africa <sup>24</sup>	1,053,610	-	(408,108)	645,502	645,502	100%	-	-	1,961,426
<b>Total</b>	1,053,610	-	(408,108)	645,502	645,502	-	-	-	1,961,426
Private Enterprises									
Economic Research South Africa <sup>25</sup>	10,000	-	-	10,000	10,000	100%	-	-	11,000
<b>Total</b>	<b>1,063,610</b>	<b>-</b>	<b>(408,108)</b>	<b>655,502</b>	<b>655,502</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,972,426</b>

<sup>24</sup> Municipal Finance Improvement Programme.

<sup>25</sup> Economic Research Southern Africa (ERSA) is a research programme funded by the National Treasury, with the aim to nurture and expand economic research capacity in South Africa amongst academics and practicing economists.

**ANNEXURE 1E****STATEMENT OF TRANSFERS TO FOREIGN GOVERNMENT AND INTERNATIONAL ORGANISATIONS**

FOREIGN GOVERNMENT/ INTERNATIONAL ORGANISATION	TRANSFER ALLOCATION (2012/13)					EXPENDITURE (2012/13)		2011/12
	Adjusted Appropriation Act	Rollovers	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Appropriation Act	
	R'000	R'000	R'000	R'000	R'000	%	R'000	
<b>Transfer</b>								
Financial and Technical Support (African Development Bank)	6,651	-	-	6,651	-		7	
Commonwealth Fund for Technical Cooperation	4,709	-	-	4,709	4,469	95%	3,840	
International Funding Facility for Immunisation	10,000	-	-	10,000	8,758	88%	7,465	
Common Monetary Area Compensation	602,132	-	(86,270)	515,862	490,719	95%	450,327	
United Kingdom Tax	2,239	-	-	2,239	1,543	69%	1,952	
World Bank Group (International Development Association)	135,500	-	19,474	154,974	153,743	99%	135,500	
African Development Bank	248,873	-	66,783	315,656	313,773	99%	244,380	
African Regional Technical Assistance Centre for Southern Africa	362	-	-	362	361	100%	-	
Infrastructure Consortium for Africa	-	-	1,000	1,000	-	100%	-	
Collaborative African Budget Reform Initiative	1,260	-	-	1,260	1,260	100%	1,200	
<b>Total</b>	<b>1,011,726</b>	<b>-</b>	<b>987</b>	<b>1,012,713</b>	<b>974,626</b>		<b>844,671</b>	

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

## ANNEXURE 1F

### STATEMENT OF TRANSFERS TO NON-PROFIT INSTITUTIONS

NON-PROFIT INSTITUTIONS	TRANSFER ALLOCATION (2012/13)					EXPENDITURE (2012/13)		2011/12
	Adjusted Appropriation Act	Rollovers	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Appropriation Act	
	R'000	R'000	R'000	R'000	R'000	%	R'000	
<b>Transfers</b>								
SA Legion	-	-	-	-	-	-	71	
<b>Total</b>	-	-	-	-	-	-	<b>71</b>	



**ANNEXURE 1G****STATEMENT OF TRANSFERS TO HOUSEHOLDS**

HOUSEHOLDS	TRANSFER ALLOCATION (2012/13)			EXPENDITURE (2012/13)		2011/12
	Adjusted Appropriation Act	Rollovers	Adjustments	Total Available	Actual Transfer	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Transfers</b>						
Other benefits	351,151	-	(10,843)	340,308	316,675	467,980
Injury on duty	493,000	-	(2,789)	490,211	478,650	498,865
Military benefits ex-servicemen	41,348	-	(8,948)	32,400	28,563	34,392
SA citizen force	128,645	-	-	128,645	126,754	127,994
Special pensions	404,665	-	30,225	434,890	434,834	676,003
Post-retirement medical schemes contribution	1,880,885	-	(376,400)	1,504,485	1,412,987	1,903,040
Social assistance (bursaries)	1,600	-	(68)	1,532	1,532	2,000
Non statutory forces	-	-	370,000	370,000	370,000	-
Service benefits leave gratuity	-	-	1,179	1,179	1,162	1,472
<b>Total</b>	<b>3,301,294</b>	<b>-</b>	<b>2,356</b>	<b>3,303,650</b>	<b>3,171,157</b>	<b>3,711,746</b>

## ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

## ANNEXURE 1H

STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS MADE AND REMISSIONS, REFUNDS AND PAYMENTS MADE AS AN ACT OF GRACE

NATURE OF GIFT, DONATION OR SPONSORSHIP (Group major categories but list material items including name of organisation)	2012/13 R'000	2011/12 R'000
Remissions, refunds and payments made as an act of grace		
Recognition award for contribution and dedication to a member of the Special Pensions Review Board	250	
<b>TOTAL</b>	<b>250</b>	<b>-</b>

## ANNEXURE 1I

STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS RECEIVED

NAME OF ORGANISATION	NATURE OF GIFT, DONATION OR SPONSORSHIP	2012/13 R'000	2011/12 R'000
Received in cash			
Received in kind			
Chairperson of the Risk Management Committee	The Chairperson rendered services in kind to the Department	46	-
<b>TOTAL</b>		<b>46</b>	<b>-</b>

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013



## ANNEXURE 1J

### STATEMENT OF AID ASSISTANCE RECEIVED

NAME OF DONOR	PURPOSE	OPENING BALANCE April 01, 2012		REVENUE		EXPENDITURE		SURRENDERED TO RDP		CLOSING BALANCE March 31, 2013	
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Received in cash</b>											
European Union – Official Development Assistance (ODA)	Contribute towards enhanced capacity development and promote economic development, good governance and social progress and rising living standards	39	-	-	(57)	(39)	(57)				(57)
Ireland – Collaborative African Budget Reform Initiative (CABRI)	Financing of the annual budget reform seminar	64	-	-	-	(64)	-				-
JICADCIS	Establish and operationalise a knowledge management system and upgrade the DCMS	21	55	(52)	(21)						3
USAID	Hosting of the regional African fiscal forum conferences	512	49	(49)	(512)						-
USA-LGSA	Increase collaboration and joint planning approaches with interventions as identified on a yearly basis	8	-	-	-	(8)	-				-
European Union (ODA II)	Improve capacity development in public finance management across the three spheres of government with emphasis on provincial and municipal level	-	2,439	(2,397)	-	-					42
Capacity Building for Public Finance Management Programme	Develop public financial management capacity of national, provincial and local government	-	2,711	(1,517)	-	-					1,194
Technical and Management Support (TMS)	Strengthening capacity of national and provincial departments and agencies to combat poverty and inequality	-	300	(63)	-	-					237
Technical and Management Support IDC Project	Provide long term technical assistance for the IDC unit in the National Treasury	-	200	(173)	-	-					27
Institute Support Measure- DWCPD	Provide institutional support measures to the Department of Women, Children and Persons with Disabilities	-	213	(213)	-	-					-
Collaborative African Budget Reform Initiative	Provide funding for the CABRI projects	-	77	(77)	-	-					-
European Union-General Advisory and Policy Support Services	Building and developing capacity of public institutions across all spheres of government and strengthening programmer design, implementation and monitoring and reporting	-	21,800	(21,800)	-	-					-
<b>Subtotal foreign aid assistance received in cash</b>		<b>644</b>	<b>27,844</b>	<b>(26,398)</b>	<b>(644)</b>	<b>(644)</b>	<b>(26,398)</b>	<b>(644)</b>	<b>(644)</b>	<b>(644)</b>	<b>1,446</b>

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

**ANNEXURE 1J / continued**

STATEMENT OF AID ASSISTANCE RECEIVED

NAME OF DONOR	PURPOSE	OPENING BALANCE	REVENUE	EXPENDITURE	SURRENDERED	CLOSING BALANCE
		April 01, 2012 R'000	R'000	R'000	TO RDP R'000	March 31, 2013 R'000
<b>Subtotal foreign aid assistance received in kind</b>		<b>644</b>	<b>27,844</b>	<b>(26,398)</b>	<b>(644)</b>	<b>1,446</b>
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	Technical advisor to support the implementation of MIFMA	-	635	(635)	-	-
Deutsche Gesellschaft für Technische Zusammenarbeit	South African-German Energy Programme (SAGEN) short term training on Wind and Solar Power Technologies, October 2012	-	80	(80)	-	-
US Trade Development Association (USTDA)	South Africa Solar: A Public Sector Reverse Trade Mission to the USA, January 2013	-	83	(83)	-	-
European Commission	Supporting the strengthening of public financial management in South Africa	-	7,668	(7,668)	-	-
European Commission	Technical Assistance Team for FMIP III	-	3,175	(3,175)	-	-
United Nations Development Programme	PFM Capacity Building	-	1,600	(1,600)	-	-
Belgian Technical Agency (BTC)	Development of Risk Indicators for EC Health Department	-	600	(600)	-	-
Swiss Economic Development Cooperation Agency	Develop a baseline assessment for PFM capacity	-	2,100	(2,100)	-	-
World Bank	Review progress with development and implementation of IFMS	-	1,100	(1,100)	-	-
<b>Subtotal foreign aid assistance received in kind</b>		<b>-</b>	<b>17,041</b>	<b>(17,041)</b>	<b>-</b>	<b>-</b>
<b>TOTAL Local and Foreign Aid Assistance Received</b>		<b>644</b>	<b>44,885</b>	<b>(43,439)</b>	<b>(644)</b>	<b>1,446</b>

## ANNEXURE 2A

# NATIONAL TREASURY | VOTE 10 / continued

## ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

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

NAME OF PUBLIC ENTITY	State Entity's PFMA Schedule type (state year-end if not 31 March)	% Held		Number of shares held		Cost of investment		Net Asset value of investment		Profit/(Loss) for the year		Losses guaranteed Yes/No
		2012/13	2011/12	2012/13*	2011/12	2012/13*	2011/12	2012/13*	2011/12**	2012/13*	2011/12**	
National/provincial public entities												
Accounting Standards Board	Schedule 3A	-	-	-	-	-	-	207	110	-26	-288	No
Cooperative Banks Development Agency	Schedule 3A	-	-	-	-	-	-	4,839	314	4,722	1,095	No
Development Bank of Southern Africa	Schedule 2	100	100	200,000	200,000	200,000	200,000	16,856,743	17,527,572	-674,894	-370,823	Yes
FAIS Ombudsman	Schedule 3A	-	-	-	-	-	-	3,898	6,368	-2,471	110	No
Financial and Fiscal Commission	Schedule 1	-	-	-	-	-	-	-2,079	-2,817	738	108	No
Financial Intelligence Centre	Schedule 3A	-	-	-	-	-	-	60,189	63,032	(2,843)	-33,309	No
Financial Service Board	Schedule 3A	-	-	-	-	-	-	174,556	138,806	25,468	-17,203	No
Government Pensions Administration Agency	Schedule 3A	-	-	-	-	-	-	64,788	26,968	1,177	-4,381	No
Independent Regulatory Board for Auditors	Schedule 3A	-	-	-	-	-	-	51,078	36,269	14,809	7,387	No
Land Bank	Schedule 2	100	100	1	1	200,955	200,955	29,728,534	24,222,085	173,972	206,952	Yes
Pension Fund Adjudicator	Schedule 3A	-	-	-	-	-	-	12,603	12,300	302	3,730	No
Public Investment Corporation Ltd	Schedule 3B	100	100	1	1	1	1	751,638	607,493	144,145	94,217	Yes
South African Revenue Service	Schedule 3A	-	-	-	-	-	-	3,029,013	2,039,170	989,843	854,750	No
SASRIA Limited	Schedule 3B	100	100	-	-	-	-	4,126,970	3,867,350	416,520	522,999	Yes
<b>Total Investment</b>				<b>200,002</b>	<b>200,002</b>	<b>400,956</b>	<b>400,956</b>	<b>54,862,977</b>	<b>48,545,020</b>	<b>1,091,462</b>	<b>1,265,344</b>	

\*The 2012/13 amounts disclosed in this schedule are preliminary figures and unaudited

\*\*Prior year figures have been restated as published figures were based on preliminary unaudited amounts.

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

## ANNEXURE 2B

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

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	R'000	R'000	R'000	R'000
		2012/13*	2011/12**	2012/13*	2011/12**	2012/13*	2011/12**	2012/13*	2011/12**
Accounting Standards Board	Determine standards of generally recognised accounting practice	-	-	207	110	1,296	766	-	-
Co-operative Bank Development Agency	Establish a regulatory framework for cooperative banks	-	-	4,839	314	7	-	1,108	-
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	16,856,743	17,527,572	131,068	305,731	780,593	837,836
Financial and Fiscal Commission	Assist and maintain the balance between fiscal decentralisation and the unitary state	-	-	3,898	6,368	-	126	2,525	4,908
FAIS Ombudsman	Handling complaints in terms of the Financial Advisory and Intermediary Services Act (2002)	-	-	-2,079	-2,817	-	140,405	-	2,724
Financial Intelligence Centre	Assist in the identifying of unlawful activities, and combating of money laundering activities, financing of terrorism and related activities.	-	-	60,189	63,032	9	47	12,600	15,472
Financial Service Board	To oversee the South African Non-Banking Financial Services Industry in the public interest	-	-	174,556	138,806	8,829	28,866	19,462	9,486
<b>Subtotal</b>		<b>200,000</b>	<b>200,000</b>	<b>17,098,353</b>	<b>17,733,385</b>	<b>141,209</b>	<b>475,941</b>	<b>816,288</b>	<b>870,426</b>

\*The 2012/13 amounts disclosed in this schedule are preliminary figures and unaudited  
 \*\*Prior year figures have been restated as published figures were based on preliminary unaudited amounts.

**ANNEXURE 2B****STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO ENTITIES**

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	R'000	R'000	R'000	R'000
		2012/13*	2011/12**	2012/13*	2011/12**	2012/13*	2011/12**	2012/13*	2011/12**
Subtotal		200,000	200,000	17,098,353	17,733,385	141,209	475,941	816,288	870,426
Government Pensions Administration Agency	Government Employees Pension Fund in terms of the Government Employees Pension (GEP) Act (1996)	-	-	64,788	26,968	24,284	15,960	36,916	31,324
Independent Regulatory Board for Auditors	Registration of public accountants and auditors and for the regulation of the training of public accountants and auditors	-	-	51,078	36,269	6,389	5,948	4,918	2,983
Land Bank	Facilitate access to ownership of land for the development of farming enterprises and agricultural purposes for historically disadvantaged people	200,955	200,955	29,728,534	24,222,085	27,857,911	21,784,390	99,601	367,684
Pension Fund Adjudicator	The adjudicator's office investigates and determines complaints of abuse of power, maladministration, disputes of fact or law and employer dereliction of duty in respect of retirement pension funds.	-	-	12,603	12,300	2,795	6,333	1,764	2,158
Public Investment Corporation Ltd	Invests funds on behalf of the South African public sector	1	1	751,638	607,493	42,425	43,618	1,205	11,012
South African Revenue Service	Efficient and effective collection of revenue	-	-	3,029,013	2,039,170	85,102	70,562	357,413	421,783
SASRIA Limited	Special Risk Insurance	-	-	4,126,970	3,867,350	299,524	89,525	-	26,537
<b>Total Investments</b>		<b>400,956</b>	<b>400,956</b>	<b>54,862,977</b>	<b>48,545,020</b>	<b>28,459,639</b>	<b>22,492,277</b>	<b>1,318,105</b>	<b>1,733,907</b>

\*The 2012/13 amounts disclosed in this schedule are preliminary figures and unaudited

\*\*Prior year figures have been restated as published figures were based on preliminary unaudited amounts.

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

## ANNEXURE 3A

### STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2013 – LOCAL

Other Local Guarantees

GUARANTOR INSTITUTION	GUARANTEE IN RESPECT OF	Original guaranteed capital amount	Opening balance 1 April 2012	Guarantees draw downs during the year	Guarantees repayments/cancelled/reduced/released during the year	Revaluations	Closing balance 31 March 2013	Guaranteed interest for year ended 31 March 2013	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	Former Ciskei regional authority	16,800	1,091	-	-539	-	552	15	-
Development Bank of Southern Africa	Former Transkei regional authority	5,500	226	-	-226	-	-	-	-
Development Bank of Southern Africa	Former Kwangwane regional authority	3,667	1,029	-	-587	-	442	-	-
Development Bank of Southern Africa	Former Bophuthatswana regional authority	199,770	80,474	-	-4,498	-	75,976	46,615	-
Development Bank of Southern Africa	Former Venda regional authority	3,494	598	-	-350	-	248	-	-
Development Bank of Southern Africa	Increase in capital	15,200,000	15,200,000	-	-	-	15,200,000	-	-
Land and Agriculture Development Bank of South Africa	Consolidation of debt	100,000	92,728	-	-	-	92,728	-	-
Land and Agriculture Development Bank of South Africa	Recapitalisation <sup>26</sup>	3,500,000	1,000,000	-	-200,000	-	800,000	-	-
<b>Subtotal</b>		<b>19,029,231</b>	<b>16,376,146</b>	<b>-</b>	<b>-206,200</b>	<b>-</b>	<b>16,169,946</b>	<b>46,630</b>	<b>-</b>

<sup>26</sup>The letter of undertaking of R3.5 billion will proportionally decrease with capital injection by government to the Land Bank: R1 billion (2009/10), R750 million (2010/11), R750 million (2011/12), R200 million (2012/13), R300 million (2013/14) and R500 million (2014/15).



## ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

## ANNEXURE 3A (CONTINUED)

## STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2013 – LOCAL

Other Local Guarantees

GUARANTOR INSTITUTION	GUARANTEE IN RESPECT OF	Original guaranteed capital amount	Opening balance 1 April 2012	Guarantees draw downs during the year	Guarantees repayments/cancelled/reduced/released during the year	Revaluations	Closing balance 31 March 2013*	Guaranteed interest for year ended 31 March 2013	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	142,402	9,479	-	-5,671	1,874	5,682	9	-
Development Bank of Southern Africa	African Development Bank	643,853	26,857	-	-29,208	2,351	-	-	-
Development Bank of Southern Africa	Nordic Investment Bank	91,979	7,673	-	-8,536	863	-	-	-
Development Bank of Southern Africa	Nordic Investment Bank	91,979	4,514	-	-4,800	286	-	-	-
Development Bank of Southern Africa	European Investment Bank	588,804	44,614	-	-12,676	8,171	40,109	13	-
Development Bank of Southern Africa	European Investment Bank	588,804	86,369	-	-49,081	14,476	51,764	17	-
Development Bank of Southern Africa	European Investment Bank	942,086	263,509	-	-54,452	49,378	258,435	83	-
Development Bank of Southern Africa	African Development Bank	919,790	498,765	-	-85,725	92,845	505,885	1,982	-
Development Bank of Southern Africa	Agence Francaise de Developpement	179,525	60,046	-	-12,611	7,803	55,238	816	-
Development Bank of Southern Africa	Kreditanstalt fur Wierderafbau	344,292	239,524	-	-15,700	34,394	258,218	1,305	-
Development Bank of Southern Africa	Kreditanstalt fur Wierderafbau	171,598	145,496	-	-7,825	21,057	158,728	802	-
Development Bank of Southern Africa	Kreditanstalt fur Wierderafbau	147,619	128,372	-	-	19,245	147,617	746	-
Development Bank of Southern Africa	Kreditanstalt fur Wierderafbau	150,525	115,209	-	-6,712	16,624	125,121	633	-
Development Bank of Southern Africa	Kreditanstalt fur Wierderafbau	162,328	119,990	-	-7,402	17,274	129,862	657	-
Development Bank of Southern Africa	African Development Bank	500,000	83,800	-	-41,900	-	41,900	982	-
Development Bank of Southern Africa	Eurobonds	8,500,000	8,500,000	-	-	-	8,500,000	10,875	-
Land and Agricultural Development Bank of South Africa		1,000,000	-	-	-	-	-	-	-
Subtotal foreign guarantees		15,165,584	10,334,217	-	-342,299	286,641	10,278,559	18,920	-
<b>Total financial guarantees</b>	<b>Total</b>	<b>34,194,815</b>	<b>26,710,363</b>	<b>-</b>	<b>-548,499</b>	<b>286,641</b>	<b>26,448,505</b>	<b>65,550</b>	<b>-</b>

\*Amount per note 20 is the sum total of the closing balance and the guaranteed interest which amounts to R 26,514,055 (R 26,448,505 + R65,550) rounded to R'000.

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

## ANNEXURE 3B

### STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2013

NATURE OF LIABILITY	Opening Balance	Liabilities incurred	Liabilities paid/ cancelled/reduced	Liabilities	Closing Balance
	R'000	R'000	R'000	recoverable (Provide details hereunder)	R'000
Claims against the department					
RSC levies claim	171,815	-	-	-	171,815
SARB guarantee claim	35,336	-	-	-	35,336
Theft and losses claim*	1,022	199	-	-	1,221
Contract cancellation claim	5,076	-	-11	-	5,065
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*	184	37	-	-	221
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*	2,041	314	-	-	2,355
Stolen cheque claim	67	-	-	-	67
Fraudulent VAT e-mail claim	516	-	-	-	516
Unlawful arrest and detention claim	761	-	-761	-	-
Spence J and Spence DM claim	11,000	-	-	-	11,000
Afgr Operations Limited claim	7,392	-	-	-	7,392
Military Pensions claim	-	15,596	-	-	15,596
<b>Subtotal</b>	<b>1,365,424</b>	<b>16,146</b>	<b>-890</b>	<b>-</b>	<b>1,380,680</b>

\* Exchange rate of R9,20 (R7,66:2011/12) on \$130,494, \$24,000 and \$206,000 was applied respectively for the financial year ended 31 March 2013.

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

## ANNEXURE 3B

### STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2013

NATURE OF LIABILITY	Opening Balance 1 April 2012	Liabilities incurred during the year	Liabilities paid/ cancelled/reduced during the year	Liabilities recoverable (Provide details hereunder)	Closing Balance 31 March 2013
	R'000	R'000	R'000	R'000	R'000
Subtotal	1,365,424	16,146	-890	-	1,380,680
Retail Bonds Claim	-	210	-	-	210
Breach of contract claim	-	350	-	-	350
Motor vehicle collision claim	-	42	-	-	42
Medihelp claim	-	9,997	-	-	9,997
Unlawful blacklisting claim	-	1,395	-	-	1,395
<b>Total claims against the department</b>	<b>1,365,424</b>	<b>28,140</b>	<b>-890</b>	<b>-</b>	<b>1,392,674</b>
Total other contingent liabilities	355,989	381,086	-43,873	-	693,202
Military Pension	59,609	379,892	-	-	439,501
Injury on duty	48,882	-	-43,873	-	5,009
Special Pension	247,498	1,194	-	-	248,692
<b>Total contingent liabilities</b>	<b>1,721,413</b>	<b>409,226</b>	<b>-44,763</b>	<b>-</b>	<b>2,085,876</b>

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

## ANNEXURE 4

CLAIMS RECOVERABLE	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
	R'000	R'000	R'000	R'000	R'000	R'000
<b>THE NATIONAL TREASURY</b>						
Gauteng	-	-	-	67	-	67
North West	-	61	-	-	-	61
Western Cape	-	-	21	124,985	21	124,985
National Departments	-	18	1,038	1,036	1,038	1,054
Foreign government	-	-	711	555	711	555
<b>Total claims recoverable</b>		<b>79</b>	<b>1,770</b>	<b>126,643</b>	<b>1,770</b>	<b>126,722</b>

## ANNEXURE 5

INVENTORY	2012/13		2011/12	
	QUANTITY	R'000	QUANTITY	R'000
<b>The National Treasury</b>				
Inventory				
Opening balance	2,575	394	1,341	213
Add/(Less): Adjustments to prior year balances	3	-	10	2
Add: Additions/Purchases - Cash	1,600	246	6,000	917
Add: Additions - Non-cash	-	-	-	-
(Less): Disposals	-	-	-	-
(Less): Issues	-3,965	-608	-4,776	-738
Add/(Less): Adjustments	-	-	-	-
<b>Closing balance<sup>27</sup></b>	213	32	2,575	394

<sup>27</sup> The National Treasury does not have a centralised inventory management system and as such inventory is managed in the respective units and divisions. However, photocopy paper is monitored and managed centrally in the Supply Chain Management division and as a result it is the only inventory item that is disclosed in the annexure.

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

## ANNEXURE 6A

		Confirmed balance		Unconfirmed balance		Total	
		2012/13 R'000	2011/12 R'000	2012/13 R'000	2011/12 R'000	2012/13 R'000	2011/12 R'000
INTER-ENTITY ADVANCES PAID							
<b>The National Treasury</b>							
Department							
DIRCO	1,490	-	-	-	-	1,490	-
Pension Administration	2,522	-	-	-	-	2,522	-
<b>Total claims payable</b>	<b>4,012</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,012</b>	<b>-</b>

## ANNEXURE 6B

		Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
		2012/13 R'000	2011/12 R'000	2012/13 R'000	2011/12 R'000	2012/13 R'000	2011/12 R'000
INTER-ENTITY ADVANCES RECEIVED							
<b>The National Treasury</b>							
Department							
Commonwealth Secretariat	95	-	-	-	-	95	-
Bursary	48	-	-	-	-	48	-
<b>Total claims payable</b>	<b>143</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>143</b>	<b>-</b>



**ANNUAL  
REPORT  
2012/13**

▶ **ANNUAL  
FINANCIAL  
STATEMENTS**



**PPP**  
unit

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

**PROJECT DEVELOPMENT FACILITY (PDF)**

A TRADING ENTITY MANAGED BY THE PPP UNIT OF NATIONAL TREASURY

**TAU**

Technical Assistance Unit

National Treasury

**TECHNICAL ASSISTANCE UNIT**

A TRADING ENTITY MANAGED BY THE TAU UNIT OF NATIONAL TREASURY



▶ **PROJECT DEVELOPMENT  
FACILITY (PDF):  
ANNUAL FINANCIAL  
STATEMENTS**

for the year ended 31 March 2013



**PPP**  
unit

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

**PROJECT DEVELOPMENT FACILITY (PDF)**

A TRADING ENTITY MANAGED BY THE PPP UNIT OF NATIONAL TREASURY





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

for the year ended 31 March 2013



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

PUBLISHED BY AUTHORITY



# PROJECT DEVELOPMENT FACILITY (PDF)

A Trading Entity Managed by the Public Private Partnership (PPP) Unit of National Treasury

## ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

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# PROJECT DEVELOPMENT FACILITY (PDF)

A Trading Entity Managed by the Public Private Partnership (PPP) Unit of National Treasury

## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT

For the year ended 31 March 2013

---

### REPORT ON THE FINANCIAL STATEMENTS

#### Introduction

1. I have audited the financial statements of the Project Development Facility set out on pages 254-276, which comprise the statement of financial position as at 31 March 2013, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

#### 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 Statements of Generally Accepted Accounting Practice (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 the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and

International Standards on Auditing. 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.

4. 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 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.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Project Development Facility as at 31 March 2013, and its financial performance and cash flows for the year then ended in accordance with the Statements of GAAP and the requirements of the PFMA.

## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT

For the year ended 31 March 2013

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### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion:

#### Predetermined objectives

7. I performed procedures to obtain evidence about the usefulness and reliability of the annual performance information as set out on pages 28-121 of the annual report.
8. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of the annual performance information relates to whether it is presented in accordance with the Project Development Facility's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury's *Framework for managing programme performance information*.

The reliability of the information in respect of the selected programmes is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

9. There were no material findings on the annual performance information concerning its usefulness and reliability.

#### Compliance with laws and regulations

10. I did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA.

#### Internal control

11. I did not identify any deficiencies in internal control which we considered sufficiently significant for inclusion in this report.

Auditor-General

Pretoria  
31 July 2013



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## PROJECT DEVELOPMENT FACILITY (PDF)

A Trading Entity Managed by the Public Private Partnership (PPP) Unit of National Treasury

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

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	Note	2012/13	2011/12
		R	R
Revenue	7	564,713,941	176,861,499
Project expenses	8	(231,467,042)	(123,461,742)
Gross profit		333,246,899	53,399,757
Investment income	9	8,323,822	1,128,038
Administration expenses	10	(890,656)	(1,187,890)
<b>Profit for the year</b>		<b>340,680,065</b>	<b>53,339,905</b>

## PROJECT DEVELOPMENT FACILITY (PDF)

A Trading Entity Managed by the Public Private Partnership (PPP) Unit of National Treasury

# STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

.....

	Note	2012/13	2011/12
		R	R
<b>ASSETS</b>			
Current assets		454,576,437	143,949,073
Receivables	11	491,279	167,473
Cash and cash equivalents	12	454,085,158	143,781,600
<b>Total assets</b>		<b>454,576,437</b>	<b>143,949,073</b>

## EQUITY AND LIABILITIES

Equity			
Retained earnings		405,527,012	64,846,947
Current liabilities			
Payables	13	4,079,704	54,730,677
Deferred revenue	14	-	258,673
Unspent government funding	15	44,969,721	24,112,776
<b>Total equity and liabilities</b>		<b>454,576,437</b>	<b>143,949,073</b>

## PROJECT DEVELOPMENT FACILITY (PDF)

A Trading Entity Managed by the Public Private Partnership (PPP) Unit of National Treasury

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

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	Notes	Retained earnings
		R
Balance at 31 March 2011		11,507,042
Net profit for the year ended 31 March 2012		53,339,905
Balance at 31 March 2012		64,846,947
Net profit for the year ended 31 March 2013		340,680,065
<b>Balance at 31 March 2013</b>		<b>405,527,012</b>

## PROJECT DEVELOPMENT FACILITY (PDF)

A Trading Entity Managed by the Public Private Partnership (PPP) Unit of National Treasury

# STATEMENT OF CASH FLOWS

For the year ended 31 March 2013

.....

	Note	2012/13	2011/12
		R	R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash received from government and other sources		563,805,454	176,861,499
Cash paid to suppliers		(262,378,409)	(61,473,512)
Interest paid		-	-
Cash generated from operations	16	301,427,045	115,387,987
Interest received	17	8,876,513	1,043,970
Net cash inflow from operating activities		310,303,558	116,431,957
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>310,303,558</b>	<b>116,431,957</b>
Cash and cash equivalents at beginning of the year	12	143,781,600	27,349,643
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>12</b>	<b>454,085,158</b>	<b>143,781,600</b>



# PROJECT DEVELOPMENT FACILITY (PDF)

A Trading Entity Managed by the Public Private Partnership (PPP) Unit of National Treasury

## ACCOUNTING POLICIES

For the year ended 31 March 2013

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### 1. GENERAL INFORMATION

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

The PDF also supports the following:

*Neighbourhood Development Partnership Grant (NDPG):* its role is to support and facilitate the planning and development of neighbourhood development programmes and projects that provide catalytic infrastructure to leverage third-party public and private sector development towards improving the quality of life of residents in targeted under-served neighbourhoods (townships) via the implementation of long term strategic plans and catalytic project plans.

*US Grant:* its role is to facilitate partnership arrangements at municipal level, monitor implementation of the growth and development summit agreements and establish a framework for municipal investment.

*Alternative Energy programme:* the National Treasury, via the PPP unit, has entered into a MoU agreement with the Department of Energy and the DBSA to assist in the creation of a stable enabling market environment for independent power producing (IPP) projects and the implementation and support of specific IPP projects. The role of the PPP unit is to reimburse approved expenditure incurred by the DBSA.

### 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 and also require management to exercise its judgement in the process of applying the company's accounting policies based on the best available information at the time of preparation.

#### 3.2 Currency

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

#### 3.3 Basis of preparation

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

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 that 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

## ACCOUNTING POLICIES

For the year ended 31 March 2013

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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 Finance Management Act (PFMA) (1999) as amended.

Fruitless and wasteful expenditure relates to expenditure made in vain which 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.

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

#### **Financial liabilities**

All financial liabilities of the 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 2013.

## ACCOUNTING POLICIES

For the year ended 31 March 2013

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### 3.8 Going concern

The entity is financially dependent on the funding it receives from the National Treasury. On the basis that the funding has been listed in the ENE, management believes that the entity will continue to be a going concern in the year ahead. For this reason, management continues to prepare the annual financial statements on a going concern basis.

### 3.9 Related party

The entity is related to other entities and departments in the national sphere of government and is considered related to the National Treasury, the Free State Department of Health and the DBSA. The transactions are consistent with normal operating relationships between the entities, and are undertaken on terms and conditions that are normal for such transactions.

Refer to Note 25 for the transactions between the related parties.

## 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 due to criminal conduct, unauthorised expenditure or irregular expenditure occurred during the reporting year.

## 5. CONTINGENT LIABILITIES

The purpose of the entity's main operating activities is to facilitate project developments for municipalities and other institutions. Hence project commitments are provided to facilitate such developments. The duration of these commitments ranges from two to twenty years, depending on the nature of the project.

The full commitment less cumulative expenditure results in the future commitment to the municipality or institution. This is the contingent liability.

Refer to Note 29 in the list of contingent liabilities for the PDF and NDPG projects.

## 6. CONTINGENT ASSETS

When a project reaches the final stage of the PPP, the entity has a legal right to recover expenditure disbursed 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 that the PDF will be able to recover the expenditure disbursed.

## PROJECT DEVELOPMENT FACILITY (PDF)

A Trading Entity Managed by the Public Private Partnership (PPP) Unit of National Treasury

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

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	Note	2012/13	2011/12
		R	R
<b>7. REVENUE</b>			
Revenue includes:			
- government funding income: PDF		3,000,000	3,000,000
- government funding income: NDPG		35,030,279	47,580,940
- funding income * (PDF)		-	2,835,125
- PDF Alternative Energy (Royal Danish Embassy)		-	148,129
- PDF Alternative Energy (IPP)**		512,679,712	105,029,447
- Employment Creation Facilitation Facility *** (PDF)		14,000,000	18,000,000
- US Grant		432	267,858
- Other income		3,518	-
		<b>564,713,941</b>	<b>176,861,499</b>

\* Funding income relates to R2 835 125 co-funding received from the Free State Department of Health.

\*\* IPP funding relates to:

- R472.8 million from private parties (1 per cent of total project value payable on financial close and documentation fees)
- R21.8 million from the National Treasury (general budget support funding specific for the Small IPP Programme)
- R18 million from the National Treasury (Employment Creation Facilitation Facility transfer specific for the Alternative Energy Programme)

\*\*\* Employment Creation Facilitation Facility revenue is specific funding for job creating projects

## 8. PROJECT EXPENSES

Project expenses include:

- PDF		4,158,110	9,475,841
- NDPG (qualifying expenditure)		35,030,279	47,580,940
- NDPG (other)		1,034,963	2,397,933
- PDF Alternative Energy (Royal Danish Embassy)		-	148,129
- PDF Alternative Energy (IPP)		191,211,700	63,612,206
- US Grant		31,990	246,693
		<b>231,467,042</b>	<b>123,461,742</b>

## PROJECT DEVELOPMENT FACILITY (PDF) / continued

A Trading Entity Managed by the Public Private Partnership (PPP) Unit of National Treasury

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013



	Note	2012/13	2011/12
		R	R

## 9. INVESTMENT INCOME

Investment income includes:

- interest received: PDF bank account		1,237,748	305,177
- interest received: PDF call account		3,750,353	-
- interest received: PDF Alternative Energy bank account		1,886,513	-
- interest received: NDPG bank account		764,548	822,861
- interest received: NDPG call account		684,660	-
		<b>8,323,822</b>	<b>1,128,038</b>

The NDPG obtained approval to retain the NDPG interest and utilise it for NDPG administrative expenses and internal projects. PDF and NDPG have set up call accounts to maximise the interest income.

## 10. ADMINISTRATION EXPENSES

Administration expenses includes:

- Audit fees		189,579	232,230
- Bank charges		25,254	32,592
- Financial managers' fees		675,823	923,068
		<b>890,656</b>	<b>1,187,890</b>

## 11. RECEIVABLES

<b>Accrued interest</b>		<b>491,279</b>	<b>167,473</b>
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Financial managers' fees represent amounts paid to Deloitte Consulting (Pty) Ltd for accounting services.

Accrued interest is interest relating to March 2013 but only received in April 2013.

The credit risk exposure of the PDF is disclosed in Note 20.

## PROJECT DEVELOPMENT FACILITY (PDF) / continued

A Trading Entity Managed by the Public Private Partnership (PPP) Unit of National Treasury

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

.....

	Note	2012/13	2011/12
		R	R

## 12. CASH AND CASH EQUIVALENTS

PDF bank account		42,386,004	103,515,990
PDF call account *		253,750,353	-
PDF: Alternative Energy		102,377,406	2,092,793
PDF: PPPIAF		690	663
NDPG bank account		4,886,044	37,757,641
NDPG call account *		50,684,661	-
US Grant bank account		-	414,513
		<b>454,085,158</b>	<b>143,781,600</b>

\* Both the PDF and NDPG opened call accounts during this financial year and have invested their funds in these accounts to maximise the interest earned.

## 13. PAYABLES

Payables		<b>4,079,704</b>	<b>54,730,677</b>
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The 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.

## 14. DEFERRED REVENUE

### US Grant:

Opening balance		258,673	526,531
Funding received/(returned) in the current year		(258,241)	-
Revenue recognised in current year		(432)	(267,858)
<b>Closing balance</b>		<b>-</b>	<b>258,673</b>

Revenue of R432 relates to bank charges.

The US Grant project closed on 30 September 2012 and the remaining funds were returned.

### PDF Alternative Energy (Royal Danish Embassy):

Opening balance		-	148,301
Funding received in the current year		-	-
Revenue recognised in the current year		-	(148,301)
Closing balance		<b>-</b>	<b>-</b>

## PROJECT DEVELOPMENT FACILITY (PDF) / continued

A Trading Entity Managed by the Public Private Partnership (PPP) Unit of National Treasury

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

.....

	Note	2012/13	2011/12
		R	R
The Royal Danish Embassy project closed in the 2011/2012 financial year.			
<b>Total deferred revenue</b>		<b>-</b>	<b>258,673</b>

Funds are received from the World Bank for the US Grant account and the Royal Danish Embassy for the PDF Alternative Energy account.

## 15. UNSPENT GOVERNMENT FUNDING

NDPG:

Opening balance	24,112,776	1,693,716
Funding received in the current year	55,887,224	70,000,000
Revenue recognised in current year	(35,030,279)	(47,580,940)
<b>Closing balance</b>	<b>44,969,721</b>	<b>24,112,776</b>

## 16. RECONCILIATION OF PROFIT FOR THE YEAR TO CASH GENERATED FROM OPERATIONS

<b>Profit for the year</b>		<b>340,680,065</b>	<b>53,339,905</b>
Net interest income	17	(8,876,513)	(1,043,970)
Operating cash flows before working capital changes		331,803,552	52,295,935
Working capital changes:		(30,376,507)	63,092,052
- (decrease)/increase in payables		(50,650,973)	41,173,219
- (increase) in receivables		(323,806)	(84,068)
- (decrease) in deferred revenue		(258,673)	(416,159)
- increase in unspent government funding		20,856,945	22,419,060
<b>Cash generated from operations</b>		<b>301,427,045</b>	<b>115,387,987</b>

## PROJECT DEVELOPMENT FACILITY (PDF) / continued

A Trading Entity Managed by the Public Private Partnership (PPP) Unit of National Treasury

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

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	Note	2012/13	2011/12
		R	R

## 17. INTEREST RECEIVED

Accrued interest income at the beginning of the year		1,043,970	83,405
Net interest income received per the Statement of Comprehensive Income		8,323,822	1,128,038
Accrued net interest income at the end of the year		(491,279)	(167,473)
<b>Interest income received</b>		<b>8,876,513</b>	<b>1,043,970</b>

## 18. COMMITMENTS

Payable within the next 12 months:

- Financial managers' fees (including GTAC advisory)		150,000	500,000
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Payable between two and five years:

- Financial managers' fees		-	-
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The entity appointed Deloitte Consulting (Pty) Ltd to provide the outsourced financial management of the PDF. The contract ends in September 2013. Thereafter, the financial management function will be in-house.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

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## **19. 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 are 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.

## **20. 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, cash equivalents, deposits with banks and financial institutions, outstanding receivables and committed transactions. For banks and financial institutions, only highly reputable financial institutions are used.

## **21. 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 managing the National Treasury's short, medium and long-term funding and liquidity management requirements.

## **22. 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.

## **23. 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).

## **24. 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 2013. The financial statements were submitted for audit on 31 May 2013 and were authorised for issue on 31 July 2013.

## PROJECT DEVELOPMENT FACILITY (PDF) / continued

A Trading Entity Managed by the Public Private Partnership (PPP) Unit of National Treasury

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

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Note	2012/13	2011/12
	R	R

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## 25. RELATED PARTY TRANSACTIONS

### (1) The entity received funding from the following related parties:

National Treasury	136,800,000	191,000,000
Free State Department of Health	-	2,835,125
Development Bank of South Africa	-	10,350,000
	<u>136,800,000</u>	<u>204,185,125</u>

### (2) The entity owed the following amount to related parties:

National Treasury (NDPG returned funds)	(24,112,776)	-
Development Bank of Southern Africa	-	(10,350,000)
Development Bank of Southern Africa (approved expenditure)	(191,211,700)	(60,683,589)
	<u>(215,324,476)</u>	<u>(71,033,589)</u>

PDF occupies office space in the National Treasury building, and the National Treasury pays the rental on behalf of the PDF. The fair value of the rental is R775 656 (2011/2012: R718 200).

In 2011/2012, the Free State Department of Health co-funded a project and deposited R2 835 125 into the PDF for this purpose. This amount was utilised on the project during the prior financial period.

In 2011/2012, the DBSA funded R10 350 000 to assist with project expenditure in the Alternative Energy programme. This amount has been repaid.

In 2011/2012, the National Treasury, via the PPP unit, entered into an MoU with the Department of Energy and the DBSA to assist in the creation, implementation and support of independent power producing projects. The role of the PPP unit is to reimburse approved expenditure incurred by the DBSA.

## PROJECT DEVELOPMENT FACILITY (PDF) / continued

A Trading Entity Managed by the Public Private Partnership (PPP) Unit of National Treasury

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

.....

	Note	2012/13	2011/12
		R	R
<b>26. FRUITLESS AND WASTEFUL EXPENDITURE</b>			
Reconciliation of fruitless and wasteful expenditure: interest on bank account			
Fruitless and wasteful expenditure relating to the prior year		-	31
Fruitless and wasteful expenditure relating to the current year		-	-
Less: amounts condoned		-	-
Less: amounts recovered		-	(31)
<b>Fruitless and wasteful expenditure awaiting condonation</b>		<b>-</b>	<b>-</b>
Analysis of amounts awaiting condonement per economic classification			
Current		-	-
Capital		-	-
Transfers and subsidies		-	-
<b>Total</b>		<b>-</b>	<b>-</b>
<b>Fruitless and wasteful expenditure</b>		<b>-</b>	<b>-</b>

### Analysis of the prior year's fruitless and wasteful expenditure

No fruitless and wasteful expenditure occurred in the prior financial year.

### Analysis of the current year's fruitless and wasteful expenditure

No fruitless and wasteful expenditure in the current financial year.

## 27. SIGNIFICANT UNCERTAINTIES AND KEY JUDGEMENTS

The entity will be going through a structural change over the next year. This will change the entity but not its operations.

The structural change will take place on 1 April 2013.

This should not affect going concerns.

## 28. NEW OR REVISED ACCOUNTING PRONOUNCEMENTS

At the date of authorisation of these financial statements, there are standards and interpretations in issue but not yet effective. These include the following standards and interpretations that are applicable to the entity and may have an impact on future financial statements.

## PROJECT DEVELOPMENT FACILITY (PDF) / continued

A Trading Entity Managed by the Public Private Partnership (PPP) Unit of National Treasury

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

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		<b>Effective date, commencing on or after</b>
IAS 28	Investments in associates and joint ventures	1 January 2013
IFRS 9	Financial instruments	1 January 2015
IFRS 11	Joint arrangements	1 January 2013
IFRS 13	Fair value measurement	1 January 2013

Details of the standard and the resulting impact:

- IAS 28** This Standard supersedes IAS 28 *Investments in Associates*. It prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. It is not expected that this standard will impact the entity's financial statements.
- IFRS 9** This is a revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 *Financial Instruments: Recognition and Measurement*. It is not expected that this standard will impact the entity's financial statements.
- IFRS 11** This Standard replaces IAS 31 *Interests in Joint Ventures*. It requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then to account for those rights and obligations in accordance with that type of joint arrangement. It is not expected that this standard will significantly impact future disclosures.
- IFRS 13** IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements). It is not expected that this standard will impact the entity's financial statements.

## 28.1 New prescribed accounting framework

Public trading entities will be required to prepare annual financial statements under GRAP from 1 April 2013. GRAP has similar accounting treatments to that of GAAP but is tailored for government operations.

This will be a fundamental change to the annual financial statements as the whole suite of standards will need to be applied. It is uncertain how much the statements will change as all financial information and disclosures, including comparatives, will be affected.

## 29. CONTINGENT LIABILITIES

The retained earnings of R405 527 012 (2011/12 R64 846 947) are retained for funding approved projects. The entity has obtained permission from the National Treasury to retain the retained earnings from the 2011/12 financial year. The entity is in the process of requesting permission from the National Treasury to retain the 2012/13 surplus.

Funding is disbursed upon the successful achievement of predefined milestones and National Treasury approvals of a project. The entity has no control over the performance /non-performance of the party they enter into agreement with and therefore no control over whether and when milestones will be met. The project agreement is not an irrevocable contract and a key condition for the performance of the entity (payment of agreed funds) is fully dependent upon the external party's performance.

## PROJECT DEVELOPMENT FACILITY (PDF) / continued

A Trading Entity Managed by the Public Private Partnership (PPP) Unit of National Treasury

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

The following is a breakdown of all the commitments, ranging from two to twenty years depending on the nature of the project.

### 29.1 PDF projects

2012/13 summary of PDF contingent liability:

Future remaining commitments for the year ended 31 March 2012	Positive (+) and negative (-) funding adjustments for the year ending 31 March 2013	Expenditure for the year ending 31 March 2013	Future remaining commitments for the year ended 31 March 2013
10 278 294	1 492 000	(4 158 110)	7 612 184

Management has interpreted the PDF projects to be the net commitment balance (funding amount per contract less any disbursements made to the project upon reaching the milestones) to be a contingent liability of R7 612 184 for the year ending 31 March 2013.

For a detailed list of all the projects, refer to Table B on pages 273 - 276.

### 29.2 NDPG projects

The NDPG was announced by the Minister of Finance in his budget speech on 15 February 2006. An amount of R10 billion was ring-fenced for development in townships. The aim is to support and facilitate the planning and development of neighbourhood development programmes and projects that provide catalytic infrastructure to leverage third-party public and private sector development towards improving the quality of life of residents in targeted under-served neighbourhoods (townships) via the implementation of long term strategic plans and catalytic project plans.

Technical assistance is disbursed via the PDF to service providers assisting municipalities with the planning of catalytic programmes and projects.

2012/13 summary of NDPG contingent liability:

Future remaining commitments for the year ended 31 March 2012	Positive (+) and negative (-) funding adjustments for the year ending 31 March 2013	Expenditure for the year ending 31 March 2013	Future remaining commitments for the year ended 31 March 2013	Contractual commitments for the year ended 31 March 2013
356 024 397	(28 778 587)	(36 526 767)	290 719 043	194 646 770

Management has interpreted the NDPG projects to be the net contractual commitment balance (commitments to service providers for the next 12 months) to be a contingent liability of R194 646 770 for the year ending 31 March 2013.

The NDPG projects cover a ten-year period of which R290 719 043 has been committed.

## PROJECT DEVELOPMENT FACILITY (PDF) / continued

A Trading Entity Managed by the Public Private Partnership (PPP) Unit of National Treasury

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

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For a detailed list of all the projects, refer to Table B on pages 273-276.

### 29.3 Alternative Energy Programme

2012/13 summary of the Alternative Energy contingent liability:

<b>Funding as at 31 March 2012</b>	<b>Funding received for the year ending 31 March 2013</b>	<b>Expenditure for the year ending 31 March 2013</b>	<b>Available funding for the year ended 31 March 2013</b>
41 376 069	512 679 712	(191 211 700)	362 844 081

The PDF has entered into a MoU with the Department of Energy and the DBSA for the Alternative Energy Programme over a period of five years. The PDF is to fund the expenditure incurred by the DBSA.

# PROJECT DEVELOPMENT FACILITY (PDF) / continued

A Trading Entity Managed by the Public Private Partnership (PPP) Unit of National Treasury

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

**TABLE A - PDF projects**

#	INSTITUTION	PROJECT NAME	Future remaining commitments for the year ended 31 March 2012	Positive (+) and negative (-) funding adjustments for the year ending 31 March 2013	Expenditure for the year ending 31 March 2013	Future remaining commitments for the year ended 31 March 2013
1	Hibiscus Coast Municipality	Jason Mason Park – Phase 1	37,736	-	-	37,736
2	Hibiscus Coast Municipality – Phase 2	Jason Mason Park – Phase 2	631,845	-	(525,250)	(106,595)
3	Greater Kokstad Municipality	Civic Centre	235,596	-	-	235,596
4	Tlokwe Municipality	Solid waste management	770,230	-	-	770,230
5	Elundini Municipality	Solid waste management system	1,000,630	-	(1,000,630)	-
6	Emalahleni	Tourism development	170,995	-	-	170,995
7	Siyancuma	Tourism development	510,368	-	-	510,368
8	Eastern Cape Parks	Tourism development	875,396	-	-	875,396
9	Blue Crane Development Agency	Contract review	205,000	-	-	205,000
10	Mogalakwena Municipality	Olifants River water resources	1,500,000	-	-	1,500,000
11	Greater Tubatse Municipality 2	Waste management services	503,000	1,492,000	(1,482,000)	513,000
12	City of Johannesburg	Alternative waste treatment	382,061	-	-	382,061
13	Department of Economic Development Environment and Tourism	Pilgrims Rest revitalisation	1,500,000	-	-	1,500,000
14	FS Department of Health - Phase 2	Hospitals	948,739	-	(644,530)	304,209
15	Department of Environmental Affairs	Working on Fire PPP	506,700	-	(505,700)	1,000
16	KwaDukuza Municipality – Phase 3	Waste management	500,000	-	-	500,000
		<b>TOTAL</b>	<b>10,278,294</b>	<b>1,492,000</b>	<b>(4,158,110)</b>	<b>7,612,184</b>

## PROJECT DEVELOPMENT FACILITY (PDF) / continued

A Trading Entity Managed by the Public Private Partnership (PPP) Unit of National Treasury

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

**TABLE B - NDPG Projects**

#	Municipality	Project Number	Project Name	Future remaining commitments for the year ended 31 March 2012	Positive (+) and negative (-) funding adjustments for the year ending 31 March 2013	Expenditure for the year ending 31 March 2013	Future remaining commitments for the year ended 31 March 2013	Contractual commitments for the year ended 31 March 2013
1	Amathole District Municipality	NDPG3-027	Township development of Amathole District towns	12,981,124	-	(2,526,693)	10,454,431	16,573,737
2	Ba-Phalaborwa Municipality	NDPG3-004	BaPhalaborwa Local Municipality Freedom and Memorial Precinct	2,107,040	-	(1,109,355)	997,685	5,284,025
3	Beaufort West Local Municipality	NDPG4-029	Urban nodal development	339,680	-	(207,454)	132,226	339,680
4	Bitou Local Municipality	NDPG4-069	Bitou Coming Together	3 276,563	-	(654,365)	2,622,198	470,699
5	Breede River/Winlands Local Municipality	NDPG4-018	Robertson township initiative	853 010	-	(369,858)	483,152	16,002
6	Buffalo City Local Municipality	NDPG3-058	Township regeneration	24,193,761	-	-	24,193,761	383,264
7	Bushbuckridge Local Municipality	NDPG3-080	Bushbuckridge Urban Municipality	12,690,791	-	(132,336)	12,558,455	162,643
8	City of Cape Town Metropolitan Municipality	Various	City of Cape Town townships initiative	15,690,992	-	(821,473)	14,869,519	9,059,534
9	City of Johannesburg Metropolitan Municipality	Various	City of Johannesburg townships initiative	6,865,178	-	(1,178,308)	5,686,870	59,181,895
10	City of Tshwane Metro Municipality	NDPG1-106	Tsosoloso programme (public spaces)	20,183,617	-	(580,431)	19,603,186	3,549,906
11	Ditlhabeng Local Municipality	NDPG3-005	Vogelfontein urban centre	4,863,678	-	-	4,863,678	-
12	Ekurhuleni Metropolitan Municipality	Various	Ekurhuleni townships initiative	8,607,462	-	(2,560,263)	6,047,199	5,533,777
13	Emalahleni	NDPG4-130.4	Rural town centre general upgrades	3,000,000	-	-	3,000,000	-



## PROJECT DEVELOPMENT FACILITY (PDF) / continued

A Trading Entity Managed by the Public Private Partnership (PPP) Unit of National Treasury

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

**TABLE B - NDPG Projects (continued)**

#	Municipality	Project Number	Project Name	Future remaining commitments for the year ended 31 March 2012	Positive (+) and negative (-) funding adjustments for the year ending 31 March 2013	Expenditure for the year ending 31 March 2013	Future remaining commitments for the year ended 31 March 2013	Contractual commitments for the year ended 31 March 2013
14	Emnambithi/Ladysmith Municipality	NDPG4-127	Commercial development	876,200	-	(419,786)	456,414	-
15	eThekweni Metropolitan Municipality	Various	eThekweni townships initiative	13,680,890	-	-	13,680,890	2,486,796
16	Ga-Segonyana Local Municipality	NDPG4-130.1	Mothibstad rural development	1,407,376	-	(1,035,208)	372,168	5,047,906
17	Greater Taung Local Municipality	NDPG3-029	Greater Taung regeneration strategy	5,450,240	-	(2,172,053)	3,278,187	3,247,290
18	Greater Tzaneen	NDPG4-130.2	General improvements of town centre	2,846,261	-	(1,774,182)	1,072,079	(475,142)
19	Greater Tzaneen Local Municipality	NDPG1-064	Nkowanowa urban renewal	697,216	-	(888,526)	(191,310)*	3,473,667
20	King Sabata Dalindyebo Local Municipality	NDPG1-185	Transdo economic node development	51,973	-	-	51,973	5,946,382
21	Krystna Local Municipality	Various	Krystna townships initiative	5,696,817	-	(254,687)	5,442,130	1,214,736
22	Kouga Local Municipality	NDPG1-077	Eyabantu community neighbourhood centre	1,189,167	-	-	1,189,167	450,000
23	KwaDukuza Local Municipality	NDPG3-044	KwaDukuza priority clusters	8,336,156	-	-	8,336,156	766,385
24	Lekwa Local Municipality	NDPG2-079	Taxi bus/hub and recreation centre	6,314,176	-	-	6,314,176	31,427
25	Lukhanji	NDPG4-130.3	Township and town centre upgrade	4,000,000	-	-	4,000,000	-
26	Makana Local Municipality	NDPG2-060	Townships regeneration (Rhini and others)	377,733	480,000	(870,683)	(12,950)*	370,364
27	Mandeni Municipality	NDPG3-052	Sundumbili urban development	5,945,832	-	(111,168)	5,834,664	7,287,960

## PROJECT DEVELOPMENT FACILITY (PDF) / continued

A Trading Entity Managed by the Public Private Partnership (PPP) Unit of National Treasury

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

**TABLE B - NDPG Projects (continued)**

#	Municipality	Project Number	Project Name	Future remaining commitments for the year ended 31 March 2012	Positive (+) and negative (-) funding adjustments for the year ending 31 March 2013	Expenditure for the year ending 31 March 2013	Future remaining commitments for the year ended 31 March 2013	Contractual commitments for the year ended 31 March 2013
28	Matjhabeng Local Municipality	NDPG3-035	Township regeneration and investment plan	5,000,000	-	-	5,000,000	-
29	Matlosana Local Municipality	NDPG3-095	Neighbourhood revitalisation	7,237,575	-	(1,548,405)	5,689,170	1,064,445
30	Matzikama Local Municipality	NDPG4-012	Urban nodal development	50,461	-	-	50,461	50,461
31	Mbombela Local Municipality	NDPG1-038	Swalala precinct development and KwaNyamazane renewal	184,086	-	(130,958)	53,128	1,769,741
32	Metsweding District Municipality	NDPG4-025	Metsweding townships regeneration programmes	2,337,748	-	(756,960)	1,580,788	1,496,485
33	Mogalakwena Local Municipality	NDPG3-053	Identification and implementation of appropriate community facilities	1,523,761	-	(656,295)	867,466	1,113,793
34	Mogale City Municipality	Various	Mogale City townships initiative	21,630,648	-	(1,712,192)	19,918,456	1,648,502
35	Msunduzi Local Municipality	Various	Msunduzi township initiatives	1,185,504	-	-	1,185,504	71,312
36	Ndwedwe Local Municipality	NDPG1-092	Ndwedwe township development	3,592,425	-	(847,204)	2,745,221	797,813
37	Nelson Mandela Metropolitan Municipality	Various	Nelson Mandela townships initiative	4,303,842	-	(2,576,790)	1,727,052	8,272,232
38	Newcastle Local Municipality	NDPG3-020	JBC urban node	630,000	-	-	630,000	-
39	Nongoma Local Municipality	NDPG3-025	Nongoma town regeneration and urban development	440,000	-	-	440,000	-
40	Oudtshoorn Local Municipality	NDPG1-079	New Brighton renewal	1,819,834	-	(1,028,233)	791,601	249,119
41	Overstrand Local Municipality	NDPG4-010	Imvuselelo developing economic spaces	550,203	-	(685,203)	(135,000) *	184,141
42	Polokwane Local Municipality	NDPG3-093	Polokwane township urban renewal	6,036,590	-	(313,720)	5,722,670	2,203,596

## PROJECT DEVELOPMENT FACILITY (PDF) / continued

A Trading Entity Managed by the Public Private Partnership (PPP) Unit of National Treasury

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

**TABLE B - NDPG Projects (continued)**

#	Municipality	Project Number	Project Name	Future remaining commitments for the year ended 31 March 2012	Positive (+) and negative (-) funding adjustments for the year ending 31 March 2013	Expenditure for the year ending 31 March 2013	Future remaining commitments for the year ended 31 March 2013	Contractual commitments for the year ended 31 March 2013
43	Port St Johns	NDPG4-130.5	Town Centre Upgrade	4,000,000	-	-	4,000,000	-
44	Ramotshere Moiloa Local Municipality	NDPG1-241	Zeerust MPCC/TSC/Ikageleng	2,520,281	-	(1,618,200)	902,081	1,589,980
45	Rustenburg Local Municipality	NDPG3-063	Development planning	26,000,000	-	-	26,000,000	-
46	Sedibeng District Municipality	NDPG3-083	Emfuleni local municipality	10,051,247	-	(693,508)	9,357,739	7,775,237
47	Senqu Local Municipality	NDPG1-097	Sports facility and economic hub	369,692	-	-	369,692	7,900,000
48	Sisonke District Council	NDPG1-189B	Highflats: MPCC/TSC	600,000	-	-	600,000	-
49	Sol Plaatje Local Municipality	NDPG1-226	Galeshewe urban renewal	7,715,411	-	-	7,715,411	2,398,867
50	Steve Tshwete Local Municipality	NDPG2-024	Township restructuring	3,050,389	-	(310,009)	2,740,380	140,408
51	Thulamela Local Municipality	NDPG3-090	Thulamela Gateway	12,792,518	-	(2,361,737)	10,430,781	18,189,157
52	Tlokwe City Council (former Potchefstroom LM)	NDPG3-084	Ikageng neighbourhood development programme	11,522,769	-	(748,858)	10,773,911	245,251
53	uMngeni Local Municipality	NDPG1-043	Mphophomeni multi-service centre	6,969	-	-	6,969	182,967
54	Umtshezi local Municipality	NDPG3-040	Wembezi urban renewal	1,511,332	-	(456,000)	1,055,332	741,407
55	Umtzikhulu	NDPG4-130.6	Town centre upgrade	1,397,672	-	(503,347)	894,325	3,574,756
56	West Rand District Municipality	NDPG4-135.2	Economic development node others	8,000,000	-	(415,831)	7,584,169	2,584,169
57	Zululand District Municipality	NDPG1-189A	MPCC/TSC (uPhongolo)	600,000	-	-	600,000	-
58	NDPG internal	NDPG4-130	Various SA	30,000,000	(30,000,000)	-	-	-
59	NDPG internal	PROG0-000	Programme fees	6,840,707	741,413	(1,496,488)	6,085,632	-
	<b>TOTAL</b>			<b>356,024,397</b>	<b>(28,778,587)</b>	<b>(36,526,767)</b>	<b>290,719,043</b>	<b>194,646,770</b>

\* This over commitment in 2012/13 will be funded in the 2013/14 financial year (projects 19, 26 and 41).



▶ **TECHNICAL  
ASSISTANCE UNIT (TAU):  
ANNUAL FINANCIAL  
STATEMENTS**

for the year ended 31 March 2013



**TECHNICAL ASSISTANCE UNIT**

A TRADING ENTITY MANAGED BY THE TAU UNIT OF NATIONAL TREASURY



ANNUAL  
REPORT  
2012/13

▶ **REPORT OF THE AUDITOR GENERAL  
TO PARLIAMENT ON TECHNICAL  
ASSISTANCE UNIT (TAU):**

for the year ended 31 March 2013



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

PUBLISHED BY AUTHORITY



# TECHNICAL ASSISTANCE UNIT (TAU)

A trading entity managed by TAU of National Treasury

## ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

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# TECHNICAL ASSISTANCE UNIT (TAU)

A trading entity managed by TAU of National Treasury

## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT

For the year ended 31 March 2013

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### REPORT ON THE FINANCIAL STATEMENTS

#### Introduction

1. I have audited the financial statements of the Technical Assistance Unit set out on pages 282-296, which comprise the statement of financial position as at 31 March 2013, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

#### 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 Statements of Generally Accepted Accounting Practice (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 the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing.

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.

4. 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 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.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Technical Assistance Unit as at 31 March 2013, and its financial performance and cash flows for the year then ended in accordance with the Statements of GAAP and the requirements of the PFMA.

## TECHNICAL ASSISTANCE UNIT (TAU) / continued

A trading entity managed by TAU of National Treasury

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT

For the year ended 31 March 2013

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## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion:

### Predetermined objectives

7. I performed procedures to obtain evidence about the usefulness and reliability of the annual performance information as set out on pages 28 - 121 of the annual report.
8. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of the annual performance information relates to whether it is presented in accordance with the Technical Assistance Unit's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

The reliability of the information in respect of the selected programmes is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

9. There were no material findings on the annual performance information concerning its usefulness and reliability.

### Compliance with laws and regulations

10. I did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA.

### Internal control

11. I did not identify any deficiencies in internal control which I considered sufficiently significant for inclusion in this report.

Auditor-General

Pretoria

31 July 2013



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



## TECHNICAL ASSISTANCE UNIT (TAU)

A trading entity managed by TAU of National Treasury

# STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

.....

	Note	2012/13	2011/12
		R	R
<b>ASSETS</b>			
Current assets			
Receivables	4	3,209,620	2,896,023
Cash and cash equivalents	5	50,395,303	72,544,490
<b>Total assets</b>		<b>53,604,923</b>	<b>75,440,513</b>
<b>EQUITY AND LIABILITIES</b>			
Equity			
Accumulated surplus		22,724,538	22,369,297
<b>Total equity</b>		<b>22,724,538</b>	<b>22,369,297</b>
<b>LIABILITIES</b>			
Current liabilities			
Trade and other payables	6	30,880,385	53,071,216
<b>Total equity and liabilities</b>		<b>53,604,923</b>	<b>75,440,513</b>

## TECHNICAL ASSISTANCE UNIT (TAU)

A trading entity managed by TAU of National Treasury

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

.....

	Note	2012/13	2011/12
		R	R
Revenue	2	160,361,041	132,685,463
Operating expenditure	2	(164,261,432)	(132,517,860)
Operating (deficit)/surplus		(3,900,391)	167,603
Interest income		4,255,632	2,301,645
<b>Total comprehensive income for the year</b>		<b>355,241</b>	<b>2,469,248</b>

## TECHNICAL ASSISTANCE UNIT (TAU)

A trading entity managed by TAU of National Treasury

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

.....

	Note	Retained earnings	Total equity
		R	R
Balance at 31 March 2011		19,900,049	19,900,049
Comprehensive income for the year		2,469,248	2,469,248
Balance at 31 March 2012		22,369,297	22,369,297
Comprehensive income for the year		355,241	355,241
<b>Balance at 31 March 2013</b>		<b>22,724,538</b>	<b>22,724,538</b>

## TECHNICAL ASSISTANCE UNIT (TAU)

A trading entity managed by TAU of National Treasury

# CASH FLOW STATEMENT

For the year ended 31 March 2013

.....

	Note	2012/13	2011/12
		R	R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from government and other sources		137,552,226	152,667,794
Cash paid to suppliers		(163,957,045)	(131,762,259)
Cash (utilised)/generated in operations	7	(26,404,819)	20,905,535
Interest income		4,255,632	2,301,645
<b>Net cash (utilised)/generated in operating activities</b>		<b>(22,149,187)</b>	<b>23,207,180</b>
<b>NET(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(22,149,187)</b>	<b>23,207,180</b>
Cash at the beginning of the year		72,544,490	49,337,310
<b>TOTAL CASH AT THE END OF THE YEAR</b>	5	<b>50,395,303</b>	<b>72,544,490</b>

# TECHNICAL ASSISTANCE UNIT (TAU)

A trading entity managed by TAU of National Treasury

## ACCOUNTING POLICIES

For the year ended 31 March 2013

---

### 1 SIGNIFICANT ACCOUNTING POLICIES

#### 1.1 Statement of compliance

These annual financial statements are presented in South African Rand. They are prepared on the historical cost basis unless otherwise indicated.

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 statements of the Generally Accepted Accounting Practice (GAAP).

#### 1.2 Financial assets and liabilities

Financial assets and financial liabilities have not been offset in the Statement of Financial Position.

##### 1.2.1 Initial recognition and measurement

On initial recognition and in accordance with the substance of the contractual arrangement, financial instruments are classified as a financial asset, a financial liability or an equity instrument and are initially measured at fair value.

##### 1.2.2 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 into 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.

##### 1.2.3 Trade and other payables

Trade payables and other payables which consist of revenue received in advance are stated at amortised cost which, due to its short term nature, closely approximates their fair value.

##### 1.2.4 Cash and cash equivalents

Cash and cash equivalents are stated at amortised cost which, due to their short term nature, closely approximates their fair value. Cash and cash equivalents comprise cash at bank and deposits held on call with banks.

### 1.3 Revenue

Revenue is measured at the fair value of the consideration received or receivable.

#### 1.3.1 Appropriated funds

Appropriated and adjusted appropriated funds are recognised when the funds can be measured reliably 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.

#### 1.3.2 Donor funds

Donor funds are recognised when the funds can be measured reliably on the date the draw-down requisition becomes effective and the cost associated with the revenue has been incurred.

## TECHNICAL ASSISTANCE UNIT (TAU) / continued

A trading entity managed by TAU of National Treasury

# ACCOUNTING POLICIES

For the year ended 31 March 2013

---

### 1.3.3 Cost recovery

Revenue for services rendered is recognised when the amount of revenue can be measured reliably, 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 reliably.

### 1.3.4 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.

### 1.4 Irregular, 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.

### 1.5 Related parties

The TAU 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 the Context of IAS 24(AC 126) - Related Parties" issued by the South African Institute of Chartered Accountants.

### 1.6 Significant judgments, estimates and assumptions

The preparation of annual financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the 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 underlying assumptions are reviewed on an on-going 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 current and future periods.

### 1.7 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.

## TECHNICAL ASSISTANCE UNIT (TAU) / continued

A trading entity managed by TAU of National Treasury

# ACCOUNTING POLICIES

For the year ended 31 March 2013

.....

	Note	2012/13	2011/12
		R	R

## 2 OPERATING (DEFICIT)/SURPLUS

Operating (deficit)/surplus is arrived at after taking the following into account

Revenue from:

- Government grants received	19,505,000	18,850,216
- Donor grants received	886,455	5,951,543
- Cost recovery	139,969,586	107,883,704
	<u>160,361,041</u>	<u>132,685,463</u>

Expenditure for:

- Audit fees	(211,364)	(234,705)
- Movement in the provision for impairment of Trade receivables		
- recognised		
- reversed	-	300,000
- Bank charges	(16,321)	(15,713)
- Consultancy fees	(163,988,629)	(132,567,442)
- Legal fees	(45,118)	-
Operating (deficit)/surplus	<u>(3,900,391)</u>	<u>167,603</u>

The movement in the provision for impairment is made up of a reversal of a loss previously recognised where the outstanding monies have 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 (Act No 58 of 1962). As per the agreement with the donor, all VAT on services paid with donor funds will be refundable by SARS.

## TECHNICAL ASSISTANCE UNIT (TAU) / continued

A trading entity managed by TAU of National Treasury

# ACCOUNTING POLICIES

For the year ended 31 March 2013

.....

	Note	2012/13	2011/12
		R	R
<b>4 RECEIVABLES</b>			
Gross trade receivables		2,857,790	2,310,626
SARS: VAT		31,664	571,796
Accrued interest		320,166	13,601
		<b>3,209,620</b>	<b>2,896,023</b>

Movement for the provision of impairment of trade receivables is as follows:

Balance at the beginning of the year	-	300,000
Reversed against profit and loss	-	(300,000)
Charged to profit and loss	-	-
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</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 of values of receivables is considered to be a close approximation of their fair values.

See Note 8 on risk management in relation to the financial assets listed above.

### Trade receivables

The carrying amount of trade receivables approximates their fair value. There is no foreign currency exposure at the reporting date.



## TECHNICAL ASSISTANCE UNIT (TAU) / continued

A trading entity managed by TAU of National Treasury

# ACCOUNTING POLICIES

For the year ended 31 March 2013

---

	Note	2012/13	2011/12
		R	R

## 5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of:

Cash at bank		1,381,253	7,277,766
Call account		49,014,050	65,266,724
Financial assets		<b>50,395,303</b>	<b>72,544,490</b>

## 6 TRADE AND OTHER PAYABLES

### 6.1 From exchange transactions

- Trade payables		15,056,228	14,988,875
- Revenue received in advance		15,820,690	38,082,341

### 6.2 From non-exchange transactions

- Interest received		3,467	-
		<b>30,880,385</b>	<b>53,071,216</b>

Trade and other payables principally consist of amounts outstanding for service providers' services utilised, and on-going costs.

The 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 for services not rendered yet.

Interest received relates to interest received on donor funds not spent and will be refunded to the donor as per mutual agreement.

See Note 8 on risk management in relation to the financial liabilities listed above.

## TECHNICAL ASSISTANCE UNIT (TAU) / continued

A trading entity managed by TAU of National Treasury

# ACCOUNTING POLICIES

For the year ended 31 March 2013

	Note	2012/13	2011/12
		R	R
<b>7 CASH (UTILISED)/GENERATED IN OPERATIONS</b>			
Surplus for the year		355,241	2,469,248
Adjustments for:		(4,255,632)	(2,601,645)
Movement in the provision for impairment of trade receivables		-	(300,000)
Interest income		(4,255,632)	(2,301,645)
Changes in working capital			
Trade and other receivables		(313,597)	3,634,688
Trade and other payables		(22,190,831)	17,403,244
		<b>(26,404,819)</b>	<b>20,905,535</b>

## 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 lead to financial loss. The trading entity is constantly monitoring and responding to potential risk, and thus managing the risk.

### Categories of financial instruments

#### Financial assets

Trade receivables	2,857,790	2,310,626
SARS: VAT	31,664	571,796
Accrued interest	320,166	13,602
Cash and cash equivalents	50,395,303	72,544,490

#### Financial liabilities

Trade payables	15,056,228	13,276,564
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## TECHNICAL ASSISTANCE UNIT (TAU) / continued

A trading entity managed by TAU of National Treasury

# ACCOUNTING POLICIES

For the year ended 31 March 2013

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Note	2012/13	2011/12
	R	R

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### Price risk

As the trading entity has no significant interest-bearing assets, its 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 receivables	0.00%	2,857,790	-
Cash and cash equivalents	4.50%	50,395,303	-
Trade payables	0.00%	(15,056,228)	-

### 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 affected the trading entity occurred in the market during the year.

### 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 counterpart exposure by dealing only 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.

## TECHNICAL ASSISTANCE UNIT (TAU) / continued

A trading entity managed by TAU of National Treasury

# ACCOUNTING POLICIES

For the year ended 31 March 2013

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Note	2012/13	2011/12
	R	R

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## 9 CONTINGENCIES

In terms of the PFMA, all surplus funds as at the reporting date may be forfeited to the National Treasury. A request for the retention of surplus funds to the value of R355,241 resulting from operations in the financial year ended 31 March 2013 will be made to the National Treasury.

## 10 COMMITMENTS

### 10.1 Project commitments

Current commitments will be funded from the accumulated surplus of R22,724,538 as well as from future government grants, cost recovery and donor funds.

### 10.2 Operating commitments

Payable within the next 12 months

- Contractual commitments	62,931,978	162,658,486
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Payable after 12 months but before 60 months

- Contractual commitments	17,999,185	11,251,153
---------------------------	------------	------------

Payable after 60 months

Nil	Nil
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## 11 MATERIAL LOSSES THROUGH CRIMINAL CONDUCT OR 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 2013.

## 12 EVENTS AFTER THE REPORTING DATE

The accounting authority is not aware of any matter or circumstance arising between the end of the financial year and the date of this report which could require adjustments to, or disclosure in, the annual financial statements.

## TECHNICAL ASSISTANCE UNIT (TAU) / continued

A trading entity managed by TAU of National Treasury

# ACCOUNTING POLICIES

For the year ended 31 March 2013



	Note	2012/13	2011/12
		R	R

## 13 RELATED PARTIES

### Amounts included in trade receivables regarding related parties

Department of Agriculture, Forestry and Fisheries	-	180,774
Department of Correctional Services	90,000	-
Department of Co-operative Governance and Traditional Affairs	-	90,000
Department of Economic Development Environment Conservation and Tourism	-	900,000
Department of International Relations and Co-operations	480,000	480,000
Department of Social Development	753,960	242,209
Department of Trade and Industry	1,448,046	-
Financial Intelligence Centre	-	369,900
National Treasury	-	(180)
South African Quality Authority	-	(34,000)
South African Medical Research Council	-	81,923
The Presidency	85,784	-

### Related-party transactions

#### Services provided to related parties

Department of Agriculture, Forestry and Fisheries	50,000	180,774
Department of Arts and Culture	-	238,672
Department of Communication	90,000	-
Department of Co-operative Governance and Traditional Affairs	-	90,000
Department of Economic Development and Tourism KZN	-	300,000
Department of Economic Development and Tourism WC	1,024,800	-
Department of Economic Development, Environment, Conservation and Tourism North West	-	900,000
Department of Environmental Affairs	72,000	284,685
Department of Environment and Tourism	-	1,100,000
Department of Higher Education and Training	792,747	817,311
Department of International Relations and Co-operation	480,000	480,000
Department of Labour: sheltered employment factory	3,100,000	-

## TECHNICAL ASSISTANCE UNIT (TAU) / continued

A trading entity managed by TAU of National Treasury

# ACCOUNTING POLICIES

For the year ended 31 March 2013

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	Note	2012/13	2011/12
		R	R

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### 13 RELATED PARTIES (CONTINUED)

Department of Public Works		1,480,015	-
Department of Rural Development and Land Reform		-	173,655
Department of Social Development		993,960	242,209
Department of Trade and Industry		1,448,046	530,000
Department of Transport		-	100,000
Department of Women, Children and People with Disabilities		213,153	212,100
Department of Economic Development		-	2,424,508
Financial Intelligence Centre		1,861,300	1,665,284
National Department of Health		188,100	-
National Department of Labour		73,073	-
National Department of Sports and Recreation		-	112,798
National Economic Development and Labour Council		30,000	-
National Treasury		119,359,658	106,514,831
North West Provincial Treasury		4,154,920	4,155,687
Office of the Premier, Eastern Cape		1,303,950	869,298
PALAMA		-	69,000
Public Service Commission		192,096	-
Safety and Security Sector Education and Training Authority		63,673	-
South African Medical Research Council		337,787	81,923
South African National Biodiversity Institute		362,178	-
South African Qualifications Authority		-	34,000
Agricultural Research Council		-	580,575
The Presidency		2,151,798	416,636
Transport, Education and Training Authority		167,960	-

No services were provided to parties other than the related parties shown above.

#### Services provided by related parties

National Treasury	19,505,000	18,434,000
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The TAU trading entity has occupied office space in the National Treasury building free of rent. This service has been valued at R1 428 840 (2011/12: R1 323 000) by the National Treasury.

## TECHNICAL ASSISTANCE UNIT (TAU) / continued

A trading entity managed by TAU of National Treasury

# ACCOUNTING POLICIES

For the year ended 31 March 2013

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## 14 STANDARDS AND INTERPRETATIONS EARLY ADOPTED

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

### 14.1 New or revised accounting pronouncements

At the date of authorisation of these financial statements, there are standards and interpretations in issue but not yet effective. These include the following standards and interpretations that are applicable to the entity and may have an impact on future financial statements:

	Effective date, commencing on or after
IFRS 9 Financial instruments	1 January 2015
IFRS 13 Fair value measurements	1 January 2013

#### Details of the standard and the resulting impact:

IFRS 9 A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Instruments: Recognition and Measurement.

IFRS 13 IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements).

It is not expected that these standards will impact the entity's financial statements.

### 14.2 New prescribed accounting framework

From 1 April 2013, public trading entities are required to prepare annual financial statements under GRAP. This has similar accounting treatments to that of GAAP but is tailored for government operations.

This represents a fundamental change to the annual financial statements as the whole suite of standards will need to be applied. It is uncertain how much the statements will change as all financial information and disclosures including comparatives will be affected.

## 15 SIGNIFICANT UNCERTAINTIES AND KEY JUDGEMENTS

The entity will be going through a structural change which will change the entity but not its operations and should not affect the going concern. The operational establishment is envisaged to commence on 01 April 2014.



▶ **HUMAN  
RESOURCE  
REPORT**



# HUMAN RESOURCES REPORT

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## 1. SERVICE DELIVERY

### ORGANISATIONAL ENVIRONMENT

The year under review was substantially focused on formalizing and improving performance management systems in the organisation. This initiative encompassed various aspects of the performance management environment, ranging from policies to enhancing the culture of internal reporting and rendering performance planning more measurable and accessible. The Talent Management Programme was rolled out across the organisation, and the internship programme was further expanded, with 42 interns being employed during the year. The National Treasury, after having been subjected to the process as described by the Department of Performance Monitoring and Evaluation's (DPME) Management Performance Assessment Tool (MPAT), was demonstrated to be one of the top five performing departments in national and provincial government. The National Treasury's financial management unit was rated as the best performing financial management unit, which was then made the subject of a case study for purposes of sharing the knowledge and experience of this journey with other departments. Further savings were realized in relation to spending on goods and services, and the department further reduced turnaround times on bid processing, from 60 to 45 days on average.

### FINANCIAL MANAGEMENT SYSTEMS AND REFORMS

An uncertain global growth outlook continues and the need to preserve and maintain fiscal buffers means that the availability of state resources will be driven by initiatives that promise sustainable and inclusive growth. As such budget reforms and capacity building initiatives continue to place value for money high on the agenda of public spending reform.

The financial management systems (BAS, PERSAL, LOGIS

and Vulindlela) continued to operate optimally, with an average up-time exceeding 99%. Substantial focus has been placed on the overhaul of government's financial management systems and these will continue over the MTEF. With the design of the standardised chart of accounts for local government now largely complete, project activity is now concentrated on planning the roll out. Efforts to draft and publish regulations in this regard have advanced well and these are expected to enter into formal consultation within a matter of a few months. Once consultations of the regulations have successfully been completed, the team will work intensively on capacity-building and systems-building initiatives to render implementation a success.

### ECONOMIC POLICY

The economic policy environment produces research, undertakes 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 a key area of work. The unit also contributed to the budget framework, economic growth scenarios and analysis of the impact on the economy of commodity price shocks. It also provided long-term economic forecasts which assisted the National Treasury's work on debt management. The unit continues to build capacity in tax analysis, climate change and energy modelling as well as in dynamic stochastic general equilibrium (DSGE), a macroeconomic policy analysis tool.

Research was conducted on a range of issues during the 2012 / 13 year. Inputs were made to the Economic and Employment clusters on decent employment through inclusive growth, and continued engagement on the discussion paper *Confronting Youth Unemployment: Policy Options for South Africa*, which forms the basis for debate with social partners on the proposed youth employment incentive.

# HUMAN RESOURCES REPORT / continued

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## TAX AND FINANCIAL SECTOR POLICY

A policy paper on incentivised savings vehicles has been published for public comment during the year under review. In addition, carbon tax proposals have been finalised, with implementation envisaged to take place during January 2015. The Financial Sector policy unit a series of discussion papers on savings and retirement during the year under review.

## 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.

The unit completed the first iteration of the country's long term fiscal report. A follow-up report being prepared focuses on South Africa's long-term public infrastructure requirements. These are envisaged to go a long way in considering long-term planning issues. The Budget Office also continued to monitor the global and domestic economic outlook to ensure an appropriate medium-term fiscal stance was adopted.

To further improve budgeting by government function, the function groups were revised and a review of the GFS functional classification of national and provincial departments and public entities was carried out at a detailed level to ensure consistency and compliance with the GFS.

The unit represents South Africa internationally regarding budget reform matters, and works collaboratively with other institutions at the centre of government, particularly with the Department of Performance Monitoring and Evaluation. The venues of the unit's 2012/13 international engagements included Mauritius,

Ghana, Egypt and South Africa. In the 2012 Open Budget Index Survey, conducted independently by the International Budget Partnership, South Africa was rated second out of the 100 countries participating in this assessment of budget transparency.

## PUBLIC FINANCE

The division continued on-going work across a wide range of topics related to public spending. A particular emphasis on the creation of sustainable jobs, infrastructure financing and value for money remains high on the agenda.

During the period under review, the division carried out research into the possibility of universalising the old age grant and developing alternative income support options for the foster care grant for orphans living with relatives. A research process on welfare services financing was started; input was made into NGO financing policy; and some additional funds for welfare NGOs were allocated in the budget. The unit also undertook work on the work scholarship programme, resulting in support for increased employment opportunities.

## INTERGOVERNMENTAL RELATIONS

During the reporting period, a number of sections of the 2012 DORA were refined to enhance consultation with Parliament on amendments to items gazetted in terms of the Act; to include specific provisions for infrastructure grants to provinces that improve transparency and reduce the likelihood of corruption; and to make compliance with the requirements for the Expanded Public Works programme grants less onerous. The determination of the health component in the provincial equitable share formula was revised to improve transparency and to make it easier to understand the component.

The new Integrated City Development Grant has been established and guidelines have been drafted to

# HUMAN RESOURCES REPORT / continued

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support its implementation in the 2013/14 financial year. The grant will assist metropolitan municipalities with spatial transformation through coordinated planning and implementation of strategically located catalytic investments in the economy, housing, transport and infrastructure. Cities will be required to identify and plan urban networks that consist of a hierarchy of nodes, transport linkages and integration zones so as to crowd in investment, scale up impact and, over time, to build more spatially inclusive and efficient cities.

The division has ensured steady progress in developing the Standard Chart of Accounts for local government. The development of the chart has been completed during the year under review and preparations are underway for a nationwide rollout over the medium-term.

## MANAGING PUBLIC SECTOR DEBT

During the review period the division successfully financed the gross borrowing requirement of R219 billion, originally budgeted at R211.9 billion. Government raised R61.1 million from international export credit agencies and R180.2 billion in the domestic market. R3.7 billion was raised from retail bond investors. The balance was financed by drawing R38.7 billion on cash balances.

For the 2012/13 year, R88.1 billion was paid in debt service costs for the year under review, as opposed to a revised budget of R88.3 billion.

## INTERNATIONAL FINANCIAL RELATIONS

On the regional front, the National Treasury continued to play a prominent role in SADC's Finance Committee. Work towards effective financial administration of the SADC Secretariat, aligning the organisation's expenditure with its stated priorities continued during the year under review. In collaboration with DIRCO, the unit contributed meaningfully to the review of SADC's Regional Indicative Strategic Development Plan.

The National Treasury continued to strengthen relations with multilateral development banks. This was accomplished at two levels. The first was the completion of the *World Bank Country Partnership Strategy* for 2013-2016. This strategy relates in broad terms to the areas in which the World Bank intends to provide support to South Africa. The second level relates to South Africa's contribution to the global development agenda through the on-going International Development Assistance (IDA) and the African Development Fund (ADF) concessional financing windows.

# HUMAN RESOURCES REPORT / continued

## 2. EXPENDITURE

Departments budget in terms of clearly defined programmes. The following tables summarise final audited expenditure by programme (Table 2.1) and by salary bands (Table 2.2). In particular, it provides an indication of the amount spent on personnel costs in terms of each of the programmes or salary bands within the department.

**TABLE 2.1 – Personnel costs by programme, 2012/13**

Programme	Total expenditure (R'000)	Personnel expenditure (R'000)	Training expenditure (R'000)	Professional and special services (R'000)	Personnel cost as a per cent of total expenditure	Average personnel cost per employee (R'000)*
Programme 1 Administration	296,832	132,579	2,612	32,133	44.7	366
Programme 2 Economic Policy, Tax, Financial Regulation and Research	111,235	62,226	618	8,384	55.9	566
Programme 3 Public Finance and Budget Management	221,053	140,866	391	20,870	63.7	610
Programme 4 Asset and Liability Management	278,205	58,182	463	6,465	20.9	524
Programme 5 Financial Systems and Accounting	639,346	135,606	6,099	50,565	21.2	506
Programme 6 International Financial Relations	1,003,051	20,824	63	334	2.0	612
Programme 7 Civil and Military Pensions, Contributions to Funds	3,343,603	0.00	0	49,741	0	0
Programme 8 Technical Support and Development Finance	1,994,290	39,552	302	98,111	1.9	542
Programme 9 Revenue Administration	9,149,374	0	0	0	0	0
Programme 10 Financial Intelligence and State Security	3,982,121	0	0	0	0	0
<b>Total</b>	<b>21,019,110</b>	<b>589,835</b>	<b>10,548</b>	<b>266,603</b>		

\*Note: Percentage of average personnel cost per employee is calculated based on the number of employees in Table 3.1

# HUMAN RESOURCES REPORT / continued

**TABLE 2.2 – Personnel costs by salary bands, 2012/13**

Salary bands	Personnel expenditure (R'000)	% of total personnel cost	Average personnel cost per employee (R'000)***
Lower skilled (Levels 1-2)	0	0	0
Skilled (Levels 3-5)	10,174	1.8	154
Highly skilled production (Levels 6-8)	78,155	13.3	255
Highly skilled supervision (Levels 9-12)	253,518	43.2	473
Senior management (Levels 13-16)	244,187	41.7	872
<b>Total **</b>	<b>586,034</b>	<b>100</b>	<b>492</b>

\*\* Note: Minister and Deputy Minister personnel expenditure are not included in the total.

\*\*\* Note: Percentage of average personnel cost per employee is calculated based on the number of employees in Table 3.2

The following tables provide a summary per programme (Table 2.3) and salary bands (Table 2.4) of expenditure incurred as a result of salaries, overtime, home owners' allowance and medical assistance. In each case, the table provides an indication of the percentage of the personnel budget that was used for these items.

**TABLE 2.3 – Salaries, overtime, home owners allowance and medical assistance by programme, 2012/13**

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	89,156	67.2	644	0.5	2,428	1.8	3,595	2.7
Programme 2	35,663	57.3	0	0	1,008	1.6	1,102	1.8
Programme 3	86,461	61.4	241	0.2	2,284	1.6	2,535	1.8
Programme 4	38,702	66.5	13	0	821	1.4	1,526	2.6
Programme 5	89,229	65.8	0	0	1,482	1.1	2,539	1.9
Programme 6	10,752	51.6	0	0	88	0.4	370	1.8
Programme 7	0	0	0	0	0	0	0	0
Programme 8	21,082	5.3	0	0	344	0.9	650	1.6
<b>Total</b>	<b>371,045</b>	<b>62.9</b>	<b>989</b>	<b>0.2</b>	<b>8,455</b>	<b>1.4</b>	<b>12,317</b>	<b>2.1</b>

\*\*\*\* Note: Percentage of personnel cost of salaries, overtime, home owners' allowance and medical assistance are calculated on the total personnel expenditure per programme in Table 2.1

# HUMAN RESOURCES REPORT / continued

**TABLE 2.4 – Salaries, overtime, home owners’ allowance and medical assistance by salary band, 2012/13**

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)	0	0	0	0	0	0	0	0
Skilled (Levels 3-5)	7,117	70.0	156	1.5	471	4.6	716	7.0
Highly skilled production (Levels 6-8)	59,534	76.2	367	0.5	1,994	2.6	3,489	4.5
Highly skilled supervision (Levels 9-12)	151,905	59.9	332	0.1	2,841	1.1	5,544	2.2
Senior management (Levels 13-16)	150,294	61.5	0	0	3,149	1.3	2,546	1.0
<b>Total *****</b>	<b>368,850</b>		<b>855</b>		<b>8,455</b>		<b>12,295</b>	

\*\*\*\*\* Note: Minister and Deputy Minister personnel expenditure not included in total

# HUMAN RESOURCES REPORT / continued

## 3. EMPLOYMENT AND VACANCIES

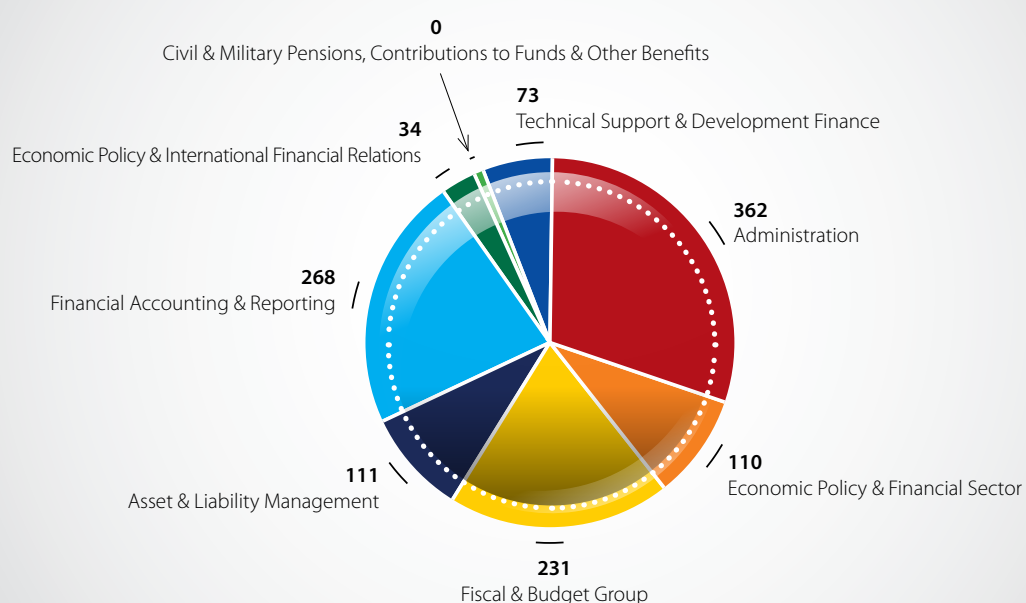
The following tables summarise the number of posts on the establishment, the number of employees, the vacancy rate, and only staff that are additional to the establishment. This information is presented in terms of two key variables: programme (Table 3.1) and salary band (Table 3.2). The vacancy rate reflects the percentage of posts that are not filled.

**TABLE 3.1 – Employment and vacancies by programme, 31 March 2013**

Programme	Number of funded posts	Headcount	Vacancy rate %	Number of posts filled additional to the establishment
Programme 1 Administration	395	362	8.4	14
Programme 2 Economic Policy & Financial Sector	121	110	9.1	3
Programme 3 Fiscal & Budget Group	266	231	13.2	11
Programme 4 Asset and Liability Management	118	111	5.9	1
Programme 5 Financial Accounting and Reporting	281	268	4.6	13
Programme 6 Economic Policy and international Financial Relations	38	34	10.5	2
Programme 7	0	0	0	0
Programme 8	76	73	3.9	22
<b>Total</b>	<b>1295</b>	<b>1189</b>	<b>8.2</b>	<b>66</b>

*NB: Minister and Deputy Minister included in totals.*

### Distribution of filled positions per programme



# HUMAN RESOURCES REPORT / continued

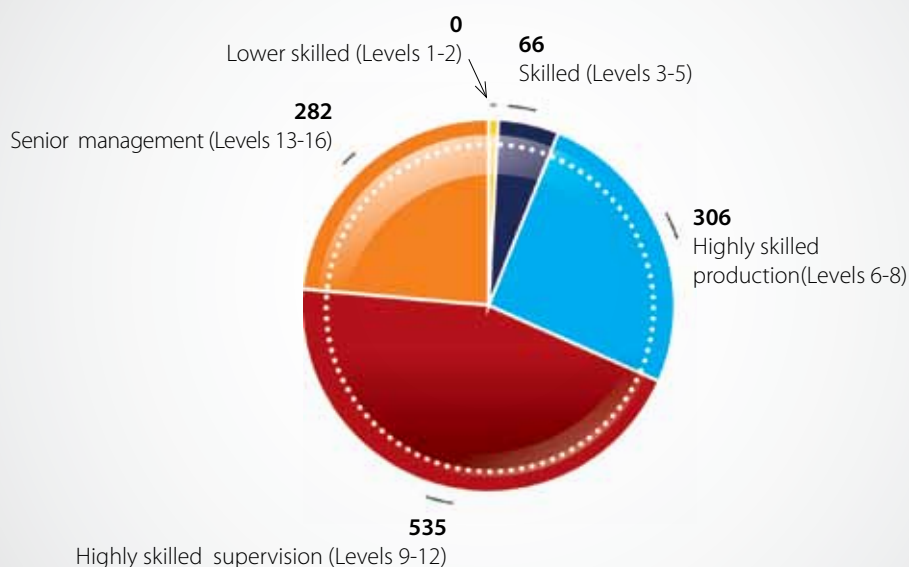
**TABLE 3.2 – Employment and vacancies by salary band, 31 March 2013**

Salary band	Number of posts	Headcount	Vacancy rate %	Number of posts filled additional to the establishment
Lower skilled (Levels 1-2)	0	0	0	0
Skilled (Levels 3-5)	69	66	4.3	0
Highly skilled production (Levels 6-8)	319	306	4.1	26
Highly skilled supervision (Levels 9-12)	599	535	10.7	24
Senior management (Levels 13-16)	308	282	8.4	16
<b>Total</b>	<b>1295</b>	<b>1189</b>	<b>8.2</b>	<b>66</b>

*NB: Number of Vacancies reduced by additional appointments. Minister and Deputy Minister included in totals*

*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*

## Distribution of filled positions per salary band



The information in each case reflects the situation as at 31 March 2013. For an indication of changes in staffing patterns over the year under review, please refer to Section 5 of this report.



# HUMAN RESOURCES REPORT / continued

## 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 4.1) summarises the number of jobs evaluated during the year under review. The table also provides statistics on the number of posts upgraded or downgraded.

**TABLE 4.1 – Job evaluation, 1 April 2012 to 31 March 2013**

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)	0	0	0	0	0	0	0
Skilled (Levels 3-5)	69	5	7.25%	0	0	0	0
Highly skilled production (Levels 6-8)	319	4	1.25%	0	0	0	0
Highly skilled supervision (Levels 9-12)	599	26	4.65%	0	0	2	7.69%
Senior Management Service Band A	229	10	4.37%	0	0	0	0
Senior Management Service Band B	62	6	9.68%	0	0	0	0
Senior Management Service Band C	14	1	7.14%	0	0	0	0
Senior Management Service Band D	3	0	0%	0	0	0	0
<b>Total</b>	<b>1295</b>	<b>52</b>	<b>4.02%</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>3.85%</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 may differ from the number of posts upgraded since not all employees are automatically absorbed into the new posts and some of the posts upgraded may also be vacant.

## HUMAN RESOURCES REPORT / continued

**TABLE 4.2 – Profile of employees whose salary positions were upgraded due to their posts being upgraded, 1 April 2012 to 31 March 2013**

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 2012 to 31 March 2013 (in terms of PSR 1.V.C.3)**

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
Deputy Director-General	1	15	16	Retention
Chief Director	8	14	15	Retention
Director	8	13	14	Retention
Deputy Director	4	11	13	Attraction
Total number of employees whose salaries exceeded the level determined by job evaluation in 2012/13				21
Percentage of total employment				1.8

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 2012 to 31 March 2013 (in terms of PSR 1.V.C.3)**

Beneficiaries	African	Asian	Coloured	White	Total
Female	2	0	2	3	7
Male	6	1	0	7	14
<b>Total</b>	<b>8</b>	<b>1</b>	<b>2</b>	<b>10</b>	<b>21</b>

# HUMAN RESOURCES REPORT / continued

## 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 (Table 5.1) provides a summary of turnover rates by salary band.

**TABLE 5.1 – Annual turnover rates by salary band for the period 1 April 2012 to 31 March 2013**

Salary band	Number of employees per band as on 31 March 2012	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate %
Lower skilled (Levels 1-2)	0	0	0	0.0%
Skilled (Levels 3-5)	59	10	1	1.7%
Highly skilled production (Levels 6-8)	310	68	40	12.9%
Highly skilled supervision (Levels 9-12)	515	65	53	10.3%
Senior Management Service Band A	197	18	23	11.7%
Senior Management Service Band B	56	1	5	8.9%
Senior Management Service Band C	13	1	4	30.8%
Senior Management Service Band D	3	0	0	0.0%
<b>Total</b>	<b>1150</b>	<b>164</b>	<b>125</b>	<b>10.9%</b>

Table 5.2 identifies the major reasons why staff left the department.

**Table 5.2 – Reasons why staff left the department**

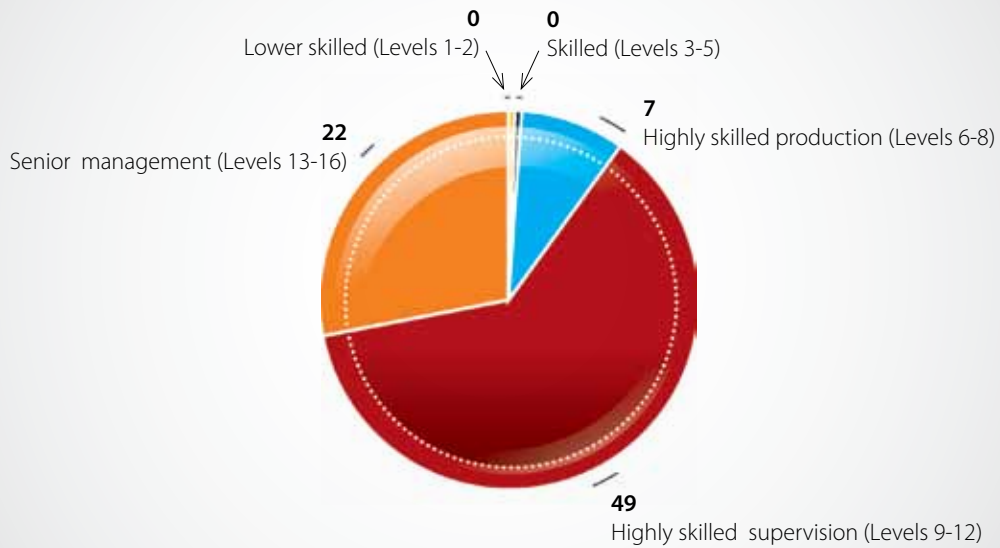
Termination type	Number	% of total
Death	2	1.6%
Resignation	77	61.6%
Expiry of contract	17	13.6%
Dismissal: operational changes	0	0.0%
Dismissal: misconduct	0	0.0%
Dismissal: inefficiency	0	0.0%
Discharged due to ill-health	0	0.0%
Retirement	6	4.8%
Severance package	0	0.0%
Transfers to other public service departments	23	18.4%
<b>Total</b>	<b>125</b>	<b>100</b>
<b>Total number of employees who left as a % of the total employment</b>		<b>10.5</b>

# HUMAN RESOURCES REPORT / continued

**Table 5.3 – Promotions by salary band**

Salary Band	Employees 31 March 2013	Promotions to another salary level	Salary bands promotions as a % of employees by salary level
Lower skilled (Levels 1-2)	0	0	0.0%
Skilled (Levels 3-5)	66	0	0.0%
Highly skilled production (Levels 6-8)	306	7	2.3%
Highly skilled supervision (Levels 9-12)	535	49	9.2%
Senior management (Levels 13-16)	282	22	7.8%
<b>Total</b>	<b>1189</b>	<b>78</b>	<b>6.6%</b>

## Promotions to another salary level



# HUMAN RESOURCES REPORT / continued

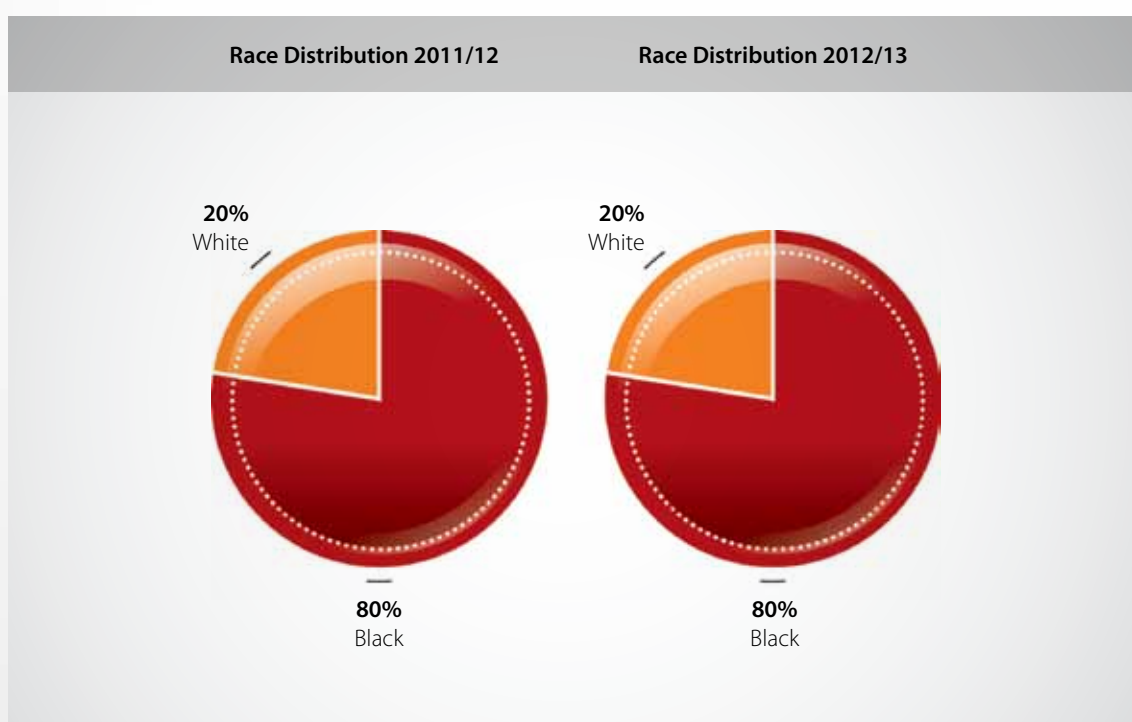
## 6. EMPLOYMENT EQUITY

The tables in this section are based on the formats prescribed by the Employment Equity Act (No. 55 of 1998).

**6.1 – Total number of employees (including employees with disabilities) in each of the following occupational categories as at 31 March 2013**

Occupational categories (SASCO)	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	76	10	16	42	50	4	6	36	240
Professionals	161	16	11	47	191	10	12	39	487
Technicians and associate professionals	29	4	1	5	57	3	2	8	109
Clerks	57	1	3	7	159	12	10	51	300
Service and sales workers	17	1	1	0	5	1	0	0	25
Plant and machine operators and assemblers	6	0	0	0	0	0	0	0	6
Elementary occupations	8	4	0	0	9	1	0	0	22
<b>Total</b>	<b>354</b>	<b>36</b>	<b>32</b>	<b>101</b>	<b>471</b>	<b>31</b>	<b>30</b>	<b>134</b>	<b>1189</b>

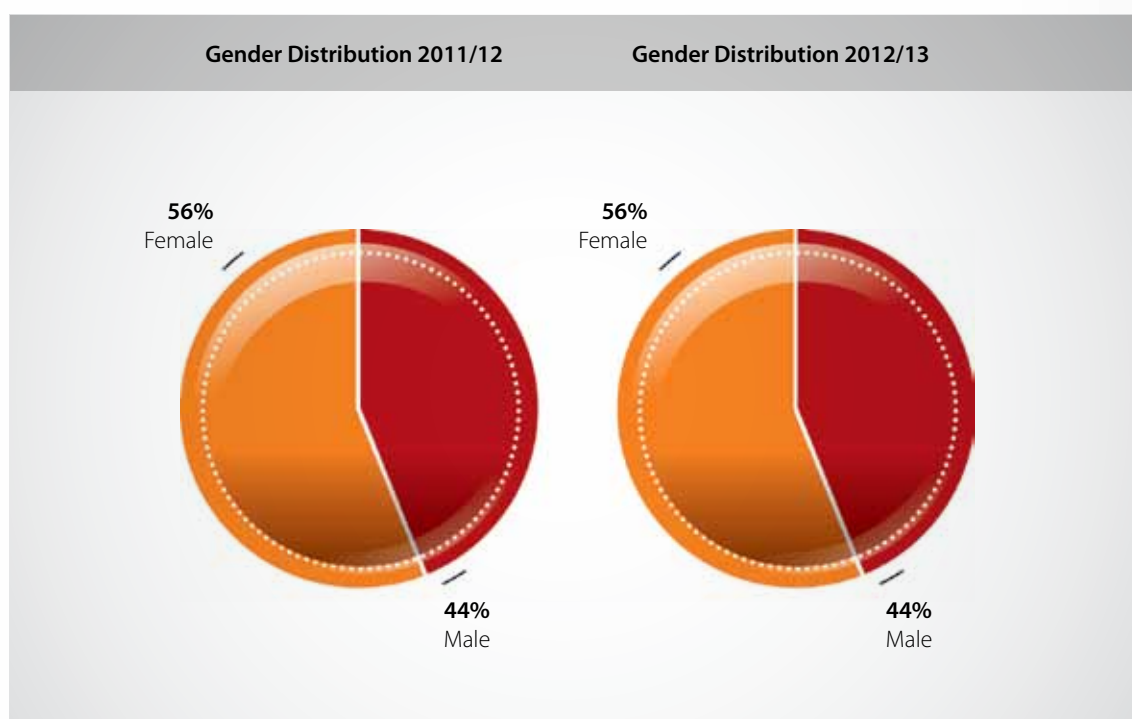
*NB: Minister and Deputy Minister included in totals (Legislators, senior officials and managers)*



# HUMAN RESOURCES REPORT / continued

## 6.2 – Total number of employees (including employees with disabilities) in each of the following occupational bands as at 31 March 2013

Occupational bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	7	1	6	7	2	2	0	1	26
Senior management	76	13	12	46	58	3	10	41	259
Professionally qualified and experienced specialists and mid-management	123	14	8	37	134	8	8	41	373
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	117	3	6	10	247	18	12	50	463
Semi-skilled and discretionary decision making	31	5	0	1	30	0	0	1	68
Unskilled and defined decision making	0	0	0	0	0		0		0
<b>Total</b>	<b>354</b>	<b>36</b>	<b>32</b>	<b>101</b>	<b>471</b>	<b>31</b>	<b>30</b>	<b>134</b>	<b>1189</b>

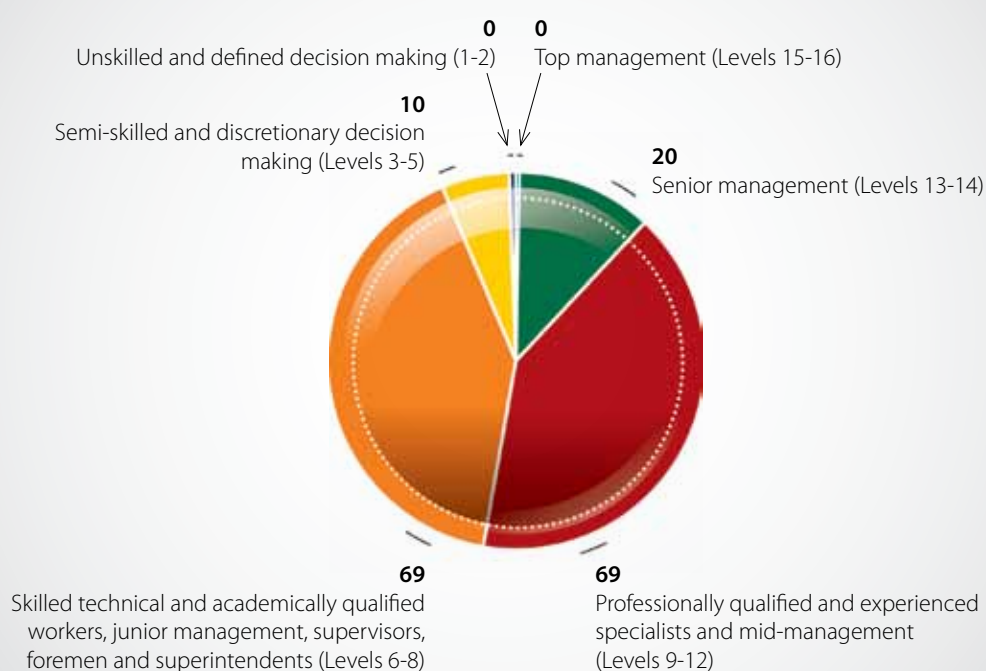


# HUMAN RESOURCES REPORT / continued

## 6.3 – Recruitment for the period 1 April 2012 to 31 March 2013

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management (Levels 15-16)	0	0	1	0	0	0	0	0	1
Senior management (Levels 13-14)	9	0	0	4	4	1	1	1	20
Professionally qualified and experienced specialists and mid-management (Levels 9-12)	26	0	1	5	31	1	1	3	65
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents (Levels 6-8)	16	1	1	3	40	0	2	4	68
Semi-skilled and discretionary decision making (Levels 3-5)	4	0	0	0	6	0	0	0	10
Unskilled and defined decision making (1-2)	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>55</b>	<b>1</b>	<b>3</b>	<b>12</b>	<b>81</b>	<b>2</b>	<b>4</b>	<b>8</b>	<b>164</b>
Employees with disabilities	0	0	0	0	0	0	0	0	0

### Recruitment Profile



# HUMAN RESOURCES REPORT / continued

## 6.4 – Promotions for the period 1 April 2012 to 31 March 2013

Occupational bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management (Levels 15-16)	0	0	0	0	0	0	0	0	0
Senior management (Levels 13-14)	10	0	1	3	5	0	1	2	22
Professionally qualified and experienced specialists and mid-management (Levels 9-12)	18	0	1	4	24	0	1	1	49
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents (Levels 6-8)	1	0	0	0	6	0	0	0	7
Semi-skilled and discretionary decision making (Levels 3-5)	0	0	0	0	0	0	0	0	0
Unskilled and defined decision making (Levels 1-2)	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>29</b>	<b>0</b>	<b>2</b>	<b>7</b>	<b>35</b>	<b>0</b>	<b>2</b>	<b>3</b>	<b>78</b>



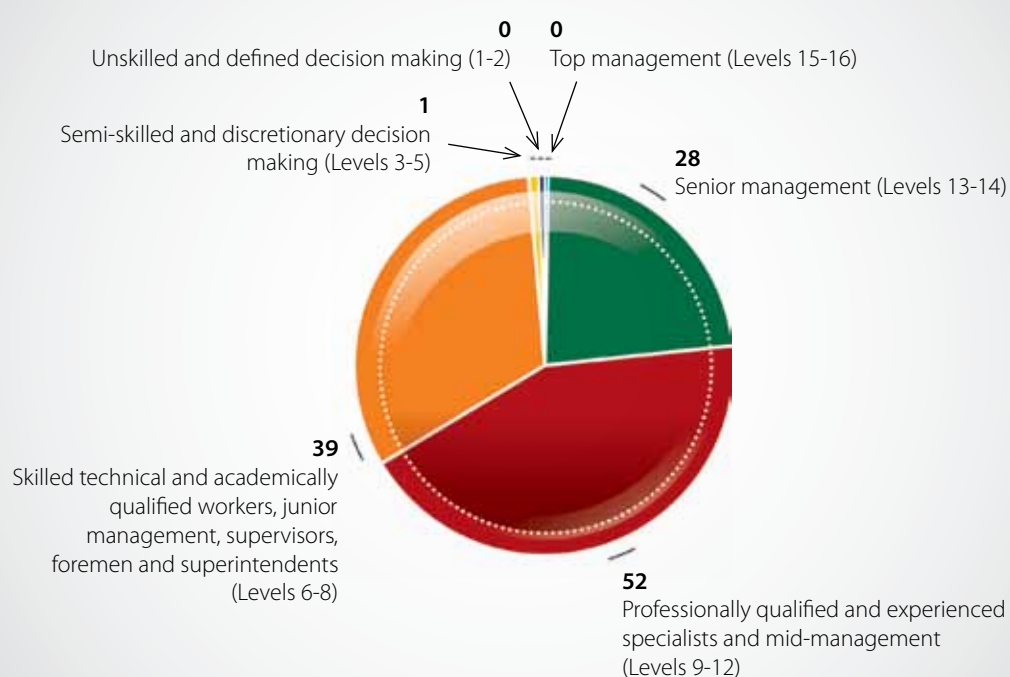
# HUMAN RESOURCES REPORT / continued

## 6.5 – Terminations for the period 1 April 2012 to 31 March 2013

Occupational bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management (Levels 15-16)	0	0	0	0	0	0	0	0	0
Senior management (Levels 13-14)	11	0	2	7	5	1	1	2	29
Professionally qualified and experienced specialists and mid-management (Levels 9-12)	20	2	1	3	20	1	2	5	54
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents (Levels 6-8)	10	1	0	1	23	1	3	2	41
Semi-skilled and discretionary decision making (3-5)	0	0	0	0	1	0	0	0	1
Unskilled and defined decision making (Levels 1-2)	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>41</b>	<b>3</b>	<b>3</b>	<b>11</b>	<b>45</b>	<b>3</b>	<b>6</b>	<b>9</b>	<b>125</b>

NB: Minister and Deputy Minister not included in totals

### Termination of Service Profile



# HUMAN RESOURCES REPORT / continued

## 6.6 – Disciplinary action for the period 1 April 2012 to 31 March 2013

	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Disciplinary action	1	0	0	1	0	0	0	0	2

## 6.7 – Skills development for the period 1 April 2012 to 31 March 2013

Occupational categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	49	7	8	19	43	3	3	24	156
Professionals	109	11	7	29	154	8	9	25	352
Technicians and associate professionals	28	3	1	5	46	1	2	8	94
Clerks	47	1	3	6	130	6	7	27	227
Service and sales workers	10	0	0	0	4	1	0	0	15
Skilled agriculture and fishery workers	5	3	0	0	3	1	0	0	12
Craft and related trades workers	0	0	0	0	0	0	0	0	0
Plant and machine operators and assemblers	3	0	0	0	0	0	0	0	3
Elementary occupations	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>251</b>	<b>25</b>	<b>19</b>	<b>59</b>	<b>380</b>	<b>20</b>	<b>21</b>	<b>84</b>	<b>859</b>
Employees with disabilities	0	0	1	3	1	1	0	1	7

# HUMAN RESOURCES REPORT / continued

## 7. PERFORMANCE REWARDS

To encourage good performance, the department granted the following performance rewards during the year under review. The information is presented in terms of race, gender, and disability (Table 7.1), salary bands (table 7.2) and critical occupations (Table 7.3).

**TABLE 7.1 – Performance rewards by race, gender, and disability, 1 April 2011 to 31 March 2012**

	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>	590	694	65.9	16421	23662
Male	258	298	28.3	7938	26730
Female	332	398	37.7	8483	21314
<b>Asian</b>	48	59	5.6	1973	33443
Male	21	29	2.7	1058	36493
Female	27	30	2.8	914	30496
<b>Coloured</b>	61	69	6.5	2227	32285
Male	33	37	3.5	1182	31956
Female	28	32	3	1045	32666
<b>White</b>	212	231	21.9	8704	37629
Male	91	97	9.2	4266	43976
Female	121	134	12.8	4438	33121
<b>Total</b>	<b>911</b>	<b>1053</b>		<b>29327</b>	<b>27850</b>

**TABLE 7.2 – Performance rewards by salary bands for personnel below Senior Management Service, 1 April 2011 to 31 March 2012**

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 % of total personnel expenditure
Lower skilled (Levels 1-2)	0	0	0	0	0	0
Skilled (Levels 3-5)	48	57	5.4	405	6975	1.37
Highly skilled production (Levels 6-8)	209	248	23.5	3297	13342	11.20
Highly skilled supervision (Levels 9-12)	427	484	45.9	12513	25801	42.55
<b>Total</b>	<b>684</b>	<b>789</b>	<b>74.9</b>	<b>16215</b>	<b>20523</b>	<b>55.14</b>

# HUMAN RESOURCES REPORT / continued

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 % of the total personnel expenditure
	Number of beneficiaries	Number of employees	% of total within band			
Band A	153	200	76.5	7 733	50 543	28.11
Band B	43	55	78.2	3 177	73 884	11.79
Band C	12	21	66.7	1 185	84 643	4.41
Band D	0	4	0	0	0	0.31
<b>Total</b>	<b>208</b>	<b>280</b>	<b>75</b>	<b>12 095</b>	<b>57 595.2</b>	<b>44.71</b>

## 8. FOREIGN WORKERS

TABLE 8.1 – Foreign Workers, 1 April 2012 to 31 March 2013 by salary band, 2012/13

Salary band	Apr-12		Mar-13		Change	
	Number	% of total	Number	% of total	Number	% change
Lower skilled (Levels 1-2)	0	0	0	0%	0	0%
Skilled (Levels 3-5)	0	0	0	0%	0	0%
Highly skilled production (Levels 6-8)	0	0	0	0%	0	0%
Highly skilled supervision (Levels 9-12)	23	82.1	25	76%	2	9%
Senior management (Levels 13-16)	5	17.9	8	24%	3	60%
<b>Total</b>	<b>28</b>	<b>100</b>	<b>33</b>	<b>100%</b>	<b>5</b>	<b>18%</b>

TABLE 8.2 – Foreign workers, 1 April 2012 to 31 March 2013, by major occupation 2012/13

Salary Band	Apr-12		Mar-13		Change	
	Number	% of total	Number	% of total	Number	% change
Senior management	5	82.1	8	24%	3	60%
Professional qualified	23	17.9	25	76%	2	9%
Skilled technical	0	0	0	0%	0	0%
Semi-skilled	0	0	0	0%	0	0%
Unskilled	0	0	0	0%	0	0%
<b>Total</b>	<b>28</b>	<b>100</b>	<b>33</b>	<b>100%</b>	<b>5</b>	<b>18%</b>

# HUMAN RESOURCES REPORT / continued

## 9. LEAVE UTILISATION FOR THE PERIOD 1 JANUARY 2012 TO 31 DECEMBER 2012

The Public Service Commission has 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 8.1) and disability leave (Table 8.2). In both cases, the estimated cost of the leave is also provided.

**TABLE 9.1 – Sick leave, 1 January 2012 to 31 December 2012**

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)	0	0	0	6.19	0	0
Skilled (Levels 3-5)	304	90	50	26.36	6.1	192
Highly skilled production (Levels 6-8)	1 551	85	213	46.91	7.3	1 659
Highly skilled supervision (Levels 9-12)	2 411	95	379	20.54	6.4	4 427
Senior management (Levels 13-16)	924	100	166	100.00	5.6	2 859
<b>Total</b>	<b>5 190</b>	<b>93</b>	<b>808</b>	<b>6.19</b>	<b>6.4</b>	<b>9 137</b>

**TABLE 9.2 – Disability leave (temporary and permanent), 1 January 2012 to 31 December 2012**

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)	0	0	0	0	0	0
Skilled (Levels 3-5)	10	100	1	1.89	10	7
Highly skilled production (Levels 6-8)	155	100	22	41.51	7	358
Highly skilled supervision (Levels 9-12)	182	100	22	41.51	8.3	812
Senior management (Levels 13-16)	150	100	8	15.09	18.8	456
<b>Total</b>	<b>834</b>	<b>100</b>	<b>53</b>	<b>100</b>	<b>15.7</b>	<b>1 633</b>

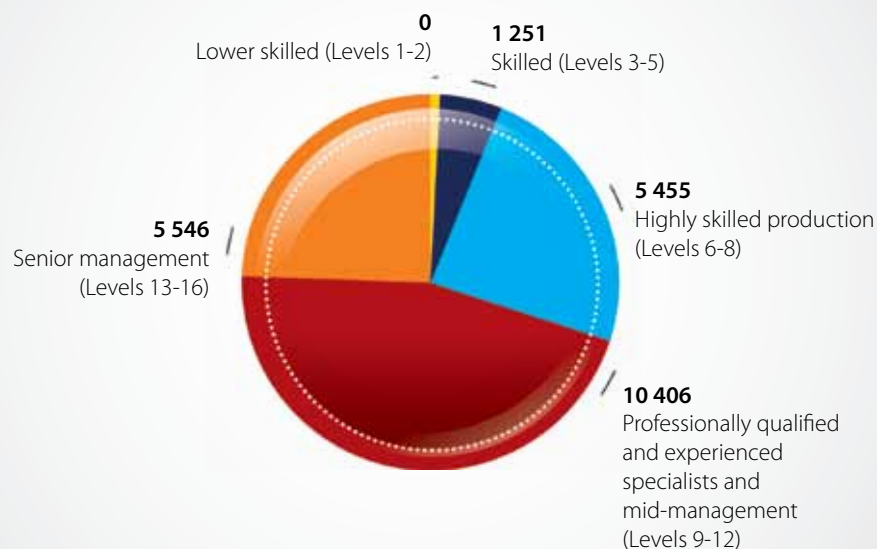
# HUMAN RESOURCES REPORT / continued

Table 9.3 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 9.3 – Annual leave, 1 January 2012 to 31 December 2012**

Salary bands	Total days taken	Average per employee
Lower skilled (Levels 1-2)	0	0
Skilled (Levels 3-5)	1 251	19
Highly skilled production (Levels 6-8)	5 455	18
Highly skilled supervision (Levels 9-12)	10 406	19
Senior management (Levels 13-16)	5 546	20
<b>Total</b>	<b>22 658</b>	<b>19</b>

## Profile of Annual Leave Taken



# HUMAN RESOURCES REPORT / continued

**TABLE 9.4 – Capped leave, 1 January 2012 to 31 December 2012**

Salary bands	Total days of capped leave taken	Average number of days taken per employee	Average capped leave per employee as at 31 December 2012
Lower skilled (Levels 1-2)	0	0	0
Skilled (Levels 3-5)	0	0	0
Highly skilled production (Levels 6-8)	0	0	0
Highly skilled supervision (Levels 9-12)	0	0	0
Senior management (Levels 13-16)	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

**TABLE 9.5 – Leave pay-outs for the period 1 April 2012 to 31 March 2013**

The following table summarises payments made to employees as a result of leave not taken.

Reason	Total amount (R'000) (a)	Number of employees (b)	Average payment per employee (R'000) (c=a/b)
Leave payout for 2012/13 due to non-utilisation of leave for the previous cycle	0	0	0
Capped leave payouts on termination of service for 2012/13	896	6	149
Current leave payout on termination of service for 2012/13	1 506	87	17
<b>Total</b>	<b>2 402</b>	<b>93</b>	<b>26</b>

## 10. HIV AND AIDS & HEALTH PROMOTION PROGRAMMES

TABLE 10.1 – 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>- Have a nurse on site twice weekly to conduct voluntary counselling and testing and TB testing</li><li>- Offer quarterly voluntary counselling and testing. People testing positive are referred and registered with their respective medical aids for the HIV/AIDS programme.</li><li>- Promote prevention by hosting programmes such as condom awareness and STI &amp; STD information sessions</li><li>- Counselling services through the Siyaphila programme is available for emotional support</li></ul>





# HUMAN RESOURCES REPORT / continued

**TABLE 10.2 – Details of health promotion and HIV and AIDS**

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 +- R800 000.00
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>• 24 hours, 7 days confidential telephonic counselling that includes:                             <ul style="list-style-type: none"> <li>- Psychological and emotional assessments, counselling and referrals for relevant interventions</li> <li>- Provides advice such as financial and legal advice, relationships, family matters, substance abuse, work stress, depression, trauma and other health issues</li> </ul> </li> <li>• Host health awareness campaigns; focuses on health risk assessments and advice on chronic health conditions</li> <li>• Supports healthy living and has a Healthy Lifestyle club hosted once a week. The club is one of the interventions to address health risks identified through the health risk assessments.</li> <li>• Voluntary counselling and testing (VCT) and TB testing provided by a nurse on-site and during the quarterly health campaigns</li> <li>• Family planning services provided on site</li> </ul>

# HUMAN RESOURCES REPORT / continued

Question	Yes	No	Details, if yes
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 of internal members: <ul style="list-style-type: none"> <li>• Thandeka Ngwenya (CS) EWP</li> <li>• Rebecca Modiba (CS): floor rep</li> <li>• Betty Malope (CS): OHS</li> <li>• Johnny October (CS): Security management</li> <li>• Margaret Serumula: Financial management</li> <li>• Innocentia Machaba: Financial administration officer</li> <li>• Nomlotha Mazibuko: Contract manager</li> <li>• Judith Rudolph: Office manager, Centurion</li> <li>• Ezre Stokes (CS): HR intern</li> <li>• Zanele Mahlangu: Administrator - OD</li> <li>• Jolanda Watton (PSA): Secretary</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. All our employment policies have been reviewed and do not 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.
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 confidentially 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 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 by a nurse on site and quarterly during health and wellness days. 301 employees were tested (80.29% towards the target of 350).
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 350 employees</li> <li>• Health and productivity management: target of less than 3% absenteeism rate</li> <li>• Wellness management: EWP overall utilisation has reached 1 359 (118.17% towards the target of 60%)</li> </ul>



# HUMAN RESOURCES REPORT / continued

## 11. LABOUR RELATIONS

The following collective agreements were entered into with trade unions within the department.

**TABLE 11.1 – Collective agreements, 1 April 2012 to 31 March 2013**

Subject Matter	Date
Not applicable	

The following table summarises the outcome of disciplinary hearings conducted within the department for the year under review.

**TABLE 11.2 – Misconduct and disciplinary hearings finalised, 1 April 2012 to 31 March 2013**

Outcomes of disciplinary hearings	Number	% of total
Correctional counselling	N/A	N/A
Verbal warning	N/A	N/A
Written warning	N/A	N/A
Final written warning	N/A	N/A
Suspended without pay	N/A	N/A
Fine	N/A	N/A
Demotion	2	100
Dismissal	N/A	N/A
Not guilty	N/A	N/A
Case withdrawn	N/A	N/A
<b>Total</b>	<b>2</b>	<b>100</b>

**TABLE 11.3 – Types of misconduct addressed at disciplinary hearings**

Type of misconduct	Number	% of total
Incompatibility	2	100
<b>Total</b>	<b>2</b>	<b>100</b>

**TABLE 11.4 – Grievances lodged for the period 1 April 2012 to 31 March 2013**

	Number	% of total
Number of grievances resolved	1	17
Number of grievances not resolved	5	84
<b>Total number of grievances lodged</b>	<b>6</b>	<b>100</b>

# HUMAN RESOURCES REPORT / continued

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**TABLE 11.5 – Disputes lodged with Councils for the period 1 April 2012 to 31 March 2013**

	Number	% of total
Number of disputes upheld	0	0
Number of disputes dismissed	0	0
<b>Total number of disputes lodged</b>	<b>0</b>	<b>0</b>

**TABLE 11.6 – Strike actions for the period 1 April 2012 to 31 March 2013**

<b>Total number of person working days lost</b>	
Total cost (R'000) of working days lost	0
Amount (R'000) recovered as a result of no work no pay	0

**TABLE 11.7 – Precautionary suspensions for the period 1 April 2012 to 31 March 2013**

Number of people suspended	1
Number of people whose suspension exceeded 30 days	1
Average number of days suspended	365
Cost (R'000) of suspensions	R649



# HUMAN RESOURCES REPORT / continued

## 12. SKILLS DEVELOPMENT

This section highlights the efforts of the department with regard to skills development.

### 12.1 – Training needs identified 1 April 2012 to 31 March 2013

Occupational categories	Gender	Number of employees as at 1 April 2012	Training needs identified at start of reporting period			
			Learnerships	Skills programmes and other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	130	0	125	0	125
	Male	94	0	88	0	88
Professionals	Female	240	0	241	0	241
	Male	246	0	246	0	246
Technicians and associate professionals	Female	41	0	38	0	38
	Male	69	0	69	0	69
Clerks	Female	63	0	63	0	63
	Male	214	0	214	0	214
Service and sales workers	Female	19	0	13	0	13
	Male	6	0	11	0	11
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	6	0	6	0	6
Elementary occupations	Female	12	0	19	0	19
	Male	11	0	6	0	6
<b>Subtotal</b>	Female	510	0	505	0	505
	Male	640	0	634	0	634
<b>Total</b>		<b>1 150</b>	<b>0</b>	<b>1 139</b>	<b>0</b>	<b>1 139</b>

\*\* Note: Minister and Deputy Minister not included in total

# HUMAN RESOURCES REPORT / continued

## 12.2 – Training provided 1 April 2012 to 31 March 2013

Occupational categories	Gender	Number of employees as at 1 April 2012	Training provided within the reporting period			Total
			Leaverships	Skills programmes and other short courses	Other forms of training	
Legislators, senior officials and managers	Female	130	0	220	0	220
	Male	94	0	258	0	258
Professionals	Female	240	0	392	0	392
	Male	246	0	577	0	577
Technicians and associate professionals	Female	41	0	103	0	103
	Male	69	0	137	0	137
Clerks	Female	63	0	142	0	142
	Male	214	0	401	0	401
Service and sales workers	Female	19	0	22	0	22
	Male	6	0	10	0	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	6	0	8	0	8
Elementary occupations	Female	12	0	20	0	20
	Male	11	0	21	0	21
Subtotal	Female	510	0	907	0	907
	Male	640	0	1 404	0	1 404
<b>Total</b>		<b>1 150</b>	<b>0</b>	<b>2 311</b>	<b>0</b>	<b>2 311</b>

## 13. INJURY ON DUTY

The following tables provide basic information on injury on duty.

**TABLE 13.1 – Injury on duty, 1 April 2012 to 31 March 2013**

Nature of injury on duty	Number	% of total
Required basic medical attention only	6	100
Temporary total disablement	0	0
Permanent disablement	0	0
Fatal	0	0
<b>Total</b>	<b>6</b>	<b>100</b>



▶ **ANNEXURES**

# ANNEXURES

## ANNEXURE 1: ABBREVIATIONS

AC	Audit Committee	DSGE	Dynamic Stochastic General Equilibrium
ACCC	Anti-Corruption Coordinating Committee	ECFF	Employment Creation Facilitation Fund
ADB	African Development Bank	ED	Exposure Drafts
ADF	African Development Fund	ERSA	Economic Research Southern Africa
AEI	African Economic Integration	ENE	Estimates of National Expenditure
AFIS	Automated Fingerprint Identification System	EPWP	Expanded Public Works Programme
APRM	African Peer Review Mechanism	EU	European Union
ASB	Accounting Standards Board	FATF	Financial Action Task Force
AU	African Union	ECD	Early Child Development
BAS	Basic Accounting System	FET	Further Education and Training
BBBEE	Broad Based Black Economic Empowerment	FFC	Financial and Fiscal Commission
BI	Business Intelligence	FIC	Financial Intelligence Centre
BIS	Bank for International Settlements	FMS	Financial Management System
BSA	Brand South Africa	FMCMM	Financial Management Capability Maturity Model
CABRI	Collaborative Africa Budget Reform Initiative	FOSAD	Forum of SA Directors-General
CASP	Comprehensive Agriculture Support Programme	FSB	Financial Services Board
CCSA	Certification in Control Self-Assessment	G20	Group of Twenty Countries
CFTC	Commonwealth Fund for Technical Cooperation	G24	Group of Twenty-Four Countries
CGE	Computable General Equilibrium	GAMAP	Generally Accepted Municipal Accounting Practices
CIA	Certified Internal Auditor	GCC	Guarantee Certification Committee
CIDB	Construction Industry Development Board	GCIS	Government Communications and Information System
CISA	Certified Information Systems Auditor	GDS	Growth and Development Summit
CISNA	Securities and Non-banking Financial Authorities	GEMS	Government Employee Medical Scheme
CMU	Contract Management Unit	GEPF	Government Employee Pensions Fund
CMA	Common Monetary Area	GFECRA	Gold and Foreign Exchange Contingency Reserve Account
COGTA	Cooperative Governance and Traditional Affairs	GFS	Government Finance Statistics
CPD	Corporation for Public Deposits	GPAA	Government Pension Administration Agency
CREFSA	Centre of Research into Economic and Finance in Southern Africa	GRAP	Generally Recognised Accounting Practices
CRL	Cultural, Religious and Linguistic Communities	HDI	Historically Disadvantaged Individual
CSP	City Support Programme	HEDCOM	Heads of Education Departments Committee
DBSA	Development Bank of Southern Africa	HIPC	Highly Indebted Poor Countries
DCIS	Development Corporation Information System	HSRC	Human Sciences Research Council
DFI	Development Finance Institution	IA	Internal Audit
DOC	Department of Communications	IAS	International Accounting Standards
DORA	Division of Revenue Act	ICASA	Independent Communications Authority of South Africa
DME	Department of Minerals and Energy	ICT	Information and Communication Technology
DPE	Department of Public Enterprises		
DPME	Department of Monitoring and Evaluation		
DPSA	Department of Public Service and Administration		



## ANNEXURES / continued

IDC	International Development Cooperation	ODA	Official Development Assistance
IDIP	Infrastructure Development Improvement Programme	OECD	Organisation for Economic Cooperation and Development
IDTT	Inter Departmental Task Team	PALAMA	Public Administration Leadership and Management Academy
IFAC	International Federation of Accountants	PEOU	Public Entity Oversight Unit
IFMS	Integrated Financial Management Systems	PEs	Public Entities
IGR	Intergovernmental Relations	PIC	Public Investment Corporation
IIA	Institute of Internal Auditors	PPAI	Provident Fund for Associated Institutions
IJS	Integrated Justice Sector	PFM	Public Finance Management
IMF	International Monetary Fund	PFMA	Public Finance Management Act
IMFC	International Monetary and Financial Committee	PFS	Public Finance Statistics
IMM	Inventory Management Module	PMM	Procurement Management Module
IOSCO	International Organisation of Securities Commissions	PMU	Project Management Unit for Social Security and Retirement Reform
IPFA	Institute for Public Finance and Auditing	PPP	Public Private Partnerships
IPSAS	International Public-sector Accounting Standards	PPPFA	Preferential Procurement Policy Framework Act
IREP	International and Regional Economic Policy	PRASA	Passenger Rail Agency of South Africa
ISDA	International Swaps and Derivatives Association	PSEPC	Public-sector Expert Practice Committee
IYM	In-Year Monitoring	PSETA	Public Service Education and Training Authority
LRAD	Land Reform for Agricultural Development	RFB	Requests for Bids
MFI	Micro-Finance Intermediaries	RDP	Reconstruction and Development Programme
MFMA	Municipal Financial Management Act	REDS	Regional Electricity Distributors
MFMTAP	Municipal Finance Management Technical Assistance Project	REFIT	Renewable Energy Feed-In Tariff
MIG	Municipal Infrastructure Grant	RISDP	Regional Indicative Strategic Development Plan
MMC	Members of the Mayoral Committee	RMF	Risk Management Framework
MOU	Memorandum of Understanding	SACU	Southern African Customs Union
MPAT	Management Performance Assessment Tool	SADC	Southern African Development Community
MSP	Master Systems Plan	SAFCOL	SA Forestry Company Limited
MTBPS	Medium-Term Budget Policy Statement	SAG	South African Government
MTEC	Medium-Term Expenditure Committee	SANReN	South African Research Network
MTEF	Medium-Term Expenditure Framework	SAPS	South African Police Services
MYPD	Multi-Year Price Determination	SAPO	South African Post Office
NCOP	National Council of Provinces	SARB	South African Reserve Bank
NDP	Neighbourhood Development Programme	SARS	South African Revenue Service
NEDLAC	National Economic Development and Labour Council	SASRIA	South African Special Risks Insurance Association
NEPAD	New Partnership for Africa's Development	SASSA	South Africa Social Security Agency
NERSA	National Energy Regulator of South Africa	SAQA	South African Qualifications Authority
NERT	National Energy Response Team	SADC	South African Development Community
NIA	National Intelligence Agency	SCM	Supply Chain Management
NOFP	Net Open Forward Position	SCOA	Standard Chart of Accounts
NPA	National Ports Authority	SEC	US Securities and Exchange Commission
OAG	Office of the Accountant-General	SETA	Sector Education and Training Authority
		SISP	Strategic Information Systems Plan

## ANNEXURES / continued

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SITA	State Information Technology Agency
SCOPA	Standing Committee on Public Accounts
SMMEs	Small, Medium and Micro-Enterprises
SOC	State-Owned Companies
SOEs	State-Owned Enterprises
SOERG	State-Owned Enterprises Remuneration Guide
STC	Secondary Tax on Companies
STRIPS	Separate Trading of Registered Interest and Principal Securities
TA	Technical Assistance
TBPS	Treasury Best Practice Standards
TCTA	Trans-Caledon Tunnel Authority
TLAB	Tax Laws Amendment Bill
UAT	Complete User Acceptance
UNFCCC	United Nations Framework Convention on Climate Change
WTO	World Trade Organisation

### **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**







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**national treasury**

Department:  
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**REPUBLIC OF SOUTH AFRICA**