



Republic of South Africa

National Treasury

Annual Report: 2003/2004

National Treasury



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Republic of South Africa

National Treasury

Annual Report 2003/2004

Mr TA Manuel
Minister of Finance

I have the honour to submit the Annual Report of the National Treasury for the period 1 April 2003 to 31 March 2004.

A handwritten signature in black ink, appearing to read 'L Kganyago'.

L Kganyago
Director-General





National Treasury

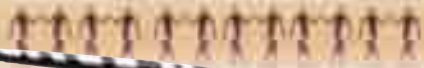


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FOREWORD BY THE DIRECTOR-GENERAL

The 2003/04 Annual Report of the National Treasury is presented at a time when the country celebrates ten years of democracy and reflects on the significant social and economic reforms that have guided transformation.

Government had to meet the challenge of steering an economy characterised by high inflation, massive public debt and a huge budget deficit, and one that serviced a fragmented governance structure, into an economy that could bring macroeconomic stability and sustainable growth and development. This required a complete overhaul in the way the economy had to be managed. The social reconstruction agenda was paramount. Guided by the principles of the Reconstruction and Development Programme, the reprioritisation of expenditure was a key focus of government budgeting. Social change and development has to be achieved and had to be sustainable.

While not at the projected levels, our economy continued to grow and employment showed a slight increase at 1,6 per cent. We also saw robust growth in investment in physical and human capital. The rand continued to appreciate in 2002 and 2003 following trends that saw it emerge from extremely weak levels at the end of 2001.

Inflation remained within the target range of three to six per cent over the past year and lower interest rates improved growth prospects. The past financial year also saw a more expansionary fiscal stance, with strong growth in social spending and infrastructure investment. Our public sector borrowing requirement has increased. This is as a result of the expansionary fiscal stance and increasing capital expenditure by non-financial public entities.

This Annual Report reflects the activities of the National Treasury against the backdrop of our economic performance, fiscal and financial management. We report on key programmes of the National Treasury, including the extension of amnesty for undeclared foreign assets providing relief for the failure to disclose foreign assets in terms of Exchange Control and tax. We also introduced the Mineral and Petroleum Royalty Bill currently being revised to accommodate public comments.

Our international programme continues to strengthen South Africa's economic relations across the world and especially on the continent. The National Treasury has been involved in providing technical support for the creation of the African Peer Review Mechanism and also hosted a successful conference of African Finance Ministers in March 2004 to discuss issues of voice and representation of African countries in the Bretton Woods Institutions.

At the end of 2003, we bid farewell to our former Director-General, Maria Ramos, who



Lesetja Kganyago
*Director-General:
National Treasury*



Maria Ramos
*Former Director-General:
National Treasury*

was appointed as Chief Executive Officer of Transnet. We wish her well in her new endeavour and express our sincere gratitude for her able leadership and pioneering role at the helm of the National Treasury.



Lesetja Kganyago
Director-General: National Treasury



THE MINISTRY

As Finance Minister and Executive Authority responsible for the National Treasury since 1996, Minister Trevor Manuel has provided consistent leadership and direction to the National Treasury. Under his guidance, the macroeconomic policies endorsed by Cabinet and implemented by the National Treasury have brought certainty and stability to the South African economy. His ability to work closely with all social partners has helped to develop confidence in this Government's ability to deliver on its macroeconomic objectives. These objectives are to reduce poverty and vulnerability through sustained delivery of social services, while investing in the productive capacity of our people. Moreover, to meet the country's developmental needs, the Ministry continues to integrate the activities of Government, business, labour and civil society.

For the period under review, Minister Manuel was ably supported by Deputy Minister Mandisi Mpahlwa. We need to thank him for his leadership and congratulate him on his recent appointment as Minister of Trade and Industry. Welcome to Jabu Moleketi, our new Deputy Minister of Finance, who brings a wealth of experience from the Gauteng Executive Council. We also need to acknowledge the services of the previous Director-General, Maria Ramos, who left the Treasury in November 2003. Her legacy will remain with the Treasury for many years.

The National Treasury can be measured not only by the vision and drive of its leadership, but also by the high calibre of its staff. One can confidently state that the Treasury has become an employer of choice, attracting good quality personnel. Loyalty, commitment, hard work and team spirit are the foundation blocks upon which the National Treasury has been built.

Working in the Ministry of Finance is highly pressurised. A core team of dedicated and committed individuals ensures that the Minister's and Deputy Minister's operational needs are met, that information is managed to ensure timely decision making and that they are able to fulfill their obligations to Cabinet and Parliament.

Globalisation offers many opportunities and challenges, especially for the developing world. In representing South Africa, Minister Manuel plays an active role in various multinational fora such as the International Monetary Fund and the World Bank, the African Development Bank, Commonwealth Finance Ministers Meetings and the United Nations. Since November 2001, Minister Manuel has occupied the Chair of the Development Committee, a policy-making committee of the World Bank, where he champions the views of emerging economies. Last year, Cabinet agreed to extend his tenure as Chair of the Development Committee for a second term. More recently, Minister Manuel has been appointed to serve on the Africa Commission, a United Kingdom initiative on African development.



Trevor A Manuel, MP
Minister of Finance



International visits undertaken by the Minister of Finance during the 2003/04 financial year

9 - 18 April 2003	Washington, New York and Boston, USA, to attend the Spring Meetings of the IMF and World Bank; an Economic and Social Council Meeting (United Nations) and to address a seminar at the Kennedy School of Government.
30 May - 4 June 2003	Addis Ababa, Ethiopia, to attend the Annual Meetings of the African Development Bank and the Africa Group I Constituency Meeting.
1 - 3 August 2003	Kampala, Uganda, to attend an Africa Group 1 Constituency Meeting.
6 - 7 August 2003	Gaberone, Botswana, to attend a South African Development Committee on Finance Ministers' Meeting.
12 - 18 August 2003	Brasilia and Rio de Janeiro, Brazil, to meet with his counterpart and other Ministers in the new Brazilian Government.
18 - 25 September 2003	Dubai, United Arab Emirates, to attend the Annual Meetings of the World Bank and the IMF.
24 - 30 October 2003	Morelia, Mexico, and Washington and New York in the USA, to attend the G20 Ministerial Meeting, a special session of the Big Table in Washington and a High Level Dialogue on Financing for Development in New York.
7 - 10 March 2004	London and Oxford, United Kingdom, to meet with Chancellor Gordon Brown and deliver an inaugural lecture.



International visits undertaken by the Deputy Minister of Finance during the 2003/04 financial year

- 30 May - 3 June 2003 Addis Ababa, Ethiopia, to attend meetings of the Economic Commission for Africa and African Development Bank.
- 27 - 29 August 2003 Entebbe, Uganda, to attend the Eastern and Southern Africa Anti-Money Laundering Group Meeting.
- 30 August - 5 September 2003 Kuala Lumpur and Bangkok, a state visit with President Thabo Mbeki to Malaysia, and to attend a business meeting with the community of Thailand.
- 5 - 25 September 2003 Brunei and Dubai, to attend the Commonwealth Finance Ministers' Meeting and IMF/World Bank Annual Meetings.
- 24 - 30 October 2003 Sao Paulo, Brazil, to attend the XII Socialist International Congress with the President.
- 14 - 20 December 2003 Marrakech, Morocco, and London, to attend the Cooperation Conference of the G77 (Head of Delegation).



Jabu Moleketi
Deputy Minister of Finance



Mandisi Mpahlwa
Former Deputy Minister of Finance



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, and with the aim of promoting growth and prosperity for all.

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

MISSION AND OBJECTIVES



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 between the three spheres of government.

We strive to raise fiscal resources equitably and efficiently and to manage Government's financial assets and liabilities soundly.

We promote transparency and effective financial management.

VALUES



As custodians of the nation's financial resources, the National Treasury acknowledges the authority of Parliament through whom we are accountable to the nation.

We value teamwork, sound planning and enthusiasm and strive continually to improve the quality, accuracy and reliability of our service delivery.

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

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

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





**Minister of Finance
Trevor Manuel**

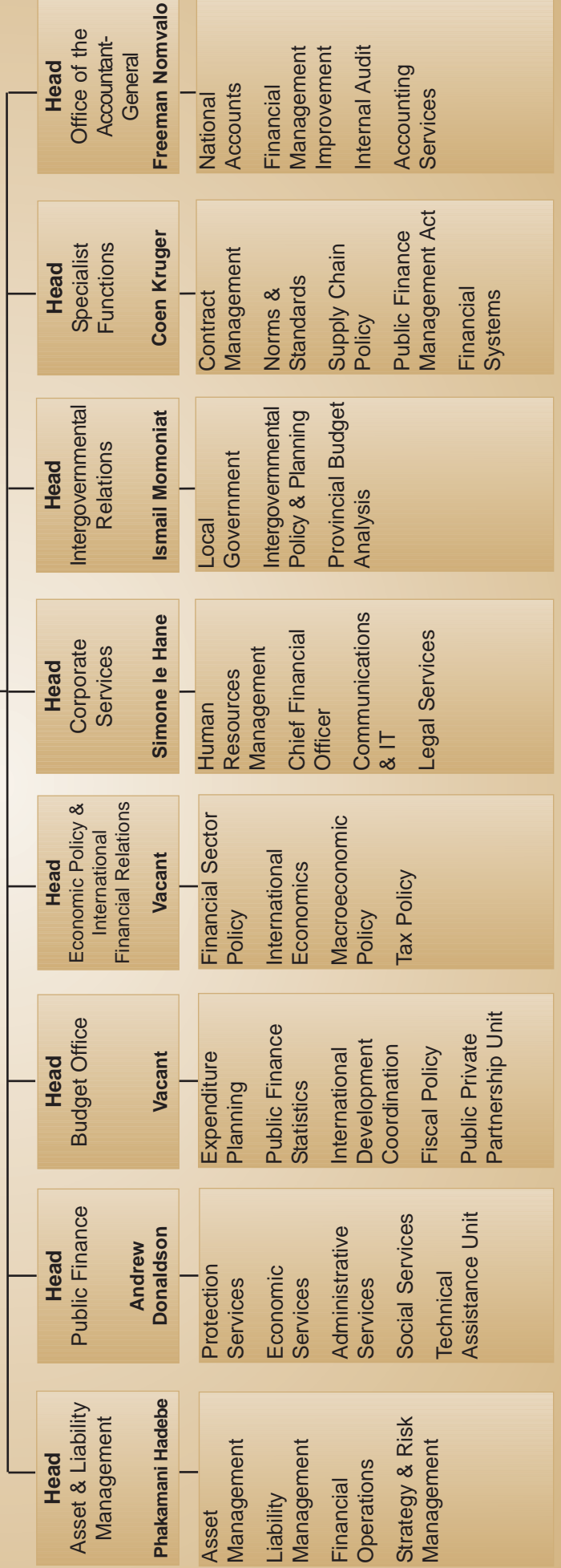


**Deputy Minister of Finance
Jabu Moleketi**



**Director-General
Lesetja Kganyago**

**Chief Operating Officer
Logan Wort**





MINISTER'S STATEMENT ON POLICY AND COMMITMENT



2004 is the year momentous in the history of South Africa. This is our tenth year of democratic rule and an appropriate opportunity to reflect on our past achievements and confront the challenges that lie ahead. As in 1994 and 1999, the 2004 election results confirm the overwhelming support and confidence of the electorate in this Government's ability to create a better life for all its citizens.

How the National Treasury manages our public finances is extremely important in our fight to reduce the levels of poverty and vulnerability. Moreover, the responsibility rests with Government to ensure that our public spending is both affordable and sustainable. This Government has therefore not shied away from making difficult policy choices and tough decisions. Since 1994, successive budgets have progressively extended the resource envelope devoted to services in poor communities. Spending on education, training and skills development is a priority and a necessary precondition for addressing inequality and divisions within our society. Furthermore, our poverty reduction strategy includes the promotion of work opportunities, creating sustainable communities and consolidating our social security system. We have delivered and will continue to deliver affordable housing, access to water and sanitation, health care services and electricity to the most marginalised sectors of our society.

From a macroeconomic perspective, reduced inflation and lower interest rates; well-diversified financial markets; a gradual relaxation of exchange controls; reduced debt service costs; tax incentives to stimulate investment; healthy public finances; and a favourable environment for trade and industrial development, are established features of the South African economy. Having laid these secure foundations, a more expansionary fiscal policy stance was adopted in 2001. Alongside this, the emphasis in economic policy has shifted to microeconomic and logistical reforms, encapsulated in the Microeconomic Reform Strategy, that underpin improved industrial performance and market development. For the decade ahead, an accelerated pace of growth and development must be achieved if we are to overcome the divisions between the "two economies" that coexist in our developing nation.

Over the past decade, we have witnessed the maturing of our intergovernmental fiscal system. The largest allocation of our nation's resources is channelled through the budgets of provincial and local government. We are, therefore, mindful of the need for continued capacity building in respect of human resources and systems to ensure that funds are properly spent. The staggered implementation of the Municipal Finance Management Act (56 of 2003), which commences in 2004, will create uniformity, improve financial management and ensure greater public accountability for funds appropriated at municipal and town-council level. The challenge ahead is to ensure that Government's objective of extending basic services to historically unserved communities is achieved.

Since 1994, South Africa has taken up its rightful place in the global community. Globalisation offers many opportunities and challenges for emerging economies. We are active participants in internal fora such as the World Bank, International Monetary Fund, United Nations and the Organisation for Economic Cooperation and Development. Many of the policies and initiatives adopted by our Government are in line with the Monterrey





consensus, building African unity through the New Partnership for Africa's Development and achieving the objectives of the Millennium Development Goals. South Africa occupies significant positions in these international fora and we will use our influence to enhance the voice and representation of developing countries in these fora over the next five years.

In terms of public accountability, the role of Parliament and civil society in overseeing government policy, monitoring spending and measuring public service delivery is important. The inclusion of measurable objectives in this year's 'Estimates of National Expenditure', multi-year budgeting and improved financial reporting as required by the Public Finance Management Act, have provided Parliament with the relevant information to exercise its oversight role and hold the Executive to account.



Trevor A Manuel, MP
Minister of Finance



LEGISLATIVE MANDATE



The National Treasury has a legislative mandate to promote the national Government's fiscal policy framework and the coordination of macroeconomic policy; to coordinate intergovernmental financial and fiscal relations; manage the Budget preparation process; and to promote and enforce transparency and effective management in respect of revenue and expenditure; assets and liabilities; public entities; and constitutional institutions.

Parliamentary Services

The Minister of Finance, as a Member of Parliament, places a high premium on the Ministry's interaction with Parliament. The Ministry ensures active collaboration with members of Parliament and with the parliamentary committees on an ongoing basis. Key to this objective is the Parliamentary Office located in the Ministry.

Parliamentary Services has to foster a transparent and cooperative working environment with Parliament. It is the representative office of the Minister of Finance at Parliament and the vehicle through which financial policies and legislation are presented to Parliament for consideration and approval.

The Parliamentary Office facilitates the flow of information from the National Treasury via Cabinet to Parliament. It serves a liaison role by ensuring that parliamentary decisions are forwarded to the National Treasury and, in this way, policy drafters are kept abreast of the views of public representatives. The Parliamentary Office is essentially a service provider to the Minister of Finance, the three departments under his executive authority (the National Treasury, the South African Revenue Service and Statistics SA) and the two chairpersons of the respective Finance Committees in Parliament.

The key functions of Parliamentary Services include:

- 1 Keeping the Minister informed of his parliamentary commitments;
- 1 Ensuring that presentations and speeches are prepared;
- 1 Accompanying the Minister and his senior officials to meetings and parliamentary sittings;
- 1 Liaising with political parliamentary structures, for example, the Chief Whip's Office and the Office of the Leader of Government Business on behalf of the Minister;
- 1 Providing the Minister with parliamentary procedural support;
- 1 Facilitating the drafting of answers to questions posed to the Minister for submission to Parliament;
- 1 Advising the parliamentary committee chairpersons on the legislative programme; and
- 1 Ensuring that legislation is placed on the committee agenda timeously and that senior officials brief the committee to facilitate meaningful deliberations on legislation, policy documents and areas of economic interest that the committee wishes to focus on.





LEGISLATION ENACTED



The National Treasury tables legislation, which can be categorised as follows, in Parliament annually:

- ¹ Legislation conceptualised and prepared in-house;
- ¹ Legislation prepared by such regulatory bodies as the Financial Services Board and the South African Reserve Bank, with National Treasury providing policy direction; and
- ¹ Tax legislation prepared jointly with the South African Revenue Services. The National Treasury provides policy direction.

The following is a list of legislation tabled in Parliament during the 2003/2004 financial year:

1. **Pensions (Supplementary) Act, (8 of 2003)**
Introduced as Pensions (Supplementary) Bill [B11-2003]
Assented to on 23 April and published in the Gazette on 30 April 2003
2. **Exchange Control Amnesty and Amendment of Taxation Laws Act, (12 of 2003)**
Introduced as Exchange Control Amnesty and Amendment of Taxation Laws Bill [B26-2003]
Assented to on 30 May and published in the Gazette on 31 May 2003
3. **Bophuthatswana National Provident Fund Act Repeal Act, (13 of 2003)**
Introduced as Bophuthatswana National Provident Fund Act Repeal Bill [B13-2003]
Assented to on 14 June and published in the Gazette on 18 June 2003
4. **Sefalana Employee Benefits Organisation Act Repeal Act, (14 of 2003)**
Introduced as Sefalana Employee Benefits Organisation Act Repeal Bill [B14-2003]
Assented to on 14 June and published in the Gazette on 18 June 2003
5. **Insurance Amendment Act, (17 of 2003)**
Introduced as Insurance Amendment Bill [B52-2003]
Assented to on 16 July and published in the Gazette on 23 July 2003
6. **Appropriation Act, (18 of 2003)**
Introduced as Appropriation Bill [B8-2003]
Assented to on 16 July and published in the Gazette on 23 July 2003
7. **Banks Amendment Act, (19 of 2003)**
Introduced as Banks Amendment Bill [B15-2003]
Assented to on 30 July and published in the Gazette on 5 August 2003
8. **Special Pensions Amendment Act, (21 of 2003)**
Introduced as Special Pensions Amendment Bill [B35-2002]
Assented to on 1 October and published in the Gazette on 7 October 2003

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9. **Financial and Fiscal Commission Amendment Act, (25 of 2003)**
Introduced as Financial and Fiscal Commission Amendment Bill [B21-2003]
Assented to on 12 October and published in the Gazette on 17 October 2003
 10. **Special Pensions Second Amendment Act (30 of 2003)**
Introduced as Special Pensions Second Amendment Bill [B3-2003]
Assented to on 7 November and published in the Gazette on 12 November 2003
 11. **Government Employees Pension Law Amendment Act, (35 of 2003)**
Introduced as Government Employees Pension Law Amendment Bill [B45-2003]
Assented to on 7 November and published in the Gazette on 12 November 2003
 12. **Adjustments Appropriation Act, (37 of 2003)**
Introduced as Adjustments Appropriation Bill [B69-2003]
Assented to on 4 December and published in the Gazette on 8 December 2003
 13. **Pensions Second (Supplementary) Act, (39 of 2003)**
Introduced as Pensions Second (Supplementary) Bill [B59-2003]
Assented to on 10 December and published in the Gazette on 15 December 2003
 14. **Revenue Laws Amendment Act, (45 of 2003)**
Introduced as Revenue Laws Amendment Bill [B72-2003]
Assented to on 17 December and published in the Gazette on 20 December 2003
 15. **Local Government: Municipal Finance Management Act, (56 of 2003)**
Introduced as Local Government: Municipal Finance Management Bill [B1-2002]
Assented to on 9 February and published in the Gazette on 13 February 2004
 16. **Drought Relief Adjustments Appropriation Act, (4 of 2004)**
Introduced as Drought Relief Adjustments Appropriation Bill [B5-2004]
Assented to on 30 March and published in the Gazette on 31 March 2004
 17. **Division of Revenue Act, (12 of 2004)**
Introduced as Division of Revenue Bill [B4-2004]
Assented to on 30 March and published in the Gazette on 31 March 2004





ACCOUNTING OFFICER'S OVERVIEW



In preparing this Annual Report, the National Treasury undertook an examination of service delivery results for the period covered by its Strategic Plan for 2003 - 2006 and by the 2003 'Estimates of National Expenditure'. This section provides an overview of the key challenges that the Treasury set for itself in the 2003 Strategic Plan and highlights its major achievements.


The Annual Report fulfils three objectives. Firstly, it provides an account of our achievements in line with the measurable objectives and output targets set out in the Strategic Plan. Secondly, it shows, through the audited financial statements, how resources appropriated by Parliament appropriated for the 2003/04 financial year have been utilised in support of the Treasury's legislative mandate. Finally, it provides an account of the challenges that are likely to impact on future plans and resource allocations.

As an ongoing objective, the National Treasury has committed itself to fiscal and budgetary reform aimed at promoting sustainable growth and development, reducing poverty, enhancing budgetary transparency and improving financial management. The formulation of a three-year budget framework – the Medium-Term Expenditure Framework (MTEF) introduced in 1998 – and the introduction of the Public Finance Management Act (PFMA) in 2000, provided a firm foundation for the objectives set for 2003. Critical to budget and fiscal reforms have been the alignment of policy priorities, departmental plans and available resources. Through ongoing advice and support to departments and agencies, the overall quality of budgeting and financial management improved. In particular, improvements to measurable objectives of spending programmes have supported better allocation decisions and added to the coverage of service delivery commitments tabled by departments in the 'Estimates of National Expenditure', thereby aiding Parliament in its oversight role.

Improved transparency and comprehensiveness of budgets for national and provincial departments took a further step forward with the finalisation of the 'New Economic Reporting Format and Standard Chart of Accounts' at the end of March 2003. Through the collaborative efforts of the Accountant-General and the Budget Office, the new format was implemented successfully in the 2004 Budget.

Significant progress has been made in public sector financial management and accounting. A key objective set for the 2003/04 financial year was the implementation of improved formats for financial reporting by national and provincial government and the migration towards Generally Recognised Accounting Practices (GRAP). This was finalised at the end of March 2004 together with enhancements in accounting policies.

The publication of the 2003 'Intergovernmental Fiscal Review' once again provides a consolidated overview of provincial and local funding of basic and social service delivery. The Review shows that provincial budgets reflect a strong alignment with national priorities and a commitment to sustainable service delivery. The enactment of the Municipal Finance Management Act (MFMA) in the first half of 2004 provides the legal basis for modernising budgeting and financial management, and forms an integral part of the broader local government reform agenda.



The provision of services in Government will benefit from the promulgation of the 'Supply Chain Management Framework' in December 2003. In line with provisions in the PFMA and MFMA, responsibility and accountability for the procurement of goods and services will progressively be devolved to accounting officers.

Our ability to increase overall public spending over the past decade is largely the benefit of having put in place the correct macroeconomic fundamentals. In 2003, a total of R105 billion in additional resources was added to baseline budgets in support of new spending priorities. While increases in expenditure have largely funded the rapid expansion in social spending, budget policy will focus increasingly on infrastructure investment and human resources development. Ensuring the correct balance in budget policy also includes strengthening the macro-micro linkages in the South African economy. In this regard, greater attention has been focused on studying the microeconomic constraints in our economy that hamper growth, and collaborating with other departments in reviewing utilities and their price-setting mechanisms in the economy, given their impact on the general price level.

The Strategic Plan that covered the 2003/04 financial year identified efficient public sector debt management as a priority for the National Treasury. A key objective of our debt management strategy is to ensure that Government's budget deficit is financed at the lowest possible cost and risk levels, which means borrowing in domestic and foreign markets, ensuring continued access to both markets and enhancing their liquidity through the issue of tradable instruments. The revised net borrowing requirement for 2003/04 of R36,5 billion was successfully financed through the issuance of domestic short-term and long-term loans, foreign loans and changes in cash and other balances.

The finalisation of the restructuring process and absorption of staff into the new structure of the National Treasury was the key focus of the human resources management strategy for 2003/04. Complementing the new structure were the development and implementation of new performance management and personnel development systems, which entailed finalising performance agreements and the ongoing evaluation and training of staff at all levels.

As an institution tasked by the PFMA with the responsibility for financial and fiscal matters, the National Treasury is in a much stronger position to tackle the strategic objectives that it has set for itself over the next five years. These include, among others: the promotion of sustainable growth and work opportunities; the optimal allocation and utilisation of resources; and maintaining of macroeconomic stability.

The National Treasury Annual Report for 2003/04 gives a detailed account of the progress we have made towards achieving our measurable objectives and output targets. More importantly, this Annual Report allows us to reflect on our past performance with a view to improving our contribution towards our objectives.





PROGRAMME 1

ADMINISTRATION

Purpose: To provide strategic management and administrative support to the National Treasury, giving political and managerial leadership to the work of the Department.

Measurable objective: The programme aims to provide an effective management and administrative support service to the core business divisions within National Treasury through continuous refinement of organisational policy and procedures in line with the requirements of the public service, and to ensure compliance with applicable legislation and appropriate best practices.

The programme is divided into four subprogrammes:

- ¹ The *Ministry* provides for the Ministerial Office of the Ministry of Finance and includes the Office of the Minister and parliamentary and ministerial support services.
- ¹ The *Deputy Minister* subprogramme provides for the Office of the Deputy Minister of Finance and related support services.
- ¹ The *Management* subprogramme provides for the Office of the Director-General and related support services.
- ¹ *Corporate Services* supports the administration and smooth running of the Department.

The *Corporate Services* division manages the Administration programme. The division is responsible for financial management and administration within the National Treasury and aims to create a productive and creative working environment that enhances departmental efficiency.


The division consists of four units (Human Resources Management; Financial Management; Legal Services; and Communications and Information Technology) that provide the backbone support-service operations to the core business of the National Treasury.

Service Delivery Objectives and Indicators

Recent outputs

The *Financial Management* unit (comprising Financial Administration and Procurement) is focused on maximising compliance with all relevant financial statutes and regulations, the most important of which is the Public Finance Management Act (1 of 1999) (PFMA), and providing excellent service to its customers, both internally and externally. The Department has again received an unqualified audit report for the 2004 financial year. Further information on this unit's work is detailed in the Management Report.

Procurement Reform – On 10 September 2003, Cabinet approved the adoption of the 'Policy to Guide Uniformity in Procurement Reform Processes in Government' that sets out the direction that Government is moving towards in the implementation of supply chain management. Accounting officers are required to establish and implement a supply



chain management function, located within the Chief Financial Officer's structure, to promote sound financial management and uniformity. The 'Regulatory Framework for Supply Chain Management' was promulgated on 5 December 2003. This Framework serves as a formal requirement to accounting officers to ensure the implementation of the supply chain management process as an integral part of their financial systems and to develop and implement an effective and efficient supply chain management system.

As one of the pilot departments for the new procurement framework, the National Treasury has already made progress in this area. The Department's procurement function is located within the Chief Financial Officer's structure. The 'Accounting Officer's Procurement Procedures' have been developed and implemented and contain departmental procurement procedures. An established Accredited Procurement unit is in operation, and the Preferential Procurement Policy Framework Act and Regulations have been fully implemented.

The Department initiated processes to review its current procurement policies and procedures to ensure alignment with the Regulatory Framework.

Information Technology – The restructuring of the unit has proved to be very successful, with valuable input obtained from all stakeholders. As a result, the *Information Technology* unit aligned itself with the strategic direction of the National Treasury and placed strong emphasis on service delivery to all clients. A more efficient organisational structure for the unit has been drafted and is in the process of being finalised. The new structure will ensure that the best services are delivered to clients, both internally and externally, when and where required.

In-house applications have been developed that have proved to assist National Treasury staff members in automating daily tasks. The establishment of several websites for components within the National Treasury has been completed with great success.

Up-times have been maximised through the use of effective anti-virus strategies, which have prevailed through several virus attacks. System disaster recovery has also been put to the test, resulting in minimal disruptions for the user base.

A new and improved service desk is being established that will improve response times to IT enquiries. It is envisaged that the service desk will be expanded to include all elements of corporate service functions.

Communications – The *Communications* unit provides a strong media liaison service to the Ministry and the Department and manages the flow of information to both internal and external stakeholders. In doing so, the unit aims to keep the public informed about the work of the National Treasury by strategically managing the media profile of the Ministry and the Department. The *Communications* unit structure has been rolled out, with positions filled in resource and information management; project and events management; and internal communications. Major media events include the National Budget tabled in Parliament, the Medium-Term Budget Policy Statement, and the annual meetings of the International Monetary Fund (IMF) and the World Bank. The unit participates actively in various intergovernmental communications fora.




Security and Facilities Management – During the 2003/04 financial year, the *Security and Facilities Management* unit was faced with various challenges from both internal and external working environments. All prescripts and standards set by national institutions such as the National Intelligence Agency (NIA), the South African Police Service (SAPS) and the South African National Archives, were enforced. Security systems accommodating the security challenges of an open plan office environment and meeting the security standards of the NIA and the SAPS were designed and implemented. An open plan office environment yields a number of benefits, such as information flow improvement, faster service delivery and teamwork, but it poses a range of security challenges. From a security perspective, an open plan office environment is viewed as a security breach. Among others, it increases vulnerability of property and information.

Some of the activities of the *Security and Facilities Management* unit included:

- 1 Installation of an electronic security system
During 2002 and 2003, an advanced electronic security system that consists of access control, asset control and surveillance camera systems, was installed. This assisted in monitoring and securing both buildings occupied by the National Treasury and their surrounds.
- 1 Security clearances for employees within the National Treasury
Employees who should be vetted, as well as their level of security clearance, were identified. These employees completed security clearance forms, which were forwarded to the NIA. Considerable progress was made in complying with the 'Minimum Information Security Standards Policy'.

Legal Services is tasked with the responsibility of providing a comprehensive and diverse legal support service to the Minister, Deputy Minister and the National Treasury. These services include the provision of legal support in respect of a wide range of corporate law issues, drafting and amendments of legislation, as well as management of litigation brought by and against the Minister. Some of the services included:

- 1 Providing legal advice on international bond issues, such as liaising with international attorneys on the Security Exchange Commission (New York).
- 1 Providing legal service on the RSA Retail Bond launched in 2004.
- 1 Providing legal advice on money market issues (dematerialisation of money markets) and primary dealer matters.
- 1 Providing legal advice on a number of agreements, including the agreement between the Reserve Bank, the Corporation for Public Deposits (CPD), the provinces and the National Treasury on opening an investment account with the CPD and the use of the central banking system operated by the Reserve Bank. This primarily gives the provinces an opportunity to invest with the CPD.
- 1 Providing legal advice and drafting the necessary Executive Acts of the President on the assignment of the Transkei Development Reserve Fund Act (3 of 1964) to the Province of the Eastern Cape under item 14 of Schedule 6 to the Constitution of the Republic of South Africa Act (108 of 1996).
- 1 Providing comments on a number of Bills introduced in Parliament.

- 
- ¹ Successfully presenting to the National Council of Provinces (NCOP) the Financial and Fiscal Commission Amendment Act (25 of 2003) that clarifies the role of the Financial and Fiscal Commission (FFC) when functions or powers are transferred or assigned between spheres of government.
 - ¹ The past year saw the litigation section extremely active in a variety of cases. All the court challenges handled by the component were defended successfully or settled out of court in the best interest of the Government. The most notable were:
 - ▶ Ecaar and Another / President of the Republic of South Africa and Another
 - ▶ Primavera Construction / Government of the Republic of South Africa

Human Resources Management – An important element of the National Treasury organisational environment was the appointment of a new Director-General and three new Deputy Directors-General. The new Director-General has an opportunity to build on the foundation of a strong National Treasury team and to build a management team that will take the Department into the next decade.

With the major restructuring of the National Treasury completed in 2003/04, *Human Resources* continued to roll out the filling of the vacant posts throughout the organisation.

The National Treasury's *Human Resources Management* team values teamwork, sound planning and enthusiasm and always strives to improve performance. Respect for and investment in our staff is an important part of our values.

In 2003/04, considerable effort went into developing and implementing improved human resources processes, procedures and systems. Key among these was the implementation of new performance management and personal development systems, ensuring that all employees have performance agreements and that further training and development are provided at all levels. The recruitment, selection and placement function made sure that critical core skills for the National Treasury were attracted to the Department.

The financial year 2003/04 was also marked by the implementation of the 'Education, Training and Development Strategy' to enhance employees' skills at all levels. That included the implementation of mandatory programmes, including leadership; management and supervisory development programmes; and a capacity-building internship programme.

Over the next five years, the *Human Resources Management* unit intends developing and implementing a customer charter aimed at improving the unit's performance and service delivery by further fine-tuning procedures, processes and systems. This will also include benchmarking exercises to ensure that the human resources function keeps abreast with the latest developments and international best practices in the human resources field. Legislative compliance with the requirements of all relevant legislation continues to be the main focus of this unit.

Service Delivery Achievement

Programme 1: Administration

Measurable objective: The programme aims to provide an effective management and administrative support service to the core business divisions within the National Treasury through the continuous refinement of organisational strategy and structure to ensure compliance with applicable legislation and appropriate best practices

Subprogramme	Output	Output performance measure/services delivery indicators	Actual performance against target	
			Target	Actual
Financial Management	Full compliance with PFMA and full implementation of procurement reform	Unqualified audit % compliance with new procurement programme	31 July 2003	Achieved
			100% with new procurement programme by 30 June 2003	In progress (see notes)
Human Resources Management	Implementation of transformation programme through restructuring and enhanced HR systems	% of policies and procedures finalised	Total of 27 HR policies required	Achieved
			27 (100%) HR Policies were finalised by September 2003	
Information Technology	Improve leverage of IT investment	% implementation of new & updated IT systems	16 (60%) of HR Policies were approved and implemented by 31 March 2004	
			100% complete. Redundant hardware replaced, network infrastructure upgraded to accommodate business growth	Achieved
Communications	Internal and external communications programme and new corporate image	% increase in visits to the intranet (staff) and National Treasury website (public)	Redesign of Internet and Intranet sites 100 % by 31 October 2003	

Subprogramme	Output	Output performance measure/services delivery indicators	Actual performance against target	
			Target	Actual
Legal Services	Diverse legal and legislative services	Meet divisional legal services needs in terms of time and quality Draft Bills of quality introduced on time	National Treasury's Legal Services needs quantified and acted upon by September 2003	Achieved
			Capacity (head-count and competence) for service delivery in place by December 2003	Appointed Director and search for Chief Director ongoing
			Division of Revenue Bill introduced in Parliament timeously	Achieved
			Ongoing legal input given to a number of Bills timeously	Achieved





PROGRAMME 2

ECONOMIC PLANNING AND BUDGET MANAGEMENT

Purpose: To provide for professional advice and support to the Minister of Finance on economic and fiscal policy, international financial relations, financial regulation, tax policy, intergovernmental financial relations, public finance development and the management of the annual budget process.

Measurable objective: The programme aims to ensure sound economic, fiscal, financial and tax policies; an equitable division of revenue between the national, provincial and local spheres of government; and coherent and well-balanced departmental plans and budgets.

These functions are organised into four separate subprogrammes:

- ¹ *Public Finance* is responsible for economic and financial advice on social, economic, administrative and protection services, and for the Treasury's relations with other national departments. A Technical Assistance Unit, co-funded by the European Union, supplements these activities through project management and capacity-building support for reconstruction and development projects.
- ¹ The *Budget Office* provides fiscal policy advice; oversees the national budget process; coordinates international technical assistance and donor finance; supports public-private partnerships (PPPs); and compiles the public finance statistics.
- ¹ *Intergovernmental Relations* coordinates fiscal relations between national, provincial and local government and promotes sound provincial and municipal financial management.
- ¹ *Economic Policy* is responsible for macroeconomic analysis and policy advice; the management of international financial relations; tax policy analysis; and financial sector policy advice. The division also coordinates its activities with the Reserve Bank on the supervision and regulations of banking and exchange control, the Financial Services Board (FSB) in relation to non-banking financial services, and the Financial Intelligence Centre (FIC) in relation to anti-money-laundering measures and combating the financing of terrorism.


Service Delivery Objectives and Indicators

Recent outputs

Budget Office

Fiscal Policy plays a leading role in monitoring economic and fiscal trends and advising the Minister of Finance on fiscal policy options and the budget framework.

Much of the unit's work is focused on the annual 'Budget Review', the 'Medium-Term Budget Policy Statement' and inputs to the deliberations of the Ministers' Committee on the Budget. In 2003/04, the section's staff complement was seven, including units responsible for infrastructure finance, public service personnel finance and fiscal analysis.



Policy advice and analysis over the past year focused on the following:

- 1 Public service remuneration issues, including options for extending medical scheme membership, pay progression and personnel mobility;
- 1 Capital spending plans of government departments, provinces and public entities; and improved budgeting and planning processes for infrastructure investment and maintenance;
- 1 Fiscal sustainability, debt finance and budget deficit trends; and
- 1 The contribution of fiscal policy and the budget to economic growth and development.

The *Fiscal Policy* team is extensively involved in interdepartmental budgetary and policy consultation, including support for the Department of Public Service and Administration (DPSA) relating to public service wage bargaining issues, liaison with the Department of Trade and Industry on critical infrastructure planning and budgeting, and participation in the National Economic Development and Labour Council (NEDLAC) Public Finance Chamber.

For the year ahead, infrastructure investment and improved coordination between economic and fiscal policy reforms will remain priority focus areas.

The *Medium-Term Expenditure Planning* team comprised 11 staff members in 2003/04. Much of the team's work is focused on the coordination of the budget process that culminates in the Medium-Term Expenditure Committee's review of departmental budget submissions and preparation of the annual 'Estimates of National Expenditure'.

Key activities over the past year included:

- 1 Support for national departments' refinement of "measurable objectives" to accompany expenditure estimates for the main subdivisions of parliamentary appropriations;
- 1 Further improvements in the 'Treasury Guidelines' to departments for preparing budget submissions and published budget documents;
- 1 Participation in a workgroup on Performance Information, formed to prepare a framework to guide performance reporting across Government, and including the National Treasury, the Auditor-General and the DPSA;
- 1 Collaboration with the Presidency and other central administration departments in developing an approach to medium-term strategic planning, and improved monitoring and evaluation of public service delivery; and
- 1 Compilation of policy options and spending reviews to assist the Ministers' Committee on the Budget in its assessment of medium-term expenditure priorities.

South Africa's approach to expenditure planning and budget coordination has attracted considerable international interest. In 2003/04, consultations on budget reform issues were held with visitors from Zimbabwe, Pakistan and the Republic of China, and the Expenditure Planning team participated in a conference in Mozambique on the Medium-Term Expenditure Framework (MTEF). A conference on budget reforms and expenditure planning will be held in 2004 with a view to sharing experience with other African countries and international experts, and exploring opportunities for further collaboration.




The *International Development Cooperation (IDC)* unit, is responsible for the establishment of an effective and efficient policy framework and management system to deal with Official Development Assistance (ODA) to South Africa. Its work is focused primarily on ensuring ODA, which totals around R2 billion per annum.

IDC has embarked on an extensive ODA management improvement programme, comprising the following core initiatives:

- ¹ The development of a policy framework and procedural guidelines for the management of ODA to South Africa. The guidelines have been approved by Cabinet and form the basis for ODA management in South Africa.
- ¹ Enhanced ODA coordination, both at macro and implementing-agency level. Networks of coordination, driven by South African institutions responsible, are being established.
- ¹ ODA management capacity building, consisting of both formal training at implementing-agency level, and strategic engagement around ODA management issues with core stakeholder groupings (e.g. national and provincial ODA coordinators; development counsellors; and Chief Financial Officers). All such capacity-building and strategic engagement processes have been established successfully.
- ¹ Enhanced ODA information management through the establishment of a central ODA management information system – the Development Cooperation Information System (DCIS). This is a key initiative in support of enhanced South African ODA ownership, accountability and transparency. The DCIS is now operational and can be accessed via the National Treasury website, or directly at www.dcis.gov.za. Further systems development is ongoing.
- ¹ Enhanced regional/trilateral cooperation. Numerous regional cooperation initiatives, built on South African development cooperation successes, have been launched.
- ¹ Contributing to ODA reform in line with internationally agreed policy principles and strategies, such as the harmonisation and alignment of aid, recipient empowerment and institutional reform. This has been a central element in IDC's engagement with its development cooperation partners during the past year.

The *Public Finance Statistics* team had a staff complement of 11 at the end of 2003/04. The work of the team focuses mainly on the production of appropriately classified fiscal data for the publications of Treasury in support of the PFMA and for submission to the International Monetary Fund (IMF) in terms of international agreements.

The development of the 'New Economic Reporting Format and Standard Chart of Accounts' was completed during 2003/04 and a detailed classification guide was developed to assist departments in the interpretation of the new classification format. All national and provincial departments used this for the preparation of the 2004 Budget, and the Chart of Accounts, supporting the new budget format, was activated on 1 April 2004. The new format will improve the process of data extraction and the quality of data available for analysis purposes, and will enhance accountability and consistency in the financial data produced by departments. It is fully compliant with the Government Finance Statistics standards set by the IMF.



The budget accounts currently cover the national and provincial spheres and some public entities of national departments. The aim is to eventually include data on all the extra budgetary activities of Government into the budget documentation, thereby improving transparency and ensuring publication of a full set of accounts for general Government. In the 2004 Budget, a total of 52 entities were included, representing an 18 per cent coverage of the accounts of public entities, compared with a target of 10 per cent for 2003/04.

The work of the *Public Finance Statistics* team is organised into three areas:

- 1 *National statistics* introduced the new economic reporting format, has been a key focus area during 2003/04. Training was provided to about 1 400 national and provincial officials and a website was implemented to provide assistance and respond to classification queries. A classification committee has been established. Progress has also been made with classification and reporting on departmental revenue.
- 1 *Provincial statistics* maintained a database of provincial finance statistics, providing source information for the 'Intergovernmental Fiscal Review' and budget-related publications. Liaison with provincial treasuries and the training of departmental officials on the new reporting format contributed to its successful implementation in provincial budgets for 2004/05. A budget analysis tool has been developed to assist in evaluating and benchmarking provincial department budgets and accounts.
- 1 *General government statistics* made further progress in extending budget coverage to include public entities and prepare for consolidated general government accounts. Work over the past year focused on the registration and classification of entities and support for a joint review of the governance and accounting arrangements of national non-business entities. An analysis of transfers to public entities has been completed and social security fund data has been reviewed and converted to cash accounts for the 2004 'Budget Review'. Following data quality assurance reviews, 52 entities (including 25 sector education and training authorities) were included in the 2004 'Estimates of National Expenditure'.

The *Public Finance Statistics* team is an active participant in the current review of the governance of public entities, and liaises closely with the South African Reserve Bank (SARB), Statistics SA, the Auditor-General, the Accountant-General, provincial treasuries and other branches of the National Treasury on the quality, integrity and availability of public finance statistics.

The *Public-Private Partnership (PPP)* unit supports national and provincial infrastructure and service delivery projects involving long-term commitments and substantial risk sharing with private parties. The unit oversees compliance with relevant Treasury Regulations and provides critical technical support to departments that undertake PPP ventures. This initiative has benefited from USAID and UK Department for International Development technical support, and from a training and capacity-building partnership with the National Business Initiative. The *PPP* unit comprised 14 staff members in March 2004.

A highlight of the past year was the finalisation of the Head Office accommodation project for the Department of Trade and Industry – a 25-year agreement with the



Rainprop Consortium that brings the full family of institutions that report to the Minister of Trade and Industry into an integrated campus with a complete range of associated services.

Other projects completed, or near completion, included:

- ¹ The Chapman's Peak Drive toll road;
- ¹ The State Vaccine Institute equity partnership for the Department of Health;
- ¹ Information systems for the Department of Labour;
- ¹ The Humansdorp District Hospital upgrading and co-location;
- ¹ A five-year fleet management contract for the Eastern Cape Department of Transport;
- ¹ The Universitas and Pelonomi Hospitals co-location for the Free State Department of Health;
- ¹ The Cradle of Humankind Interpretation Centre Complex;
- ¹ A five-year fleet management contract for the Northern Cape Department of Transport;
- ¹ Head office accommodation for the Department of Education;
- ¹ Social grants payments for the Free State province;
- ¹ Pharmaceutical management and distribution for the Eastern Cape Health Department;
- ¹ Fleet management services for the Free State province; and
- ¹ The Hermanus and Swellendam Hospital co-location projects.

A feasibility study is under way for the Dube Trade Port (airport relocation) in KwaZulu-Natal. Extensive further work has been done on the design, feasibility and affordability of the Gauteng rapid rail link project.

The *PPP* unit combines legal, financial, economic and technical skills in offering a professional, multidisciplinary service to departments to procure sustainable partnerships that are affordable to Government, provide value-for-money to the public and are attractive to the private sector. Responsibilities and activities span policy and regulatory advice, training and technical assistance. A comprehensive 'PPP Guideline Manual' has been developed to assist departments throughout the PPP project life-cycle, and 'Standardised PPP Provisions' were published for use in projects in March 2004, providing draft text and proposals on a wide range of technical, legal, financial and administrative aspects of PPP design and documentation.

The *PPP* unit has introduced a Project Development Facility, providing limited financial assistance for project preparation costs of approved projects.

As of December 2004 the unit will also assist municipalities that undertake PPPs. Further efforts will also be devoted to the quality and accessibility of PPP documentation and guidelines in the years ahead.

Public Finance

The *Economic Services* team supports the planning and budget management of the Departments of Agriculture; Land Affairs; Environmental Affairs and Tourism; Communications; Housing; Minerals and Energy; Transport; Trade and Industry; and



Water Affairs and Forestry. The team comprises 15 staff members, including an advisor seconded from the UK Treasury and an Overseas Development Institute fellow.

During the 2003/04 year, policy analysis and advice focused on the following:

- 1 *Spatial policies:* Government's housing, transport and infrastructure planning responsibilities need to be better coordinated. The idea is to improve the conditions of human settlements across the country by ensuring good linkages between human settlements and areas of economic activities as a means of creating viable communities. A social housing policy is now in place. Several PPP housing projects are also under way. The reconfiguration of the subsidised bus system (through the revision of escalation factors in bus contracts) resulted in material savings for the fiscus and opportunities of expansion for subsidised bus services to previously unserved areas. The Treasury also co-financed a study on Township Housing Markets, aimed at identifying barriers to realising the full value and potential of housing assets for township residents.
- 1 *Restructuring of the Post Bank:* With assistance from the *Legal* unit and the *Financial Regulations* unit, progress has been made in drafting a memorandum of understanding between the Minister of Communications and Minister of Finance for restructuring the Post Office, putting the Post Bank on a sound financial footing and establishing appropriate governance arrangements.
- 1 *Policy evaluation framework:* Guidelines and a methodology for analysing and evaluating policies have been prepared with a view to improving policy review and planning processes, and supporting the policy-related work of national and provincial treasuries.
- 1 *Agricultural Insurance scheme:* Comprehensive commentary has been provided to the Department of Agriculture on a proposed insurance scheme for the agricultural sector.
- 1 *Land reform:* Recognising the critical importance of land reform and associated support for emerging farmers, the Treasury commissioned the Human Sciences Research Council (HSRC) to do an evaluation of the Land Reform for Agricultural Development Programme (LRAD). Options for improving the implementation of the Programme and ensuring the sustainability of land reform, taking into account budgetary and other resource constraints, are under discussion with the Departments of Agriculture and Land Affairs. Drawing in part on this work, a conditional grant to underwrite post-settlement support of emerging farmers by provincial agriculture departments was introduced in the 2004 Budget. Consultation with World Bank experts also proved helpful, drawing attention, in particular, to the need to remove barriers to the subdivision of agricultural land and to address distorting features of the property tax environment.

The *Economic Services* team represents the Treasury at a wide range of interdepartmental committees and other fora – including the Board of the SA Rail Commuter Corporation, the Critical Infrastructure Adjudication Board, the Taxi Recapitalisation Steering Committee, the Commuter Rail Restructuring Task Team, the Olifants River Dam Project Steering Committee, the Strategic Industrial Programme Adjudication Board, the Servcon



Housing Solutions Board, the Affordable Housing Working Group of the Finance Charter, the National Electricity Advisory Committee, the National Freight Logistics Working Group, the Agriculture Food Security and Nutrition Task Team and the steering committees on energy subsidies and on renewable energy of the Department of Minerals and Energy.


The review of budget proposals and formulation of advice to the Medium-Term Expenditure Committee and the Ministers' Committee on the Budget remain important aspects of the team's work. For the 2004/05 year, priority initiatives included the development of guidelines on budget proposal evaluation and the introduction of a methodology for "regulatory impact assessments", aimed at reducing the compliance and administrative burden on small businesses associated with legislation and regulations.

Administrative Services consists of three units that are responsible for central government departments (including Home Affairs and Foreign Affairs), financial and administrative departments (including National Treasury and Statistics SA) and the Departments of Public Works; Provincial and Local Government; and the South African Management Development Institute (SAMDI). The post of Administrative Services head is vacant and 12 positions are filled, including two intern budget analysts appointed in 2004.

Areas in which the team played a significant role during 2003/04, were:

- ¹ *Foreign Affairs* – Feasibility studies to determine financing options for the acquisition of properties abroad; financing arrangements for the Pan African Parliament; financing of the NEPAD Secretariat;
- ¹ Government Communications and Information System (GCIS) – Support for the establishment of Multi-Purpose Community Centres;
- ¹ *Home Affairs* – Working Group to review and oversee implementation of the HANIS project; review of immigration law and regulations; support for departmental turnaround strategy;
- ¹ *Provincial and Local Government* – Financing protocol for the Urban Renewal and Integrated Rural Sustainable Development Programme; consolidation of municipal grants; development of a disaster management and financing protocol;
- ¹ *Public Service and Administration* – Review of State Information Technology Agency (SITA) tariffs; financing of Eastern Cape intervention;
- ¹ *Public Works* – Review of accountability and budgeting arrangements for national and provincial property and related expenditure;
- ¹ *Statistics SA* – Technical support relating to the revision of baseline allocations to accommodate a sample census in 2006; and
- ¹ *National Treasury* – Development of a database of budget and expenditure figures on the civil and military pensions and medical contributions.

The team has focused its efforts over the past year on improving the monitoring and reporting on expenditure trends, and supporting the introduction of the new Chart of Accounts. Assistance has also been provided to departments with trading accounts, or to those intending to introduce trading accounts as part of their financial management systems.



The *Administrative Services* team is represented on the Immigration Advisory Board; the Disaster Management Committee; the Urban Renewal and Integrated Sustainable Development Programme; and various interdepartmental task teams.

The *Justice and Protection Services* team comprises five units responsible for Justice and Constitutional Development; Correctional Services; Safety and Security; Defence; the Independent Complaints Directorate; Secret Services Departments, and the Integrated Justice Cluster. The team is also responsible for three constitutional institutions (SA Human Rights Commission, Commission on Gender Equality, Public Protector) and three public entities (Legal Aid Board, Special Investigating Unit and Armscor). In March 2004, the team comprised 14 staff members, with three budget analyst posts vacant.

The team has been instrumental in guiding and providing technical assistance in key projects of departments that needed assistance. These included:

- 1 Support for the development of measurable objectives for several departments;
- 1 Planning of a human resource audit across the Integrated Justice Sector;
- 1 A Performance Review of the Criminal Justice System;
- 1 Support for the SAPS' strategy of enhancing crime prevention through visible policing;
- 1 Various initiatives to improve court efficiency, including the building of family courts and child justice centres and the appointment of maintenance officers and investigators;
- 1 Review and adjustments to the costs estimates of the strategic armaments procurement programme of the Department of Defence;
- 1 The strengthening of the investigating capability of the Independent Complaints Directorate;
- 1 The transfer of the Automated Fingerprint Identification System (AFIS) to a private party;
- 1 The transfer of excess Defence Force personnel to the SAPS Protection and Security Services Division;
- 1 The implementation of the Regulation of Interception of Communication and Provision of Communication-Related Information;
- 1 The development of a policy document on the allocation of funds from the Criminal Assets Recovery Account;
- 1 The development of a plan for the Department of Correctional Services to enable Medcor to meet the requirements of the Registrar of Medical Schemes by 2006/07; and
- 1 The planning and financing of Correctional Services capital projects, and assessment of PPP prisons.

The team is represented on the IJS Development Board, overseeing the activities of the Integrated Justice Sector (IJS) Programme Office, and coordinates activities of the IJS Budget Review team. The team is also represented on departmental budget review committees where valuable information on budget matters and financial management is shared. A valuable IJS seminar was held, providing an opportunity for the exchange of ideas between researchers and departmental planners. The team led a JCPS cluster



initiative to build a model to predict detainee numbers and identify practical steps to reduce overcrowding and IJS blockages. The team also represented the Treasury on a task team to report on the restructuring of the Office of the Secretary for Defence.

The team held a strategic planning workshop in March 2004. For risk management purposes, staff rotation was adopted as a strategy to ensure undisturbed support in the absence of a team member. Several projects were also identified and allocated to project managers. The team intends to expand its involvement in certain areas to ensure effective implementation of the PFMA, including devolution of financial responsibility to non-financial managers and the implementation of the new Standard Chart of Accounts.

The *Social Services* team comprises four divisions (Education, Arts, Culture, Science and Technology and Sport; Health; Welfare and Social Security; and Labour) and a senior management position for intersectoral matters. At the end of 2003/04, 10 posts were filled. The team also had the support of a US Treasury Resident Advisor and her secretariat.


A key output area is to ensure appropriate sectoral financing, primarily through the central government budget, but also through other appropriate mechanisms (such as dedicated taxes in the case of the Unemployment Insurance Fund, PPPs and the generation of own, direct revenue.) The activities of the unit support both national and provincial budget processes.

Key activities during the past year included:

- ¹ Support in developing measurable objectives;
- ¹ Submissions on social services sectoral priorities;
- ¹ Drafting of social service chapters for Treasury reports and policy documents; and
- ¹ Intergovernmental fora for education, health and social development, jointly managed with the *Intergovernmental Relations* section.

Substantial initiatives during the course of the year included the following:

- ¹ *Education:* The Treasury participated extensively in processes around the implementation and evaluation of the norms and standards for school funding, and the revision of financing arrangements for higher education. Other activities included the review of earmarked allocations for restructuring and for the National Student Financial Aid Scheme; support through the 4x4 process for increased allocation to school-level, non-personnel recurrent expenditure, which increased strongly in the 2003/04 budgets and beyond; negotiation with education departments relating to appropriate targets for non-personnel, non-capital spending, partly through Heads of Education Department Committee (HEDCOM) standing committees; and support for the transfer of the school nutrition programme to the Department of Education.
- ¹ *Health:* The report of the Joint Health and Treasury Task Team charged with examining treatment options to supplement comprehensive care for HIV and Aids in the public health sector was completed, leading to the Operational Plan for Comprehensive HIV and Aids Care, Management and Treatment for South Africa. Work continued on capital funding in the health sector and funding of hospital



revitalisation. Proposals around a scarce skills and rural allowance strategy for health were completed and negotiated extensively with the health sector. There was initial engagement with the review of tertiary services funding, including assessment of budget proposals in that regard. Extensive work was done on the financing of primary care (including environmental health services). Several briefings and analyses of social health insurance proposals were developed and the unit supported the work of the international review panel in that regard, as well as processes around the development of proposals for a medical scheme for civil servants.

- ¹ *Social Development:* Modelling of the costs of social grants has again supported provincial planning and budgeting for grant allocations and increases, and costing of the extension of the child support grant (building on prior work on demographic and socio-economic determinants). There were detailed interactions with provinces on beneficiary trends and financial implications. The unit has also been extensively involved in the preparation for the establishment of the National Social Development Agency and various legislative and regulatory aspects of the social security environment, as well as social welfare services draft legislation.
- ¹ *Labour:* Enhancement of management and oversight of Sector Education and Training Authorities (SETAs) was a priority activity over the past year. The Treasury also participated in the development of the Child Labour Action Plan and the review of the National Skills Strategy and contributed to the promotion of Growth and Development Strategy commitments.
- ¹ *Sport and Recreation:* Substantial time was allocated to finalising guarantees and other Treasury inputs required for the South African bid to host the World Cup in 2010.
- ¹ *Poverty relief allocations:* An exhaustive review of the poverty relief allocation was completed with the purpose of assessing the impact of projects and links to core departmental functions. That led to the phasing out of the special allocation, with resources either added to department baselines or included in the municipal infrastructure grant.

The head of the unit participates in the activities of the FOSAD Social Cluster on behalf of the Director-General of the National Treasury. The team has also been active in supporting provincial strategic planning for the social services and standardising budget structures, and is represented on the boards of the Durban Institute of Technology and of the National Student Financial Aid Scheme.

A useful strategic planning workshop took place in March 2004, using facilitation support and incorporating a limited client survey. A range of key projects, largely focused on Government's critical poverty reduction challenge and the need to improve the quality of spending in the social services, has been identified for the year ahead.

The *Technical Assistance* team programme is a joint South Africa/European Union (EU)-funded initiative, providing project management support to government departments, agencies or donor-financed programmes, with a particular focus on enhancing social development and poverty reduction. The *Technical Assistance* unit has a core staff of eight, and makes extensive use of technical advisors on a contract basis to support specific projects.





The unit's work during the year under review included:

- ¹ Assistance to the Department of Education with the transfer of the primary school nutrition programme from provincial health departments;
- ¹ Assistance to the Department of Education on the school-building programme supported by the European Union;
- ¹ Support for the transfer of medico-legal services (mortuaries) from the SAPS to provincial health departments;
- ¹ Design of an Infrastructure Delivery Management System to strengthen the planning, tendering, contracting and management of infrastructure investment and maintenance projects, particularly in provincial public works and related departments;
- ¹ Assistance to the Department of Health in managing a Southern African Development Community (SADC) grant-making programme in support of HIV/Aids funded by the EU;
- ¹ Project management support for urban renewal initiatives overseen by the Department of Provincial and Local Government and various municipalities.
- ¹ Project management support for provincial health departments, especially in the Northern Cape;
- ¹ Implementation of a municipal economic development strategy focused on economic linkages (value-added in tourism or agriculture, for example) reflected in local Integrated Development Plans;
- ¹ Enhancement of project management capacity and enterprise development in the GCIS;
- ¹ Consolidation and reform of the governance of public entities;
- ¹ Assistance to Parliament with the design of a capacity-building programme;
- ¹ Assistance with tendering processes and project coordination for the implementation of the DNA Laboratory of the SAPS; and
- ¹ Capacity building for the Social Housing Foundation.


A new work plan of the Technical Assistance Team Programme (TAT II), organised into three focus clusters: social development; crime prevention and justice; and economic development, has been agreed with the EU for the period beginning June 2004.

Intergovernmental Relations

The *Intergovernmental Relations* division is responsible for overseeing the development of the intergovernmental fiscal system and for coordinating fiscal relations between the national, provincial and local spheres of government. *Intergovernmental Relations* plays a key role in managing the intergovernmental fiscal framework; analysing and ensuring oversight of provincial and local government budgets and intergovernmental grants; and implementing financial management reforms at the provincial and local level, including the implementation of the PFMA and MFMA in provinces and municipalities, respectively. The division comprises three chief directorates: intergovernmental policy and planning, provincial budget analysis and local government.

The 2004 Budget reflects the continuing evolution of our intergovernmental system. The division is responsible for preparing the annual Division of Revenue Act, including the





detailed grant frameworks and three-year allocations for each provincial and local government grant, by province and municipality.

The 2004 Division of Revenue Act assigns over 60 per cent of non-interest allocations on the main Budget and takes the form of transfers to provincial and local governments, placing them at the forefront of social and basic service delivery. The allocations and transfers to provinces for 2003/04 amounted to R181 billion, and R14,2 billion for local government. The introduction of new frameworks for the allocation of grants to provinces and local government in the 2003/04 Budget provided sharper definitions of the purpose and intended outputs for each grant. That enhanced transparency and it is expected to lead to further improvements in service delivery.

With regard to the provincial sphere, the division worked closely with provincial treasuries, which resulted in stable provincial finances, with budget and monthly reporting systems now deeply rooted. Budget reforms continued, with the development of uniform sector budgets and strategic plan formats, allowing for more comparability between provinces and provincial departments in particular. Other improvements included the development of performance indicators for each sector, and the more uniform annual reports for each sector. Much of the division's time is taken up in developing good, constructive working relationships with the nine provincial treasuries and national departments through the Budget Council, joint MinMECs and many technical committees, such as the Technical Committee for Finance and the sectoral technical committees ("4x4s" and "10x10s"). The sectors covered include education, health, social development, housing, roads, transport and agriculture.

The biggest challenge now facing Government is to extend the reforms already instituted within provinces to the local sphere. The late passage of the MFMA on 26 November 2003 and the phased implementation from 1 July 2004 will require added focus.

The division has also provided targeted support to municipalities to improve their financial management capacities and to strengthen the link between policy, planning and budgets. The quality of provincial budget documents continued to improve with standardisation of budget formats for each provincial sector. With regard to local government, the placement of 33 international advisors and over 160 finance-management graduates from previously disadvantaged communities as interns laid the basis for future improvements in financial management. The division expanded its coverage from 37 municipalities in 2002 to 63 municipalities in 2003.

The division is also responsible for monitoring all provincial and local government budgets, and compiled a database of all such budget information.

The *Intergovernmental Relations* division is also responsible for publishing the annual 'Intergovernmental Fiscal Review'. However, due to the 2004 elections, it was decided that the 2004 review would only be published after the elections. The reason for that decision was to allow for the inclusion of significant changes that might have an effect on provincial budgets after the elections. The 'Intergovernmental Fiscal Review' provides a consolidated review of how the nine provinces and 284 municipalities fund the delivery of social and basic services to communities. The wealth of information it provides is aimed at promoting better accountability by providing valuable information to the public,





elected officials, public servants and policy researchers to improve the quality and delivery of public services.

The division is further responsible for administering Programme 6 – *Provincial and Local Government Transfers*. It also monitored provincial compliance with the provisions of the PFMA and the Division of Revenue Act that relate to fiscal transfers, specifically to conditional grants administered by the National Treasury.

The division is also responsible for ensuring that sectoral policies affecting provincial and local spheres of government are affordable and within the boundaries of the fiscal framework for those two spheres.

Over the next three years, the *Intergovernmental* team will be undertaking a major review of the fiscal framework for provincial and local spheres, including a review of the equitable share formulae and other grants, and sub-national taxation and borrowing powers. Such a framework will take into account the impact of the shift in the social grant function, as well as the restructuring of the electricity-distribution industry.

Economic Policy and International Financial Relations


The *Economic Policy and International Financial* division provides professional advice and support to the Minister of Finance on a wide range of economic issues spanning growth; employment; international trade and financial relations; financial market development and regulation; tax efficiency and equity; and provides a macroeconomic framework to underpin the Budget.

The *Macroeconomic Policy* unit continually monitors, models and provides policy input on the general health of the economy. With the macroeconomic fundamentals in place, the unit has focused its attention on studying the microeconomic constraints that hamper growth and identifying solutions to the problem. The unit has, therefore, been extensively involved in the Economic and Employment Cluster, working with other government departments for a more integrated approach to economic growth. In particular, the unit has endeavoured to strengthen the micro-macro links of the South African economy, ensuring that the stability that has been achieved over the years is not compromised.

In this regard, a number of activities have been undertaken, including the reviewing of utility prices and attaining a better understanding of price-setting mechanisms in the microeconomy. The unit led an interdepartmental team to investigate the efficiency of utilities and their pricing behaviour. Likewise, it participates in an interdepartmental task team responsible for publishing an administered price index. As a result of this process, Statistics SA will, for the first time, publish an administered price index before the end of 2004.

The unit was responsible for coordinating the Growth and Development Summit (GDS), which took place in June 2003. The Summit resulted in closer cooperation between government, labour and business in taking forward social agreements. The unit continues to have engagements with NEDLAC constituencies and is facilitating the implementation of the various elements agreed to during the GDS and the Financial Sector Summit.





One of the issues discussed at the Summit was the improvement of the investment climate while making room for poverty alleviation. To that end, the unit has had extensive engagements with business and industry regulators around the inflation target and efficiency improvements.

The implementation and strengthening of the inflation targeting regime remains at the heart of the unit's work. A major output of this work was the introduction of the continuous target that was announced by the Minister of Finance in November 2003. The signing of a Memorandum of Understanding between the National Treasury and the Reserve Bank in March of 2004, including the establishment of a Macroeconomic Standing Committee, has further strengthened cooperation in that area.

The unit is also responsible for delivering the macroeconomic framework that informs the MFEF. The underlying macroeconomic forecasting model has been strengthened. The modelling work has also been expanded to examine the distributional effects of various government policy interventions through the development of a CGE model. Sectoral models are being developed to strengthen the unit's understanding of the microeconomy.

Activities undertaken in the year under review, included the following:

- ¹ A Savings Workshop to inform policy going forward;
- ¹ An audit of implementation of post-1994 labour legislation;
- ¹ A review of mark-ups in the South African manufacturing sector;
- ¹ An update of internal macroeconomic work on HIV and Aids;
- ¹ A re-estimation of the annual and quarterly econometric models to take account of stationarity issues; and
- ¹ A study on competition in the South African banking sector.

The *Tax Policy* unit is responsible for advising the Minister of Finance on tax policy issues that arise at all three levels of government. In its policy advice function to Government, the unit has to design tax instruments that achieve an optimal mix between revenue-raising, economic and redistributive efficiency as well as social policy goals. All of this has to be done in a manner that creates a basis for general political acceptability of the selected tax instruments.

Moreover, intensive and close cooperation between the South African Revenue Service (SARS) and the National Treasury has enabled the alignment of tax administration concerns with tax policy preferences. The unit made major advances in engaging with taxpayer associations, the corporate sector and the general taxpaying public in a structured manner so that the tax policy choices made by Government are understood and supported.

The 2003/04 financial year began with the announcement of an amnesty for undeclared foreign assets, providing relief for the failure to disclose foreign assets/income in terms of Exchange Control and tax. The amnesty window lasted from 1 June 2003 to 29 February 2004. The amnesty has been a success, with the *Amnesty* unit receiving over 42 000 applications. The amount of foreign assets disclosed should add substantially to the income tax base, thereby providing further fiscal space for reform in terms of tax relief and/or increased government expenditure.




The latter half of the year saw the translation into tax law of a series of tax stimulus measures announced in the 2004 Budget. The most notable of these measures was the tax incentive for urban renewal, which will provide depreciation incentives for building or renovating structures in designated urban areas. The goal is to stimulate private-sector support that will complement other, ongoing government efforts. Other measures included incentives for start-up operations, relief for the sale of business assets if sales proceeds are reinvested and permanent retention of the accelerated depreciation for manufacturing assets.

In 2003, the National Treasury released the first draft of the Mineral and Petroleum Royalty Bill. This Bill is currently being revised to account for public comments, including clarification of mineral values to be relied on for the royalty's base, as well as relief for marginal mines. Other important policy matters that were addressed included measures to avoid a double royalty implication for mines that have negotiated mining rights from tribal communities. The General Tax Analysis Directorate developed an elaborate econometric model testing for the distributional and economic impacts of the proposed royalty dispensation during the course of 2003. These results are feeding into the current revision of the royalty regime.

In terms of retirement fund tax reform, a discussion document is being prepared for public comment, which should be released after certain key decisions are made in terms of reforms to the current regulatory environment for the pension fund industry.

A number of other key activities were undertaken by the Tax unit in 2003/04, namely:

- 1 Statistics of income for collection, revenue estimation and risk profiling purposes have been developed;
- 1 The tax expenditure budget statement, which was released for the first time in the 2003 Budget Review, has been further refined with a view to providing a better understanding of the scope of indirect subsidies provided by Government to certain sectors in the economy;
- 1 More refined revenue estimation models for the range of tax instruments currently employed have been developed;
- 1 A review of the VAT treatment of grants/transfer payments to Public Entities and PPPs has been completed;
- 1 Work on Environmental Fiscal Reform in South Africa. A draft report was circulated to all relevant stakeholders and a successful two-day workshop where the report was discussed was held in November 2003;
- 1 Participation in the development of an appropriately designed levy on plastic shopping bags, implemented with effect from 1 June 2004;
- 1 A very successful workshop on excise duties was held in April 2003;
- 1 A study of energy subsidies was undertaken to investigate, in particular, the impact of the VAT zero-rating of illuminating paraffin. This study was completed in December 2003 and one of the findings of the report was that the benefit of zero-rating of illuminating paraffin was not passed on to consumers; and
- 1 The unit continues to play a leading role in coordinating tax policy programmes and capacity-building events at the regional level through the work of the SADC Tax Subcommittee, which is chaired by South Africa. Capacity-building workshops were



held in the areas of tax administration and tax policy; double taxation treaties; excise taxation and tax incentives. The SADC tax database was transferred to the SADC Secretariat in Botswana for maintenance and updating purposes.

The *Financial Sector Policy* unit is responsible for advising the Minister of Finance on policies aimed at promoting the growth, development and stability of the financial sector. This is achieved through interaction and dialogue between the National Treasury, regulatory authorities, consumer groups and the industry at large. Much of its work is focused on developing legislation and regulations that are necessary to implement the policy approach adopted.

The unit has the following key strategic objectives:

- 1 To promote a more equitable and efficient financial sector;
- 1 To embrace financial stability;
- 1 To increase the protection of investors and consumers;
- 1 To ensure that South Africa both meets and influences the development of international standards in the financial sector; and
- 1 To promote the growth of the sector actively.

The unit is responsible for liaison with the SARB on matters related to bank supervision, financial stability, the national payment system and exchange controls; as well as with the FSB, which supervises the non-banking financial services sector.

The *Financial Sector Policy* team represents the National Treasury at various committees, including the Policy Board for Financial Services and Regulation – a statutory body that advises the Minister on the financial services industry and regulatory framework; the Financial Markets Advisory Board – a statutory advisory board responsible for issues that affect the financial markets; and the Standing Committee for the Revision of the Banks Act (94 of 1990).

The unit also engages with regional organisations, such as the Common Monetary Area (CMA) and the Committee of Insurance, Securities and Non-banking Financial Authorities (CISNA), a subcommittee of the SADC. Furthermore, the unit seeks to influence the international financial sector policy agenda through participation in and contributions towards the work of international fora, such as the G20, the International Organization of Securities Commissions (IOSCO), the Bank for International Settlements (BIS) and the Financial Action Task Force (FATF).

In 2003, as part of its initiative to deal with money laundering, South Africa increased its international cooperation through gaining membership to the Financial FATF, the international anti-money-laundering policy-setting body. South Africa is the only African country belonging to this 33-member organisation. The unit continues to work closely with the FIC on policy issues relating to anti-money laundering and combating the financing of terrorism.

A milestone in the transformation of the financial sector was reached in October 2003 with the launch of the 'Financial Sector Charter'. The Charter is an industry-driven initiative, but the unit has been actively involved in the implementation process. A key policy aim is to ensure that the South African financial sector provides services that meet



the needs of all South Africans, ranging from multi-national conglomerates to the ordinary citizen. The unit commissioned research into third-tier banking and is participating in the restructuring process of the Post Bank. It is currently in the process of formulating legislation on cooperative banks and is working with the SARB on the development of legislation for core and narrow banks.

Research is being conducted in various other areas. Efforts on drafting a policy and legal position on a South African Deposit Insurance Scheme are currently under way, with the aim of enacting legislation by 2006/07. A process has begun to review the Pension Funds Act (24 of 1956), with the aim of producing a principles document for discussion later in the year so that drafting can begin in 2005. The full implementation of the Financial Advisory and Intermediary Services Bill will occur on 30 September 2004. The Ministerial Panel for the Review of the Accounting Professions Bill completed its report and presented it to the Minister in August 2003. The consultation process was completed in December 2003, and the Bill is currently being drafted.

Lastly, the unit has participated actively in bilateral and multilateral negotiations pertaining to trade in financial services. The unit is currently working with the Department of Trade and Industry, and other stakeholders in researching and developing a strategy to further the trade in financial services.

The *International Economics* unit has four core areas of responsibility, namely:


- 1 Deepening and extending economic linkages among African economies;
- 1 Strengthening South Africa's capital account;
- 1 Reforming the international financial architecture; and
- 1 Shaping the international development policy agenda.

Regional policy remains a key focus of the work of the unit. This includes work in the SADC, the Southern African Customs Union (SACU) and the CMA. Among the projects on regional integration, the past year saw an effort to operationalise a revised SACU agreement, covering management and institutional issues, signed in 2003 following eight years of negotiations.

The SADC adopted a development framework, the 'Regional Indicative Strategic Development Plan' (RISDP), which sets out the strategic priorities of the SADC and provides the framework for the integration of the economies, with the ultimate objective of fostering sustainable development. The SADC Finance and Investment Sector is also finalising the Finance and Investment Protocol. The policy objectives for the Protocol include regional macroeconomic stability and convergence, encouraging savings and stimulating investment flows in the region.

At continental level, the National Treasury was involved in technical support to the creation of the African Peer Review Mechanism (APRM), which came into effect on 17 February 2004. That effort to improve policies and the investment climate in Africa has been further supplemented in 2003 by National Treasury's advocacy of stronger technical cooperation among African policy makers in the area of finance, economic development and planning.

In March 2004, Treasury hosted a successful conference of African Finance Ministers to develop a common position on issues of 'Voice and Representation of African countries



in the Bretton Woods Institutions'. The Johannesburg Communiqué has since informed further discussion in the G24 on these issues.

The *International Economics* unit's trade work in 2003 included two reports: a study on the impact of the African Growth and Opportunity on Agriculture in Africa and a study of the SACU arrangement.

The unit continued its work on capital account policy with research on capital flows and financial market integration. It also advised on exchange control policy and capital account reform. A major focus has been on the transition from exchange controls to prudential regulation of foreign investments of institutional investors. A new application process, new application forms and quarterly reports applicable to each type of qualifying institution were finalised and issued in 2003. Another major area of focus has been on making South African financial markets more attractive and better equipped to meet the capital-raising needs of the continent. The enabling of inward listings on the JSE Securities Exchange SA will contribute to the realisation of that objective.

The reform of the international financial architecture continues to be an important area of work for *International Economics*, with participation in the International Monetary and Financial Committee (IMFC), the G20, and the G24. The Treasury has been active in promoting reforms and policy initiatives that are favourable to South Africa, in particular, and African countries in general. In particular, proposals have been made for greater debt relief and an increased focus by the IMF on poverty reduction. With other emerging market countries, the National Treasury pressed for the reform of the IMF's emergency financing mechanisms to improve their suitability for the current global financial environment.

The Treasury also organises the IMF's Article IV and interim consultations. South Africa's Article IV report for 2003 confirmed the strength and management of the economy. In addition, South Africa has completed 11 (more than any other country in the G20) of the IMF's Reports on the Observance of Standards and Codes, which cover compliance with best practice in financial sector policy and fiscal management.

Global development policy remained a priority for International Economics in 2003. The unit provided policy support to the Minister of Finance as chair of the Development Committee, a joint World Bank-IMF committee that provides guidance on development issues. Policy advice focused on sustainable debt relief, enhanced aid flows and growth enhancing strategies that reduce poverty. A framework for monitoring the implementation of the Monterrey consensus and the Millennium Development Goals, was implemented.



Service Delivery Achievement

Programme 2: Economic Planning and Budget Management

Measurable objective: The programme aims to ensure sound economic, fiscal, financial and tax policies, an equitable division of revenue between the national, provincial and local spheres of government, and coherent and well-balanced departmental plans and budgets

Subprogramme	Output	Output performance measure/services delivery indicators	Actual performance against target	
			Target	Actual
Budget Office	Annual budget framework and division of revenue Budget Review, Estimates of National Expenditure, appropriation legislation and public finance statistics Public finance statistics PPP agreements	Produce within deadline	End October/early November	The MTBPS was tabled on 11 November 2003
		Produce within deadline	Published on Budget Day	The budget was tabled on 17 February 2004. Estimates of National Expenditure covered a wider set of public finances, including certain public entities
		Percentage compliance with IMF special data dissemination standards i.r.o. timely reporting of data in requisite format	85% compliance	About 90%
		Percentage coverage of general government statistics, including national and provincial government public entities	Incorporation of 10% of public entities	18% coverage
		Number of closed deals	10 closed PPP deals	7 deals closed (TA III), about 51 projects registered by mid-2004
		Compliance with Treasury regulations	Treasury approval I to III provided	15 projects in inception 23 in feasibility (TA I) 9 in procurement (TA II) 4 in negotiations
		Building provincial PPP capacity	Two provincial secondments to the PPP unit	7 closed projects (TA III) Two secondees from the KwaZulu-Natal and Gauteng provincial treasuries successfully completed a year term each
Number of persons trained in respect of PPP guidelines	200 persons to be trained	450 persons trained on transaction advisor, sector and PPP foundation and project finance courses		

Subprogramme	Output	Output performance measures/services delivery indicators	Actual performance against target	
			Target	Actual
	ODA policy framework and management system	Percentage compliance of donor agreements with overseas development assistance policy and procedures manual Strategic alignment of ODA to government and departmental priorities	100% compliance	100% compliance All ODA programmes assessed as a rate as strategically aligned by donors and recipient departments informed and/or monitoring and evaluating experts.
Public Finance	Analysis of and recommendations or advice to the Secretary of State on financing and budgets Monitoring and analysis of reports on financial management, expenditure and service delivery excellence and service delivery policy analysis and support Project management support	Timing and relevant analysis and advice Quality of expenditure estimates Appropriate financial management expenditure and service delivery monitoring systems in place Timely project and financial management	Measurable indicators for all budget programmes More effective and efficient public service delivery	Measurable objectives were published for all programmes in the 2004 Estimates of National Expenditure. Further work on refinement of objectives is in progress. Quality of service delivery remains mixed and appropriate measures of performance are lacking. National Department for Statistics and Inspectorate decreased to an estimated £1.7 billion in 2003/04. Projects registered by or in progress in the Technical Assistance unit increased to about 40; a new agreement with the EU was negotiated.
International Relations	Provision of local government grants and fiscal framework	Annual Division of Revenue Bill produced within deadline Expenditure memorandum on the Division of Revenue Bill produced within deadline	Bill published on Budget Day Published on Budget Day	Bill published on Budget Day (13 February 2004), and enacted as Act 5 of 2004. Note that underlying process for the Bill is a deeply consultative process with provinces and organised local government. This Act gives effect to section 214 of the Constitution and promotes cooperative governance and transparency in intergovernmental budget processes. Expenditure memorandum published on Budget Day (18 February 2004). The memorandum is an essential document on the form and content used for all grants to provinces and local government, with clear measurable outputs for conditional grants. It also contains measurable allocations for all grants, by province or municipality. Furthermore, it contains Government's response to the annual recommendations of the PPC.

Subprogramme	Output	Output performance measure/services delivery indicators	Actual performance against target	Actual
	<p>Support for provincial and municipal development.</p> <p>Analysis of intergovernmental financial relations</p>	<p>Number of provinces and municipalities in which financial management programmes reforms have been implemented</p> <p>Timely production of Review according to pre-announced publication date</p> <p>Monthly and quarterly monitoring of provincial finances</p> <p>Monitoring of municipal finances</p>	<p>Key processes are 27 provincial municipalities</p> <p>2003 Review published in April 2003. 2004 Review published or pre-announced date</p> <p>Quarterly records generated. Monthly provincial reports</p> <p>Finalisation of the Municipal Finance Management Bill and implementation plan</p>	<p>Achieved financial management reforms and improvements in all the provinces as evidenced by the 2004 Budgets Issued. Generic Strategic and Performance Plan formats to all 16 provincial departments and introduced. Standardised budget and programme structures for eight provincial departments to ensure comparability across provinces</p> <p>Financial management reforms also established through the rollout of the local government financial management grant, as outlined under Programme 1c</p> <p>2003 Review published in April 2003. Smaller review trends in intergovernmental finances tabulated on 1 September 2004. Decision to table 2004 Review in September due to elections in April and the prospect of changes to provincial budgets after the elections</p> <p>Monthly and quarterly monitoring of provincial finances carried out in synergy with quarterly reports generated. The Gazette numbers are 25266 (30 July 2003), 26662 (30 October 2003), 26962 (30 January 2004) and 26302 (30 April 2004). Analysis of quarterly records also made public for second, third and fourth quarter on Treasury website and as submission to Finance and Budget Committees in Parliament</p> <p>Municipal Finance Management Bill passed later than anticipated on 26 November 2003. Implementation of the Act began thereafter with the Act being phased in from 1 July 2004. The National Treasury began preparations for implementation of the MFMA towards the end of the 2003/04 financial year, culminating in a June and June provincial workshops with municipalities during April-June 2004, for implementation of the Act from 1 July 2004. Quarterly reporting from municipalities will be phased in during the 2004/05 municipal financial year, starting with the metros and more highly consolidated municipalities</p>



Subprogramme	Output	Output performance measures/services delivery indicators	Actual performance against target	
			Target	Actual
Economic Policy	Macroeconomic policy analysis and advice	Timely and relevant analysis and advice	Examining and coordinating appropriate growth-enhancing policies	The definition of administrative prices was presented to Cabinet and an index of administrative prices will be published by Statistics South Africa at the end of August 2014
			Broadening the scope of economic modelling and monitoring economic developments	Work is underway to develop a new framework for growth
			Accuracy and timeliness of quarterly forecasts	A review of mergers in the South African manufacturing sector was undertaken
			Develop a CGE model	A study was also undertaken on the competition in the South African banking sector. Recommendations based on these findings will be forwarded to the Minister of Finance before the end of 2014
	Macroeconomic forecast and framework			Monetary targeting framework was amended to require monetary policy operations
				Financial Sector Charter was completed and signed on 17 October 2013
				Quarterly forecasts were announced timely
				The annual and quarterly economic models were re-estimated to take account of statutory issues
				The general modelling capacity was strengthened with the introduction of CGE modelling to the Department



Subprogramme	Output	Output performance measures/services delivery indicators	Actual performance against target	
			Target	Actual
Financial sector	Financial sector regulatory advice, legislation and regulations	Timely and relevant analysis and advice	The promotion of a more equitable and efficient financial sector	<p>Financial Services Commission Bill was confirmed by the State Law Advisor and will be released for public comment in September 2004. The Parliamentary Committee on Finance is expected to consider the Bill before the end of 2004.</p> <p>The Security Services Bill was confirmed by the State Law Advisor and will be released for public comment in September 2004.</p> <p>The Co-operatives Bank Bill and the Defuncted Banks Bill will also be published for public comment in October 2004.</p> <p>The Housing Professions Bill will also be tabled for public comment in October.</p> <p>The Finance Advisory and Intermediary Services Act will be implemented in its entirety from 10 September 2004.</p> <p>Work is in progress to develop a framework for integration of financial regulation and the development of the South African Deposit Insurance Scheme.</p>



Subprogramme	Output	Output performance measures/services delivery indicators	Actual performance against target	Actual
	<p>Tax policy analysis and advice</p> <p>International financial relations advice and development</p>	<p>Timely and relevant analysis and advice</p> <p>Alignment of tax policy proposals with macroeconomic and fiscal framework changes</p> <p>Gradual and consistent tax policy changes</p> <p>Timely and relevant analysis and advice</p> <p>South Africa's views successfully reflected in policies of international development finance institutions</p>	<p>Target</p> <p>Appropriate tax policy that is aligned with the macroeconomic and fiscal framework</p> <p>Deserving and extending international economic linkages</p>	<p>The amnesty for unabsorbed foreign assets was a success, with the Amnesty Unit receiving 42,350 applications.</p> <p>Preparations for Tax Growth Co-quitima under way – likely to take place in the first half of 2005.</p> <p>The Minerals and Petroleum Royalty Bill was released by public comment in 2003. It is currently being revised to account for comments received.</p> <p>The Retirement Fund Tax Review is under way. A discussion document is being prepared for public comment.</p> <p>Amendment of Customs and Excise Act This has been implemented from July 2004.</p> <p>The Report on Environmental Fiscal Reform was released for public comment in the last quarter of 2003. The Report is being converted into a policy paper.</p> <p>Technical support was provided by the creation of the APRU, which came into effect on 17 February 2004.</p> <p>In the area of exchange controls, a new application process, new application forms and quarterly reports applicable to each type of qualifying institution were finalised and issued in 2003.</p> <p>A framework for monitoring the implementation of the Monterrey Consensus and the Millennium Development Goals was implemented.</p> <p>In March 2004, the Treasury hosted a successful conference of African Finance Ministers to develop a common position on issues of Trade and Representation of African countries – the Bratton Woods Institutions. The Johannesburg Communiqué has since informed further discussion in the G24 on these issues.</p>



Subprogramme	Output	Output performance measures/services delivery indicators	Actual performance against target	
			Target	Actual
				<p>The Treasury also organises the IIFs Article 7 and firm consultations 11 of the IIFs Reports on the Observance of Standards and Codes (ROSCs), which other compliance with best practice in financial sector policy and fiscal management were compared. This was more than any other country in the C&A.</p>



PROGRAMME 3

ASSET AND LIABILITY MANAGEMENT

Purpose: To provide for the prudent management of Government's financial assets and liabilities.

Measurable objective: The programme aims to manage the Government's asset and liability portfolio in a manner that ensures prudent cash management, asset restructuring and financial management, and optimal management of the Government's domestic and foreign debt portfolio. Programme activities are carried out through five subprogrammes:

- 1 *Management* manages the Office of the Head of the Division.
- 1 *Liability Management* provides for the Government's liquidity needs and ensures prudent management of both domestic and foreign debt by issuing debt instruments at the lowest possible cost, subject to acceptable levels of risk. It also contributes to the development of domestic capital markets and provides for timeously servicing of debt.
- 1 *Financial Operations* is responsible for the management of the Government's liquidity requirements. It ensures that all Government's debt transactions are recorded timeously and reported in terms of the Public Finance Management Act (1 of 1999) (PFMA). It also ensures that all other reporting requirements of multilateral institutions are met. It, furthermore, provides for divisional Information System requirements.
- 1 *Strategy and Risk Management* develops and maintains the government-wide risk management framework and ensures that the strategies adopted by the Asset and Liability Management division are in line with the agreed framework. These include country, market, credit and budget risks.
- 1 *Asset Management* is committed to enhancing shareholder value through restructured state-owned entities. It monitors and enforces compliance with corporate governance for government bodies and public entities in accordance with the PFMA, and coordinates borrowing activities of public entities in line with Treasury Regulations. It also provides for the coordination of the issuance of guarantees.

Service Delivery Objectives and Indicators

Recent outputs

Liability Management – The revised net borrowing requirement of R36,5 billion for 2003/04 was financed successfully. This was financed through the issuance of domestic short-term loans (R6,7 billion), domestic long-term loans (R31,1 billion), foreign loans (R1,0 billion) and changes in cash and other balances (R-2,3 billion).

It was projected that the equivalent of \$1,0 billion would be financed in the foreign capital markets. However, in May 2003, Government issued a 10-year global Euro bond maturing in May 2013 to the equivalent of \$1,4 billion. The Net Open Forward Position (NOFP) had a positive balance of \$6,4 billion at 31 March 2004 and future foreign loan issues will focus on the financing of redeeming foreign loans and disbursements pertaining to the arms procurement programme. To take advantage of favourable market





conditions, the \$1,5 billion syndicate loan due in July 2004 was prematurely repaid, primarily using domestic funding.

In terms of the Gold and Foreign Exchange Contingency Reserve Account Defrayal Act, Government needs to pay R28,0 billion to the South African Reserve Bank (SARB) by 2005/06 to defray realised losses on this account. A further R7 billion of losses were defrayed in 2003/04 by issuing bonds to the SARB, bringing the total to R14 billion.

Preparatory work to introduce Retail Bonds was completed by the end of 2003/04 and was successfully launched on 24 May 2004.

Interest to the amount of R46,1 billion was paid to the investors in Government's debt and maturing debt of R39,9 billion was repaid. During 2003, South Africa's credit rating was upgraded by Standard & Poor's, Fitch Ratings and Rating and Investment Information Inc to BBB, BBB and BBB+, respectively. Moody's has placed South Africa under a positive review.


Financial Operations implemented enhanced intergovernmental cash coordination processes in two provinces. It is expected that the remaining seven provinces will implement these processes during 2004/05. The re-engineering of existing cash management processes has resulted in the exchequer balances on which no interest was earned being lowered from R500 million to R100 million, resulting in additional interest of R35 million being earned annually. On the systems development front, the business processes review has been concluded and an information-management strategy, outlining the next generation of applications, was approved by management. The implementation of the Commonwealth Debt Recording and Management System (CS-DRMS) was terminated because the system did not meet the technical requirements of a sophisticated government debt market such as South Africa's. Regarding debt information reporting, all debt transactions were recorded timeously and ongoing dissemination of information to the market further enhanced transparency.

Strategy and Risk Management – In actively managing the Government's debt portfolio, the National Treasury has the responsibility to identify, control and manage the risks to which Government is exposed. A comprehensive risk management framework, which provides for a set of benchmarks or reference criteria against which the structure and evolution of the debt portfolio can be tested and understood, was developed. Initially, the focus was on market risk and government-wide risk was not given a high priority. The risk management model has since been broadened to encompass broader contingent liability risk issues within the public sector. All possible government-wide risks have been identified and will be incorporated in a comprehensive risk management framework.

Asset Management is responsible for the Registrar of Public Entities, which listed 15, delisted 42 and effected name changes to eight public entities listed under the Schedules of the PFMA.

In compliance with Sections 52 and 55(1) (d) of the Act, 90 per cent of all listed national government business enterprises (Schedules 2 and 3B) and 93 per cent of all national public entities (Schedules 2, 3A and 3B), submitted their corporate plans and annual financial statements, respectively. The public entities that did not comply were reported to the Office of the Auditor-General and to the Parliamentary Standing Committee on Public Accounts (SCOPA).





During the period under review, the Guarantee Certification Committee (GCC) recommended the approval of guarantees (R7,0 billion); indemnities and securities (R0,2 billion); and a borrowing limit (R0,2 billion) in respect of public entities.

The Treasury Regulations were amended to regulate the disclosure of emoluments to all directors and executive management of public entities and their subsidiaries in their annual financial statements. Since 2003, all public entities have complied with the requirement, subjecting the emoluments of directors and executive management to public scrutiny. This brought the reporting by public entities on par with JSE-listed companies, as directed in terms of the King II Report on Corporate Governance.

Asset Management continued to provide ongoing support for the restructuring of state-owned enterprises (SOEs). However, because of the postponement of the sale of SAFCOL and the delay in the concession of the Durban Container Port, only R8,0 million of the budgeted R2,5 billion in proceeds from the restructuring of state-owned assets was received. In addition, the National Treasury recognised that the alienation of Transnet's assets might trigger Transnet's loan covenants. A review of Transnet's loan covenants was, therefore, initiated.

The responsibility for the restructuring of SOE's lies mainly with the Department of Public Enterprises and those departments responsible for the enterprises' policies. Furthermore, the requirements to establish regulatory environments, to ensure that prudent commercial norms are adhered to and that market conditions are conclusive, affect the realisation of restructuring proceeds. The National Treasury, therefore, regularly reviews and re-estimates proceeds from restructuring and, if necessary, adjusts the Government's borrowing requirements.

Dividends amounting to R1,2 billion were paid into the National Revenue Fund during 2003/04. A further amount of R0,2 billion was also received in respect of profits from the SARB.



Service Delivery Achievement

Programme 3: Assets and Liability Management

Measurable objective: Within acceptable level of risk, the programme aims to finance the Government's gross borrowing requirement, manage the Government's domestic and foreign debt portfolio, facilitate the restructuring of SOEs entities and ensure that the Government meets its cash commitments

Subprogramme	Output	Output performance measure/services delivery indicators	Actual performance against target	
			Target	Actual
Financial Operations	Intergovernmental cash coordination	Phase 1 – All provinces having accounts with the CPD	Phase 1 complete by December 2003	Two out of nine provinces opened CPD accounts
	Information systems strategy	Business processes review	Process review and recommendations by September 2003	Business processes review completed and information management strategy approved. Commenced with system developments
Liability Management	Implementation of CS-DRMS	Migration and recording of liabilities in the CS-DRMS	Domestic debt module completed by September 2003	CS-DRMS terminated and replaced by the integrated debt management system to be developed
	Sound internal controls and timely reporting	Quality of controls measured by annual audits and deadlines met	Ongoing and annually	Target met
	Financing the deficit	Meet government borrowing requirement	Net issue of debt of R2,3 billion in the domestic market	Revised issue of debt of R24,0 billion financed in the domestic market
	Keep presence in foreign markets	Annual issue in foreign markets	Issue equivalent of \$1 billion	Issued an equivalent of \$1,4 billion, which contributed to the reduction of the NOFP
Strategy and Risk Management	Eliminate GFECRA losses within MTEF	Annual reduction of GFECRA losses	Issue R7 billion bonds to the SARB	Target met
	Diversification of borrowing instruments	Introduction of new funding instruments	Introduction of an ultra-long inflation linked bond (ILB) and retail market	Ultra-long ILB (R202-3, 45% 2033/12/07) introduced and Retail Bonds to be introduced in May 2004
	Review the Risk Management Framework	Recommendations on a new benchmark	Implement the benchmark	Draft report on risk management framework completed
	Develop and implement a system that will measure the performance of the actual portfolio versus the benchmark	Fully functioning portfolio performance measurement system	In-house built portfolio measurement system	Incorporated in the government-wide risk management framework
	Produce a quarterly debt profile review to monitor risks that arise out of the debt portfolio	Quarterly debt profile review	Continuous market monitoring and active debt management	Quarterly reports submitted to DG



Subprogramme	Output	Output performance measures/services delivery indicators	Actual performance against target	
			Target	Actual
Asset Management	Acquire a market risk management system	Real-time system in place	Finalise specifications and tender process	Part of the integrated debt management system to be developed
	Adoption and signing of SOA 2002 agreements	Finalise the International Swaps and Derivatives Association (ISDA) agreements	Signed SOA agreements	SOA programme was discontinued, as such there was no need to finalise the ISDA agreements
	Development and implementation of credit risk policy	Approved Credit Risk Policy	Research and produce a first draft policy for comments	Incorporated in the Government-wide risk management framework
	Ensure that appropriate policies and guidelines to deal with the use of government guarantees for public entities are in place and adhered to	Approved government guarantee policy	Draft policy circulated to stakeholders for comments	Due diligence on contingent liabilities completed and currently reviewing the policy and guidelines for issuing guarantees
Asset Management	Identify, classify and listing of public entities	Quarterly publications and annual report to SCOPA	Publication in the Government Gazette and on the Treasury website of all listed entities	The National Treasury listed 15, deleted 42 and effected name changes to 8 public entities. The updated lists were published on the National Treasury's website
	Compliance with PPIA	S62, S64, S65, S66 of PPIA - Submission of annual reports; Submission of Corporate Party Schedule 2 and 3B entities	To ensure that SOEs comply with PPIA and finalise the framework of the corporate party for submission to SOEs	92 per cent of all listed Schedule 2, 3A and 3B corporate parties submitted annual reports, while 64 per cent of Schedule 3B and 2 public entities submitted their Corporate Plans. The names of public entities that do not comply were referred to the office of the Auditor-General and SCOPA
	Production of Corporate Governance	Quarterly consolidated borrowing programme and debt managed profile of Government	Quality programme and profile on time	Quarterly reports compiled and submitted to the debt management committee
		S70 - Issue of Guarantee by Cabinet Minister with concurrence of the Minister of Finance	Serve as secretariat to the GCC every quarter	Eight GCC meetings were held during the period under review. The GCC recommended the approval of two guarantees, two moratoriums, two borrowing limits and one guarantee issued by a Schedule 3B entity to the Minister of Finance
	Guideline which deal with Cg Report is applicable on Schedule 2, 3B and 3C entities - in particular to disclose the remuneration of directors, both executive and non-executive		To regulate adherence to Protocol of Corporate Governance	The Treasury Regulations were amended to regulate the disclosure of remuneration of all directors and executive management of public entities and subsidiaries in their annual financial statements

Subprogramme	Output	Output performance measures/services delivery indicators	Actual performance against target	
			Target	Actual
Post Office	Corporatisation of the Post Bank as a subsidiary of Post Office	Revisit the dividend policy enabling liquidation of Post Bank. Separation of assets and liabilities	R550m for has been provided for DCC's budget vote to recapitalise S-PO. Release of the funds is subject to the finalisation of a MOU between the Ministers of Communications, Finance and S-PO. DCC will submit amendments to the Postal Services Act to Cabinet in 2004	
			The concession of the National Ports Authority (NPA) was postponed due to the fact that the concessionaires with Transnet stipulated that cross defaults would be triggered by the concessioning of the ports	
Transport	Concessioning of Ports	DPE, DCC and the National Treasury to start the process of inviting bidders for the concession	The Transnet board is currently undergoing review as it was indicated by the SAA that the concessionaires will not start a tenderable	
			The evaluation of bidding bids has been undertaken. The official announcement of the preferred bidder needs to be made	
Aircraft	Transport and state Eskom and Transnet Housing	Final phase of market study complete. Request for proposal issued to be finalised by August 2003. Sell the Book by August 2003	Decision has been taken because the engagement with originator about long term anticipated negotiations and correspondence sent to relevant stakeholders about disposal of the non-core assets	
			The agreement on final conditions non-core is outstanding	
		Disposal of non-core business activities	Disposal of non-core assets	
		Establishment of steering committee		



PROGRAMME 4

FINANCIAL MANAGEMENT AND SYSTEMS

Purpose: To provide for the management and regulation of Government's supply-chain processes, the implementation and maintenance of standardised financial systems and the coordination of the implementation of the Public Finance Management Act (1 of 1999) (PFMA) and related capacity-building initiatives.

Measurable objective: The programme aims to regulate and oversee public-sector supply chain management (SCM) and standardise the financial systems of national and provincial government, as well as to coordinate the implementation of the PFMA.

Managed by the Specialist Function division, programme activities are carried out under the following subprogrammes:

- ¹ *Supply Chain Management* develops policy that regulates the acquisition of goods and services in the public sector; monitors policy outcomes; and facilitates and manages transversal term contracts on behalf of Government.
- ¹ *PFMA Implementation* is charged with coordinating the implementation of the PFMA and related capacity-building initiatives.
- ¹ *Financial Systems* aims to provide an uninterrupted financial systems operation to Government.

Service Delivery Objectives and Indicators

Recent outputs

Supply Chain Management – Government initiated reforms to its procurement policies and systems and this process continued during the period under review. Reforms focus on the promotion of good governance and the introduction of a preference system to address certain socio-economic objectives. These are embedded in Sections 76(4)(c) of the PFMA and 112(1) of the Municipal Finance Management Act (56 of 2003) (MFMA) and the Preferential Procurement Policy Framework Act (5 of 2000) (PPPPFA).

A framework for SCM, applicable to all national and provincial departments, constitutional institutions, as well as Schedule 3A and 3C public entities, was promulgated on 5 December 2003. Workshops to introduce SCM were held with all national and provincial departments, constitutional entities and relevant public entities.

Implementation of the Supply Chain Management Framework promotes uniformity in the different spheres of government in repealing tender-board legislation and gives effect to the PFMA intent to devolve responsibility and accountability for supply chain-related matters to accounting officers. At national level, the State Tender Board Regulations were amended to allow accounting officers to procure goods and services in terms of the PFMA. The repeal of the State Tender Board Act has been provided for in the PFMA Amendment Bill. Provincial treasuries have initiated their own legislative processes for the repeal of respective provincial tender board legislation.

The National Treasury has issued a number of practice notes in terms of the SCM Framework to guide uniformity in practices and procedures across national and





provincial government. Provincial treasuries may issue further practice notes in a cascading fashion, guiding the more detailed, technical implementation of SCM practice. The National Treasury also issued a 'Supply Chain Management Guide' for accounting officers/authorities.

Implementation of SCM practice is being phased in over the Medium-Term Expenditure Framework (MTEF) because of considerable divergence between current government procurement and provisioning practice and new SCM policies, systems, procedures and processes.

Departments are required to establish SCM units under the responsibility and management of departmental chief financial officers, ensuring that clear lines of authority and accountability, as well as performance criteria contribute towards minimising risk; improving sourcing procedures and processes; and enhancing asset and inventory management.

Accounting officers are responsible for ensuring that their SCM personnel are adequately trained. The National Treasury facilitates this process by engaging several stakeholders, including the South African Management Development Institute (SAMDI) and the Institute for Public Finance and Auditing, to develop appropriate SCM training material.


The National Treasury *Supply Chain Management* Office is responsible for the facilitation and management of transversal term contracts on behalf of Government. The Office also ensures the alignment of Government SCM practice with the requirements of the PFMA.

The *Supply Chain Management* team has also begun to implement a high-level management information system to enable Government to obtain information about total procurement in Government and to monitor the extent to which procurement reform objectives are achieved. Minimum reporting requirements have been prescribed for accounting officers/authorities with a view to establish a reliable database over the next three years. Over this MTEF period, the National Treasury, in collaboration with the Department of Trade and Industry, is in the process of amending the preferential procurement system, ensuring that it contributes more effectively towards meeting Government's objectives for black economic empowerment.

The MFMA was to come into effect on 1 July 2004. The National Treasury is already involved in consultation processes with municipalities and organised local government in drafting a framework for implementation of SCM.

PFMA Implementation – This unit focused largely on coordinating finance-related capacity building initiatives and providing Cabinet and Parliament's Standing Committee on Public Accounts (SCOPA) with progress reports on the implementation of the PFMA. In this regard, a compliance survey was conducted and reports were forwarded to Cabinet and SCOPA during July 2003. These progress reports were based on a National Treasury compiled document entitled 'Normative Measures for Financial Management (Phase 1: Perfecting the Basics)'. The document was compiled with the intention of providing a benchmark to accounting officers to assist them in evaluating financial management within their departments continuously and to report meaningfully thereon in their annual reports. The 'Normative Measures' document also serves as a framework to assess both





compliance and qualitative improvement associated with PFMA implementation in departments, and constitutional institutions are making good progress towards PFMA compliance. There has been a notable degree of improvement in financial management.

The *PFMA Implementation* unit has also initiated a process to develop a guideline document that would assist Members of Parliament in strengthening their oversight responsibilities through the evaluation of annual reports and financial statements. This guideline will also prove invaluable in assisting Members of Parliament to provide feedback to the executive on institutional performance.

During January 2004, the *PFMA Implementation* unit prepared a memorandum to inform Cabinet on the audit outcomes of national and provincial entities in respect of their 2002/03 financial statements. In this regard, Cabinet resolved (among others) that departments, trading entities and public entities that received qualified audit opinions and emphasis of matter submit plans to the Minister of Finance with regard to corrective steps to be taken. The National Treasury is in the process of interrogating these plans and will engage with departments, where necessary.

The Validation Board, established to exercise qualitative control over finance-related training material of external service providers, has made good progress. To date, the Board has validated 67 courses stemming from applications submitted by 14 service providers. All national departments and provincial treasuries are informed regularly of courses that the Validation Board has accredited.

To further assist departments with financial management capacity-building initiatives, the National Treasury entered into a Service Level Agreement with the Institute for Public Finance and Auditing (IPFA) for the roll-out of a large-scale training programme of short courses to government officials on various aspects related to financial management. These courses have to be of an acceptable quality and in accordance with the National Treasury's priorities. Presentation of these courses commenced during April 2003 and lasted until the end of March 2004; the IPFA presented 55 courses to 953 trainees.

On 8 February 2004, the President announced in his address at the opening of Parliament that Government had approved a Public Service Anti-Corruption Strategy. This Strategy entails comprehensive and integrated action against corruption and contributes to Government's wider national anti-corruption programme. The Strategy consists of nine strategic considerations, which include:

- 1 A review and consolidation of legislative frameworks;
- 1 Prohibition of corrupt individuals and businesses; and
- 1 Improved management policies and practices.

The implementation of the Strategy is coordinated by a multidepartmental Anti-Corruption Coordinating Committee (ACCC). The *PFMA Implementation* unit was appointed to represent the National Treasury on the Committee. In this regard, the unit also formed part of the South African delegation that participated in the process of negotiating a United Nations Convention against Corruption in Vienna, Austria. Cabinet has recently recommended ratification of the aforementioned Convention.



Financial Systems – An Integrated Financial Management Systems project office was established during 2003 to develop a Master Systems Plan (MSP) to guide the replacement of the current outdated legacy systems in a phased manner. The MSP was completed at the end of March 2004 and has been submitted for consideration through decision-making processes.

The MSP deliverables focused on the following areas:

- 1 The interpretation and documentation of Government's financial management user requirements;
- 1 Recommendations on possible alternative technical options to meet Government's future systems support requirements; and
- 1 The commercial and financial implications associated with the different options.

Parallel to the development of the MSP, efforts continued to streamline the interim management of the existing transversal systems, namely BAS, FMS, Logis, Persal and *Vulindlela*. These endeavours already made it possible to register substantial savings in the costs of maintaining these systems.

During the period under review, the process to migrate all national departments and provinces from FMS to BAS was completed. This paved the way for the final phasing out of FMS to end the duplication of the systems under the management of the National Treasury. Simultaneous to the implementation of BAS, the implementation of the new standard chart of accounts (SCOA) was also completed.

Service Delivery Achievement

Programme 4: Financial Management and Systems

Measurable objective: The programme aims to regulate and oversee public-sector supply-chain management and standardise the financial systems of national and provincial government, while coordinating and implementing the PFMA

Subprogramme	Output	Output performance measure/services delivery indicators	Actual performance against target	
			Target	Actual
Supply-Chain Management	Regulating and monitoring SCM policy outcomes in Government, and managing transversal term contracts on behalf of Government	Adoption and implementation of consistent legislative and policy frameworks Accreditation of national departments to arrange their own contracts Repeal of the State Tender Board Act and dismantle the State Tender Board Develop and maintain a supply-chain database Introduce strategic sourcing principles to enhance value for money	30 May 2003	Cabinet approved a Policy Strategy to Guide Uniformity in Procurement Reform Processes in Government during September 2003 Framework for SCM was promulgated on 5 December 2003 in terms of Section 76 (4)(c) of the PFMA State Tender Board Regulations were amended on 5 December 2003 to allow accounting officers/authorities to procure goods and services in terms of the framework for SCM Repeal of the State Tender Board Act is contained in the PFMA Amendment Bill
			During 2003	Report providing statistics on the extent of HDI participation in contracts awarded by Government was submitted to the NCOP in October 2003
			Reports submitted to Cabinet in September	5 – 7% of the application of strategic sourcing was achieved
			Introduce strategic sourcing strategies for 20% of all term contracts	
PFMA Implementation and Coordination	Coordination of the implementation and training initiatives of the National Treasury as well as monitoring implementation of the PFMA in other institutions	Reports to Cabinet and the SCOPA on progress made Percentage of training material evaluated and accredited relevant to Government's needs	September 2003 March 2004	July 2003 January 2004
			100%	100%

Subprogramme	Output	Output performance measure/services delivery indicators	Actual performance against target	
			Target	Actual
	Number of courses presented that meet the training needs of Government	10 courses	55 courses	
Financial Systems	Implementation of BAS at National and Provincial	100% implementation of BAS	1 April 2003	1 April 2004
	Maintenance and enhancement of systems (Persal, BAS, FMS, <i>Vuilindlela</i> and Logtis)	98% availability of systems between 07h00 – 17h00, Monday to Friday	98% availability	98% availability
	Development of Master Systems Plan for IFMS	Development of: <ul style="list-style-type: none"> • User Requirement Statements • MSP • System Prospectus 	February 2004	March 2004





PROGRAMME 5

FINANCIAL ACCOUNTING AND REPORTING

Purpose: To develop new and enhance existing accounting policies and practices to ensure compliance with Standards of Generally Recognised Accounting Practices (GRAP) to be issued by the Accounting Standards Board (ASB), which will enable a transition from the cash basis to an accrual basis of accounting. It also endeavours to improve the timeliness, accuracy and efficiency of financial reporting; and to provide mechanisms for improved financial accountability in the public sector.

Measurable objective: The programme aims to improve the quality of financial accounting and reporting by ensuring that appropriate accounting policies and financial practices are developed for improved disclosure.

The Office of the Accountant-General consists of the following subprogrammes:

- ¹ *Financial Reporting for National Accounts* is responsible for the accounting of the National Revenue and Reconstruction and Development Programme (RDP) Fund; banking services for national Government; the development and implication of accounting policies; and the preparation of consolidated financial statements.
- ¹ *Financial Management Improvement* incorporates the improvement of financial management and training, as well as internal audit services. It also provides assistance to the Institute for Public Finance and Auditing (IPFA).
- ¹ *Service Charges* provides for bank service charges for the deposit accounts of all departments.
- ¹ *Audit* provides for compensation for shortfalls of statutory bodies and municipalities in certain instances in terms of the Auditor-General Act (12 of 1995).

Service Delivery Objectives and Indicators

Recent outputs

Financial Reporting for National Accounts – Over the past financial year, the office assisted all national and provincial departments in completing their financial statements and annual reports for the financial year ended 31 March. Two new appointments were made to this subprogramme during the financial year.

A Consolidation Workgroup, comprising the National Treasury, the ASB and the Auditor-General, was set up to discuss and resolve technical issues and challenges to the consolidation of national departments, public entities and constitutional entities. Meetings were held with the chief financial officers of national departments; provincial departments; and national and provincial public entities to discuss the consolidation process and impending challenges. A consolidation guide and model/template were prepared and distributed to all relevant entities for completion.

Financial Management Improvement – This subprogramme was most affected by the lack of capacity within the Office. However, in the latter half of the year, five new appointments were made to enhance the capacity available within this subprogramme. It was envisaged that the increased capacity would facilitate greater assistance and



involvement with the provincial treasuries in the implementation and roll-out of financial management improvement programmes and policies. However, these plans were severely impacted by the changes in senior management of the Office and the timing of the appointments.

During the year, the existing accounting policies were reviewed and enhancements effected, which will to be disseminated for comment and issue during the following financial year.

As at the end of March 2004, the first enhancements made to the accounting policies in support of Standards of GRAP were finalised. These policies were based on the International Federation of Accountants' (IFAC) International Public Sector Accounting Standards (IPSAS) and International Accounting Standards (IAS), as well as any Exposure Drafts (ED) issued by the ASB.

During the year, the ASB issued the following EDs for comment:

- ¹ Presentation of financial statements;
- ¹ Cash flow statement;
- ¹ Accounting policies, changes in accounting estimates and errors;
- ¹ Framework for the preparation and presentation of financial statements; and
- ¹ Generally Recognised Municipal Accounting Practices.

Comments were drafted and timeously submitted as part of the National Treasury's response to the ASB's standards development process.

Three permanent staff members were appointed after August 2003, which increased capacity within the Internal Audit unit. The 'Internal Audit Framework' was finalised during the year and forwarded to stakeholders for review. A review was also done of the status of internal audit and the implementation of audit committees and internal audit units across all national departments. The results of the review were timeously reported to the Standing Committee on Public Accounts (SCOPA), as required in terms of the Third SCOPA Report of 3 March 1999.

During the last quarter of the year, a process was undertaken to develop a Risk Management Framework (RMF) that would be used as a basis for entity-wide risk management across national and provincial departments, as contemplated in Section 38(1), and Treasury Regulation 3.2. The RMF has been circulated for comment to a wide array of stakeholders across the public sector to ensure an all-encompassing process and that consensus for implementation is achieved. The Framework has been finalised, and will be reviewed and updated on an annual basis, thus ensuring that it will, at all times, reflect the current best practice.

The Office of the Accountant-General co-sponsored the Standard Charts of Account (SCOA) project with the Budget Office to ensure that the SCOA supported both the 'New Economic Reporting Format' and the current and future financial reporting requirements of national and provincial departments. A collaborative road show between various divisions in the National Treasury was undertaken during November 2003 to officially introduce the reform to the national and provincial departments. In December 2003, the Office of the Accountant-General assumed responsibility for version control and chart maintenance.



Service Delivery Achievement

Programme 5: Financial Accounting and Reporting

Measurable objective: The programme aims to improve the quality of financial accounting and reporting by ensuring that appropriate policies and procedures are developed and implemented

Subprogramme	Output	Output performance measure/services delivery indicators	Actual performance against target	
			Target	Actual
Financial Reporting for National Accounts	Monthly Expenditure Reports	Timely publishing of accurate reports	30 days after month-end	30th of each month
	Consolidation Reports Completion of formats for annual financial statements to 31 March 2003 Development of policies and formats for consolidated financial statements for 2004	Timely publishing of accurate reports Completed formats for annual financial statements Formats and policies defined	6 months after year-end 31 January 2004 28 February 2004	30 September 2003 May 2004 May 2004
Financial Management Improvement	Implementation of GRAP as determined by the ASB	Percentage of GRAP standards implemented	70% of approved standards by 31 March 2004	No approved standards to date
	Continuation of development and enhancement of accounting policies and practices and implementation Ensure compliance with internal audit framework	Timely issuing of accounting policies and practices, as well as their alignment, based on the approved standards of the ASB Development of standards for benchmarks to measure internal audit units	30 September 2003 30 November 2003	First draft of policies – 31 March 2004

Transfer payments

Transfer payments were made to the following:

Accounting Standards Board – The ASB was established in terms of the PFMA to develop GRAP standards for the purposes of implementing the said standards in the public sector financial management environment. During the financial year, the ASB drafted its work plan for the development of standards, which has been approved by the Minister of Finance, and has developed and released three standards for the Minister's approval. Commentary and discussion on the initial exposure drafts have been forwarded to the ASB by stakeholders including the OAG, and incorporated into the final standards awaiting the Minister's approval.

Office of the Auditor-General – Transfer payments are made to the Auditor-General to defray audit expenses related to the audit of departmental books.

Name of Institution	Amount Transferred
Accounting Standards Board	R 3 842 000.00
Office of the Auditor-General	R 6 626 000.00

Written confirmation has been received by the OAG that the entities to whom transfers have been made implemented effective, efficient and transparent financial management and internal control systems, as required by the PFMA.



PROGRAMME 6

PROVINCIAL AND LOCAL GOVERNMENT TRANSFERS

Purpose: To manage the Provincial Infrastructure Grant and the Local Government Financial Management and Restructuring Grants. These conditional grants are appropriated on the National Treasury Vote.

Measurable objective: The *Provincial Infrastructure Grant*, which was introduced four years ago, aims to boost provincial infrastructure investment and to serve as a catalyst for introducing good practices in relation to the planning and monitoring of infrastructure projects.

The *Local Government Financial Management Grant* aims to support the implementation of financial management reforms aimed at enhancing transparency and accountability, while the *Local Government Restructuring Grant* is used for restructuring initiatives in large municipalities.

Service Delivery Objectives and Indicators

Recent outputs

The *Provincial Infrastructure Grant* was introduced in 2000/01 to enable provinces to address infrastructure needs in the areas of roads, school buildings and health facilities, and to support rural development. The key requirement of the Grant is that provincial budgets should reflect growth in the budgets for and spending on infrastructure for the targeted sectors. It is a general conditional grant to boost provincial capital budgets, and hence its reporting requirements are not restricted to the Grant itself, but extended to the entire capital budgets of provinces.

Total capital spending in provinces in 2003/04 amounted to an estimated R10,1 billion, which was considerably more than the R2,5 billion *Provincial Infrastructure Grant*. This represents an increase of about 28 per cent on the R7,9 billion provinces spent on capital in 2002/03, and is more than double the R4 billion spent in 2000/01, indicating the success of the Grant in continuing to gear up provincial capital spending. The sectors targeted by the Grant account for about 80 per cent of provincial capital spending (excluding housing).

While three provinces (Free State, Gauteng, Western Cape) received all their instalments for the Grant as scheduled, some instalments were delayed to the other six provinces due to non-compliance with the reporting conditions of the Grant. However, all provinces finally complied fully, and received their total grants by the end of the financial year. The amounts per province are outlined in the table below, and in Annexure 1B in the Notes to the Financial Statements.





Province	Allocation Transferred
Eastern Cape	457
Free State	163
Gauteng	236
KwaZulu-Natal	500
Limpopo	541
Mpumalanga	216
Northern Cape	72
North West	204
Total	2 543


The *Local Government Financial Management Grant* and the *Local Government Restructuring Grant* are two separate grants, assisting municipalities in implementing fiscal and financial management, and restructuring reforms. Since the inception of the *Financial Management Grant* in 2000, there has been marked improvement in the financial management practices among municipalities, particularly in the areas of budgeting, reporting, accounting and in building financial management capacity. Building on the success of a pilot phase, which was implemented in seven pilot municipalities in 2000, the Grant was successfully extended to 63 municipalities by 2003, exceeding the target of 37 municipalities. The 2003/04 financial year saw the coming into effect of the Municipal Finance Management Act (56 of 2003) (MFMA) on 1 July 2004.

To facilitate skills development and to support fiscal and financial reforms, municipalities have used the Grant to employ around 160 financial management interns. This will continue to grow in the future as we see municipalities addressing their skills shortages. Another key initiative is the completion and submission of a unit standards based qualification for municipal financial management for registration with the South African Qualifications Authority (SAQA), to underpin the implementation of skills development in municipalities.

The Municipal Finance Management Technical Assistance Project (MFMTAP) also provides direct fiscal and financial support to municipalities. The Project is the result of an agreement between the South African Government and the International Bank for Reconstruction and Development. The agreement funds technical finance advisors from around the world, who are posted at selected municipalities for a period of two years. The advisors bring with them practical international experience with the objective of building capacity in budgeting, financial management and project management skills within municipalities. All techniques developed and lessons learned are made available to local government via the Internet. The MFMTAP started in 2002 and nine advisors were placed in municipalities by 2003. Moreover, the programme has served to solicit support from other donor countries in the placement of two German-sponsored advisors and six UK-funded advisors, all working on the municipal finance management programme. An amount of R210 million was disbursed during the financial year under review.

The *Local Government Restructuring Grant* is intended to support restructuring and the modernisation of large municipalities in their efforts to be more effective and efficient, and to function in a fiscally sustainable manner. Previous successful applicants include the Msunduzi, Mangaung and Cacadu municipalities, which are monitored for compliance on a quarterly basis.





Following successful discussions with eligible municipalities, 12 new applications were received in 2003/04. These were from Buffalo City, Nelson Mandela Metro, Emfuleni Municipality, Ekurhuleni Municipality, eThekweni Municipality, Polokwane Municipality, Sol Plaatje Municipality, City of Cape Town, City of Tshwane, uMhlatuze Municipality, Matjhabeng and Mogale City. A thorough review and assessment process was undertaken, which resulted in two successful applications, namely those of Buffalo City and Emfuleni. Each received a grant of R130 million over a four-year period. The first tranche was transferred to them, amounting to R40 million each.

The other ten applications were not successful, but interim, one-year allocations were made to the City of Cape Town, Ekurhuleni, eThekweni, Nelson Mandela and the City of Tshwane, totalling R160 million. That was to support specific restructuring initiatives, and to assist those municipalities in submitting more comprehensive restructuring applications in the next financial year. Other applications like uMhlatuze, Sol Plaatje, Polokwane and Matjhabeng received once-off allocations, totalling R45 million, to augment a previous seed funding allocation, and to assist them in implementing their restructuring applications.

To ensure measurable compliance with grant conditions, successful applicants have been given four years instead of three to achieve benchmarks. This will allow more time for compliance with the benchmarks and minimise delays and payments being held back. The Restructuring Grant is anticipated to continue for a further four years and will be subjected to a progress review in 2006/07.

R45 million was withheld from Mangaung Municipality for non-compliance with conditions during the financial year. These funds will be transferred in the next financial year, once conditions are met.

More information on the amounts received by each municipality are outlined in Annexure 1A in the Notes to the Financial Statements.



Service Delivery Achievement

Programme 6: Provincial and Local Government Transfers

Measurable objective: The *Provincial Infrastructure Grant*, which was introduced four years ago, aims to boost provincial infrastructure investment and to serve as a catalyst for introducing good practices in relation to planning and monitoring of infrastructure projects. The *Local Government Financial Management and Restructuring Grants* aim to support municipalities in implementing the MFMA and to assist in restructuring initiatives for the modernising of service delivery in larger municipalities

Subprogramme	Output	Output performance measure/services delivery indicators	Actual performance against target	
			Target	Actual
Provincial Infrastructure Grant	Framework for the Grant	Clearly defined purpose, outputs and conditions of the Grant, as well as schedule for payments	A complete framework in full compliance with the requirements of the Division of Revenue Act, and all payments made on schedule	A complete framework for this Grant published as part of Appendix E1 in both the 2003 and 2004 Division of Revenue Bills. This is a Schedule 4 general grant to provinces, which supplements their capital budgets. All payments made by the end of the financial year, but some instalments were delayed because provinces failed to comply with the reporting conditions of the Grant. More information on this Grant is contained in Annexure 1B in the Notes to the Financial Statements
	Reports on provincial capital expenditure (with separate reporting for PPPs)	Accurate reports on actual expenditure for the relevant period Clearly defined purpose	Quarterly reports to be published as part of Section 32 reports in terms of the timeframe prescribed in the PFMA and Division of Revenue Act	Four reports showing actual capital expenditure in each province were gazetted and published. Accuracy of final spending on capital to be verified through provincial audit process. More information on capital budget trends is available in the document, 'Trends in Intergovernmental Finances: 2000/01-2006/07' tabled by the National Treasury on 1 September 2004
Local Government Financial Management and Restructuring Grants	Assistance to restructure and modernise the delivery of services and successful implementation of budget and financial management reforms in municipalities	Clearly defined purpose, outputs and conditions of the grant, as well as a schedule for payments	Grant framework and all payments made in terms of the requirements of the Division of Revenue Act	A complete framework for these grants published as part of Appendix E2 of both the 2003 and 2004 Division of Revenue Bills. The framework contains the purpose, conditions and schedule of payments 100% of the Financial Management Grant transferred to 63 municipalities, while 94% of the Restructuring Grant transferred (R45 million to Mangaung withheld for not meeting the conditions for the Grant). Refer to Annexure 1 A in the Notes to the Financial Statements





PROGRAMME 7

CIVIL AND MILITARY PENSIONS, CONTRIBUTIONS TO FUNDS AND OTHER BENEFITS

Purpose: To provide for pension and post-retirement medical-benefit obligations to former employees of state departments and bodies, and for disability benefits for former members of the statutory and non-statutory forces.

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

There are two subprogrammes:

- ¹ *Civil Pensions and Contributions to Medical Schemes* provides for the payment of benefits out of pension and other funds to the beneficiaries of various public-sector bodies in terms of various statutes, collective-bargaining agreements and other commitments. The subprogramme also provides for the payment of special pensions to persons who have made sacrifices or served the public interest in the establishment of a democratic constitutional order.
- ¹ *Military Pensions and Other Benefits* provides for the payment of military pension benefits and medical claims arising from treatment for disability, medical assistive devices, and other related expenses, in keeping with statutory requirements and commitments.

Service Delivery Objectives and Indicators

Recent outputs

Through ongoing review, maintenance and enhancement in relation to administrative systems, it became clear that applications for the payment and administration of civil and military pensions and contributions to medical schemes needed to be re-engineered. Business analysts have compiled draft functional specifications related to work-flow processes in the administration of special pensions, military pensions and ad hoc medical expense claims, and these are being reviewed.

Pensions Administration – the operational arm of the Government Employees Pension Fund (GEPF) – administers a range of benefit and pension schemes for Government on an agency basis. The GEPF is self-funded and produces its own strategic plan and annual report.

Civil Pensions and Contributions to Funds ensures the timely payment of government contributions to medical aid schemes in respect of civil pensioners, surviving spouses, dependants and civil pensioners who were not members of medical schemes during their period of service (by special concession). It also ensures payment to medical schemes in respect of pensioners and widows of the former Development Boards and the National Film Board.

Following an in-depth investigation, the method of payment of contributions to medical schemes is being restructured, enhancing the reconciliation process to ensure timeous and





correct payment. *Pensions Administration* also aims to implement a new medical-scheme fee structure to ensure compliance with industry standards. Part of this process will include the appointment of a health risk manager to manage the business relationship between the participating entities. The team has implemented an appropriate risk model to facilitate adequate actuarial modelling and costing of payments.

The programme is also responsible for the payment of compensation benefits to government employees in respect of temporary, total or partial disablement, or as a result of injuries sustained on duty and, in cases of death, to dependants of such beneficiaries in accordance with the Compensation for Occupational Injuries and Diseases Act (130 of 1993).

The payment of special pensions to persons who have made sacrifices or served the public interest in the establishment of a democratic constitutional order also forms part of the subprogramme. This includes members of any armed or military force not established by or under any law, and which is under the authority and control of, or associated with, and promotes the objectives of political organisations or dependants of such persons in terms of the Special Pensions Act (69 of 1996).

The Act gives effect to Section 189 of the Interim Constitution regarding the prescription of rules for determining persons who are entitled to receive special pensions and to provide for the establishment of structures to implement the Act – that is, the Special Pensions Board and the Special Pensions Review Board.

In addition to recent amendments, the special pensions process will be reviewed over the next year. The review will examine the special pensions benefit structure and the required legislative amendments to facilitate implementation.

Military Pensions and Other Benefits ensures the timeous payment of military pensions to ex-soldiers who were involved in the pre-1914 wars, the First and Second World Wars, the Korean War, post-1960 wars; national servicemen; South African Citizen Force members who participated in the Border War; and members from the former non-statutory forces or their dependants, in accordance with the Military Pensions Act (84 of 1976).

Other benefits expended include payments to ex-service personnel for medical claims for disability, medical appliances and subsistence and travelling allowances in terms of the Military Pensions Act, and payment of an administration grant to the South African Legion to attend to the socio-economic needs of war veterans. The Legion's involvement includes facilitating communication through the publication of policy changes, as well as acting as a mediator between the Treasury and pensioners for purposes of addressing queries and applications for pensions.





Service Delivery Achievement

Programme 7: Civil and Military Pensions, Contributions to Funds and Other Benefits

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

Subprogramme	Output	Output performance measure/services delivery indicators	Actual performance against target	
			Target	Actual
Civil Pensions and Contribution to Funds	Payment of pension benefits and contributions to funds (including Special Pensions)	17 614 beneficiaries paid monthly	Payment to be made on the first working day of each month	Payment was made on the first working day of each month
	Payment of contributions to medical aid schemes	82 256 members paid monthly	Payment to be made by the end of the month following the month in which the expenses were incurred	Payment was made by the end of the month following the month in which the expenses were incurred
	Payment of risk and administration fees to the Political Office Bearers' Pension Fund	Payment of risk and administration fees i.r.o 959 members monthly	Payment to be made by the 7th working day of each month	Payment was made by the 7th working day of each month
Military Pensions and Other Benefits	Payment of military pension benefits	7 667 beneficiaries paid monthly	Payment to be made on the 1st working day of each month	Payment was made on the 1st working day of each month
	Payment to service providers for medical expenses	540 claims paid to service providers monthly	Payment of claims on receipt of claims from service providers	Claims were paid on receipt from service providers

Transfer payments

Name of Institution	Amount Transferred
United Kingdom Tax	R 2 724 488
SA Legion	R 52 000



PROGRAMME 8



FISCAL TRANSFERS

Purpose: To provide for funds to public authorities and other institutions in terms of various legal provisions governing the financial relations between Government and the particular authority or institution, including international development institutions of which Government is a member.

Measurable objective: The programme aims to meet certain international and other statutory financial obligations, to meet the costs of raising revenue for the purpose of the state effectively and efficiently, and to finance intelligence gathering and other secret services in the national interest.

Domestic transfers are made to:

- 1 The Development Fund of the Development Bank of Southern Africa for the micro-credit initiative;
- 1 The South African Revenue Service (SARS), which is responsible for the collection of revenue in terms of the South African Revenue Service Act (34 of 1997);
- 1 The Financial and Fiscal Commission (FFC), a constitutional body charged with making recommendations about the equitable division of revenue;
- 1 The Secret Services Account, used to finance the activities of the National Intelligence Agency (NIA), the South African Secret Service and certain activities of the Detective Service of the South African Police Services (SAPS); and
- 1 The Financial Intelligence Centre (FIC), which is charged with assisting in combating money laundering and strengthening financial regulation capacity.


Foreign transfer payments, made in terms of Government's international obligations, are made to:

- 1 Lesotho and Namibia in terms of the Common Monetary Area (CMA) Agreement;
- 1 The World Bank Group;
- 1 The Highly Indebted Poor Countries (HIPC) Initiative of the International Monetary Fund (IMF);
- 1 The African Development Bank (ADB); and
- 1 The Commonwealth Fund for Technical Assistance.

Service Delivery Objectives and Indicators

Recent outputs

Lesotho and Namibia – South Africa makes rand-denominated fiscal transfers to Lesotho and Namibia under the CMA Agreement. The CMA is a decentralised monetary union in which monetary policy is effectively set by South Africa, but where smaller members have the right to issue their own currencies. There are no restrictions on transfers of funds within the CMA, and while the smaller countries' currencies are convertible into rands at a one-to-one rate, they are not legal tender in South Africa. As the dominant member, South Africa has agreed to share seigniorage on the basis of an estimate of the rand currency circulating in the other two member countries. The fiscal transfers to Lesotho and Namibia over the 2004 Medium-Term Expenditure Framework (MTEF) period are, therefore, made in respect of the sharing of seigniorage collections.



Development Bank of Southern Africa for the micro-credit initiative – The National Treasury has been working closely with the Development Bank of Southern Africa (DBSA) and the Department of Trade and Industry in the design of a pilot Apex Fund for micro-credit. The Apex Fund will extend micro-credit via Micro-Finance Intermediaries (MFIs) to poor and low-income households and ensure that they receive sufficient guidance and support to use the loan to improve their livelihoods. This will be a pilot fund that will run for four years. It will look into different lending methodologies and monitor the impact of grants and loans. It also aims to build the capacity of MFIs and rural microenterprises to enable them to reach the very poor with basic financial services, and to empower them to use the funding to overcome their poverty. The Fund is also an initiative by Government to introduce an enabling environment that will focus directly on eradicating extreme poverty and enabling the poor to access basic financial services. The National Treasury has set aside R160,0 million between 2003/04 and 2006/07 towards this endeavour.

World Bank Group – The Minister of Finance represents South Africa on the Board of Governors or political executive of the World Bank Group, as South Africa is a shareholder or member country of the Group. Over the past two years, the Minister has served as the chairman of the Development Committee. The Committee's mandate is to advise the World Bank Group's Board of Governors and the International Monetary Fund (IMF) on critical international development issues and on the financial resources required to promote economic development in developing countries. Towards the end of 2003, the Minister was requested to serve another two-year term as chairman. A further two-year term will enable the Minister to consolidate progress made and to advance issues critical to African development. In particular, these include enhancing the voice and representation of developing countries in the decision-making processes of the Bank and the Fund, and on the New Partnership for Africa's Development (NEPAD) development agenda.

Highly Indebted Poor Country (HIPC) initiative – As part of its international development commitments, South Africa contributes to the HIPC initiative. The initiative provides debt relief to the poorest countries, which are only eligible for highly concessional assistance from the World Bank and IMF. In turn, HIPC countries have to ensure the sustained implementation of integrated poverty reduction and economic reform programmes. Recent reviews of HIPC show that only eight countries have reached the HIPC completion point, namely Benin, Bolivia, Burkina Faso, Mali, Mauritania, Mozambique, Tanzania and Uganda. In nominal terms, debt relief provided to these eight countries amounts to US\$14,6 billion. A further 27 countries, or 71,1 per cent of the 38 countries that qualify for assistance under HIPC, are receiving partial debt relief, depending on progress made in poverty reduction and the implementation of economic reforms. Debt relief provided to these countries amounts to approximately US\$36,4 billion in nominal terms. (The Democratic Republic of Congo became eligible for debt relief in July 2003 and will receive debt relief to the approximate nominal amount of US\$ 10,3 billion.) Eleven countries (or 28,9 per cent) are not yet considered eligible for debt relief as they have not implemented the appropriate reform programmes.

African Development Bank – South Africa is a shareholder of the African Development Fund (ADF) of the African Development Bank (ADB). In 2004/05, South Africa will



participate in the Tenth Replenishment of the ADF. In addition, Government monitors progress in the ADB regarding the provision of loans to parastatals on the basis of the strength of their balance sheets and without the backing of a sovereign guarantee.

Secret Services – The Secret Services have been established to gather, collate and analyse domestic, foreign and crime intelligence in order to identify any threat or potential threat to the security of South Africa or its people.

In 2002/03, the South African National Academy of Intelligence was established to develop a corps of competent intelligence professionals. The successful implementation of the Regulation of Interception of Communication and Provision of Communication-related Information Act (70 of 2002) will be a priority of the NIA and the Intelligence division of the SAPS in 2004/05.

The Secret Services will be strengthening their foreign representation by opening new offices and increasing the number of members abroad. In 2003/04, the Secret Services had a presence in 55 countries in and participated in peacekeeping and conflict resolution initiatives.

One of the core functions of the Intelligence division of the SAPS is to investigate and expose individuals who are involved in organised criminal activities by using undercover methodology. The highlight of 2003/04 was the successful infiltration and arrest of the perpetrators in the Boeremag right-wing extremist movement. This division also focuses on criminal organisations involved in crimes relating to drugs; the trafficking of firearms and vehicles; corruption; commercial crime; cyber crime and child abuse.

Commonwealth Fund for Technical Cooperation – South Africa has been a regular contributor to the Commonwealth Fund for Technical Cooperation (CFTC) since 1994 through the Department of Foreign Affairs. The Fund's primary function is to serve as the development finance arm of the Commonwealth. As of 2003/04, transfers to the Fund will be made from the National Treasury's vote.

Transfer payments

Name of Institution	R'000
Lesotho and Namibia	292,835.00
Development Bank of Southern Africa	-
World Bank Group	-
Highly Indebted Poor Countries	44,700.00
African Development Bank	85,436.00
SA Revenue Services	3,792,007.00
Financial and Fiscal Commission	12,679.00
Secret Services	1,771,265.00
Financial Intelligence Centre	37,000.00
Commonwealth Fund	2,620.00
TOTAL	6,038,542.00





REPORT OF THE AUDIT COMMITTEE
for the year ended 31 March 2004





NATIONAL TREASURY

REPORT OF THE AUDIT COMMITTEE for the year ended 31 March 2004

Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2004.

1. General

The Audit Committee's (the Committee's) function is primarily to assist the Accounting Officer in discharging his responsibilities relative to the Public Finance Management Act (1 of 1999) as amended. The Audit Committee's Terms of Reference set out specific responsibilities as delegated by the Accounting Officer to the Committee. The Committee has been so constituted as to ensure its independence with seven external members.

The Committee has met six times for the period under review:

Audit Committee Meetings 2004			
Name of member	Attended	Apologies	Total
Mr Ignatius Sehoole (Chairperson)	5	1	6
Dr Len Konar	6	0	6
Mr Johnson N Njeke	4	2	6
Mr Jeff van Rooyen	5	1	6
Prof Carolina Koornhof*	0	1	1
Ms Joyce Matlala*	0	1	1
Ms Matsotso Vuso*	1	0	1

* Prof C Koornhof, Ms J Matlala and Ms M Vuso were appointed to the Audit Committee with effect from 30 January 2004

2. 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 and 27(1)(10). 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.

3. The effectiveness of internal control

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. From the various reports of the internal auditors, the Audit Report on the Annual Financial Statements, the matters of emphasis and management letter of the Auditor-General, it was noted that no significant or material non





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REPORT OF THE AUDIT COMMITTEE for the year ended 31 March 2004

compliance with prescribed policies and procedures have been reported. In line with the PFMA and the King II Report requirements, the Internal Audit Function provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

However, the Committee notes with concern that the deficiencies in the controls over contributions to medical schemes, highlighted by the Auditor-General in his audit report, have not been resolved. The Committee has taken cognisance of management's commitment and actions to resolve and address the weaknesses highlighted by the Auditor-General, and in this regard, reiterates its commitment to assist the Accounting Officer and management in their endeavours to improve internal controls.

4. Evaluation of Financial Statements

The Audit Committee has:

- ¹ Reviewed and discussed with the Auditor-General and the Accounting Officer the audited annual financial statements to be included in the annual report;
- ¹ Reviewed the Auditor-General's management letter and management's response thereto;
- ¹ Reviewed the accounting policies and practices; and
- ¹ Reviewed significant adjustments resulting from the audit.

The Committee concurs and accepts the conclusions of the Auditor-General 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.

Ignatius Sehoole
Chairperson of the Audit Committee
Date: 11 August 2004





ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2004





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MANAGEMENT REPORT for the year ended 31 March 2004

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

The National Treasury manages its service delivery and implements its broad priorities through the activities of its eight programmes. Ongoing fiscal reform is aimed at promoting sustainable growth and development, poverty reduction, enhancing budgetary transparency and improving financial management. The Department continues to develop systems to improve the monitoring and reporting of public expenditure and enhancing transparency and accountability, thus contributing to improved service delivery over the medium term.

Vote structure

The National Treasury's operational budget of R714,3 million (2002/03: R634,8 million) consists of programmes one to five: *Administration; Economic Planning and Budget Management; Asset and Liability Management; Financial Management and Systems; and Financial Accounting and Reporting*. The National Treasury's vote is dominated by the remaining programmes, which account for transfers and committed payments to provinces, local government and other institutions under programmes six to eight: *Provincial and Local Government Transfers; Civil and Military Pensions, Contributions to Funds and Other Benefits; and Fiscal Transfers*. These transfers and payments amounted to R11,879 billion for the 2003/04 financial year (2002/03: R9,722 billion), or 94 per cent of the total budget.

In 2003/04, the National Treasury's adjusted appropriation increased in total by 7 per cent as a result of R419,3 million rolled over from 2002/03, mainly for the transfers to Lesotho and Namibia and to local government for restructuring, and an additional amount of R400 million for additional service benefits for retiring members of Parliament and members of provincial legislatures.

A saving of R187,6 million (2002/03: R113,5 million) was recorded against the operational budget. This is mainly due to a saving of R43 million on personnel and R114,3 million on professional and special services

Programme structures

Administration provides strategic management and administrative support to the National Treasury, giving political and managerial leadership to the work of the National Treasury. In addition, the Corporate Services division contributes to the administration and smooth running of the National Treasury, and seeks to create a productive and creative working environment. The administration





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MANAGEMENT REPORT for the year ended 31 March 2004

programme comprises the Minister, Deputy Minister, Management and Corporate Services subprogrammes.

Expenditure for *Administration* totalled R90,4 million (2002/03: 106,9 million), a decrease of 15,4 per cent. The decrease in expenditure is mainly attributable to savings in respect of personnel and concomitant expenditure owing to the delay in the filling of posts, and also the saving on professional and special services and equipment, due to the extended period in the refurbishing of the 240 Vermeulen Street Building.

In 2003/04 R9 million was rolled over from 2002/03 to finalise the refurbishment and renovation of 240 Vermeulen Street.

Administration makes provision for a legal budget of R4 million per year to assist in the passage and implementation of significant pieces of legislation.

Economic Planning and Budget Management provides for professional advice and support to the Minister of Finance on economic and fiscal policy, international financial relations, financial regulation, tax policy, intergovernmental relations, public finance development and management of the annual budget process. These functions are organised into four separate subprogrammes: Public Finance; Budget Coordination; Intergovernmental Relations; and Economic Policy.

Expenditure for *Economic Planning and Budget Management* totalled R105,4 million (2002/03: R86,4 million), an increase of 22 per cent, mainly as a result of strengthening capacity in the National Treasury's policy analysis and advisory functions and for improved coordination with provinces, municipalities, other national departments, government agencies and international organisations. An additional contribution to the expenditure is the operational costs of the Amnesty Unit, chaired by Advocate Madlanga, established in June 2003.

This programme also made provision for the new Project Development Facility Trading Account to contribute to the funding of advisory services on public-private partnership projects.

Asset and Liability Management is responsible for the prudent management of Government's financial assets and liabilities, including the domestic and foreign debt portfolios. There are five subprogrammes: Management; Asset Management; Liability Management; Financial Operations; and Strategy and Risk Management.

Expenditure for *Asset and Liability Management* totalled R51,9 million (2002/03: R20,1 million), an increase of 158 per cent. The growth in expenditure is mainly owing to the increase in the compensation of employees





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MANAGEMENT REPORT for the year ended 31 March 2004

because of the restructuring of the division, and also includes a payment for the settlement of debt incurred by the former Bophuthatswana government. The increase has facilitated the expansion of the subprogramme's functions and posts, the implementation of new risk management approaches, the focus on corporate governance, and the development and implementation of an integrated information system.

Financial Management and Systems is responsible for managing and regulating Government's supply-chain processes, implementing and maintaining standardised financial systems, and coordinating the implementation of the Public Finance Management Act (1 of 1999) and related capacity-building initiatives. This programme consists of four sub-programmes: Management; Supply Chain Management; PFMA Implementation and Coordination; and Financial Systems.

Expenditure for *Financial Management and Systems* totalled R234,3 million (2002/03: R258 million), a decrease of 9,2 per cent. The saving was mainly owing to a directive by the Budget Council that the process for the acquisition of new systems should be delayed. The delay was necessary to allow time to complete a coherent systems renewal strategy and to determine and document Government's user requirements. This process was completed at the end of the 2003/04 financial year and the systems renewal proposals are currently in the process of being submitted for consideration by the Budget Council. The main expenditure items included in this programme were personnel expenditure amounting to R20,2 million and professional and special services amounting to R208,6 million. The increased costs for the Financial Systems subprogramme is mainly owing to the ongoing roll-out of the Basic Accounting System.

Financial Accounting and Reporting aims to develop new, and enhance existing accounting policies and practices to ensure compliance with Generally Recognised Accounting Practice standards, which would enable a transition from the cash basis of accounting, improve the timeliness, accuracy and efficiency of financial reporting, and provide mechanisms for improved financial accountability in the public sector. The programme consists of six sub-programmes: Financial Reporting for National Accounts; Financial Management Improvement; Investment of Public Monies; Service Charges (Commercial Banks); Audit Statutory Bodies; and Contingent Liabilities: Reinsurance Liabilities.

Expenditure for *Financial Accounting and Reporting* totalled R44,7 million (2002/03: R49,8 million), a decrease of 10,2 per cent. The saving is mainly owing to the delay in the filling of posts and incurring less than anticipated expenditure on professional and special services. The main expenditure items included in this programme were personnel expenditure amounting to



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MANAGEMENT REPORT for the year ended 31 March 2004

R3,9 million, professional and special services amounting to R16,5 million and transfer payments amounting to R15 million.

Provincial and Local Government Transfers manages three conditional grants to the provincial and local spheres of government: *Provincial Infrastructure Grant (Annexure 1B)*; *Local Government Restructuring Grant (Annexure 1A)*; and *Local Government Financial Management Grant (Annexure 1A)*.

The capital transfers for provincial infrastructure have been in existence since 2000/01. The allocation for 2003/04 has increased from R1, 950 billion in 2002/03 to R2, 534 billion.

The Local Government Financial Management and Restructuring Grants were introduced in 2000/01 to fund financial management reforms and restructuring initiatives in municipalities. An amount of R704,8 million was transferred to 133 municipalities in 2003/04.

The Local Government Restructuring Grant is a demand-driven grant with municipalities providing benchmarks and conditions against which they will be measured. Disbursements are based on achieving outputs. Many first time applications from eligible municipalities were of a poor quality and standard. An extension of the deadline for submission to 31 July 2003 resulted in vastly improved applications. After an intensive and lengthy evaluation and review process, new multi-year agreements of R130 million were signed with Emfuleni Municipality and Buffalo City Municipality, respectively, of which R40 million each was transferred in 2003/04. In addition, a total of R45 million once-off funding was approved and transferred to Matjhabeng, Sol Plaatje, Polokwane and uMhlatuze municipalities, while interim funding of R160 million was approved and transferred to all the metropolitan municipalities, excluding the City of Johannesburg, which joined the programme in 2000/01.

The Local Government Financial Management Grant is provided to municipalities to support broad financial reform in the local government sphere as part of the implementation of the Municipal Finance Management Act.

In 2000 a pilot project was started, to develop the principles in selected municipalities. The number of participating municipalities grew from the initial seven in 2000/01 to 133 in 2003/04. National roll-out began in 2003/04 and by the end of 2004/05 all municipalities will be participating in the programme. The programme provides for the gearing of international support and direct allocations to municipalities.

This amounted to R50 million, R60 million, R154 million and R211 million in 2000/01, 2001/02, 2002/03 and 2003/04 respectively. During 2003, international financial advisers were placed in selected municipalities to support the implementation of the reforms. Furthermore, to facilitate skills



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MANAGEMENT REPORT for the year ended 31 March 2004

development in financial management, municipalities have used the grant to appoint more than 160 municipal finance management interns.

Civil and Military Pensions, Contributions to Funds and Other Benefits provide for the payment of pension and other benefits in the public sector.

- 1 Civil Pensions and Contributions to Funds provides for the payment of benefits out of pension and other funds to beneficiaries of various public sector bodies in terms of different statutes, collective bargaining agreements and other commitments.
- 1 Military Pensions and Other Benefits provides for the payment of military pension benefits and medical claims arising from treatment for disability, medical assistive-devices, and other related expenses, in keeping with statutory commitments.

This programme, excluding fiscal transfers, carries the largest expenditure burden on the National Treasury's Vote, growing from R1,896 billion in 2002/03 to R2,288 billion in 2003/04. Special pensions payments increased after 2001/02 as a result of the acceleration of the adjudication of applications because of the appointment of a full-time Special Pensions Board and a Special Pensions Review Board.

An additional R400 million was allocated to the Civil Pensions and Contributions to Funds subprogramme during the 2003 Adjusted Estimates for the additional service benefits for retiring members of Parliament and members of provincial legislatures. The saving was mainly due to Pensions Administration receiving fewer medical claims and processing less special pension payments.

Fiscal Transfers makes funds available to public authorities and other institutions in terms of various legal provisions governing the financial relations between Government and the particular authority or institution, including international development institutions of which Government is a member.

Domestic transfers under this programme were made to:

- 1 The Development Fund of the Development Bank of Southern Africa for the micro-credit initiative;
- 1 The South African Revenue Service, which is responsible for collection of revenue in terms of the South African Revenue Service Act (34 of 1997);
- 1 The Financial and Fiscal Commission, a constitutional body charged with making recommendations about the equitable division of revenue;
- 1 The Secret Services Account, used to finance the activities of the National Intelligence Agency, the South African Secret Service, and certain activities of the Detective Service of the South African Police Service; and
- 1 The Financial Intelligence Centre, which is charged with assisting in



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MANAGEMENT REPORT for the year ended 31 March 2004

combatting money laundering and strengthening financial regulation capacity.

Foreign transfer payments, made in terms of Government's international obligations, were made to:

- ¹ Lesotho and Namibia in terms of the Common Monetary Area Agreement;
- ¹ The World Bank Group;
- ¹ The Highly Indebted Poor Countries Initiative of the International Monetary Fund;
- ¹ The African Development Bank; and
- ¹ Commonwealth Fund for Technical Assistance.

Fiscal transfers make up 49,9 per cent of the National Treasury's expenditure, with the bulk of the transfers made to the South African Revenue Service and the Secret Services. Expenditure increased from R5,174 billion in 2002/03 to R6,040 billion in 2003/04 as a result of additional allocations to the Secret Services and South African Revenue Service.

Revenue received included administrative fees arising from loans being covered by guarantees and costs associated with Government's issuing of guarantees, sales of departmental publications and commission on insurance premiums deducted from employees' salaries. Departmental receipts also included interest on Government deposits and dividends received from the South African Reserve Bank and interest from tax and loans accounts from the four major commercial banks.

The receipts from sale of capital assets include funds received from Secret Services for the sale of land. Financial transactions include the repayment of loans by the Auditor-General and recovery of departmental debt from previous years. All revenue is transferred to the National Revenue Fund.

For the year under review, departmental receipts amounting to R2,131 billion were received and R2, 138 billion transferred to the National Revenue Fund.

2. Services rendered by the National Treasury

The National Treasury is in essence a financial and administrative service department, and as such does not render goods or services directly to the public.

3. Capacity constraints

Driven by the shortage of skills in the economic and financial fields in the labour market, the focus for 2003/04 for the National Treasury was to develop these skills internally. This was done through the National Treasury's education, training and development strategy that focuses on enhancing employees' skills at all levels. To this end, the National Treasury implemented



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MANAGEMENT REPORT for the year ended 31 March 2004

an internship programme, which is aimed at developing the young labour force with financial and economic skills. The interns will be equipped with the skills that the National Treasury will need in the future.

During 2003/04, the focus was also on enhancing the human resources processes, particularly the recruitment process, to attract employees with the required competencies. The new performance management system was also implemented during this period to further determine the key deliverables and competencies for employees to deliver on the mandate of the National Treasury. The focus is on creating a culture of high performance.

4. Utilisation of donor funds

Local and foreign aid assistance received in cash during the year amounted to R7,1 million (2002/03: R6,8 million) relating to various projects. Expenditure incurred amounted to R5,7 million (2002/03: R5,9 million). Assistance in kind in 2003/04 amounted to an estimated R46,1 million (2002/03: R30,9 million).

5. Public entities

A number of entities report to the Minister of Finance through arms-length governance arrangements. This allows reporting institutions the autonomy that is required to meet their mandates, while their links to the Ministry ensure strategic alignment with Government's policy goals. These entities are responsible for preparing their own annual reports, which are tabled separately in Parliament (Annexure 1C and 1D). These public entities are as follows:

South African Revenue Service

The South African Revenue Service, a Schedule 3 entity reporting to the Minister of Finance. Within the context of Government's priorities, the South African Revenue Service is mindful of its broader role and is fully committed to ensuring adequate revenue collection to support these priorities.

The Development Bank of Southern Africa

The Development Bank of Southern Africa, a Schedule 2 major public entity, is governed by the Development Bank of Southern Africa Act (13 of 1997). The Development Bank of Southern Africa is a development finance institution wholly owned by the South African Government. Its mandate is to promote sustainable development through funding physical, social and economic infrastructure.





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MANAGEMENT REPORT for the year ended 31 March 2004

Financial Services Board

The Financial Services Board is a statutory body in terms of the Financial Services Board Act (97 of 1990). It exercises control over the activities of non-banking financial services and acts in an advisory capacity to the Minister of Finance. The Board is financed by the financial services industry, with no contribution from Government. The Board supervises those institutions and services, in terms of 16 parliamentary Acts, which entrust regulatory functions to the Registrar of Long- and Short-term Insurance, Friendly Societies, Pension Funds, Collective Investment Schemes, Stock Exchanges and Financial Markets and Financial Services Providers. Functions include regulatory control over insider trading; trust property held by certain institutions; and central security depositories responsible for the safe custody of securities. The Board is also responsible for the financial supervision of the Road Accident Fund.

Public Investment Commissioners

The Public Investment Commissioners is a statutory body governed in terms of the Public Investment Commissioners Act (45 of 1984). The Minister is responsible for appointing the board, which oversees the activities of the secretariat and its investment portfolio. The Public Investment Commissioners is effectively self-funded. The Public Investment Commissioners invests and manages surplus funds on behalf of various public-sector bodies.

Financial Intelligence Centre

The Financial Intelligence Centre Act (38 of 2001) (FICA) provides for the formation of the Financial Intelligence Centre, the aim of which is to track irregular financial practices, especially the laundering of the proceeds of crime.

FICA and the regulations dealing with the duties of identification, record keeping and implementing internal rules took effect on 30 June 2003. In summary, this legislation places an obligation on financial and other institutions to verify that they know who their clients are and to keep proper records of their clients' identities. These provisions are aimed at, among others, establishing control measures within these institutions to protect them from abuse by criminals who wish to conceal or disguise their proceeds of crime. These measures form part of a broader objective to combat money laundering and large-scale criminality. The Financial Intelligence Centre is taking active steps to create awareness and provide guidance to accountable institutions, supervisory bodies and law-enforcement authorities.

Considerable progress continues to be made in implementing FICA, which envisages the development of an anti-money laundering environment in South Africa, largely in accordance with international standards set by the Financial



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MANAGEMENT REPORT for the year ended 31 March 2004

Action Task Force. South Africa became a member of the Financial Action Task Force in June 2003. South Africa is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) and actively participates in its programmes. In addition, the Financial Intelligence Centre became a member of the Egmont Group of Financial Intelligence Units in July 2003 after an assessment of the Financial Intelligence Centre was conducted.

South African Special Risks Insurance Association (SASRIA)

SASRIA Limited was established in terms of the Conversion of SASRIA Act (134 of 1998) and is listed as a Schedule 3B public entity reporting to Government. It is a short-term insurance company that provides cover for damages caused by politically malicious acts, riots, strikes and public disorders.

Accounting Standards Board

The Accounting Standards Board was established in the latter part of 2002 and is mainly responsible for the implementation of Generally Recognised Accounting Practice in Government. During 2003/04 progress was made in developing a Framework for Preparation and Presentation of Financial Statements. In addition, several draft standards were issued for public comment.

6. Trading Entity

Project Development Facility

The Project Development Facility (PDF) is a newly established trading entity managed by the Public Private Partnership (PPP) unit of the National Treasury.

The PDF's role is to assist with the costs relating to transaction advisors under the terms of the contract between a department or public entity bound by the Public Finance Management Act and the transaction advisor. After the financial close of the PPP procured by the institution using the services of the transaction advisers, the disbursed funds are recovered from the successful private party bidder.

The PDF policy board establishes the PDF priorities on an annual basis. The PDF will fund a range of small, medium and large projects across all sectors, although priority will be given to projects in the social sectors.

7. Other organisations to whom transfer payments have been made

As mentioned previously, the National Treasury, through its Fiscal Transfers programme, made funds available to public authorities and other institutions in





NATIONAL TREASURY VOTE 8



MANAGEMENT REPORT for the year ended 31 March 2004

terms of various legal provisions governing the financial relations between Government and the particular authority or institution, including international development institutions of which Government is a member (Annexure 1C and 1D).

8. Events after the reporting date

Payments to the value of R99 million (2002/03 R101,1 million) were processed during April 2004, which relate to the 2003/04 financial year. These payments are not included in the Annual Financial Statements for the 2003/04 financial year, which are prepared on the modified cash basis of accounting.

9. Progress with financial management improvement, including corporate governance arrangements

The National Treasury has a fully functional Audit Committee (AC) and a Risk Management Committee (RMC). Both Committees operate within approved written terms of reference and meet regularly during the year. The membership of the AC was increased from five to seven external members during the year.

Regular risk assessments are conducted in conjunction with the outsourced internal audit function (IAF) in terms of the National Treasury's risk management framework. Risks identified are documented and reported to the Accounting Officer and are monitored by the RMC and AC. The IAF operates in terms of an approved audit plan, and focuses on risks identified during the risk assessment process. The IAF reports are submitted to the Accounting Officer, the RMC and the AC, and recommendations made by the IAF are monitored continuously to ensure that any identified control weaknesses are addressed properly.

The National Treasury has developed a comprehensive financial manual to address controls relating to financial matters.

Internal controls and asset management procedures have been implemented. Control over assets has been addressed by developing an electronic asset register and tracking system to enhance the control over all departmental assets.

Furthermore, as part of its ongoing commitment to improving the control environment, during the latter part of the 2003/04 financial year, the Department undertook a review of the general controls pertaining to its information system environment. During this review, the Department found that certain weaknesses existed concerning the information system environment. Corrective steps have been taken to address these control weaknesses.

NATIONAL TREASURY VOTE 8

MANAGEMENT REPORT for the year ended 31 March 2004

The National Treasury continuously reviews and enhances its progress to ensure compliance with the Public Finance Management Act. Enhancements that were undertaken during the period under review were as follows:

- 1 Review of the AC and the RMC terms of reference;
- 1 Implementation and communication of the risk management framework;
- 1 Review of the Fraud Prevention Plan;
- 1 Initiation of a review of the National Treasury's procurement processes and related matters to be in line with the Framework for Supply Chain Management and related regulations; and
- 1 Review of the financial delegations in terms of Section 44 of the Public Finance Management Act and amendment to support the National Treasury's structures.

Planned activities for the 2004/05 period are as follows:

- 1 The development of a financial procedural manual;
- 1 The enhancement of the Risk Management Framework and related matters; and
- 1 The implementation of a revised Supply Chain Management policy, which is aligned with the Framework for Supply Chain Management.

10. Performance information

Divisional heads report to the Director-General on a regular basis on progress made with regard to the programme delivery and measurable objectives as contained in the National Treasury's strategic plan.

11. Acknowledgements

I express my appreciation to the Minister of Finance, Deputy Minister and all the members of staff for their continued support, hard work, dedication and commitment in pursuing the objectives of the National Treasury.

Approval

The annual financial statements set out on pages 100 to 151 have been approved by the Accounting Officer.



Lesetja Kganyago
Director-General: National Treasury
Date: 31 May 2004





AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL

on the
Annual Financial Statements of the
National Treasury
for
the year ended 31 March 2004



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REPORT OF THE AUDITOR-GENERAL

TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF VOTE 8 - NATIONAL TREASURY for the year ended 31 March 2004

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 100 to 151, for the year ended 31 March 2004, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- 1 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- 1 assessing the accounting principles used and significant estimates made by management, and
- 1 evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters.

I believe that the audit provides a reasonable basis for my opinion.

3. AUDIT OPINION

In my opinion, the financial statements fairly present, in all material respects, the financial position of the National Treasury at 31 March 2004 and the results of its operations and cash flows for the year then ended, in accordance with prescribed accounting practice and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999).

4. EMPHASIS OF MATTER

Without qualifying the audit opinion expressed above, attention is drawn to the following matter:





REPORT OF THE AUDITOR-GENERAL

TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF VOTE 8 - NATIONAL TREASURY for the year ended 31 March 2004

4.1. Control over medical expenditure

In my previous report I identified various weaknesses in the controls over "Contribution to medical schemes" included in Note 10.1 to the financial statements. Weaknesses in controls over this expenditure still existed. In addition to service level agreements not entered into with major service providers, approved policy and procedure manuals were not in place and system information was not always supported by appropriate documentation. The total expenditure relating to medical expenditure amounted to R1 259 073 000. Alternative audit procedures were performed to verify the figures in the financial statements.

5. FOLLOW UP OF SCOPA RESOLUTIONS

The Standing Committee on Public Accounts made seven recommendations in their eighty-second report, 2003. These were all satisfactory resolved by the department.

6. SPECIAL PENSIONS BOARD

In terms of section 7 of the Special Pensions Act, 1996 (Act No. 69 of 1996) the Special Pensions Board (SPB) determines who qualifies for benefits and what benefits they qualify for. However, in terms of section 9 of the said Act the department is responsible for the payment of benefits to beneficiaries who qualify in terms of the said Act. These payments amounted to R215 129 000 during the year under review (2003: R273 085 000).

The SPB is the accounting authority and is therefore audited separately from the department. The validity of the said amounts will therefore be established during the audit of the financial statements of the SPB and reported on separately.

7. SECRET SERVICES

Included in Programme 8 of the department's vote is an amount of R1 771 265 000 (2003: R1 328 668 000) which has been transferred to the secret services account in terms of the Secret Services Act, 1978 (Act No. 56 of 1978). This amount has not been subject to this audit but separate reports on the Security Services Special Account, established in terms of section 1 of the Security Services Special Account Act, 1969 (Act No. 81 of 1969), as well as the departmental Account for Secret Funds regarding money transferred to these departments in terms of section 2 of the Secret Services Account Act, 1978, will be tabled in Parliament in due course.



REPORT OF THE AUDITOR-GENERAL

**TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF
VOTE 8 - NATIONAL TREASURY
for the year ended 31 March 2004**

8. APPRECIATION

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


**SA Fakie
Auditor-General**

**Pretoria
23 July 2004**





NATIONAL TREASURY VOTE 8



STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS

for the year ended 31 March 2004

The financial statements have been prepared in accordance with the following policies, which have been applied consistently in all material respects, 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 (1 of 1999) (as amended by Act 29 of 1999), the Treasury Regulations for departments and constitutional institutions issued in terms of the Act and the Division of Revenue (Act 7 of 2003).

1. Basis of preparation

The financial statements have been prepared on a modified cash basis of accounting, except where stated otherwise. The modified cash basis constitutes the cash basis of accounting supplemented with additional disclosure items. Under the cash basis of accounting transactions and other events are recognised when cash is received or paid. Under the accrual basis of accounting transactions and other events are recognised when incurred and not when cash is received or paid.

2. Revenue

Voted funds are the amounts appropriated to a department in accordance with the final budget known as the Adjusted Estimates of National Expenditure. Unexpended voted funds are surrendered to the National Revenue Fund.

Interest and dividends received are recognised on receipt of the funds, and no accrual is made for interest or dividends receivable from the last receipt date to the end of the reporting period. They are recognised as revenue in the financial statements of the Department and then transferred to the National Revenue Fund.

3. Donor aid

Donor aid is recognised in the income statement in accordance with the cash basis of accounting.

4. Current expenditure

Current expenditure is recognised in the income statement when the payment is made.

5. Unauthorised, irregular and fruitless and wasteful expenditure

Unauthorised expenditure means:

- ¹ the overspending of a vote or a main division within a vote; or



NATIONAL TREASURY VOTE 8

STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS

for the year ended 31 March 2004

- ¹ expenditure that was not made in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Unauthorised expenditure is treated as a current asset in the balance sheet until such expenditure is recovered from a third party or funded from future voted funds.

Irregular expenditure means expenditure, other than unauthorised expenditure, incurred in contravention of, or not in accordance with, a requirement of any applicable legislation, including:

- ¹ The Public Finance Management Act; and
- ¹ The State Tender Board Act, or any regulations made in terms of this Act.

Irregular expenditure is treated as expenditure in the income statement.

Fruitless and wasteful expenditure means expenditure that was made in vain and which would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure must be recovered from a responsible official (a debtor account should be raised), or from the vote if responsibility cannot be determined. It is treated as a current asset in the balance sheet until such expenditure is recovered from the responsible official or funded from future voted funds.

6. Debts written off

Debts are written off when identified as irrecoverable. Debts written off are limited to the amount of surplus funds available to the Department. No provision is made for irrecoverable amounts.

7. Capital expenditure

Expenditure for physical items on hand on 31 March 2004, to be consumed in the following financial year, is written off in full when the items are paid and accounted for as expenditure in the income statement.

8. Investments

Non-current investments are shown at cost and adjustments are made only where, in the opinion of the accounting officer, the investment is impaired. Where an investment has been impaired, it is recognised as an expense in the period in which the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.





NATIONAL TREASURY VOTE 8

STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS

for the year ended 31 March 2004

9. Investments in controlled entities

Investments in controlled entities are those entities where the reporting entity has the ability to exercise any of the following powers to govern the financial and operating policies of the entity in order to obtain benefits from its activities:

- ¹ To appoint or remove all, or the majority of, the members of that entity's board of directors or equivalent governing body;
- ¹ To appoint or remove the entity's chief executive officer;
- ¹ To cast all, or the majority of, the votes at meetings of that board of directors or equivalent governing body; or
- ¹ To control all, or the majority of, the voting rights at a general meeting of that entity.

Investments in controlled entities are shown at cost.

10. Receivables

Receivables are not normally recognised under the cash basis of accounting. However, receivables included in the balance sheet arise from cash payments that are recoverable from another party.

Receivables for services delivered are not recognised in the balance sheet as a current asset or as income in the income statement, as the financial statements are prepared on a cash basis of accounting, but are disclosed separately as part of the disclosure notes to enhance the usefulness of the financial statements.

11. Payables

Payables are not normally recognised under the cash basis of accounting. However, payables included in the balance sheet arise from cash receipts that are due to the National Revenue Fund or another party.

12. Provisions

A provision is a liability of uncertain timing or amount. Provisions are not normally recognised under the cash basis of accounting, but are disclosed separately as part of the disclosure notes to enhance the usefulness of the financial statements.

13. Lease commitments

Lease commitments for the period remaining from the reporting date until the end of the lease contract are disclosed as part of the disclosure notes to the financial statements. These commitments are not recognised in the balance



NATIONAL TREASURY VOTE 8

STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS

for the year ended 31 March 2004

sheet as a liability or as expenditure in the income statement as the financial statements are prepared on the cash basis of accounting.

14. Accruals

This amount represents goods/services that have been delivered, but no invoice has been received from the supplier at the reporting date, or an invoice has been received but remains unpaid at the reporting date. These amounts are not recognised in the balance sheet as a liability or as expenditure in the income statement as the financial statements are prepared on a cash basis of accounting, but are however disclosed as part of the disclosure notes.

15. Employee benefits

Short-term employee benefits

The cost of short-term employee benefits is expensed in the income statement in the reporting period when the payment is made. Short-term employee benefits, that give rise to a present legal or constructive obligation, are deferred until they can be reliably measured and then expensed. Details of these benefits and the potential liabilities are disclosed as a disclosure note to the financial statements and are not recognised in the income statement.

Termination benefits

Termination benefits are recognised and expensed only when the payment is made.

Retirement benefits

The Department provides retirement benefits for its employees through a defined benefit plan for government employees. These benefits are funded by both employer and employee contributions. Employer contributions to the fund are expensed when money is paid to the fund. 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.

Medical benefits

The Department provides medical benefits for its employees. These benefits are funded by employer and/or employee contributions. Employer contributions to the fund are expensed when money is paid to the fund. No provision is made for medical benefits in the financial statements of the Department.



NATIONAL TREASURY VOTE 8



STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS for the year ended 31 March 2004

Post-retirement medical benefits for retired members are expensed when the payment is made to the fund.

16. Capitalisation reserve

The capitalisation reserve represents an amount equal to the value of the investments and/or loans capitalised for the first time in the previous financial year. On disposal, repayment or recovery, such amounts are transferable to the National Revenue Fund.

17. Recoverable revenue

Recoverable revenue represents payments made and recognised in the income statement as an expense in previous years, which have now become recoverable from a debtor owing to non-performance in accordance with an agreement. Repayments are transferred to the National Revenue Fund as and when the repayment is received.

18. Comparative figures

Where necessary, comparative figures have been restated to conform to the changes in presentation in the current year. The comparative figures shown in these financial statements are limited to the figures shown in the previous year's audited financial statements and such other comparative figures that the Department may reasonably have available for reporting

NATIONAL TREASURY VOTE 8

APPROPRIATION STATEMENT
for the year ended 31 March 2004

	Programme 2003/04							2002/03	
	Adjusted Appropriation R'000	Virement R'000	Final Allocation R'000	Actual Expenditure R'000	Savings / Underspend (Excess) R'000	Expenditure as % of Revised Allocation	Revised Allocation R'000	Actual Expenditure R'000	
1 Administration									
Current:	50,963	(2)	50,961	78,625	12,338	86%	91,730	78,054	
Capital	20,927	2	20,929	11,783	9,146	56%	34,727	28,842	
2 Economic Planning and Budget Management									
Current:	125,015	(3,000)	122,015	104,900	17,115	86%	112,750	84,078	
Capital	3,248	-	3,248	1,536	1,712	47%	2,897	2,344	
3 Asset and Liability Management									
Current:	41,299	27,000	68,299	50,921	17,369	75%	30,749	19,489	
Capital	1,541	-	1,541	946	595	61%	1,519	582	
4 Financial Management and Systems									
Current:	366,758	(27,000)	339,758	233,415	106,343	69%	282,495	254,824	
Capital	4,192	-	4,192	898	3,294	21%	4,173	3,192	
5 Financial Accounting and Reporting									
Current:	62,102	-	62,102	44,013	18,089	71%	71,261	49,565	
Capital	1,221	-	1,221	704	517	58%	2,450	258	
6 Provincial and Local Government Transfers									
Current:	749,830	-	749,830	704,830	45,000	94%	530,000	306,000	
Capital	2,534,488	-	2,534,488	2,534,488	-	100%	1,950,000	1,950,000	
7 Civil and Military Pensions, Contributions to funds and Other Benefits									
Current:	2,449,569	-	2,449,569	2,288,452	161,117	93%	1,916,636	1,896,922	
8 Fiscal Transfers									
Current:	5,258,363	3,000	5,261,363	5,198,885	62,478	99%	4,635,352	4,486,439	
Capital	883,789	-	883,789	839,657	44,132	95%	890,916	687,280	
Total	12,593,296	-	12,593,296	12,094,053	499,243	96%	10,356,654	9,846,860	
Reconciliation with Income Statement									
Add:			7,062	5,706			6,765	5,870	
Add:			2,131,387	-			1,485,043	-	
Add:			-	-			134,189	104,189	
Actual amounts per Income Statement			14,731,745	12,099,759			11,952,651	9,956,919	



NATIONAL TREASURY VOTE 8

APPROPRIATION STATEMENT
for the year ended 31 March 2004

Economic classification	2003/04					2002/03		
	Adjusted Appropriation R'000	Virement R'000	Final Allocation R'000	Actual Expenditure R'000	Savings / Underspend (Excess) R'000	Expenditure as % of Revised Allocation	Revised Allocation R'000	Actual Expenditure R'000
Current	9,145,036	(1,148)	9,143,888	8,704,041	439,847	95%	7,669,972	7,174,362
Personnel	183,345	(8,289)	175,056	132,000	43,056	75%	141,440	107,276
Transfer payments	6,032,999	3,892	6,036,891	5,928,770	108,121	98%	5,183,610	4,810,664
Other	2,928,692	3,249	2,931,941	2,643,271	288,670	90%	2,344,922	2,256,422
Capital	3,448,260	1,148	3,449,408	3,390,012	59,396	98%	2,686,682	2,672,498
Land and Buildings	667	(667)	-	-	-	-	5,600	5,600
Transfer payments	3,418,277	250	3,418,527	3,374,395	44,132	99%	2,641,108	2,637,472
Acquisition of capital assets	29,316	1,565	30,881	15,617	15,264	51%	39,974	29,426
Total	12,593,296	-	12,593,296	12,094,053	499,243	96%	10,356,654	9,846,860

Standard item classification	2003/04					2002/03		
	Adjusted Appropriation R'000	Virement R'000	Final Allocation R'000	Actual Expenditure R'000	Savings / Underspend (Excess) R'000	Expenditure as % of Revised Allocation	Revised Allocation R'000	Actual Expenditure R'000
Personnel	183,345	(8,289)	175,056	132,000	43,056	75%	141,440	107,276
Administrative	46,715	(1,085)	45,630	29,658	15,972	65%	37,234	27,768
Inventories	11,006	1,021	12,027	8,349	3,678	69%	12,544	9,695
Equipment	31,734	2,197	33,931	17,274	16,657	51%	42,786	31,006
Land and buildings	667	(667)	-	-	-	-	5,600	5,600
Professional and special services	428,057	11,305	439,362	326,107	113,255	74%	415,727	341,236
Transfer payments	9,451,276	4,142	9,455,418	9,303,165	152,253	98%	7,824,718	7,448,136
Miscellaneous	2,440,496	(8,624)	2,431,872	2,276,450	155,422	94%	1,876,605	1,875,341
Special functions	-	-	-	1,050	(1,050)	-	-	802
Total	12,593,296	-	12,593,296	12,094,053	499,243	96%	10,356,654	9,846,860



NATIONAL TREASURY VOTE 8

DETAIL PER PROGRAMME 1: ADMINISTRATION
for the year ended 31 March 2004

Programme per subprogramme	2003/04					2002/03		
	Adjusted Appropriation R'000	Virement R'000	Final Allocation R'000	Actual Expenditure R'000	Savings / Underspend (Excess) R'000	Expenditure as % of Revised Allocation	Revised Allocation R'000	Actual Expenditure R'000
1.1 Minister								
Current	746	2	748	747	1	100%	695	691
1.2 Deputy Minister								
Current	552	109	661	552	109	84%	525	511
1.3 Management								
Current	15,454	(110)	15,344	12,385	2,959	81%	5,974	4,744
Capital	1,355	-	1,355	513	842	38%	137	15
1.4 Corporate Services								
Current	74,209	(1)	74,208	64,941	9,267	88%	84,536	72,108
Capital	19,574	-	19,574	11,270	8,304	58%	34,590	28,827
Total	111,890	-	111,890	90,408	21,482	81%	126,457	106,896

Economic classification	2003/04					2002/03		
	Adjusted Appropriation R'000	Virement R'000	Final Allocation R'000	Actual Expenditure R'000	Savings / Underspend (Excess) R'000	Expenditure as % of Revised Allocation	Revised Allocation R'000	Actual Expenditure R'000
Current	91,859	(898)	90,961	78,625	12,336	86%	91,730	78,054
Personnel	43,449	(2,006)	41,443	35,678	5,765	86%	34,585	28,912
Transfer payments	133	-	133	118	15	89%	126	96
Other	48,277	1,108	49,385	42,829	6,556	87%	57,019	49,046
Capital	20,031	898	20,929	11,783	9,146	56%	34,727	28,842
Land and buildings	667	(667)	-	-	-	-	5,600	5,600
Acquisition of capital assets	19,364	1,565	20,929	11,783	9,146	56%	29,127	23,242
Total	111,890	-	111,890	90,408	21,482	81%	126,457	106,896



NATIONAL TREASURY VOTE 8

DETAIL PER PROGRAMME 1: ADMINISTRATION
for the year ended 31 March 2004

Standard item classification	2003/04				2002/03			
	Adjusted Appropriation R'000	Virement R'000	Final Allocation R'000	Actual Expenditure R'000	Savings / Underspend (Excess) R'000	Expenditure as % of Revised Allocation	Revised Allocation R'000	Actual Expenditure R'000
Personnel	43,449	(2,006)	41,443	35,678	5,765	86%	34,585	28,912
Administration	13,090	(86)	13,004	10,704	2,300	82%	12,957	10,651
Inventories	2,647	62	2,709	2,374	335	88%	3,909	3,481
Equipment	19,791	1,975	21,766	12,300	9,466	57%	29,769	23,749
Land and buildings	667	(667)	-	-	-	-	5,600	5,600
Professional and special services	32,113	715	32,828	28,741	4,087	88%	39,511	34,377
Transfer payments	133	-	133	118	15	89%	126	96
Miscellaneous	-	7	7	6	1	86%	-	-
Special functions	-	-	-	487	(487)	-	-	30
Total	111,890	-	111,890	90,408	21,482	81%	126,457	106,896

DETAIL PER PROGRAMME 2: ECONOMIC PLANNING AND BUDGET MANAGEMENT
for the year ended 31 March 2004

Programme per subprogramme	2003/04				2002/03			
	Adjusted Appropriation R'000	Virement R'000	Final Allocation R'000	Actual Expenditure R'000	Savings / Underspend (Excess) R'000	Expenditure as % of Revised Allocation	Revised Allocation R'000	Actual Expenditure R'000
2.1 Public Finance								
Current	30 732	-	30 732	28 705	4 027	87%	22 642	13 555
Capex	852	-	852	137	525	27%	543	359
2.2 Budget Coordination								
Current	34 178	-	34 178	30 010	4 168	88%	28 205	15 578
Capex	453	-	453	323	130	66%	731	583
2.3 Intergovernmental Relations								
Current	2 171	41	21 212	19 153	2 059	90%	15 507	12 372
Capex	749	-	749	538	211	72%	570	378
2.4 Economic Policy								
Current	38 934	13 247	55 893	29 032	6 881	81%	48 595	35 873
Capex	1 309	-	1 309	452	857	37%	945	777
Total	128 263	(3,000)	125 263	106 436	18 827	85%	115 647	86 422

Economic classification	2003/04				2002/03			
	Adjusted Appropriation R'000	Virement R'000	Final Allocation R'000	Actual Expenditure R'000	Savings / Underspend (Excess) R'000	Expenditure as % of Revised Allocation	Revised Allocation R'000	Actual Expenditure R'000
Current	125 015	(3,000)	122 015	104 900	17 115	86%	112 750	84 078
Personnel	74 574	15 561	69 353	66 249	11 124	84%	58 929	43 372
Transfer payments	5 374	1 000	7 374	7 372	-	100%	-	-
Other	43 727	(1,561)	45 288	39 277	6 011	67%	55 821	40 706
Capital	3 248	-	3 248	1 536	1 712	47%	2 897	2 344
Acquisition of capital assets	3 248	-	3 248	1 536	1 712	47%	2 897	2 344
Total	128 263	(3,000)	125 263	106 436	18 827	85%	115 647	86 422

DETAIL PER PROGRAMME 2: ECONOMIC PLANNING AND BUDGET MANAGEMENT
for the year ended 31 March 2004

Standard item classification	2003/04					2002/03		
	Adjusted Appropriation R'000	Virement R'000	Final Allocation R'000	Actual Expenditure R'000	Savings / Underspend (Excess) R'000	Expenditure as % of Revised Allocation	Revised Allocation R'000	Actual Expenditure R'000
Personnel	74,914	(5,561)	69,353	58,249	11,104	84%	56,929	43,372
Administration	14,790	(57)	14,733	12,600	2,133	86%	12,267	10,046
Inventories	4,059	982	5,041	4,498	543	89%	4,315	3,708
Equipment	3,605	54	3,659	1,885	1,774	52%	3,247	2,660
Professional and special services	24,521	570	25,091	21,815	3,276	87%	38,889	26,636
Transfer payments	6,374	1,000	7,374	7,374	-	100%	-	-
Miscellaneous	-	12	12	10	2	83%	-	-
Special functions	-	-	-	5	(5)	-	-	-
Total	128,263	(3,000)	125,263	106,436	18,827	85%	115,647	86,422

DETAIL PER PROGRAMME 3: ASSET AND LIABILITY MANAGEMENT
for the year ended 31 March 2004

Programme per subprogramme	2003/04					2002/03		
	Adjusted Appropriation R'000	Virement R'000	Final Allocation R'000	Actual Expenditure R'000	Savings/ Underspend (Excess) R'000	Expenditure as % of Revised Allocation	Revised Allocation R'000	Actual Expenditure R'000
3.1 Management								
Current	12,918	27,300	39,976	31,113	8,805	78%	2,576	2,074
Capita	77	-	77	30	47	39%	163	129
3.2 Asset Management								
Current	6,649	-	6,549	4,877	1,672	74%	5,370	3,524
Capita	68	-	58	57	11	84%	483	375
3.3 Liability Management								
Current	9,835	-	9,835	5,791	4,044	59%	9,109	6,589
Capita	295	-	286	216	80	73%	283	2
3.4 Financial Operations								
Current	7,929	-	7,929	7,249	680	89%	9,336	5,875
Capita	910	-	910	514	396	56%	484	48
3.5 Strategy and Risk Management								
Current	4,059	-	4,059	2,091	1,968	52%	4,263	1,422
Capita	190	-	180	23	167	63%	94	6
Total	42,831	27,000	69,831	51,957	17,954	74%	32,268	20,062

Economic classification	2003/04					2002/03		
	Adjusted Appropriation R'000	Virement R'000	Final Allocation R'000	Actual Expenditure R'000	Savings/ Underspend (Excess) R'000	Expenditure as % of Revised Allocation	Revised Allocation R'000	Actual Expenditure R'000
Current	41,290	27,000	68,290	50,921	17,369	75%	30,749	19,480
Personnel	18,465	-	18,465	13,534	4,932	73%	16,532	11,186
Other	22,824	27,300	49,824	36,887	12,837	74%	14,217	8,294
Capital	1,541	-	1,541	946	595	61%	1,519	582
Accrual of capita assets	1,541	-	1,541	345	595	61%	1,519	532
Total	42,831	27,000	69,831	51,957	17,954	74%	32,268	20,062

DETAIL PER PROGRAMME 3: ASSET AND LIABILITY MANAGEMENT
for the year ended 31 March 2004

Standard item classification	2003/04						2002/03	
	Adjusted Appropriation R'000	Virement R'000	Final Allocation R'000	Actual Expenditure R'000	Savings / Underspend (Excess) R'000	Expenditure as % of Revised Allocation	Revised Allocation R'000	Actual Expenditure R'000
Personnel	18,466	-	18,466	13,934	4,532	75%	16,532	11,186
Administration	4,763	(9)	4,754	2,293	2,461	48%	4,515	2,619
Inventories	1,247	-	1,247	365	882	29%	1,394	713
Equipment	2,357	-	2,357	1,085	1,272	46%	1,797	728
Professional and special services	15,998	27,000	42,998	34,179	8,819	79%	8,030	4,816
Miscellaneous	-	9	9	8	1	89%	-	-
Special functions	-	-	-	3	(3)	-	-	-
Total	42,831	27,000	69,831	51,867	17,964	74%	32,268	20,062

DETAIL PER PROGRAMME 4: FINANCIAL MANAGEMENT AND SYSTEMS
for the year ended 31 March 2004

Programme per subprogramme	2003/04					2002/03		
	Adjusted Appropriation R'000	Virement R'000	Final Allocation R'000	Actual Expenditure R'000	Savings / Underspend (Excess) R'000	Expenditure as % of Revised Allocation	Revised Allocation R'000	Actual Expenditure R'000
4.1 Management								
Current	1,147	-	1,147	1,030	117	90%	4,551	4,335
Capital	51	-	51	50	1	98%	98	28
4.2 Supply Chain								
Current	31,727	-	31,727	19,358	12,369	61%	19,736	9,767
Capital	599	-	599	34	565	6%	594	438
4.3 PFMA Implementation unit								
Current	14,296	-	14,296	10,254	4,042	72%	8,929	5,114
Capital	94	-	94	93	1	99%	1	-
4.4 Financial Systems								
Current	319,588	(27,000)	292,588	202,773	89,815	69%	249,279	235,608
Capital	3,448	-	3,448	721	2,727	21%	3,480	2,726
Total	370,950	(27,000)	343,950	234,313	109,637	68%	286,668	258,016

Economic classification	2003/04					2002/03		
	Adjusted Appropriation R'000	Virement R'000	Final Allocation R'000	Actual Expenditure R'000	Savings / Underspend (Excess) R'000	Expenditure as % of Revised Allocation	Revised Allocation R'000	Actual Expenditure R'000
Current	366,758	(27,000)	339,758	233,415	106,343	69%	282,495	254,824
Personnel	35,025	-	35,025	20,192	14,833	58%	28,247	21,307
Other	331,733	(27,000)	304,733	213,223	91,510	70%	254,248	233,517
Capital	4,192	-	4,192	898	3,294	21%	4,173	3,192
Acquisition of capital assets	4,192	-	4,192	898	3,294	21%	4,173	3,192
Total	370,950	(27,000)	343,950	234,313	109,637	68%	286,668	258,016

DETAIL PER PROGRAMME 4: FINANCIAL MANAGEMENT AND SYSTEMS
for the year ended 31 March 2004

Standard item classification	2003/04						2002/03	
	Adjusted Appropriation R'000	Virement R'000	Final Allocation R'000	Actual Expenditure R'000	Savings / Underspend (Excess) R'000	Expenditure as % of revised allocation	Revised Allocation R'000	Actual Expenditure R'000
Personnel	35,025	-	35,025	20,192	14,833	58%	28,247	21,307
Administration	7,174	(26)	7,148	3,304	3,844	46%	5,932	3,836
Inventories	2,309	(46)	2,263	701	1,562	31%	1,983	1,233
Equipment	4,740	168	4,908	1,527	3,381	31%	5,257	3,780
Professional and special services	321,702	(27,096)	294,606	208,588	86,018	71%	245,249	227,860
Special functions	-	-	-	1	(1)	-	-	-
Total	370,950	(27,000)	343,950	234,313	109,637	68%	286,668	258,016

DETAIL PER PROGRAMME 5: FINANCIAL ACCOUNTING AND REPORTING
for the year ended 31 March 2004

Programme per subprogramme	2003/04					2002/03			
	Adjusted Appropriation R'000	Virement R'000	Final Allocation R'000	Actual Expenditure R'000	Savings / Underspend (Excess) R'000	Expenditure as % of Revised Allocation	Revised Allocation R'000	Actual Expenditure R'000	
5.1 Financial Reporting for National Accounts									
Current	33,112	-	33,110	22,613	10,297	69%	27,065	24,632	
Capital	1,119	-	1,119	632	487	56%	1,343	258	
5.2 Financial Management Improvement									
Current	10,087	-	10,087	2,381	7,706	24%	26,955	7,222	
Capital	192	-	192	72	30	71%	1,191	-	
5.3 Investment of Public Monies									
Current	1	-	1	-	-	-	1	-	
5.4 Service Charges									
Current	7,624	-	7,624	7,624	-	100%	5,637	5,634	
5.5 Audit Statutory Bodies									
Current	11,279	-	11,279	11,155	84	99%	11,877	11,377	
5.6 Contingent Liabilities									
Current	1	-	1	-	-	-	1	-	
Total	63,323	-	63,323	44,717	18,606	71%	73,711	49,823	
Economic classification	2003/04					2002/03			
	Adjusted Appropriation R'000	Virement R'000	Final Allocation R'000	Actual Expenditure R'000	Savings / Underspend (Excess) R'000	Expenditure as % of Revised Allocation	Revised Allocation R'000	Actual Expenditure R'000	
Current	62,352	(250)	62,102	44,013	18,089	71%	71,261	49,365	
Personnel	11,491	(722)	10,769	9,947	6,822	37%	5,147	2,500	
Transfer payments	4,983	(108)	4,875	14,787	86	89%	15,268	15,282	
Other	35,861	590	36,461	25,279	11,182	69%	50,829	31,783	
Capital	971	250	1,221	704	517	58%	2,450	258	
Transfer payments	-	250	250	250	-	100%	192	192	
Acquisition of cap's assets	971	-	971	454	517	47%	2,259	66	
Total	63,323	-	63,323	44,717	18,606	71%	73,711	49,823	

DETAIL PER PROGRAMME 5: FINANCIAL ACCOUNTING AND REPORTING
for the year ended 31 March 2004

Standard item classification	2003/04					2002/03		
	Adjusted Appropriation R'000	Virement R'000	Final Allocation R'000	Actual Expenditure R'000	Savings / Underspend (Excess) R'000	Expenditure as % of Revised Allocation	Revised Allocation R'000	Actual Expenditure R'000
Personnel	11,491	(722)	10,769	3,947	6,822	37%	5,147	2,500
Administration	6,898	(907)	5,991	757	5,234	13%	1,563	616
Inventories	744	23	767	411	356	54%	943	560
Equipment	1,241	-	1,241	477	764	38%	2,716	90
Professional and special services	21,187	621	21,808	16,464	5,344	75%	42,226	24,949
Transfer payments	14,980	142	15,122	15,037	85	99%	15,478	15,474
Miscellaneous	6,782	843	7,625	7,624	1	-	5,638	5,634
Total	63,323	-	63,323	44,717	18,606	71%	73,711	49,823

DETAIL PER PROGRAMME 6: PROVINCIAL AND LOCAL GOVERNMENT
for the year ended 31 March 2004

Programme per subprogramme	2003/04				2002/03			
	Adjusted Appropriation R'000	Virement R'000	Final Allocation R'000	Actual Expenditure R'000	Savings / Underspend (Excess) R'000	Expenditure as % of Revised Allocation	Revised Allocation R'000	Actual Expenditure R'000
6.1 Conditional Grants to Provinces	2,534,488	-	2,534,488	2,534,488	-	100%	1,950,000	1,950,000
6.2 Conditional Grants to Municipalities	749,830	-	749,830	704,830	45,000	94%	530,000	306,000
Total	3,284,318	-	3,284,318	3,239,318	45,000	99%	2,480,000	2,256,000

Economic classification	2003/04				2002/03			
	Adjusted Appropriation R'000	Virement R'000	Final Allocation R'000	Actual Expenditure R'000	Savings / Underspend (Excess) R'000	Expenditure as % of Revised Allocation	Revised Allocation R'000	Actual Expenditure R'000
Current	749,830	-	749,830	704,830	45,000	94%	530,000	306,000
Transfer payments	749,830	-	749,830	704,830	45,000	94%	530,000	306,230
Other	-	-	-	-	-	-	770	770
Capital	2,534,488	-	2,534,488	2,534,488	-	100%	1,950,000	1,950,000
Transfer payments	2,534,488	-	2,534,488	2,534,488	-	100%	1,950,000	1,950,000
Total	3,284,318	-	3,284,318	3,239,318	45,000	99%	2,480,000	2,256,000

Standard item classification	2003/04				2002/03			
	Adjusted Appropriation R'000	Virement R'000	Final Allocation R'000	Actual Expenditure R'000	Savings / Underspend (Excess) R'000	Expenditure as % of Revised Allocation	Revised Allocation R'000	Actual Expenditure R'000
Professional and special services	3,284,318	-	3,284,318	3,239,318	45,000	99%	2,479,230	2,255,230
Transfer payments	3,284,318	-	3,284,318	3,239,318	45,000	99%	2,480,000	2,256,000
Total	3,284,318	-	3,284,318	3,239,318	45,000	99%	2,480,000	2,256,000

DETAIL PER PROGRAMME 7: CIVIL AND MILITARY PENSIONS, CONTRIBUTIONS TO FUNDS AND OTHER BENEFITS
for the year ended 31 March 2004

Programme per subprogramme	2003/04					2002/03		
	Adjusted Appropriation R'000	Virement R'000	Final Allocation R'000	Actual Expenditure R'000	Savings / Underspend (Excess) R'000	Expenditure as % of Revised Allocation	Revised Allocation R'000	Actual Expenditure R'000
7.1 Civil Pensions and Contributions to Funds	2,313,171	-	2,313,171	2,148,823	164,348	93%	1,776,742	1,762,101
Other:								
7.2 Military Pensions and Other Benefits	139,388	-	139,388	139,629	(241)	100%	33,893	33,821
Total	2,449,569	-	2,449,569	2,288,452	161,117	93%	1,915,635	1,895,922

Economic classification	2003/04					2002/03		
	Adjusted Appropriation R'000	Virement R'000	Final Allocation R'000	Actual Expenditure R'000	Savings / Underspend (Excess) R'000	Expenditure as % of Revised Allocation	Revised Allocation R'000	Actual Expenditure R'000
Current	2,449,569	-	2,449,569	2,288,452	161,117	93%	1,915,635	1,895,922
Transfer payments	3,319	-	3,319	2,178	543	84%	3,816	3,816
Other	2,449,250	-	2,449,250	2,285,676	163,574	93%	1,912,019	1,892,305
Total	2,449,569	-	2,449,569	2,288,452	161,117	93%	1,915,635	1,895,922

Standard item classification	2003/04					2002/03		
	Adjusted Appropriation R'000	Virement R'000	Final Allocation R'000	Actual Expenditure R'000	Savings / Underspend (Excess) R'000	Expenditure as % of Revised Allocation	Revised Allocation R'000	Actual Expenditure R'000
Professors and seeds' services	12,533	9,486	22,019	19,320	5,711	74%	41,052	21,827
Transfer payments	3,319	-	3,319	2,178	543	84%	3,816	3,816
Miscellaneous	2,433,714	9,495	2,424,219	2,268,822	155,417	94%	1,970,967	1,869,707
Seeds functions	-	-	-	554	(554)	-	-	772
Total	2,449,569	-	2,449,569	2,288,452	161,117	93%	1,915,635	1,895,922

NATIONAL TREASURY VOTE 8

DETAIL PER PROGRAMME 8: FISCAL TRANSFERS
for the year ended 31 March 2004

Programme per subprogramme	2003/04					2002/03		
	Adjusted Appropriation R'000	Virement R'000	Final Allocation R'000	Actual Expenditure R'000	Savings / Underspend (Excess) R'000	Expenditure as % of Revised Allocation	Revised Allocation R'000	Actual Expenditure R'000
8.1 Lesotho & Namibia								
Current	304 632	-	304 632	292 633	11 997	96%	277 937	28 525
8.2 Development Bank of SA								
Current	40 000	-	40 000	-	40 000	-	1	-
8.3 World Bank Group								
Capita	1	-	-	-	1	-	1	-
8.4 Highly Indebted Poor Countries Initiative								
Current	55 000	-	55 000	44 700	10 300	81%	54 400	54 400
8.5 African Development Bank								
Capita	129 567	-	129 567	62 436	44 131	56%	113 373	112 738
8.6 SA Revenue Service								
Current	3 457 459	-	3 457 459	3 457 459	-	100%	2 952 408	2 952 408
Capita	334 548	-	334 548	334 548	-	100%	543 542	543 542
8.7 Financial and Fiscal Commission								
Current	12 679	-	12 679	12 679	-	100%	12 038	12 038
8.8 Secret Services								
Current	1 363 592	-	1 363 592	1 363 592	-	100%	1 328 668	1 328 668
Capita	407 873	-	407 873	407 873	-	100%	-	-
8.9 Financial Intelligence Centre								
Current	25 000	-	25 000	25 000	-	100%	10 300	10 300
Capita	12 000	-	12 000	12 000	-	100%	25 300	25 300
8.10 Commonwealth Fund								
Current	-	3 000	3 000	2 620	380	87%	-	-
Total	5,142,152	3,000	6,145,152	6,008,542	106,610	98%	5,326,268	5,173,719

DETAIL PER PROGRAMME 8: FISCAL TRANSFERS
for the year ended 31 March 2004

Economic classification	2003/04					2002/03		
	Adjusted Appropriation R'000	Virement R'000	Final Allocation R'000	Actual Expenditure R'000	Savings / Underspend (Excess) R'000	Expenditure as % of Revised Allocation	Revised Allocation R'000	Actual Expenditure R'000
Current	5,258,363	3,000	5,261,363	5,198,885	62,478	99%	4,635,352	4,486,439
Transfer payments	5,258,363	3,000	5,261,363	5,198,885	62,478	99%	4,635,352	4,486,439
Capital	883,789	-	883,789	839,657	44,132	95%	690,916	687,280
Transfer payments	883,789	-	883,789	839,657	44,132	95%	690,916	687,280
Total	6,142,152	3,000	6,145,152	6,038,542	106,610	98%	5,326,268	5,173,719

Standard item classification	2003/04					2002/03		
	Adjusted Appropriation R'000	Virement R'000	Final Allocation R'000	Actual Expenditure R'000	Savings / Underspend (Excess) R'000	Expenditure as % of Revised Allocation	Revised Allocation R'000	Actual Expenditure R'000
Transfer payments	6,142,152	3,000	6,145,152	6,038,542	106,610	98%	5,326,268	5,173,719
Total	6,142,152	3,000	6,145,152	6,038,542	106,610	98%	5,326,268	5,173,719



NATIONAL TREASURY VOTE 8

NOTES TO THE APPROPRIATION STATEMENT for the year ended 31 March 2004

1. Detail of current and capital transfers as per Appropriation Act (after Virement)

Detail of these transactions can be viewed in note 9 (Transfer Payments) and Annexure 1A - 1D to the annual financial statements.

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

Detail of these transactions can be viewed in note 1 (Annual Appropriation) to the annual financial statements.

3. Detail of special functions (theft and losses)

Detail of these transactions per programme can be viewed in note 11.3 (Details of Special Functions (theft and losses)) to the annual financial statements.

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

4.1 Per programme:

Programme 1: Administration

The saving is mainly in respect of personnel and concomitant expenditure due to the delay in the filling of posts. The saving on Professional and Special Services and Equipment, was due to the extended period in the refurbishing of the 240 Vermeulen Street Building and expenditure will continue to be incurred in the new financial year. An amount of R5,9 million is expected to be rolled over to fund the refurbishment of four additional floors in 240 Vermeulen Street.

Programme 2: Economic Planning and Budget Management

The saving is mainly in respect of personnel and concomitant expenditure due to the delay in the filling of posts. The saving on Professional and Special Services was due to a decrease in the use of consultants in this programme.

Programme 3: Asset and Liability Management

The saving is mainly in respect of personnel and concomitant expenditure due to the delay in the filling of posts. The saving on Professional and Special Services was due to a decrease in the use of consultants in this programme and less expenditure on legal costs and maintenance of systems than expected. An amount of R12,6 million is expected to be rolled over to review Treasury operations of state-



NATIONAL TREASURY VOTE 8

NOTES TO THE APPROPRIATION STATEMENT for the year ended 31 March 2004

owned entities as approved by the Minister (R10 million) and to fund the finalisation of systems development (R2,6 million).

Programme 4: Financial Management and Systems

The saving is mainly in respect of personnel and concomitant expenditure due to the delay in the filling of posts. The saving on Professional and Special Services was due to a decrease in expenditure for maintenance of systems and the delay in refurbishment of SITA due to a change in accommodation needs. An amount of R19,9 million is expected to be rolled over for the finalisation of the refurbishment of SITA.

Programme 5: Financial Accounting and Reporting

The saving is mainly in respect of personnel and concomitant expenditure due to the delay in the filling of posts. The saving on Professional and Special Services was due to a decrease in expenditure for advisory and facilitation services.

Programme 6: Provincial and Local Government Transfers

The variance of R45 million on the Local Government Restructuring Grant is due to a delay in funds transferred to the Mangaung Municipality that did not meet its 3rd quarter milestone for 2003/04. This amount is expected to be rolled over to the 2004/05 financial year.

Programme 7: Civil and Military Pensions

The saving is mainly due to Pensions Administration receiving fewer medical aid claims and processing less special pension payments.

Programme 8: Fiscal Transfers

National Treasury decided not to purchase additional shares in the African Development Bank in the current financial year, resulting in a saving of R44 million. Further savings occurred due to smaller transfers to Lesotho and Namibia for Common Monetary Area payments (R12 million), and smaller payments to SA Contributions to Highly Indebted Poor Countries (HIPC) due to rand appreciation (R10 million).



NATIONAL TREASURY VOTE 8

NOTES TO THE APPROPRIATION STATEMENT for the year ended 31 March 2004

4.2 Per standard item:

Personnel

The saving was mainly due to posts not being filled during the financial year. The vacancy rate at 31 March 2004 was approximately 40%.

Administrative

The saving was mainly due to posts not being filled during the financial year.

Inventories

The saving was mainly due to posts not being filled during the financial year.

Equipment

The saving was mainly due to lower than anticipated expenditure on equipment and the extended period of the refurbishment.

Professional and Special Services

The saving was mainly due to a directive by the Budget Council that the process for the acquisition of new systems should be delayed. This delay was necessary to allow time to complete a coherent systems renewal strategy and to determine and document Government's user requirements. This process was completed at the end of the 2003/04 financial year and the systems renewal proposals are currently in the process of being submitted for consideration by the Budget Council.

Transfer payments

The saving is attributed to R45 million on the Local Government Restructuring Grant due to the delay in funds transferred to the Mangaung Municipality that did not meet its 3rd quarter milestone for 2003/04. National Treasury decided not to purchase additional shares in the African Development Bank in the current financial year, resulting in a saving of R44 million. Further savings occurred due to smaller transfers to Lesotho and Namibia for Common Monetary Area payments (R12 million), and smaller payments to SA Contributions to Highly Indebted Poor Countries (HIPC) due to rand appreciation (R10 million).

Miscellaneous

The saving is mainly due to Pensions Administration receiving fewer medical aid claims and processing less special pension payments.



NATIONAL TREASURY VOTE 8

INCOME STATEMENT (STATEMENT OF FINANCIAL PERFORMANCE) for the year ended 31 March 2004

	Note	2003/04 R'000	2002/03 R'000
REVENUE			
Voted funds		12,593,296	10,460,843
Annual Appropriation	1	12,593,296	10,356,654
Appropriation for unauthorised expenditure		-	104,189
Other revenue to be surrendered to the revenue fund	2	2,131,367	1,485,043
Local and foreign aid assistance (including RDP funds)	3	7,062	6,765
TOTAL REVENUE		14,731,745	11,952,651
EXPENDITURE			
Current			
Personnel	4	132,000	107,276
Administrative		29,658	27,768
Inventories	5	8,349	9,695
Machinery and equipment	6	1,657	1,580
Professional and special services	8	326,107	341,236
Transfer payments	9	5,928,770	4,810,664
Miscellaneous	10	2,276,450	1,875,341
Special functions: authorised losses	11	1,050	802
Local and foreign aid assistance (including RDP funds)	3	5,497	5,581
Unauthorised expenditure approved	12	-	104,189
TOTAL CURRENT EXPENDITURE	A	8,709,538	7,284,132
Capital			
Machinery and Equipment	6	15,617	29,426
Land and buildings	7	-	5,600
Transfer payments	9	3,374,395	2,637,472
Local and foreign aid assistance (including RDP funds)	3	209	289
TOTAL CAPITAL EXPENDITURE	B	3,390,221	2,672,787
TOTAL EXPENDITURE	A + B	12,099,759	9,956,919
NET SURPLUS FOR THE YEAR		2,631,986	1,995,732
RECONCILIATION OF NET SURPLUS FOR THE YEAR			
Voted Funds to be surrendered to the National Revenue Fund	15	499,243	509,794
Other Revenue to be surrendered to the National Revenue Fund	16	2,131,367	1,485,043
Local and foreign aid assistance (including RDP funds)	3	1,356	895
NET SURPLUS FOR THE YEAR		2,631,986	1,995,732

NATIONAL TREASURY VOTE 8

BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) at 31 March 2004

ASSETS	Note	2003/04 R'000	2002/03 R'000
Current assets		301,544	556,808
Unauthorised and fruitless and wasteful expenditure	12	167	167
Cash and cash equivalents	13	257,814	533,023
Receivables	14	43,559	22 772
Local and foreign aid assistance (including RDP funds) receivable from the RDP fund/donors	3	4	846
TOTAL ASSETS	A	301,544	556,808
LIABILITIES			
Current liabilities		301,529	556,773
Voted funds to be surrendered to the National Revenue Fund	15	244,240	509,794
Other Revenue funds to be surrendered to the National Revenue Fund	16	22,229	29 036
Revenue to be surrendered: Civil and Military Pensions	17	19	12
Revenue to be surrendered: Special Pensions	18	32	29
Civil and Military Pensions	19	10,371	3 419
Special Pensions	20	16,119	3 622
Payables	21	7,509	10 365
Local and foreign aid assistance (including RDP funds) repayable to the RDP fund/donors	3	1,010	496
TOTAL LIABILITIES	B	301,529	556,773
NET ASSETS	A - B	15	35
Represented by:		15	35
Recoverable revenue		15	35
TOTAL		15	35





NATIONAL TREASURY VOTE 8

STATEMENT OF CHANGES IN NET ASSETS
for the year ended 31 March 2004

	Note	2003/04 R'000	2002/03 R'000
Recoverable revenue			
Opening balance		35	67
Transfer to Revenue Fund	16	(24)	(63)
Debts raised		4	31
Closing balance		<u>15</u>	<u>35</u>

NATIONAL TREASURY VOTE 8

CASH FLOW STATEMENT for the year ended 31 March 2004

	Note	2003/04 R'000	2002/03 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash flow generated by operating activities	22	5,765,638	4,667,335
Cash (utilised) / generated to (increase) / decrease working capital	23	(4,204)	2,959
Voted funds and Revenue Funds surrendered	24	(2,647,988)	(1,832,488)
Unauthorised expenditure approved	12	-	104,189
Local and foreign aid assistance (including RDP funds)	3	1,356	895
Net cash flow available from operating activities		3,114,802	2,942,890
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(3,390,011)	(2,672,498)
Net cash flows from operating and investing activities		(275,209)	270,392
Net (decrease)/increase in cash and cash equivalents		(275,209)	270,392
Cash and cash equivalents at beginning of period		533,023	262,631
Cash and cash equivalents at end of period	13	257,814	533,023



NATIONAL TREASURY VOTE 8

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2004

1 Annual Appropriation

1.1 Included are funds appropriated in terms of the Appropriation Act for National Departments (Voted Funds):

Programmes	Total Appropriation 2003/04 R'000	Actual Appropriation Received R'000	Variance over/(under) R'000	Total Appropriation 2002/03 R'000
Administration	111,890	111,889	(1)	126,457
Economic planning and budget management	125,263	125,262	(1)	115,647
Asset and liability management	69,831	69,831	-	32,268
Financial management and systems	343,950	278,949	(65,001)	243,572
Financial accounting and reporting	63,323	63,323	-	116,807
Provincial and local government transfers	3,284,318	3,284,318	-	2,480,000
Civil and military pensions and other benefits	2,449,569	2,304,569	(145,000)	1,915,635
Fiscal transfers	6,145,152	6,100,152	(45,000)	5,326,268
TOTAL	12,593,296	12,338,293	(255,003)	10,356,654

1.2 Please refer to the Notes to the Appropriation Statement for explanation of material variances and rollover requests.

2 Other revenue to be surrendered to the revenue fund

Description	2003/04 R'000	2002/03 R'000
Cheques written back/stale cheques	199	135
Proceeds from sale of equipment	108	-
Proceeds from sale of land and buildings	1,529	-
Dividends received (SARB)	170,664	7,136
Interest received	1,838,905	1,450,547
Amnesty penalties	100,000	-
Fees for guaranteed government loans	12,115	-
Revenue previous financial year	3,157	2,278
Garage rent	51	35
Commission on insurance	25	29
Recovery of loans: Auditor-General	3,000	9,000
Other miscellaneous revenue	1,634	15,882
Total revenue collected	2,131,387	1,485,043

3 Local and foreign aid assistance (Including RDP funds)

3.1 Assistance received in cash	Opening Balance	Revenue	Expenditure		Closing Balance
Name of Donor and purpose			Current	Capital	
Local					
Funds not utilised prior year - Departmental Aids Programme	21	-	25	-	(4)
Foreign					
International Development Co-operation - Capacity building	10	-	-	-	10
Technical Assistance Unit (EUTAT)	(189)	2,996	2,807	-	-
Financial Management Improvement Programme (FMIP)	(657)	2,177	532	47	841
International Development Cooperation Support Programme (EUICD)	465	1,700	1,851	162	152
Japan Development Corporation Information System (JICADCIS)	-	75	68	-	7
Development Corporation Information Report (DCR II)	-	114	114	-	-
	(350)	7,062	5,497	209	1,006

Analysis of balance

	2003/04 R'000	2002/03 R'000
Amounts owing by the RDP fund/donors	(4)	(846)
Amounts owing to the RDP fund/donors	1,010	496
	1,006	(350)



NATIONAL TREASURY VOTE 8

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2004

	2003/04 R'000	2002/03 R'000
3.2 Assistance received in kind		
Foreign aid assistance		
USAID - Technical assistant	-	18,066
USAID - Supports the Government's efforts to formulate and coordinate growth promoting economic policies	39,413	-
German South African Development Cooperation - Technical assistant	-	8,427
Department for International Development (DFID) Department for International Development - Improved implementation of economic management for poverty elimination	-	4,408
European Union - International technical assistant	3,839	-
INDP Sustainable Human Development - Technical assistance to IDC	1,693	-
	1,151	-
Total foreign aid assistance received in kind	46,096	30,901
4 Personnel		
4.1 Current expenditure		
Basic salary costs	84,141	68,260
Pension contributions	11,682	9,674
Medical aid contributions	4,112	3,797
Other salary related costs	32,065	25,545
Total personnel costs	132,000	107,276
Average number of employees	484	480
5 Inventories		
5.1 Inventories purchased during the year		
Government printing	3,039	3,049
Newspapers, magazines & manuals	533	579
Publications/printing, non government printers	1,254	2,258
Stationery	1,712	1,784
Computer material	1,263	1,615
Training material	11	27
Cleaning detergents & material	180	33
Operating material	135	342
Other	222	8
Total cost of inventories	8,349	9,695
6 Machinery and equipment		
Current (Rentals, maintenance and sundry)	1,657	1,580
Capital	6.1	15,617
Total machinery and equipment	17,274	31,006
6.1 Capital machinery and equipment analysed as follows:		
Computer equipment	4,854	8,744
Furniture and office equipment	7,053	13,373
Other machinery and equipment	497	5,056
Transport	468	373
Security equipment	2,122	-
Computer software	713	1,880
	15,617	29,426
7 Land and buildings		
Capital expenditure	7.1	-
Total land and buildings	-	5,600
7.1 Capital land and building expenditure analysed as follows:		
Non-residential buildings	-	5,600
	-	5,600



NATIONAL TREASURY VOTE 8

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2004

		2003/04 R'000	2002/03 R'000
8	Professional and special services		
8.1	Current expenditure		
	Auditors' remuneration	6,626	5,049
	Regularity	4,627	3,916
	Performance	584	2
	Other audits	1,415	1,131
	Consultants and advisory services	81,141	29,095
	Commissions and committees	396	192
	Computer services	97,723	208,479
	Other	140,221	98,421
	Total professional and special services	326,107	341,236
9	Transfer payments		
	Conditional grant transfers	3,239,318	2,255,230
	Transfers to public entities and institutions	Annexure 1A & 1B 3,845,646	3,549,084
	Other transfers	Annexure 1C 2,218,201	1,643,822
	Total transfer payments	9,303,165	7,448,136
	Analysis of transfer payments		
	Capita	3,374,395	2,637,472
	Current	5,928,770	4,810,664
		9,303,165	7,448,136
10	Miscellaneous		
10.1	Current expenditure		
	Gifts, donations and sponsorships	10 2	24
	Contribution to medical schemes		1,227,712
	Compensation: Injury on duty		192,235
	Pension payments: Special Pensions		273,085
	Pension payments: Civil and Military Pensions		189,678
	Service charges		5,634
	Total miscellaneous expenditure		2,276,450
10.2	Gifts, donations and sponsorships paid in cash by the Department		
	Nature of gifts, donations and sponsorships		
	Current		
	Corporate gifts		24
			-
			24
11	Special functions: Authorised losses		
	Other material losses written off in income statement	11 1	996
	Debts written off	11 2	774
			28
			1,050
11.1	Other material losses written off in income statement		
	Nature of losses		
	Vehicle accidents		20
	Cash		2
	Miscellaneous		1
			-
			772
			996
11.2	Debts written off		
	Nature of debts written off		
	Salary overpayments		18
	State guarantees		22
	Bursary debt		1
	Other		1
			4
			54
			28
11.3	Details of special functions (theft and losses)		
	Per programme		
	Administration	487	30
	Economic Planning and Budget Management	5	-
	Asset and Liability Management	3	-
	Financial Management, Systems and Financial Reporting for National Accounts	1	-
	Civil and military pensions and other benefits	554	772
		1,050	802

NATIONAL TREASURY VOTE 8

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2004

		2003/04 R'000	2002/03 R'000
12	Unauthorised and fruitless and wasteful expenditure disallowed		
	Unauthorised expenditure	167	167
		<u>167</u>	<u>167</u>
12.1	Reconciliation of unauthorised expenditure balance		
	Opening balance	167	104,356
	Approved by Parliament		(104,189)
	Closing balance	<u>167</u>	<u>167</u>
12.2	Unauthorised expenditure		
	Incident		
	Disciplinary steps taken / criminal proceedings		
	Consultants	None	69
	Printing and administrative costs	None	98
		<u>167</u>	<u>167</u>
13	Cash and cash equivalents		
	Paymaster General Account	257,807	533,016
	Cash on hand	7	7
		<u>257,814</u>	<u>533,023</u>
14	Receivables - current		
	Amounts owing by other departments	Annexure 6	8,978
	Staff debtors	14.3	434
	Outstanding debt: Civil and military pensions		956
	Other debtors	14.4	5,100
	Amounts receivable: Civil and military pensions		7,893
	Amounts receivable: Special pensions		13,981
	Disallowances: Civil and military pensions		3,589
	Disallowances: Special pensions		2,171
	Advances	14.5	457
		14.2	<u>43,559</u>
			<u>22,772</u>
14.1	Amounts of R1.3 million (2003 : R2,3 million) included above may not be recoverable, but has not been written off in the income statement.		
		2003/04 R'000	2002/03 R'000
14.2	Age analysis		
	Less than one year	33,937	6,467
	One to two years	4,843	7,066
	More than two years	4,779	9,239
		<u>43,559</u>	<u>22,772</u>
14.3	Staff debtors		
	Departmental debt	399	635
	Other debt	35	21
		<u>434</u>	<u>556</u>
14.4	Other debtors		
	Claims recoverable:	35	513
	Telkom	-	111
	General	2	136
	Government Employees Pension Fund	33	266
	General accounts:	5,065	4,356
	State guarantees	2,737	2,038
	Theft and losses	413	366
	ACB recalls: PERSAL	-	20
	Military pension payments	1,794	1,588
	Disallowances	121	319
	Other	-	26
		<u>5,100</u>	<u>4,869</u>
14.5	Advances		
	Nature of advances		
	Travel and subsistence advances	209	153
	Advance: Eastern Cape - GG Transport	28	22
	Advances: Special pensions	-	694
	Advances: Civil and military pensions	220	718
		<u>457</u>	<u>1,587</u>

NATIONAL TREASURY VOTE 8

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2004

	2003/04 R'000	2002/03 R'000
15 Voted funds to be surrendered to the National Revenue Fund		
Opening balance	509,794	368,374
Transfer from income statement:	499,243	509,794
Voted funds not requested	(265,003)	-
Paid during the year	(509,794)	(368,374)
Closing balance	<u>244,240</u>	<u>509,794</u>
16 Other revenue funds to be surrendered to the National Revenue Fund		
Opening balance	29,036	8,107
Transfer from income statement: for revenue to be surrendered	2 131,367	1 485,043
Paid during the year	(2,138,194)	(1,464,114)
Closing balance	<u>22,229</u>	<u>29,036</u>
17 Revenue funds to be surrendered: Civil and military pensions		
Opening balance	12	96
Transfer from income statement: for revenue to be surrendered	7	12
Paid during the year	-	(96)
Closing balance	<u>19</u>	<u>12</u>
18 Revenue funds to be surrendered: Special pensions		
Opening balance	29	-
Transfer from income statement: for revenue to be surrendered	3	29
Closing balance	<u>32</u>	<u>29</u>
19 Civil and military pensions		
Amounts owing to the Government Employees Pension Fund	<u>10,371</u>	<u>3,419</u>
20 Special pensions		
Amounts owing to the Government Employees Pension Fund	<u>16,119</u>	<u>3,622</u>
21 Payables - current		
Amounts owing to other departments	Annexure 7	8
Advances received	2.1	6,418
Other payables	2.2	3,939
	<u>7,509</u>	<u>10,365</u>
21.1 Advances received		
National and provincial departments: Implementation and support - FMS	-	865
National and provincial departments: Implementation and support - BAS	4,674	5,553
National and provincial departments: Implementation and support - LOGIS	284	-
	<u>4,958</u>	<u>6,418</u>
21.2 Other payables		
Income tax deduction payable	55	77
Pension contribution payable	3	-
VAT foreign assistance	164	204
Pensions Administration	-	978
Recoverable revenue - Civil and military pension	2,268	2,557
Receivable interest	29	114
Other	32	9
	<u>2,551</u>	<u>3,939</u>
22 Net cash flow generated by operating activities		
Net surplus as per Income Statement	2 631,966	1 995,732
Adjusted for items separately disclosed	3 388,655	2 671,603
Transfer of land and buildings	-	5,600
Purchase of equipment	15,617	29,426
Transfer payments (capital expenditure)	3 374,394	2,637,472
Local and foreign aid assistance	(1,356)	(895)
Voted funds not requested / not received	(265,003)	-
Net cash flow generated by operating activities	<u>5,765,638</u>	<u>4,687,335</u>
23 Cash (utilised) / generated to (increase) / decrease working capital		
Increase in receivables - current	(20,787)	(1,278)
(Decrease)/Increase in payables - current	(2,856)	3,017
Decrease in recoverable revenue	(20)	(32)
Increase / (Decrease) in other current liabilities	19,459	1,252
	<u>(4,204)</u>	<u>2,959</u>



NATIONAL TREASURY VOTE 8

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2004

	2003/04 R'000	2002/03 R'000
24 Voted funds and revenue funds surrendered		
Voted funds surrendered	509,794	368,374
Revenue funds surrendered	2 138,194	1,464,114
	<u>2,647,988</u>	<u>1,832,488</u>

NATIONAL TREASURY VOTE 8

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2004

These amounts are not recognised in the financial statements, and are disclosed to enhance the usefulness of the financial statements and to comply with the statutory requirements of the Public Finance Management Act, (1 of 1999) (as amended by Act 28 of 1999), the Treasury Regulations for departments and constitutional institutions issued in terms of the Act and the Division of Revenue Act, Act 7 of 2003.

			2003/04 R'000	2002/03 R'000
25	Contingent liabilities			
	Liable to	Nature	Note	
	Motor vehicle guarantees	Employees	Annexure 3	423
	Housing loan guarantees	Employees	Annexure 3	1,052
	Departmental claims			10,188
	Civil and military pensions		25.1	27,785
			<u>11,663</u>	<u>47,669</u>

Contingent liabilities exist relating to programme 7 that cannot be measured with sufficient reliability. These include obligations relating to:

- 25.1 Special Pensions and Military Pensions:** Cases rejected by the Special Pensions Board or the Medical Board have a right of appeal. There is uncertainty regarding the number of applicants who will appeal decisions made during the financial year and whether the appeals will be successful.
- Injury on duty:** Payments are made based on decisions made by the Compensation Commissioner. A contingent liability exists for claims submitted to the Compensation Commissioner before year-end that are under review. The Compensation Commissioner is unable to provide a reliable estimate of these cases.
- Medical claims and contributions:** Payments to medical aid schemes are based on claims submitted by the schemes. There is uncertainty regarding claims that have not been submitted by the medical aid.

		2003/04 R'000	2002/03 R'000
26	Commitments		
	Current expenditure		
	Approved and contracted/ordered	1,070	2,206
		<u>1,070</u>	<u>2,206</u>
	Capital expenditure		
	Approved and contracted/ordered	2,446	2,386
		<u>2,446</u>	<u>2,386</u>
Total commitments		<u>3,516</u>	<u>4,592</u>

		2003/04 R'000	2002/03 R'000
27	Accruals		
	Per standard item		
	Administrative	524	481
	Inventories	92	487
	Equipment	50	2,178
	Professional and special services	3,600	5,225
	Transfer payments	-	5,633
	Miscellaneous	94,747	87,111
		<u>99,013</u>	<u>101,115</u>

27.1	Miscellaneous		
	Service charges	53	-
	Medical claims	50,550	82,111
	Compensation, Injury on Duty	4,292	2,738
	Military Pensions	63	2,262
	Special Pensions	38,111	-
	Other benefits	110	-
		<u>94,747</u>	<u>87,111</u>

Listed by programme level

Administration	1,729	5,109
Economic planning and budget management	550	1,293
Asset and liability management	55	1,281
Financial management and systems	700	566
Financial accounting and reporting	88	5,755
Civil and military pensions and other benefits	95,890	87,111
	<u>99,013</u>	<u>101,115</u>

28	Provisions		
	Special pensions	28.1	74,703
	Medical claims	28.2	55,274
	Military pensions	28.3	593
	Injury on duty	28.4	5,800
		<u>136,370</u>	-



NATIONAL TREASURY VOTE 8

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2004

	2003/04 R'000	2002/03 R'000
28.1 Special pensions		
Opening balance	-	-
Increase in provision made during the period	74,703	-
Closing balance	<u>74,703</u>	-
28.2 Medical claims		
Opening balance	-	-
Increase in provision made during the period	55,274	-
Closing balance	<u>55,274</u>	-
28.3 Military pensions		
Opening balance	-	-
Increase in provision made during the period	593	-
Closing balance	<u>693</u>	-
28.4 Injury on duty		
Opening balance	-	-
Increase in provision made during the period	5,800	-
Closing balance	<u>5,800</u>	-
28.5	Comparative figures for provisions have not been provided, as these obligations could not be measured with sufficient reliability. These obligations were disclosed under contingent liabilities in the prior year.	

	2003/04 R'000	2002/03 R'000
29 Employee benefits		
Leave entitlement	15,137	14,691
Thirteenth cheque	3,040	2,583
Performance bonus	6,565	6,005
	<u>24,742</u>	<u>23,179</u>

	Property	Equipment	Total	
			2003/04 R'000	2002/03 R'000
30 Operating leases				
Not later than 1 year	-	355	355	1,738
Later than 1 year and not later than 3 years	-	343	343	4,010
Later than 3 years	-	-	-	4,852
Total present value of lease liabilities	<u>-</u>	<u>698</u>	<u>698</u>	<u>10,598</u>

31 Irregular expenditure		
Opening balance	176	176
Expenditure awaiting condonement	<u>176</u>	<u>176</u>
Analysis		
Prior years	176	176
	<u>176</u>	<u>176</u>

32 Key management personnel

Description	Number of individuals	Remuneration	
		2003/04 R'000	2002/03 R'000
32.1 Remuneration			
Minister	1	747	691
Deputy Minister	1	552	510
Director-General (*)	1	607	749
Deputy directors-general (**)	9	3,507	3,382
Total		<u>5,413</u>	<u>5,332</u>

32.2 Other remuneration and compensation provided to key management and close members of the family of key management personnel

Other remuneration

Description	Number of individuals	2003/04		2002/03	
		R'000	R'000	R'000	R'000
Minister	1	41	111		
Deputy Minister	1	36	53		
Director-General (*)	1	153	147		
Deputy directors-general (**)	9	361	472		
Total		<u>590</u>	<u>783</u>		

* The Director-General (Ms M Ramos) resigned with effect from 1 November 2003. The new Director-General (Mr L Kganyago) was appointed with effect from 1 February 2004.

** Various deputy directors-general resigned and new appointments were made during the period under review.

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2004

ANNEXURE 1A

STATEMENT OF CONDITIONAL GRANT TRANSFERS TO MUNICIPALITIES BY NATIONAL DEPARTMENTS AS AT 31 MARCH 2004

CONDITIONAL GRANT TRANSFERS TO MUNICIPALITIES	GRANT ALLOCATION				EXPENDITURE				
	Division of Revenue Act R'000	Adjustments Estimate R'000	Roll Overs R'000	Total Available R'000	Actual Transfer R'000	Amount not Transferred R'000	% of Available Transferred	Capital R'000	Current R'000
Local government financial management grant									
Eastern Cape Municipalities									
Alfred Nzo District Municipality:	1,500	-	-	1,500	1,500	-	100,0%	-	1,500
Amanzimvelo District Municipality:	-	1,000	-	1,000	1,000	-	100,0%	-	1,000
Amathole District Municipality:	2,500	-	-	2,500	2,500	-	100,0%	-	2,500
Buffalo City:	3,000	-	-	3,000	3,000	-	100,0%	-	3,000
Cacadu:	2,000	-	-	2,000	2,000	-	100,0%	-	2,000
Chr's Hami District Municipality:	1,500	-	-	1,500	1,500	-	100,0%	-	1,500
Inxuba Yezemba:	-	1,000	-	1,000	1,000	-	100,0%	-	1,000
King Sabata Dalindyebo:	1,500	-	-	1,500	1,500	-	100,0%	-	1,500
Kouga:	500	500	-	1,000	1,000	-	100,0%	-	1,000
Lunenburg:	500	500	-	1,000	1,000	-	100,0%	-	1,000
Makana:	250	750	-	1,000	1,000	-	100,0%	-	1,000
Mincuma:	250	750	-	1,000	1,000	-	100,0%	-	1,000
Ndlambe:	-	1,000	-	1,000	1,000	-	100,0%	-	1,000
Nelson Mandela:	3,500	-	-	3,500	3,500	-	100,0%	-	3,500
Nkomo:	-	1,000	-	1,000	1,000	-	100,0%	-	1,000
O.R. Tambo District Municipality:	3,500	-	-	3,500	3,500	-	100,0%	-	3,500
Ukhahlamba District Municipality:	1,500	-	-	1,500	1,500	-	100,0%	-	1,500
Subtotal: Eastern Cape Municipalities	22,000	6,500	-	28,500	28,500	-	100,0%	-	28,500



ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2004

ANNEXURE 1A

STATEMENT OF CONDITIONAL GRANT TRANSFERS TO MUNICIPALITIES BY NATIONAL DEPARTMENTS AS AT 31 MARCH 2004

CONDITIONAL GRANT TRANSFERS TO MUNICIPALITIES	GRANT ALLOCATION				EXPENDITURE				
	Division of Revenue Act R'000	Adjustments Estimate R'000	Roll Overs R'000	Total Available R'000	Actual Transfer R'000	Amount not Transferred R'000	% of Available Transferred	Capital R'000	Current R'000
Free State Municipalities									
Ditlhabeng	500	500	-	1.000	1.000	-	100.0%	-	1.000
Kopanong	1.500	-	-	1.500	1.500	-	100.0%	-	1.500
Lejweleputswa District Municipality	1.500	-	-	1.500	1.500	-	100.0%	-	1.500
Matieland-Pfiching	2.000	-	-	2.000	2.000	-	100.0%	-	2.000
Mangaung	2.000	-	-	2.000	2.000	-	100.0%	-	2.000
Masilonyana	-	1.000	-	1.000	1.000	-	100.0%	-	1.000
Matjhabeng	2.000	-	-	2.000	2.000	-	100.0%	-	2.000
Metshoene	2.000	-	-	2.000	2.000	-	100.0%	-	2.000
Mochaka	500	500	-	1.000	1.000	-	100.0%	-	1.000
Mofheo District Municipality	250	750	-	1.000	1.000	-	100.0%	-	1.000
Nala	-	1.000	-	1.000	1.000	-	100.0%	-	1.000
Ngwathe	500	500	-	1.000	1.000	-	100.0%	-	1.000
Nkxaxana	-	1.000	-	1.000	1.000	-	100.0%	-	1.000
Northern Free State District Municipality	-	1.000	-	1.000	1.000	-	100.0%	-	1.000
Seabrook	-	1.000	-	1.000	1.000	-	100.0%	-	1.000
Tlhabo Matsiyanana District Municipality	250	750	-	1.000	1.000	-	100.0%	-	1.000
Sub total: Free State Municipalities	13.000	8.000	-	21.000	21.000	-	100.0%	-	21.000



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CONDITIONAL GRANT TRANSFERS TO MUNICIPALITIES	GRANT ALLOCATION					EXPENDITURE			
	Division of Revenue Act R'000	Adjustments Estimate R'000	Roll Overs R'000	Total Available R'000	Actual Transfer R'000	Amount not Transferred R'000	% of Available Transferred	Capital R'000	Current R'000
Gauteng Municipalities									
Ekurhuleni	3 500	-	-	3 500	3 500	-	100.0%	-	3 500
Emfuleni	2 000	-	-	2 000	2 000	-	100.0%	-	2 000
Johannesburg	3 500	-	-	3 500	3 500	-	100.0%	-	3 500
Kungwini	250	750	-	1 000	1 000	-	100.0%	-	1 000
Lesedi	250	750	-	1 000	1 000	-	100.0%	-	1 000
Merapong	500	500	-	1 000	1 000	-	100.0%	-	1 000
Midvaal	500	500	-	1 000	1 000	-	100.0%	-	1 000
Mogale City	500	2 830	-	3 330	3 330	-	100.0%	-	3 330
Randfontein	2 000	-	-	2 000	2 000	-	100.0%	-	2 000
Sedibeng District Municipality	250	750	-	1 000	1 000	-	100.0%	-	1 000
Tshwane	3 000	-	-	3 000	3 000	-	100.0%	-	3 000
West Rand	250	750	-	1 000	1 000	-	100.0%	-	1 000
Westonaria	250	750	-	1 000	1 000	-	100.0%	-	1 000
Sub total: Gauteng Municipalities	18 750	7 580	-	24 330	24 330	-	100.0%	-	24 330



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CONDITIONAL GRANT TRANSFERS TO MUNICIPALITIES	GRANT ALLOCATION					EXPENDITURE			
	Division of Revenue Act R'000	Adjustments Estimate R'000	Roll Overs R'000	Total Available R'000	Actual Transfer R'000	Amount not Transferred R'000	% of Available Transferred	Capital R'000	Current R'000
Kwazulu-Natal Municipalities									
Abaquusi	250	750	-	1.000	1.000	-	100.0%	-	1.000
Emma-Tlithi-Ladysmith	2.000	-	-	2.000	2.000	-	100.0%	-	2.000
eMakhosini	-	1.000	-	1.000	1.000	-	100.0%	-	1.000
Endumeni	250	750	-	1.000	1.000	-	100.0%	-	1.000
eThekweni-University	4.000	-	-	4.000	4.000	-	100.0%	-	4.000
Hlabisa-Coast	500	500	-	1.000	1.000	-	100.0%	-	1.000
Ilembe District Municipality	500	500	-	1.000	1.000	-	100.0%	-	1.000
Jozini	-	1.000	-	1.000	1.000	-	100.0%	-	1.000
Kokstad	-	1.000	-	1.000	1.000	-	100.0%	-	1.000
KwaDukuza	-	1.000	-	1.000	1.000	-	100.0%	-	1.000
Msunduzi	3.000	-	-	3.000	3.000	-	100.0%	-	3.000
Newcastle	1.500	-	-	1.500	1.500	-	100.0%	-	1.500
Ugu	500	500	-	1.000	1.000	-	100.0%	-	1.000
Ulundi	-	1.000	-	1.000	1.000	-	100.0%	-	1.000
Umdon	-	1.000	-	1.000	1.000	-	100.0%	-	1.000
uMgungundlovu	2.000	(2.000)	-	-	-	-	-	-	-
uMkhanyakuzo	-	1.000	-	1.000	1.000	-	100.0%	-	1.000
uMlazi	-	1.000	-	1.000	1.000	-	100.0%	-	1.000
uMthathuze (Richards Bay)	2.500	-	-	2.500	2.500	-	100.0%	-	2.500
uMngeni	-	1.000	-	1.000	1.000	-	100.0%	-	1.000
uMsheni	250	750	-	1.000	1.000	-	100.0%	-	1.000
uMzinyathi	-	1.000	-	1.000	1.000	-	100.0%	-	1.000
uThungulu District Municipality	500	500	-	1.000	1.000	-	100.0%	-	1.000
Zululand District Municipality	1.500	-	-	1.500	1.500	-	100.0%	-	1.500
Sub total: Kwazulu-Natal Municipalities	19.250	12.250	-	31.500	31.500	-	100.0%	-	31.500



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CONDITIONAL GRANT TRANSFERS TO MUNICIPALITIES	GRANT ALLOCATION				EXPENDITURE				
	Division of Revenue Act R'000	Adjustments Estimate R'000	Roll Overs R'000	Total Available R'000	Actual Transfer R'000	Amount not Transferred R'000	% of Available Transferred	Capital R'000	Current R'000
Limpopo Province Municipalities									
Ba-Pha'atona	500	500	-	1.000	1.000	-	100.0%	-	1.000
Bela-Bela	-	1.000	-	1.000	1.000	-	100.0%	-	1.000
Bushbuckridge	-	1.000	-	1.000	1.000	-	100.0%	-	1.000
Capricorn District Municipality	2.000	-	-	2.000	2.000	-	100.0%	-	2.000
Greater Tzaneen	1.500	-	-	1.500	1.500	-	100.0%	-	1.500
Groblersdal	-	1.000	-	1.000	1.000	-	100.0%	-	1.000
Lephalale	-	1.000	-	1.000	1.000	-	100.0%	-	1.000
Matrhado	2.000	-	-	2.000	2.000	-	100.0%	-	2.000
Mogalakwena	250	750	-	1.000	1.000	-	100.0%	-	1.000
Polokwane	3.500	-	-	3.500	3.500	-	100.0%	-	3.500
Sekukhune Cross Boundary	500	-	-	1.000	1.000	-	100.0%	-	1.000
Tloziwe	1.500	-	-	1.500	1.500	-	100.0%	-	1.500
Thulamela	2.000	-	-	2.000	2.000	-	100.0%	-	2.000
Vhembe District Municipality	250	750	-	1.000	1.000	-	100.0%	-	1.000
Wartburg District Municipality	500	500	-	1.000	1.000	-	100.0%	-	1.000
Sub total: Limpopo Province Municipalities	14.500	7.000	-	21.500	21.500	-	100.0%	-	21.500



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CONDITIONAL GRANT TRANSFERS TO MUNICIPALITIES	GRANT ALLOCATION				EXPENDITURE				
	Division of Revenue Act R'000	Adjustments Estimate R'000	Roll Overs R'000	Total Available R'000	Actual Transfer R'000	Amount not Transferred R'000	% of Available Transferred	Capital R'000	Current R'000
Mpumalanga Municipalities									
Dermas	-	1.000	-	1.000	1.000	-	100.0%	-	1.000
Ehlanzeni District Municipality	2.500	-	-	2.500	2.500	-	100.0%	-	2.500
Emalahleni	2.500	-	-	2.500	2.500	-	100.0%	-	2.500
Gert Sibandke	1.500	-	-	1.500	1.500	-	100.0%	-	1.500
Govan Mbeki	2.000	-	-	2.000	2.000	-	100.0%	-	2.000
Lekwa	250	750	-	1.000	1.000	-	100.0%	-	1.000
Mbombela	3.000	-	-	3.000	3.000	-	100.0%	-	3.000
Middelburg (Steve Tswate)	1.500	-	-	1.500	1.500	-	100.0%	-	1.500
Mkhondvo	-	1.000	-	1.000	1.000	-	100.0%	-	1.000
Musukalgwa	250	750	-	1.000	1.000	-	100.0%	-	1.000
Nkangala District Municipality	500	500	-	1.000	1.000	-	100.0%	-	1.000
Nkomazi	-	1.000	-	1.000	1.000	-	100.0%	-	1.000
Seme	-	1.000	-	1.000	1.000	-	100.0%	-	1.000
Thaba Chweu	250	750	-	1.000	1.000	-	100.0%	-	1.000
Thembisile	-	1.000	-	1.000	1.000	-	100.0%	-	1.000
Umjiridi	-	1.000	-	1.000	1.000	-	100.0%	-	1.000
Sub total: Mpumalanga Municipalities	14,250	8,750	-	23,000	23,000	-	100.0%	-	23,000



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CONDITIONAL GRANT TRANSFERS TO MUNICIPALITIES	GRANT ALLOCATION				EXPENDITURE				
	Division of Revenue Act R'000	Adjustments Estimate R'000	Roll Overs R'000	Total Available R'000	Actual Transfer R'000	Amount not Transferred R'000	% of Available Transferred	Capital R'000	Current R'000
Northern Cape Municipalities									
Ervenberg	-	1,000	-	1,000	1,000	-	100.0%	-	1,000
Francois Baard Dist of Municipality	2,000	(1,000)	-	1,000	1,000	-	100.0%	-	1,000
Ga-Segonyana	-	1,000	-	1,000	1,000	-	100.0%	-	1,000
Kalahari-Kgalagadi	1,000	-	-	1,000	1,000	-	100.0%	-	1,000
Karoo District Municipality	1,000	-	-	1,000	1,000	-	100.0%	-	1,000
Khara Hais	500	500	-	1,000	1,000	-	100.0%	-	1,000
Nama K'roi	-	1,000	-	1,000	1,000	-	100.0%	-	1,000
Namaqua District Municipality	1,000	-	-	1,000	1,000	-	100.0%	-	1,000
Pretkwaane	-	1,000	-	1,000	1,000	-	100.0%	-	1,000
Siyanda District Municipality	1,500	-	-	1,500	1,500	-	100.0%	-	1,500
Sel Pletjile	2,000	-	-	2,000	2,000	-	100.0%	-	2,000
Ubutu	1,000	-	-	1,000	1,000	-	100.0%	-	1,000
Sub total: Northern Cape Municipalities	10,000	3,500	-	13,500	13,500	-	100.0%	-	13,500



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CONDITIONAL GRANT TRANSFERS TO MUNICIPALITIES	GRANT ALLOCATION					EXPENDITURE				
	Division of Revenue Act R'000	Adjustments Estimate R'000	Roll Overs R'000	Total Available R'000	Actual Transfer R'000	Amount not Transferred R'000	% of Available Transferred	Capital R'000	Current R'000	
North West Municipalities										
Bejanala Platinum District Municipality	250	750	-	1 000	1 000	-	100.0%	-	1 000	
Bophirima District Municipality	-	1 000	-	1 000	1 000	-	100.0%	-	1 000	
Central District Municipality	-	1 000	-	1 000	1 000	-	100.0%	-	1 000	
Disobolla	250	750	-	1 000	1 000	-	100.0%	-	1 000	
Klerksdorp	1 500	(1 500)	-	-	-	-	-	-	-	
Lekwa-Tsemama	-	1 000	-	1 000	1 000	-	100.0%	-	1 000	
Macberg	500	500	-	1 000	1 000	-	100.0%	-	1 000	
Matikeng	2 500	(2 500)	-	-	-	-	-	-	-	
Macruss Hills	-	1 000	-	1 000	1 000	-	100.0%	-	1 000	
Moses Kotane	-	1 000	-	1 000	1 000	-	100.0%	-	1 000	
Naledi	-	1 000	-	1 000	1 000	-	100.0%	-	1 000	
Petersburg	2 500	-	-	2 500	2 500	-	100.0%	-	2 500	
Rustenburg	2 000	-	-	2 000	2 000	-	100.0%	-	2 000	
Southern District Municipality	1 500	-	-	1 500	1 500	-	100.0%	-	1 500	
Zeeuws	-	1 000	-	1 000	1 000	-	100.0%	-	1 000	
Sub total: North West Municipalities	11 000	5 000	-	16 000	16 000	-	100.0%	-	16 000	



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CONDITIONAL GRANT TRANSFERS TO MUNICIPALITIES	GRANT ALLOCATION				EXPENDITURE				
	Division of Revenue Act R'000	Adjustments Estimate R'000	Roll Overs R'000	Total Available R'000	Actual Transfer R'000	Amount not Transferred R'000	% of Available Transferred	Capital R'000	Current R'000
Western Cape Municipalities									
Beaufort West	-	1 000	-	1 000	1 000	-	100.0%	-	1 000
Bergvliet	-	1 000	-	1 000	1 000	-	100.0%	-	1 000
Belair District Municipality	2 000	-	-	2 000	2 000	-	100.0%	-	2 000
Breece River/Wrrelands	500	500	-	1 000	1 000	-	100.0%	-	1 000
Breece Valley	500	500	-	1 000	1 000	-	100.0%	-	1 000
Cape Agulhas	-	1 000	-	1 000	1 000	-	100.0%	-	1 000
Cape Town	3 500	-	-	3 500	3 500	-	100.0%	-	3 500
Drakenstein	2 000	-	-	2 000	2 000	-	100.0%	-	2 000
Eggen	1 500	-	-	1 500	1 500	-	100.0%	-	1 500
George	1 500	-	-	1 500	1 500	-	100.0%	-	1 500
Kringsna	1 500	-	-	1 500	1 500	-	100.0%	-	1 500
Langeberg	-	1 000	-	1 000	1 000	-	100.0%	-	1 000
Matieland	-	1 000	-	1 000	1 000	-	100.0%	-	1 000
Mossel Bay	500	500	-	1 000	1 000	-	100.0%	-	1 000
Oudshoorn	250	750	-	1 000	1 000	-	100.0%	-	1 000
Overberg District Municipality	1 500	-	-	1 500	1 500	-	100.0%	-	1 500
Overstrand	1 500	-	-	1 500	1 500	-	100.0%	-	1 500
Plettenberg Bay (Brccl)	250	750	-	1 000	1 000	-	100.0%	-	1 000
Saldanha Bay	500	500	-	1 000	1 000	-	100.0%	-	1 000
Stellenbosch	1 500	-	-	1 500	1 500	-	100.0%	-	1 500
Swartland	1 000	-	-	1 000	1 000	-	100.0%	-	1 000
Treswaterskloof	-	1 000	-	1 000	1 000	-	100.0%	-	1 000
West Coast District Municipality	1 000	-	-	1 000	1 000	-	100.0%	-	1 000
Witzenberg	250	750	-	1 000	1 000	-	100.0%	-	1 000
Sub total: Western Cape Municipalities	21 250	10 250	-	31 500	31 500	-	100.0%	-	31 500
Unallocated National Reserves	9 000	(9 000)	-	-	-	-	-	-	-
Total: local government financial management grant	151 000	59 830	-	210 830	210 830	-	100.0%	-	210 830
Financial management grant (DBSA)	60 915	(60 915)	-	-	-	-	-	-	-
Indirect grant (DBSA)	60 915	(60 915)	-	-	-	-	-	-	-
Total: financial management grant (DBSA)	121 830	(121 830)	-	-	-	-	100.0%	-	-



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CONDITIONAL GRANT TRANSFERS TO MUNICIPALITIES	GRANT ALLOCATION				EXPENDITURE				
	Division of Revenue Act R'000	Adjustments Estimate R'000	Roll Overs R'000	Total Available R'000	Actual Transfer R'000	Amount not Transferred R'000	% of Available Transferred	Capital R'000	Current R'000
Local government restructuring grant									
Eastern Cape Municipalities									
Buffalo City	-	40,000	-	40,000	40,000	-	100,0%	-	40,000
Cacadu District Municipality	10,000	-	18,000	28,000	28,000	-	100,0%	-	28,000
Nelson Mandela	-	30,000	-	30,000	30,000	-	100,0%	-	30,000
Sub total: Eastern Cape Municipalities	10,000	70,000	18,000	98,000	98,000	-		-	98,000
Free State Municipalities									
Mangaung	45,000	-	40,000	85,000	40,000	45,000	47,1%	-	40,000
Matieland	-	15,000	-	15,000	15,000	-	100,0%	-	15,000
Sub total: Free State Municipalities	45,000	15,000	40,000	100,000	55,000	45,000		-	55,000
Gauteng Municipalities									
Johannesburg	-	(55,000)	125,000	60,000	60,000	-	100,0%	-	60,000
Tshwane	-	30,000	-	30,000	30,000	-	100,0%	-	30,000
Ekurhuleni	-	30,000	-	30,000	30,000	-	100,0%	-	30,000
Emfuleni	-	40,000	-	40,000	40,000	-	100,0%	-	40,000
Sub total: Gauteng Municipalities	-	35,000	125,000	160,000	160,000	-		-	160,000
Kwazulu-Natal Municipalities									
eThekweni	-	40,000	-	40,000	40,000	-	100,0%	-	40,000
Msunduzi	40,000	-	40,000	80,000	80,000	-	100,0%	-	80,000
uMhlabuyazi	-	10,000	-	10,000	10,000	-	100,0%	-	10,000
Sub total: Kwazulu-Natal Municipalities	40,000	50,000	40,000	130,000	130,000	-		-	130,000
Limpopo Province Municipalities									
Polokwane	-	10,000	-	10,000	10,000	-	100,0%	-	10,000
Sub total: Limpopo Province Municipalities	-	10,000	-	10,000	10,000	-		-	10,000
Northern Cape Municipalities									
Sol Plaatje	-	10,000	-	10,000	10,000	-	100,0%	-	10,000
Sub total: Northern Cape Municipalities	-	10,000	-	10,000	10,000	-		-	10,000

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CONDITIONAL GRANT TRANSFERS TO MUNICIPALITIES	GRANT ALLOCATION				EXPENDITURE				
	Division of Revenue Act R'000	Adjustments Estimate R'000	Roll Overs R'000	Total Available R'000	Actual Transfer R'000	Amount not Transferred R'000	% of Available Transferred	Capital R'000	Current R'000
Western Cape Municipalities	-	30,000	-	30,000	30,000	-	100,0%	-	30,000
Cape Town	-	30,000	-	30,000	30,000	-		-	30,000
Sub total: Western Cape Municipalities									
Unallocated National Reserves	220,000	(220,000)	-	-	-	-		-	-
Total: local government restructuring grant	315,000	-	224,000	539,000	494,000	45,000		-	494,000
Total	526,915	11,005	224,000	749,830	704,830	45,000		-	704,830

Please refer to the Notes to the Appropriation Statement for explanation of amount not transferred



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ANNEXURE 1B

STATEMENT OF CONDITIONAL GRANTS TO PROVINCES BY NATIONAL DEPARTMENTS AS AT 31 MARCH 2004

Conditional grants	GRANT ALLOCATION				EXPENDITURE			SPENT		% of Amount Transferred Spent		
	Division of Revenue Act R'000	Adjustments Estimate R'000	Roll Overs R'000	Total Available R'000	Actual Transfer R'000	Amount not Transferred R'000	% of Available Transferred	Capital R'000	Current R'000		Amount Received By Province R'000	Actual Amount Spent R'000
Provincial infrastructure grant												
Eastern Cape	433 673	-	-	433 673	433 673	-	100,0%	433 673	-	433 673	391 393	90,0%
Free State	141 950	-	-	141 950	141 950	-	100,0%	141 950	-	141 950	157 247	110,8%
Gauteng	235 802	-	-	235 802	235 802	-	100,0%	235 802	-	235 802	228 125	97,2%
KwaZulu-Natal	500 302	-	-	500 302	500 302	-	100,0%	500 302	-	500 302	491 888	98,3%
Limpopo	420 632	-	-	420 632	420 632	-	100,0%	420 632	-	420 632	518 069	123,2%
Mpumalanga	180 056	-	-	180 056	180 056	-	100,0%	180 056	-	180 056	157 594	87,5%
Northern Cape	72 384	-	-	72 384	72 384	-	100,0%	72 384	-	72 384	72 384	100,0%
North West	204 479	-	-	204 479	204 479	-	100,0%	204 479	-	204 479	200 187	97,9%
Western Cape	145 190	-	-	145 190	145 190	-	100,0%	145 190	-	145 190	143 310	98,7%
Sub total: provincial infrastructure grant	2 334 488	-	-	2 334 488	2 334 488	-	100,0%	2 334 488	-	2 334 488	2 361 297	101,1%
Provincial infrastructure grant - flood rehabilitation												
Eastern Cape	23 000	-	-	23 000	23 000	-	100,0%	23 000	-	23 000	84 585	367,8%
Free State	21 000	-	-	21 000	21 000	-	100,0%	21 000	-	21 000	38 724	184,4%
Limpopo	120 000	-	-	120 000	120 000	-	100,0%	120 000	-	120 000	113 409	94,5%
Mpumalanga	36 000	-	-	36 000	36 000	-	100,0%	36 000	-	36 000	42 875	119,1%
Sub total: provincial infrastructure grant - flood rehabilitation	200 000	-	-	200 000	200 000	-	100,0%	200 000	-	200 000	260 594	130,3%
Total	2 534 488	-	-	2 534 488	2 534 488	-	100,0%	2 534 488	-	2 534 488	2 622 291	103,5%

i) The actual amount spent as set out in Annexure 1B includes provincial roll-overs and thus cannot be reconciled with the transfers for the financial year in question. # so see section 18(2)(b) of the Division of Revenue Act, 2003.

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2004

ANNEXURE 1C

STATEMENT OF TRANSFERS TO PUBLIC ENTITIES AND INSTITUTIONS BY NATIONAL DEPARTMENTS AS AT 31 MARCH 2004

ENTITIES TRANSFERS	TRANSFER ALLOCATION				EXPENDITURE				
	Appropriations Act R'000	Adjustments Estimate R'000	Roll Overs R'000	Total Available R'000	Actual Transfer R'000	Amount not Transferred R'000	% of Available Transferred	Capital R'000	Current R'000
Secord Education and Training (SETA)	133	-	-	133	119	15	88,7%	-	116
South African Revenue Service	3,792,007	-	-	3,792,007	3,792,207	-	100,0%	334,546	3,457,459
Financial Intelligence Centre	37,000	-	-	37,000	37,000	-	100,0%	12,000	25,000
Financial and Fiscal Commission	12,679	-	-	12,679	12,679	-	100,0%	-	12,679
Accounting Standards Board	3,720	142	-	3,862	3,842	-	100,0%	250	3,592
Total	3,845,519	142	-	3,845,661	3,845,646	15		346,796	3,498,848



ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2004

ANNEXURE 1D

STATEMENT OF OTHER TRANSFERS BY NATIONAL DEPARTMENTS AS AT 31 MARCH 2004

Other transfers	TRANSFER ALLOCATION			EXPENDITURE					
	Appropriations Act R'000	Adjustments Estimate R'000	Roll Overs R'000	Total Available R'000	Actual Transfer R'000	Amount not Transferred R'000	% of Available Transferred	Capital R'000	Current R'000
International transfers									
African Union	-	1 000	-	1 000	1 000	-	100,0%	-	1 000
Commonwealth Fund for Technical Co-operation	-	3 000	-	3 000	2 620	380	87,3%	-	2 620
Lesotho and Namibia	157 532	-	147 000	304 532	292 835	11 797	96,1%	-	292 835
African Development Bank: Purchase of shares	129 557	-	-	129 557	85 436	44 131	65,9%	85 436	-
South African contribution to High Yield Indexed poor countries (HIPC)	55 000	-	-	55 000	44 700	10 300	81,1%	-	44 700
United Kingdom Tax	2 724	625	-	3 257	2 724	543	83,4%	-	2 724
World Bank Group (Shares)	1	-	-	1	-	1	0,0%	-	-
Sub-total: international transfers	344,942	4,525	147,000	496,467	429,315	67,152		85,436	343,879
Local Transfers									
A.C.C. Statutory Bodies	8 253	3 027	-	11 280	11 135	35	98,2%	-	11 135
Contribution to Provincial Fund for Associated Institutions (PPAI)	727	(727)	-	-	-	-	-	-	-
Development Bank of Southern Africa	40 001	-	-	40 001	-	40 001	-	-	-
Farmers Trusts	-	200	-	200	200	-	100,0%	-	200
Furman Sciences Research Council (HSRC)	-	174	-	174	174	-	100,0%	-	174
Investment public money	1	-	-	1	-	1	-	-	-
Ministry Civil Protection	2	(2)	-	-	-	-	-	-	-
Ministry Ex-Servicemen	44 060	(44 050)	-	10	-	-	-	-	-
Ministry SA Citizen Force	59 031	(69 031)	-	-	-	-	-	-	-
Project Development Faculty: PPP Unit	-	-	6 000	6 000	6 000	-	100,0%	-	6 000
SA Legion	52	-	-	52	52	-	100,0%	-	52
Secret Services	1 788 713	2 547	-	1 771 265	1 771 265	-	100,0%	-	1 771 265
Sub-total: local transfers	1,930,875	(107,902)	6,000	1,828,973	1,788,888	40,087		407,873	1,381,103
Total	2,275,817	(103,377)	153,000	2,325,440	2,218,201	107,239		493,309	1,725,092



ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2004

ANNEXURE 2
STATEMENT OF OTHER CONTROLLED ENTITIES AS AT 31 MARCH 2004

Name of Entity	Nature of entities business	Relevant Act	Entity's PFMA Schedule type (year-end listed if not 31 March)	Amounts owing to R'000		Amounts owing by R'000	Audit Report Status
				2003/04	2002/03		
Accounting Standards Board	Determine standards of generally recognised accounting practices.	Act 1 of 1999	Schedule 3A	-	-	-	Unqualified
Development Bank of Southern Africa	Promote, facilitate and by funding to improve the socio-economic development in Southern Africa, while efficiency, fairness, transparency and accountability are promoted at the same time.	Act 13 of 1997	Schedule 2	-	-	-	Unqualified
Financial Intelligence Centre	To assist in the identification of the proceeds of unlawful activities and the combating of money laundering activities	Act 38 of 2000	Schedule 3A	-	-	-	Unqualified
Financial Services Board	Supervise compliance with laws regulating financial institutions and the provision of financial services and the matters connected therewith.	Act 97 of 1990	Schedule 3A	-	-	-	Unqualified
Policy Board for Financial Services and Regulations	Advise the Minister on policy matters relating to financial services and financial regulation.	Act 14 of 1993	Not listed	-	-	-	Unqualified
Public Accountants and Auditor's Board	Regulation of public accountants and auditors and for the regulation of the training of public accountants and auditors	Act 80 of 1981	Not listed (31 December)	-	-	-	Unqualified
Public Investment Commissioners	Investment of certain moneys received or held by, for or on behalf of the Government of the Republic and certain bodies, funds and accounts for the transfer of certain assets, liabilities, rights and obligations to the Corporation for Public Deposits and for matters connected therewith	Act 45 of 1984	Schedule 3A	-	-	-	Unqualified
South African Revenue Service	Efficient and effective collection of revenue	Act 34 of 1995	Schedule 3A	-	-	-	Unqualified
South African Special Risks Insurance Association (SASRIA)	Short-term industry as regards special risks and to reduce the State's net expenditure.	Act 134 of 1996	Schedule 3B (31 December)	-	-	-	Unqualified
Special Pensions Board	Review application for benefits in terms of the Special Pensions Act	Act 69 of 1995	Not listed	-	-	-	Unqualified



ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2004

ANNEXURE 2
STATEMENT OF OTHER CONTROLLED ENTITIES AS AT 31 MARCH 2004

Name of Entity	Nature of entities business	Relevant Act	Entity's PFMA Schedule type (year-ended listed if not 31 March)	Amounts owing to R'000		Amounts owing by R'000	Audit Report Status
				2003/04	2002/03		
Unit Trust Advisory Committee	Conduct investigations and advise or make recommendations to the registrar or make recommendations to the Minister regarding any matter relating to unit trusts, and shall advise the Minister on any such matter referred to the advisory committee by the Minister.	Act 54 of 1981	n.r.	stec	2003/04	2002/03	LIQUID
				Total			
				-		-	- Jiroua fed



ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2004

ANNEXURE 3

STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2004

DOMESTIC GUARANTEES

Guaranteed institution	Guarantee in respect of	Original guaranteed capital amount R'000	Opening balance 01/04/2003 R'000	Guarantees issued during the year R'000	Guarantees released / paid / cancelled / reduced during the year R'000	Guaranteed interest outstanding as at 31/03/2004 R'000	Closing balance 31/03/2004 R'000	Realised losses i.r.o. claims paid out R'000
Stellenbosch	Motor vehicles guarantees	1 124	1 027	-	934	-	423	-
Sub total		1 124	1 027	-	934	-	423	-
ABSA	Housing guarantees	175	175	21	59	-	137	-
FNB	Housing guarantees	295	269	27	66	-	230	-
Medibank Limited	Housing guarantees	245	117	128	0	-	245	-
Old Mutual Bank	Housing guarantees	120	85	36	17	-	134	-
Pecolabs Bank	Housing guarantees	48	31	17	0	-	48	-
Standard Bank	Housing guarantees	328	288	39	39	-	288	-
VBS Mutual Bank	Housing guarantees	15	19	-	13	-	0	-
Sub total		1 230	984	268	200	-	1 052	-
Total		2 354	2 011	268	804	-	1 475	-



NATIONAL TREASURY VOTE 8

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2004

ANNEXURE 4

PHYSICAL ASSET MOVEMENT SCHEDULE (Not including inventories)

PHYSICAL ASSETS ACQUIRED DURING FINANCIAL YEAR 2003/04	Opening Balance	Additions	Disposals	Transfers In	Transfers Out	Closing Balance
	R'000	R'000	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	35,915	14,904	-	-	-	50,819
Computer equipment	14,554	4,854	-	-	-	19,408
Furniture and office equipment	15,219	7,371	-	-	-	22,590
Other machinery and equipment	5,110	2,211	-	-	-	7,321
Transport assets	1,032	468	-	-	-	1,500
Total	35,915	14,904	-	-	-	50,819

PHYSICAL ASSETS ACQUIRED DURING FINANCIAL YEAR 2002/03	Opening Balance	Additions	Disposals	Transfers In	Transfers Out	Closing Balance
	R'000	R'000	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	8,369	27,546	-	-	-	35,915
Computer equipment	5,810	8,744	-	-	-	14,554
Furniture and office equipment	1,846	13,373	-	-	-	15,219
Other machinery and equipment	54	5,056	-	-	-	5,110
Transport assets	659	373	-	-	-	1,032
Total	8,369	27,546	-	-	-	35,915



NATIONAL TREASURY VOTE 8

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2004

ANNEXURE 5

INTANGIBLE ASSET MOVEMENT SCHEDULE (Not including inventories)

INTANGIBLE ASSETS ACQUIRED DURING FINANCIAL YEAR 2003/04	Opening Balance	Additions	Disposals	Transfers In	Transfers Out	Closing Balance
	R'000	R'000	R'000	R'000	R'000	R'000
Computer software	2,664	713	-	-	-	3,377
	<u>2,664</u>	<u>713</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,377</u>

INTANGIBLE ASSETS ACQUIRED DURING FINANCIAL YEAR 2002/03	Opening Balance	Additions	Disposals	Transfers In	Transfers Out	Closing Balance
	R'000	R'000	R'000	R'000	R'000	R'000
Computer software	784	1,880	-	-	-	2,664
	<u>784</u>	<u>1,880</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,664</u>

NATIONAL TREASURY VOTE 8

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2004

ANNEXURE 6

INTER-DEPARTMENTAL RECEIVABLES - CURRENT

Department	Confirmed balance outstanding		Unconfirmed balance outstanding	
	31/03/2004	31/03/2003	31/03/2004	31/03/2003
	R'000	R'000	R'000	R'000
Department of Finance - Eastern Cape	-	-	2,744	2,134
Department of Finance - Free State	-	-	5	-
Department of Finance - Gauteng	-	-	289	288
Department of Finance - Kwazulu Natal	-	-	2,415	766
Department of Finance - Limpopo	-	-	1,354	1,138
Department of Finance - Mpumalanga	-	-	153	1,643
Department of Finance - Northern Cape	-	-	1,002	902
Department of Finance - Western Cape	-	-	527	34
Department of Home Affairs	-	-	-	38
Department of Health	-	-	12	-
Department of National Welfare	-	-	5	1
Government Printing Works	-	-	-	146
Financial Intelligence Centre	-	-	301	438
National Intelligence Agency	-	-	2	-
Public Investment Commissioner	-	-	158	-
Other	-	-	1	5
Total	-	-	8,978	7,533





NATIONAL TREASURY VOTE 8

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2004

ANNEXURE 7

INTER-DEPARTMENTAL PAYABLES - CURRENT

Department	Confirmed balance outstanding		Unconfirmed balance outstanding	
	31/03/2004	31/03/2003	31/03/2004	31/03/2003
	R'000	R'000	R'000	R'000
South African Revenue Service	-	-	-	8
Total	-	-	-	8



REPORT OF THE AUDITOR-GENERAL

TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE PROJECT DEVELOPMENT FACILITY for the year ended 31 March 2004

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 158 to 165, for the period ended 31 March 2004, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. NATURE AND SCOPE

2.1 Audit of financial statements

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- ¹ examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- ¹ assessing the accounting principles used and significant estimates made by management, and
- ¹ evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters.

I believe that the audit provides a reasonable basis for my opinion.

3. AUDIT OPINION

In my opinion, the financial statements fairly present, in all material respects, the financial position of the Project Development Facility at 31 March 2004 and the results of its operations and cash flows for the period then ended, in accordance with Statements of Generally Accepted Accounting Practice and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999).





REPORT OF THE AUDITOR-GENERAL
TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF
THE PROJECT DEVELOPMENT FACILITY
for the year ended 31 March 2004

4. APPRECIATION

The assistance rendered by the staff of the Project Development Facility during the audit is sincerely appreciated.

S Labuschagne
for Auditor-General

Pretoria
30 July 2004

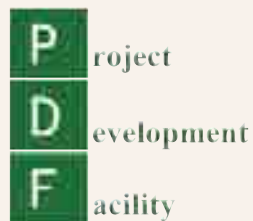




**PROJECT DEVELOPMENT
FACILITY (PDF): A TRADING
ENTITY MANAGED BY THE PPP
UNIT OF NATIONAL TREASURY**



**Annual Financial Statements for the
period 21 October 2003 to 31 March 2004**







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PROJECT DEVELOPMENT FACILITY (PDF)



BALANCE SHEET
at 31 March 2004

	Notes	R
ASSETS		
Current assets		
Cash and cash equivalents	3	6 000 000
Trade and other receivables	4	72 000
Total assets		<u>6 072 000</u>
RESERVE AND LIABILITIES		
Reserve		
Unutilised surplus	5	<u>5 886 750</u>
Current liabilities		
Trade and other payables	7	185 250
Total reserve and liabilities		<u>6 072 000</u>





PROJECT DEVELOPMENT FACILITY (PDF)



INCOME STATEMENT
for the period 21 October 2003 to 31 March 2004

	Notes	R
REVENUE	8	6 000 000
Operating expenditure		<u>(185 250)</u>
Operating surplus	8	5 814 750
Net finance income	4	<u>72 000</u>
Surplus for the period		<u>5 886 750</u>



PROJECT DEVELOPMENT FACILITY (PDF)



STATEMENT OF CHANGES IN EQUITY
for the period 21 October 2003 to 31 March 2004

	Unutilised surplus R
Surplus for the period	5 886 750
Balance at 31 March 2004	<u>5 886 750</u>





PROJECT DEVELOPMENT FACILITY (PDF)



CASH FLOW STATEMENT
for the period 21 October 2003 to 31 March 2004

	Notes	R
CASH FLOW FROM OPERATING ACTIVITIES		
Cash generated from operations	9.1	6 000 000
		<hr/>
Net cash inflow from operating activities		6 000 000
CASH FLOW FROM INVESTING ACTIVITIES		-
Net increase in cash and cash equivalents		6 000 000
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period		<hr/> 6 000 000 <hr/>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the period 21 October 2003 to 31 March 2004

1. Accounting policy

The annual financial statements are prepared on the historical cost basis, and conform, in all material respects, to South African Statements of Generally Accepted Accounting Practice. No modifications were made for measurement of financial instruments to fair value.

The principal accounting policies adopted and applied are set out below.

1.1 Revenue recognition

1.1.1 Government grants for the financing of operating expenditure are those received from National Treasury, are accounted for as income on the accrual basis and are not repayable.

1.1.2 Interest is recognised on a time proportion basis and is therefore recognised as it accrues.

1.2 Financial instruments

Financial instruments carried on the balance sheet include cash and cashbook balances, trade creditors and interest receivable. These instruments are generally carried at their estimated fair value. The particular recognition methods adopted are disclosed in the individual notes associated with each item, as set out below.

1.3 Cash and cash equivalents

Cash and cash equivalents are stated at cost, which is the fair value. For the purposes of the cash flow statement, cash and cash equivalents comprise deposits held with banks.

1.4 Comparative figures

As this is the first year of operations, there are no comparative figures.

2. Public sector practices and policies

2.1 Inter-relationship with other government entities

The public 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 moveable assets.



PROJECT DEVELOPMENT FACILITY (PDF)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the period 21 October 2003 to 31 March 2004

2.2 Public Finance Management Act reporting requirements

Section 40(3)(b)

No material losses occurred during the current financial year due to criminal conduct nor any unauthorised expenditure, irregular expenditure, fruitless expenditure or wasteful expenditure.

	R
3. Cash and cash equivalents	
Bank balances – current accounts	6 000 000
	<u>6 000 000</u>
4. Trade and other receivables	
Accrued interest	72 000
	<u>72 000</u>
5. Unutilised surplus	
Opening unutilised surplus / (deficit)	-
Surplus for the year	5 886 750
Unutilised surplus at 31 March 2004	<u>5 886 750</u>

6. Contingent liabilities

The unutilised surplus of R 5 886 750 is retained for the funding of Transaction Advisor costs associated with establishment of selected PPP projects approved for funding during the course of the Project Development Facility's normal course of operations. Funding is disbursed upon the successful achievement of predefined milestones and Treasury Approvals. The following PPP projects have been identified for funding:

	R
Northern Cape Office Complex	717 000
Free State New Build Hospitals	1 861 912
Vukuzakhe Plant Depot	1 081 011
Eastern Cape Pharmaceuticals	3 146 696
Settlers and Port Alfred Hospitals	496 060
Western Cape Rehabilitation Centre	2 925 000

Commitments arising from future funding of the above identified projects will be financed from the current unutilised surplus of R 5 886 750 as well as future government grants.



PROJECT DEVELOPMENT FACILITY (PDF)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the period 21 October 2003 to 31 March 2004

R

7. Trade and other payables	
Trade accounts payable	185 250
	<u>185 250</u>
8. Operating surplus is arrived at after taking the following into account:	
Revenue from:	
- Government grant received	6 000 000
	<u>6 000 000</u>
Fees for financial management services:	
- Private institutions	185 250
	<u>185 250</u>
9. Notes to the cash flow statement	
9.1 Reconciliation of surplus for the year to cash generated from operating activities	
Surplus for the year	5 886 750
Adjustments for:	
- Interest received	72 000
	<u>72 000</u>
Operating surplus before working capital changes	5 814 750
Working capital changes:	185 250
- Increase in trade and other payables and provisions	<u>185 250</u>
Cash generated from operations	<u>6 000 000</u>





PROJECT DEVELOPMENT FACILITY (PDF)



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the period 21 October 2003 to 31 March 2004

R

10. Commitments

10.1 Operating commitments

Payable within the next 12 months:

- Contractual commitments 444 600

Payable thereafter:

- Contractual commitments 444 600

11. Taxation

No provision is made for taxation, as the Project Development Facility is exempt from taxation in terms of Section 10(1)(a) of the Income Tax Act, 1962.



HUMAN RESOURCES MANAGEMENT STATISTICAL REPORT



1. SERVICE DELIVERY

Service delivery environment

The National Treasury service delivery environment is contextualised by its aim to promote economic development, good governance, social progress and to raise the living standards of South Africa's people. Its policy priorities are implemented through the Department's eight programmes. Financial and fiscal reform remains a key outcome of National Treasury activity, with the objective being to achieve sustainable growth and development; job creation; and poverty eradication. Ongoing improvements in our budgetary system continue to enhance transparency and accountability. Reforms in government procurement and the introduction of a broad-based supply chain policy framework served to enhance efficiency and meet the Government's black economic empowerment objectives.

We continue to improve financial management, examples of which are reform in the formats for financial reporting for national and provincial government, and to move to a full accrual basis of accounting based on the standards set by the Accounting Standards Board (ASB).


Macroeconomic policies

Government's macroeconomic policies aim to meet the challenges of South Africa's social and economic development in the context of an increasingly interdependent global environment. This includes deepening South Africa's financial markets, gradually liberalising exchange controls, improving financial sector oversight and regulation, enhancing consumer protection and combating money-laundering and terrorism financing. The National Treasury is actively engaged in the development of the Southern African region through cooperation with neighbouring South African Development Communities (SADC) countries on issues such as taxation, promoting investment and economic integration within the region.

Intergovernmental fiscal relations

The building of solid intergovernmental financial and fiscal relations system is important for service delivery and efficiency in government spending. A major area of progress and development is the National Treasury's relationship with other spheres of government. New frameworks for the allocation of grants to provinces and local government provide sharper definitions of the purpose and intended outputs for each grant. This enhances transparency and is expected to lead to further improvements in service delivery. The ongoing evolution of the system of intergovernmental fiscal relations will be achieved at provincial and local levels by rationalising grants to ensure that there are fewer, but better administered, grants. With the turnaround in provincial infrastructure





investment, the main focus over the medium term will be to use infrastructure delivery to accomplish other government objectives. More specifically, the priority will be to facilitate employment through labour-based and labour-intensive projects. In addition, future initiatives will focus on institutionalising good practices in relation to infrastructure planning, supply chain management (procurement) and delivery.

At local government level, the priority will be to reinforce budget reform and financial management. Building on the solid legal foundation that will have been laid by the Municipal Finance Management Act (MFMA), targeted support will be provided to municipalities to improve their financial management capacity and to strengthen the link between policy, planning and budgets. These reforms have been piloted in selected municipalities and are being rolled out countrywide over the medium term. This will ensure even greater transparency in resource allocation and reporting, and will, over time, further enhance accountability and service delivery.

Implementing the PFMA

The successful implementation of the Public Finance Management Act (PFMA) since 2000 lays a solid foundation for the roll-out of the MFMA in 2004. The MFMA, which seeks to introduce similar financial management reforms at local government level, will be launched in all provinces in 2004. Both the PFMA and the MFMA are key elements in transforming public sector financial management and are important National Treasury objectives.

Over the next few years, the Treasury will be commissioning high-quality short courses for all government officials to build the necessary capacity to implement the Acts effectively. It is rolling out financial management systems, which will ensure not only the transparency of expenditure, but also the effective and efficient use of scarce resources to achieve social transformation. These systems for enhancing the integrity and effectiveness of supply-chain and expenditure management are part of PFMA implementation and have been among National Treasury's most important reforms.

Appropriate tax policies

Reviewing the taxation of retirement savings, introducing a mining royalty tax, considering tax measures to support investment and enhancing revenue-estimation capacity form part of the development of appropriate tax policies for the country.

The South African Revenue Service (SARS), a public entity reporting to the Minister of Finance, has consistently exceeded its revenue targets and has been highly efficient and effective in its revenue collection. It has introduced electronic filing and payments, implemented a capital gains tax, changed taxation from source-based to residence-based, and also developed a risk management approach to compliance, with emphasis on measuring the tax gap and identifying high-yield strategies.



Managing public sector debt

Another priority for National Treasury is the prudent management of Government's financial assets and liabilities, including the domestic and foreign debt portfolios. Since 1999, the debt management strategy has evolved from strategic debt management, where the primary focus was on access to capital markets and the maintenance of a balanced maturity profile. The focus has shifted to active debt management, where Government's borrowing requirement is financed at the lowest possible cost within acceptable levels of risk. Strategies are in place to meet Government's borrowing requirement over the medium term. In addition, the Treasury is also improving its cash management processes, enabling it to use surplus cash from the provinces. This strategy has a positive impact on Government's cost of financing.



2. EXPENDITURE

Personnel costs by programme, 2003/04

Programme	Total Expenditure (R'000)	Personal Expenditure (R'000)	Training Expenditure	Professional and Special Services (R'000)	Personal Cost as a % of Total Expenditure	Average Personnel Cost per Employee (R'000)
Administration	89,921	35,678	1,251	28,741	40	205
Economic Planning and Budget Management	106,431	58,249	2,145	21,815	55	254
Asset and Liability Management	51,864	13,934	556	34,179	27	268
Procurement Management, Financial Systems and PFMA	234,312	20,192	274	208,588	9	240
Financial Accounting and Reporting	44,717	3,947	295	16,464	9	197
Provincial and Local Government Transfers	3,239,318	0	0	0	0	0
Civil and Military Pensions, Contributions to Funds and Other	2,287,898	0	0	16,320	0	0
Fiscal Transfers	6,038,542	0	0	0	0	0
Special Functions	1,050	0	0	0	0	0
Total	12,094,053	132,000	4,521	326,107	0	0

Personnel costs by salary bands, 2003/04

Salary Bands	Personal Expenditure (R'000)	% of Total Personnel Cost	Average Personnel Cost per Employee (R'000)	Number of Employees
Lower skilled (Levels 1-2)	260	0.20	43	6
Skilled (Levels 3-5)	2,985	2.26	69	43
Highly skilled production (Levels 6-8)	15,474	11.72	120	129
Highly skilled supervision (Levels 9-12)	42,699	32.35	231	185
Senior and top management (Levels 13-16)	58,644	44.43	469	125
Total	120,062	90.96	0	488

Salaries, overtime, home owners allowance and medical aid by programme, 2003/04

Programme	Salaries		Overtime		Home Owners Allowance		Medical Aid	
	Amount (R'000)	% of Personnel Costs of Programme	Amount (R'000)	% of Personnel Costs of Programme	Amount (R'000)	% of Personnel Costs of Programme	Amount (R'000)	% of Personnel Costs of Programme
Administration	21,026	58.9	63	0.18	463	1.3	1,201	3.4
Economic Planning and Budget Management	37,907	65.1	26	0.04	502	0.9	1,632	2.8
Asset and Liability Management	9,256	66.4	0	0.00	148	1.1	453	3.3
Procurement Management, Financial Systems and PFMA	13,734	68.0	0	0	351	1.7	732	3.6
Financial Accounting and Reporting	2,458	62.3	0	0	9	0.2	93	2.4
Provincial and Local Government Transfers	0	0	0	0	0	0	0	0
Civil and Military Pensions, Contributions to Funds and Other	0	0	0	0	0	0	0	0
Fiscal Transfers	0	0	0	0	0	0	0	0
Total	84,381	0	89	0	1,473	0	4,111	0



Salaries, overtime, home owners allowance and medical aid by salary bands, 2003/04

Programme	Salaries		Overtime		Home Owners Allowance		Medical Aid	
	Amount (R'000)	% of Personnel Costs of Programme	Amount (R'000)	% of Personnel Costs of Programme	Amount (R'000)	% of Personnel Costs of Programme	Amount (R'000)	% of Personnel Costs of Programme
Lower skilled (Levels 1-2)	227	87	1	0	16	6	36	14
Skilled (Levels 3-5)	2,020	68	10	0	89	3	169	6
Highly skilled production (Levels 6-8)	10,900	70	56	0	435	3	858	6
Highly skilled supervision (Levels 9-12)	32,037	75	22	0	765	2	1,456	3
Senior and top management (Levels 13-16)	31,488	54	0	0	168	0	1,499	3
Total	76,672	0	89	0	1,473	0	4,018	0

The amounts stated in the above table exclude salaries and benefits of the Minister, Deputy Minister and employees in addition to the establishment. The amounts stated in the above tables also exclude the severance package payments.

3. EMPLOYMENT AND VACANCIES

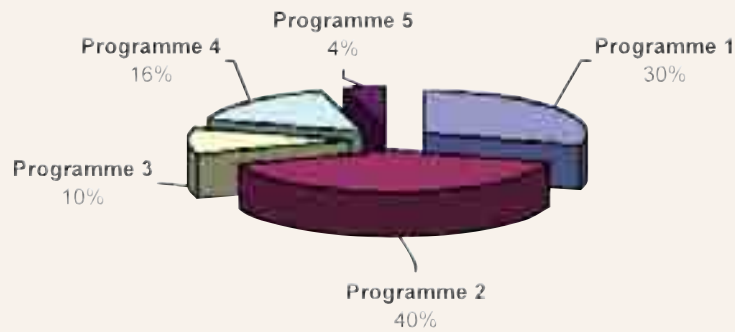
Employment and vacancies by programme, 31 March 2004

Programme	Number of Posts	Number of Posts filled	Vacancy Rate %	Number of Posts filled Additional to the Establishment
Programme 1	193	145	25	33
Programme 2	321	194	40	35
Programme 3	80	50	38	3
Programme 4	201	79	61	8
Programme 5	64	20	69	0
Total	859	488	43	79





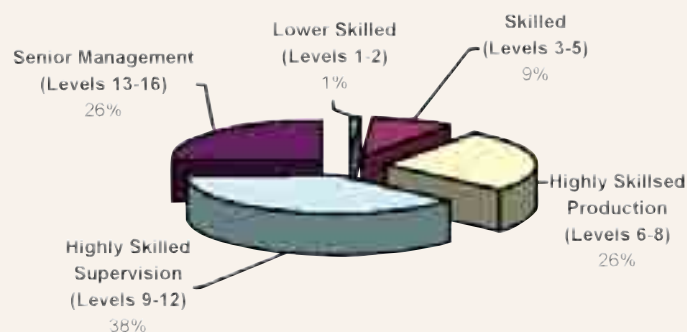
Filled positions as a percentage of total (488)



Employment and vacancies by salary bands, 31 March 2004

Salary Band	Number of Posts	Number of Posts filled	Vacancy Rate %	Number of Posts filled Additional to the Establishment
Lower skilled (Levels 1-2)	7	6	14	2
Skilled (Levels 3-5)	74	43	42	11
Highly skilled production (Levels 6-8)	239	129	46	44
Highly skilled supervision (Levels 9-12)	353	185	48	10
Senior management (Levels 13-16)	186	125	33	12
Total	859	488	43	79

Positions filled per salary band



4. JOB EVALUATION

Job evaluation, 1 April 2003 to 31 March 2004

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)	7	0	0	0	0	0	0
Skilled (Levels 3-5)	74	17	23	0	0	0	0
Highly skilled production (Levels 6-8)	239	68	28	8	11	0	0
Highly skilled supervision (Levels 9-12)	353	77	22	4	5	0	0
Senior Management Service Band A	141	15	11	0	0	0	0
Senior Management Service Band B	35	1	3	0	0	0	0
Senior Management Service Band C	9	1	11	0	0	0	0
Senior Management Service Band D	1	1	100	0	0	0	0
Total	859	180	21	12	16	0	0

Profile of employees whose salary positions were upgraded due to their posts being upgraded, 1 April 2003 to 31 March 2004

Beneficiaries	African	Asian	Coloured	White	Total
Female	1	0	1	1	3
Male	0	0	0	0	0
Total	1	0	1	1	3

Employees whose salary levels exceeded the grade determined by job evaluation, 1 April 2003 to 31 March 2004 (in terms of PSR 1.V.C.3)

Occupation	Number of Employees	Job Evaluation Level	Remuneration Level	Reason for Deviation
Chief Director	1	14	15	Retention
Deputy Director	14	11	12	Retention/Absorption
Assistant Director	3	9	10	Retention/Absorption
Personal Assistant	1	7	8	Retention/Absorption
Admin Officer	1	8	9	Retention/Absorption
Clerk	1	4	6	Absorption
Total number of employees whose salaries exceeded the level determined by job evaluation in 2003/04				21





Profile of employees whose salary levels exceeded the grade determined by job evaluation, 1 April 2003 to 31 March 2004 (in terms of PSR 1.V.C.3)

Beneficiaries	African	Asian	Coloured	White	Total
Female	5	0	0	6	11
Male	3	2	2	3	10
Total	8	2	2	9	21

5. EMPLOYMENT CHANGES

Annual turnover rates by salary band for the period 1 April 2003 to 31 March 2004

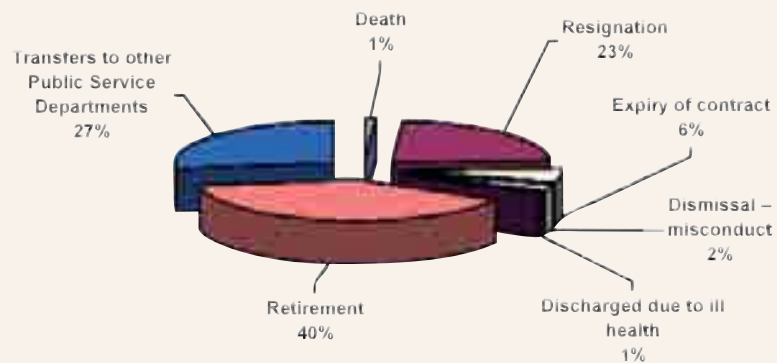
Salary Band	Number of Employees per Band as on 1 April 2003	Appointments and Transfers into the Department	Terminations and Transfers out of the Department	Turnover Rate
Lower skilled (Levels 1-2)	6	0	3	-3
Skilled (Levels 3-5)	43	16	8	8
Highly skilled production (Levels 6-8)	129	24	28	-4
Highly skilled supervision (Levels 9-12)	185	30	29	1
Senior Management Service Band A	94	19	13	6
Senior Management Service Band B	23	3	3	0
Senior Management Service Band C	7	1	3	-2
Senior Management Service Band D	1	0	1	-1
Total	488	93	88	5



Reasons for staff leaving the Department

Termination Type	Number	% of Total
Death	1	1
Resignation	20	23
Expiry of contract	5	6
Dismissal – operational changes	0	0
Dismissal – misconduct	2	2
Dismissal – inefficiency	0	0
Discharged due to ill-health	1	1
Retirement	35	40
Transfers to other Public Service Departments	24	27
Other	0	0
Total	88	100
Total number of employees who left as a % of the total employment		18

Percentage turnover rates

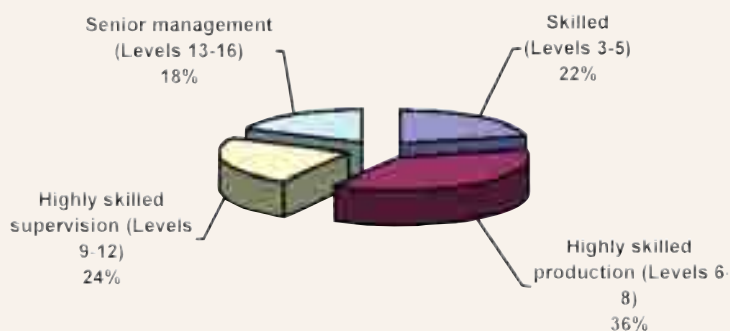




Promotions by salary band

Salary Band	Employees 1 April 2003	Promotions to another Salary Level	Salary Bands Promotions as a % of Employees by Salary Level	Progressions to another Notch within a Salary Level	Notch Progressions as a % of Employees by Salary Band
Lower skilled (Levels 1-2)	6	0	0	3	50
Skilled (Levels 3-5)	43	17	44	5	12
Highly skilled production (Levels 6-8)	129	29	29	36	28
Highly skilled supervision (Levels 9-12)	185	19	21	25	14
Senior management (Levels 13-16)	125	14	16	54	44
Total	488	79	24	123	25

Percentage of promotions per salary band

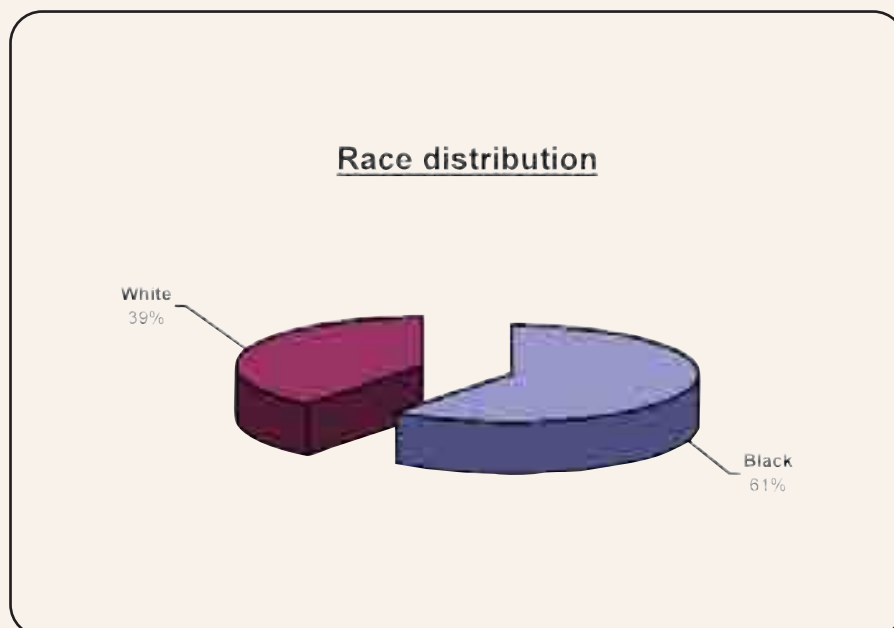


6. EMPLOYMENT EQUITY

Total number of employees (including employees with disabilities) in each of the following occupational categories at 31 March 2004

Occupational Categories	Male				Female				Total
	African	Coloured	Asian	White	African	Coloured	Asian	White	
Legislators, senior officials and managers	30	12	15	37	10	2	3	18	127
Professionals	24	2	4	24	27	3	0	27	111
Technicians and associate professionals	21	3	3	15	18	2	3	34	99
Clerks	8	5	0	4	42	9	1	34	103
Service and sales workers	9	1	0	0	6	0	0	0	16
Skilled agriculture and fishery workers	0	0	0	0	0	0	0	0	0
Craft and related trades workers	0	0	0	0	0	0	0	0	0
Plant and machine operators and assemblers	6	0	0	0	0	0	0	0	6
Elementary occupations	13	1	0	0	14	0	0	0	28
Total	111	24	22	80	117	16	7	113	490*

* Note: This total includes the Minister and Deputy Minister.

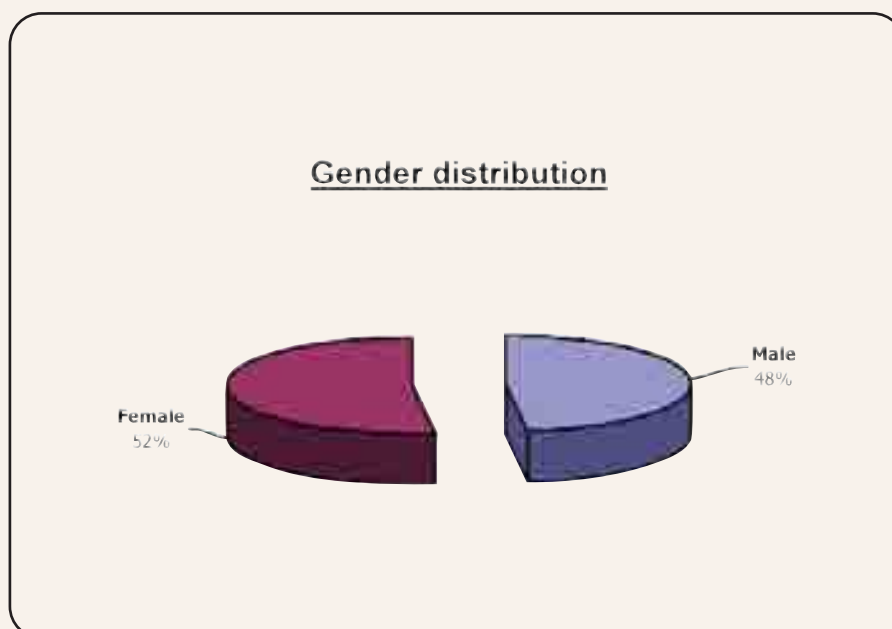




Total number of employees (including employees with disabilities) in each of the following occupational bands at 31 March 2004

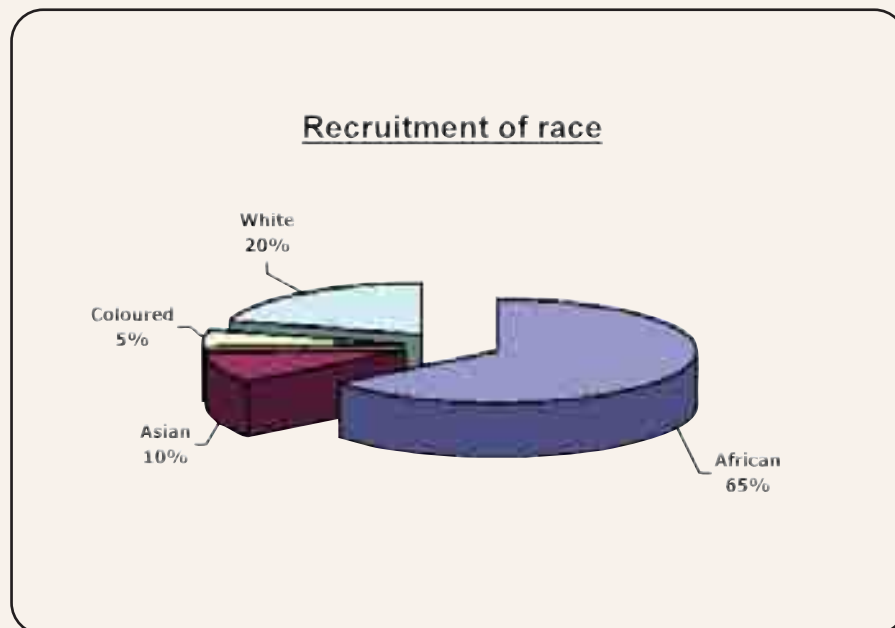
Occupational Bands	Male				Female				Total
	African	Coloured	Asian	White	African	Coloured	Asian	White	
Top Management	3	1	1	2	0	1	0	0	8
Senior Management	26	10	14	35	10	1	3	18	117
Professionally qualified and experienced specialists and mid-management	24	2	6	24	27	4	0	27	114
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	29	5	1	16	41	4	2	50	148
Semi-skilled and discretionary decision making	21	4	0	3	33	6	2	17	86
Unskilled and defined decision making	7	1	0	0	6	0	0	1	15
Total	110	23	22	80	117	16	7	113	488*

* Note: This total excludes the Minister and Deputy Minister



Recruitment for the period 1 April 2003 to 31 March 2004

Occupational Bands	Male				Female				Total
	African	Coloured	Asian	White	African	Coloured	Asian	White	
Top Management	1	0	0	0	0	0	0	0	1
Senior Management	0	0	0	2	0	0	0	1	3
Professionally qualified and experienced specialists and mid-management	5	1	5	2	2	0	1	3	19
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	10	1	3	2	9	1	0	4	30
Semi-skilled and discretionary decision making	5	0	0	0	13	1	0	5	24
Unskilled and defined decision making	8	0	0	0	7	1	0	0	16
Total	29	2	8	6	31	3	1	13	93
Employees with disabilities	0	0	0	0	1	0	0	0	1





Promotions for the period 1 April 2003 to 31 March 2004

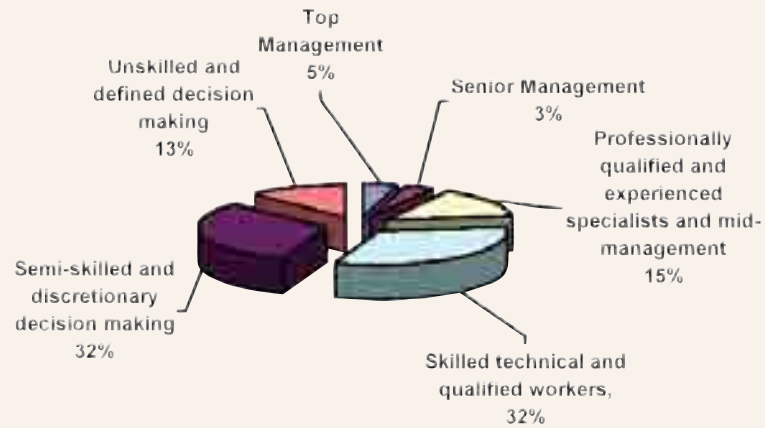
Occupational Bands	Male				Female				Total
	African	Coloured	Asian	White	African	Coloured	Asian	White	
Top Management	3	1	0	0	0	0	0	0	4
Senior Management	1	1	0	0	0	0	0	0	2
Professionally qualified and experienced specialists and mid-management	1	1	0	2	2	1	0	1	8
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	3	0	0	5	6	2	0	3	19
Semi-skilled and discretionary decision making	8	1	0	0	11	3	0	6	29
Unskilled and defined decision making	6	1	0	0	10	0	0	0	17
Total	22	5	0	7	29	6	0	10	79

Terminations for the period 1 April 2003 to 31 March 2004

Occupational Bands	Male				Female				Total
	African	Coloured	Asian	White	African	Coloured	Asian	White	
Top Management	2	0	1	0	0	0	0	1	4
Senior Management	1	0	0	0	2	0	0	0	3
Professionally qualified and experienced specialists and mid-management	4	0	1	4	1	1	1	1	13
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	6	1	0	8	4	0	1	9	29
Semi-skilled and discretionary decision making	6	2	0	5	2	0	0	13	28
Unskilled and defined decision making	2	0	0	0	6	0	0	3	11
Total	21	3	2	17	15	1	2	27	88



Terminations



Skills development for the period 1 April 2003 to 31 March 2004

Occupational Categories	Male				Female				Total
	African	Coloured	Asian	White	African	Coloured	Asian	White	
Legislators, senior officials and managers	31	8	5	13	21	5	2	34	119
Professionals	8	2	1	7	13	2	0	18	51
Technicians and associate professionals	11	3	0	3	23	3	1	17	61
Clerks	11	4	0	5	39	2	3	25	89
Service and sales workers	0	0	0	0	0	0	0	0	0
Skilled agriculture and fishery workers	0	0	0	0	0	0	0	0	0
Craft and related trades workers	0	0	0	0	0	0	0	0	0
Plant and machine operators and assemblers	0	0	0	0	0	0	0	0	0
Elementary occupations	0	0	0	0	0	0	0	0	0
Total	61	17	6	28	96	12	6	94	320

Disciplinary action for the period 1 April 2003 to 31 March 2004

	Male				Female				Total
	African	Coloured	Asian	White	African	Coloured	Asian	White	
Disciplinary action	4	1	0	2	1	0	0	0	8



7. PERFORMANCE REWARDS

Performance Rewards by race, gender and disability, 1 April 2003 to 31 March 2004

	Beneficiary Profile			Cost	
	Number of Beneficiaries	Total Number of Employees in Group	% of Total within Group	Cost (R'000)	Average Cost per Employee
African	74	227	33	1,378,708.65	18,631.20
Male	32	110	30	795,392.45	24,856.01
Female	42	117	36	583,316.20	13,888.48
Asian	13	29	44	359,335.78	27,641.21
Male	10	22	45	302,285.60	30,228.56
Female	3	7	43	57,050.18	19,016.72
Coloured	21	39	54	465,235.18	22,154.06
Male	10	23	43	250,271.44	25,027.14
Female	11	16	69	214,963.74	19,542.15
White	97	193	50	2,229,844.49	22,988.09
Male	44	80	56	1,247,937.43	28,362.21
Female	53	113	47	981,907.06	18,526.54
Total	205	488	42%	4,433,124.10	179,447.81

Performance Rewards by salary bands for personnel below Senior Management Service, 1 April 2003 to 31 March 2004

Salary Bands	Beneficiary Profile			Cost		
	Number of Beneficiaries	Number of Employees	% of Total within Salary Bands	Total Cost (R'000)	Average Cost per Employee	Total Cost as a % of the Total Personnel Expenditure
Lower skilled (Levels 1-2)	7	6	116	39,935.70	5,705.10	0.03
Skilled (Levels 3-5)	17	43	39	127,608.06	7,506.35	0.10
Highly skilled production (Levels 6-8)	62	129	48	763,957.89	12,321.90	0.58
Highly skilled supervision (Levels 9-12)	39	185	21	852,040.02	21,847.18	0.64
Total	125	363	34	1,783,541.67	14,268.33	1.35

Performance-related rewards (cash bonus) by salary band for Senior Management Service, 1 April 2003 to 31 March 2004

Salary Band	Beneficiary Profile		Total Cost (R'000)		Average Cost per Employee		Total Cost as a % of the Total Personnel Expenditure	
	Number of Beneficiaries	Number of Employees	% of Total within Band					
Band A	47	94	50	1,349,206.70	28,706.53	1.02		
Band B	28	23	122	1,059,646.13	37,844.50	0.80		
Band C	5	7	71	240,729.60	48,145.92	0.18		
Band D	0	1	0	0	0	0		
Total	80	125	64	2,649,582.43	33,119.78	2.0		

8. FOREIGN WORKERS

Foreign workers by salary band, 1 April 2002 to 31 March 2003

Salary Band	1 April 2003		31 March 2004		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)	2	25	1	14	1	100
Highly skilled supervision (Levels 9-12)	3	37.5	3	43	0	0
Senior management (Levels 13-16)	3	37.5	3	43	0	0
Total	8	100	7	100	1	100

Foreign workers by major occupation, 1 April 2002 to 31 March 2003

Major Occupation	1 April 2002		31 March 2003		Change	
	Number	% of Total	Number	% of Total	Number	% Change
Chief Director	2	33	2	33	0	0
Director	1	17	1	17	0	0
Deputy Director	3	50	3	50	0	0
Total	6	100	6	100	0	0



9. LEAVE UTILISATION FOR THE PERIOD 1 JANUARY 2003 TO 31 DECEMBER 2003

Sick leave, 1 January 2003 to 31 December 2003

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)	69	98.6	7	2.1	10	9
Skilled (Levels 3-5)	236	87.3	32	9.8	7	41
Highly skilled production (Levels 6-8)	532	77.3	82	25.2	6	176
Highly skilled supervision (Levels 9-12)	878	78.2	136	41.7	6	574
Senior management (Levels 13-16)	330	73.9	69	21.2	5	541
Total	2,045	83.06	326	100	7	1,341

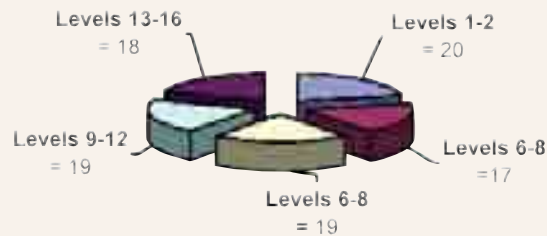
Disability leave (temporary and permanent), 1 January 2003 to 31 December 2003

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)	17	100	3	7.9	6	2
Skilled (Levels 3-5)	73	100	4	10.5	18	14
Highly skilled production (Levels 6-8)	395	99.7	17	44.7	23	155
Highly skilled supervision (Levels 9-12)	167	97.6	12	31.6	14	110
Senior management (Levels 13-16)	17	100	2	5.3	9	27
Total	669	99.5	38	100	14	308

Annual leave, 1 January 2003 to 31 December 2003

Salary Bands	Total Days taken	Average per Employee
Lower skilled (Levels 1-2)	198	20
Skilled (Levels 3-5)	795	17
Highly skilled production (Levels 6-8)	2,659	19
Highly skilled supervision (Levels 9-12)	4,026	19
Senior management (Levels 13-16)	2,512	18
Total	10,190	19

Average vacation days taken per employee



Capped leave, 1 January 2003 to 31 December 2003

Salary Bands	Total Days of Capped Leave taken	Average Number of Days taken per Employee	Average Capped Leave per Employee as at 31 December 2003
Lower skilled (Levels 1-2)	11	1,8	13
Skilled (Levels 3-5)	23	0,8	35
Highly skilled production (Levels 6-8)	57	0,6	31
Highly skilled supervision (Levels 9-12)	141	1	43
Senior management (Levels 13-16)	19	0,2	71
Total	251	4,4	39





Leave payouts for the period 1 April 2003 to 31 March 2004

Reason	Total Amount (R'000)	Number of Employees	Average Payment per Employee (R'000)
Leave payout for 2003/04 due to non-utilisation of leave for the previous cycle	64	8	8
Capped leave payout on termination of service for 2003/04	1,095	31	35
Current leave payouts on termination of service for 2003/04	393	61	6
Total	1,552	100	0

10. HIV/AIDS AND HEALTH PROMOTION PROGRAMMES

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	

Details of Health Promotion and HIV/AIDS Programmes

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: Strategic Support and Transformation (M. Tema)
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 employee R140,239.83
3. Has the Department introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key elements/services of this Programme.	X		- Professional counseling - Awareness programmes - Workshop and training on wellness and HIV/AIDS-related issues - Sport activities
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		Corporate Services Tshifhiwa Mamaila Rebecca Modiba Lindani Mbunyuzo Asset and Liability Management Martha Ntho Bridget Laka Given Chadi Susan Kumba



Details of Health Promotion and HIV/AIDS Programmes (continued)

Question	Yes	No	Details, if yes
			<p>Budget Office Elizabeth Modikwe Thabisile Shezi</p> <p>Economic Policy and Int Fin Relations Zanele Dilika</p> <p>Financial Intelligence Centre Lindi Msane Fikile Zitha</p> <p>Intergovernmental Relations Nontombi Mntushe Piet Sebola</p> <p>Ministry Dorcas Sedumedi</p> <p>Specialist Functions Logan Moodley Innocentia Machaba Nkhangweni Mananga</p> <p>Public Servants Association Hein Momborg</p>
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		HIV/AIDS policy exists in a draft format. It is at the final stage of consultation with the unions
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		Non-discrimination and disciplinary measures are entailed in the draft HIV/AIDS policy
7. Does the Department encourage its employees to undergo Voluntary Counseling and Testing? If so, list the results that you have achieved.	X		An Employee Assistance Programme is available for counseling purposes. No employees have disclosed their HIV status
8. Has the Department developed measures/indicators to monitor & evaluate the impact of its health promotion programme? If so, list these measures/indicators.		X	Measurable objects developed for 2004 onwards



11. LABOUR RELATIONS

Collective agreements, 1 April 2003 to 31 March 2004

Subject Matter	Date
N/A	

Misconduct and disciplinary hearings finalised, 1 April 2003 to 31 March 2004

Outcomes of Disciplinary Hearings	Number	% of Total
Correctional counselling	0	0
Verbal warning	0	0
Written warning	0	0
Final written warning	0	0
Suspended without pay	0	0
Fine	0	0
Demotion	1	16
Dismissal	4	68
Not guilty	1	16
Case withdrawn	0	0
Total	6	100

If there were no disciplinary hearings, then use the following table

Disciplinary hearings – 2003/04	None
---------------------------------	------

Grievances lodged for the period 1 April 2003 to 31 March 2004

	Number	% of Total
Number of grievances resolved	2	2
Number of grievances not resolved	0	0
Total number of grievances lodged	2	2

Disputes lodged with Councils for the period 1 April 2003 to 31 March 2004

	Number	% of Total
Number of disputes upheld	0	0
Number of disputes dismissed	2	2
Total number of disputes lodged	2	2

Strike actions for the period 1 April 2003 to 31 March 2004

Total number of person working days lost	N/A
Total cost (R'000) of working days lost	
Amount (R'000) recovered as a result of no work no pay	

Precautionary suspensions for the period 1 April 2003 to 31 March 2004

Number of people suspended	3
Number of people whose suspension exceeded 30 days	N/A
Average number of days suspended	25
Cost (R'000) of suspensions	

12. SKILLS DEVELOPMENT

Training needs identified, 1 April 2003 to 31 March 2004

Occupational Categories	Gender	Number of Employees as at 31 March 2004	Training Needs identified at start of Reporting Period	
			Learnerships	Skills Programmes & other Short Courses
Legislators, senior officials and managers	Female	33	0	23
	Male	94	0	101
Professionals	Female	57	0	14
	Male	54	0	19
Technicians and associate professionals	Female	57	0	15
	Male	42	0	11
Clerks	Female	86	17	27
	Male	17	8	20
Service and sales workers	Female	6	0	5
	Male	10	0	7
Skilled agriculture and fishery workers	Female	0	0	0
	Male	0	0	3
Craft and related trades workers	Female	0		0
	Male	0	0	7
Plant and machine operators and assemblers	Female	0	0	0
	Male	6	0	5
Elementary occupations	Female	14	0	3
	Male	14	0	0
Subtotal	Female	253	17	87
	Male	237	8	173
Total		490*	25	260

*This includes the Minister and Deputy Minister of Finance





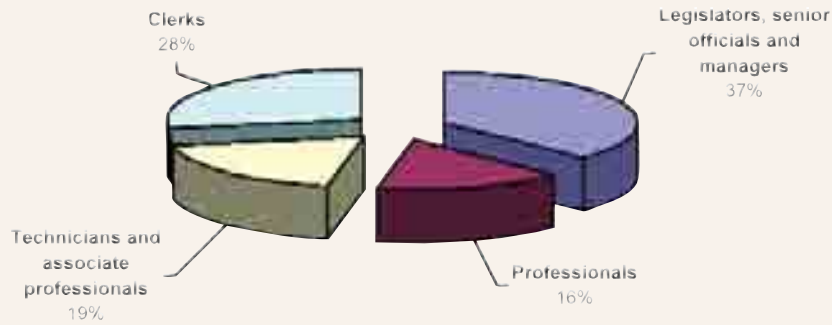
Training provided, 1 April 2003 to 31 March 2004

Occupational Categories	Gender	Number of Employees as at 31 March 2004	Training Provided within the Reporting Period			
			Learnerships	Skills Programmes & other Short Courses	Other Forms of Training	Total
Legislators, senior officials and managers	Female	33	0	52	10	62
	Male	94	0	47	10	57
Professionals	Female	57	0	32	1	33
	Male	54	0	17	1	18
Technicians and associate professionals	Female	57	0	39	5	44
	Male	42	0	14	3	17
Clerks	Female	86	16	48	5	69
	Male	17	8	10	2	20
Service and sales workers	Female	6	0	0	0	0
	Male	10	0	0	0	0
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	0	0	0
Elementary occupations	Female	14	0	0	0	0
	Male	14	0	0	0	0
Subtotal	Female	253	16	171	21	208
	Male	237	8	88	16	112
Total		490*	24	259	37	320

*This includes the Minister and Deputy Minister of Finance



Employees trained



13. INJURED ON DUTY

Injured on duty, 1 April 2003 to 31 March 2004

Nature of Injury on Duty	Number	% of Total
Required basic medical attention only	3	100
Temporary Total Disablement	0	0
Permanent Disablement	0	0
Fatal	0	0
Total	3	100

14. UTILISATION OF CONSULTANTS

Project Title	Total Number of Consultants that worked on the Project	Duration: Work Days	Contract Value in Rand
Maintenance of BAS System	30	365	14,307,081
Dev of LOGIS System	54	365	51,875,857
IT consultants	15	365	855,901
Development of PERSAL System	78	365	64,207,065
Language editing of the 2003 Intergovernmental Review	1	60	86,000
Advise on the budget process and procedure to amend Money Bills	1	60	75,000
Review the financial regulatory Framework for Public entities	1	365	747,000
Technical assistance GCIS in their assistance to GCIS in their Enterprise Project Management Initiative	3	365	175,200
Policy and research support to the Local Government Chief Directorate	1	365	210,000



Project Title	Total Number of Consultants that worked on the Project	Duration: Work Days	Contract Value in Rand
Drafting of Municipal Finance Management Bill	1	365	100,000
Professional services rendered	3	365	474,612
Development of Systems	5	365	4.111,989
Development of Systems	6	365	164,673
Development of Systems	9	365	400,140
Provision of Project Management Services to the Accountant General's Office.	6	365	170,384
Assistance with the re-formulation of the equitable share formula	1	365	108,000
Office Designer and Space Planner	1	365	81,786
IT Helpdesk	23	365	2,786,098
Development of systems (IFMS)	6	365	240,996
Development of systems (IFMS)	8	365	2.701,909
Development of systems (IFMS)	4	365	223,440
Development of systems (IFMS)	9	365	482,765
Rendering of services of an edit team, under the management of a single edit leader, to take responsibility for ensuring the efficient, quality production of the manual between June and November 2003	12	182	558,000
Proposal for provision of tax advisory to Public Private Partnership Unit	3	182	664,620
Rendering of Security Services at 240 Vermeulen Street and 40 Church Square in Pretoria for a period of three years	26	365	1,329,481
The review of Governance Framework of Non- Business Public entities and Government Business Enterprises operating on a National Basis. with reference to: Managing the data gathering project.	1	365	1.300,000
The review of Governance Framework of Non- Business Public entities and Government Business Enterprises operating on a National Basis. with reference to: Review the evaluation of the existing classification framework	6	244	551,998
Appointment of consultants to assist in the implementation of the Local Restructuring Grant	4	365	490,588
Appointment of a consultant to assist the National Treasury in the development of a strategic sourcing strategy and generic sourcing process for government	4	365	5,000,000
Appointment of Project Leaders for the four projects in Phase 2: The Review of Governance Framework of Non-Business Public entities and Government Business enterprises operating on a National basis: Corporate governance Review	5	90	1,599,420
Appointment of Project Leaders for the four projects in Phase 2: The Review of Governance Framework of Non-Business Public entities and Government Business enterprises operating on a National basis: Corporate Status Review	6	90	799,800



Project Title	Total Number of Consultants that worked on the Project	Duration: Work Days	Contract Value in Rand
Appointment of Project Leaders for the four projects in Phase 2: The Review of Governance Framework of Non-Business Public entities and Government Business enterprises operating on a National basis: Legislative Review	4	90	561,056
Appointment of Project Leaders for the four projects in Phase 2: The Review of Governance Framework of Non-Business Public entities and Government Business enterprises operating on a National basis: Performance Management	5	90	80,000
Appointment of a marketing agency to assist with the design of the media plan relating to the launch of RSA fixed retail bond	8	120	2,300,000
Provision of Technical Assistance Services from the Technical Assistance Unit to the National Department of Health for the transfer of Medico legal services from the South African Police Service (SAPS) to provincial Health Departments.	4	182	748,000
Government Communications and Information Service (GCIS)	1	55	141,800
Kimberley Hospital Complex	1	160	683,750
Public Entities	2	559	2,944,500
Tshwane Homelessness Project	1	90	165,500
Development Initiatives	2	420	879,500
Working for Water	1	330	383,000
Primary School Nutrition Programme (PSNP)	4	286	592,000
SAPS DNA Project	1	100	64,000
Toolkit for CIDB & Mortuaries Projects	1	60	293,000
Foundation for Human Rights	1	10	36,000
Financial Management of the Project Development Facility	4	120	171,000
Review of Tax Policy on PPPs	5	44	664,620
PPP Standardisation document	4	47	1,466,966
PPP Guidelines			
- BEE	3	100	105,000
- Feasibility	2	4.5	32,000
- Project Finance	1	4	36,000
- Contract Management	1	25	785,000
- Feasibility	1	4	15,000
- Procurement	1	11.25	15,000
- Whole Document	1	10	40,000
- Editing	6	120	558,828
Rental Housing (N20)	1	36.4	109,200






Analysis of consultant appointments using appropriated funds, in terms of Historically Disadvantaged Individuals (HDIs)

Project Title	Percentage Ownership by HDI Groups	Percentage Management by HDI Groups	Number of Consultants from HDI Groups that work on the Project
Maintenance of Financial Systems (PESAL and Vulindlela)	51	14	37
Maintenance of Financial Systems (LOGIS)	32	12	35
Maintenance of Financial Systems (BAS and FMS)	33	70	103
Office designer and space planner	100	100	2
IT consultants	20	10	0
Dev of PERSAL System	51	20	1
Language editing of the 2003 Intergovernmental Review	100	100	1
Advise on the budget process and procedure to amend Money Bills	100	100	1
Review the financial regulatory Framework for Public entities	100	100	1
Technical assistance GCIS in their assistance to GCIS in their Enterprise Project management Initiative	15	0	1
Policy and research support to the Local Government Chief Directorate	100	100	1
Drafting of Municipal Finance Management Bill	0	0	0
Professional services rendered	100	100	5
Development of Systems	20	20	2
Government Communication and Information Services (GCIS)	50	100	1
Kimberley Hospital Project	0	0	1
Public Entities	100	100	1
Development Initiatives	100	100	1
Working for Water	0	0	1
PSNP	100	100	1
Toolkit for CIDB and Mortuaries Project	0	0	1
Financial Management of the Project Development Facility	56	62	1
Review of Tax Policy on PPPs	12	23	3
PPP Standardisation document			
- Drake & Scull	0	0	0
- Turner & Townsend	2.5	35	1
- White & Case	0	50	2
- P Lake	0	0	0
Rental Housing	0	0	0
PPP Guidelines			
- Alocap	100	100	2
- BSG	100	100	1





Project Title	Percentage Ownership by HDI Groups	Percentage Management by HDI Groups	Number of Consultants from HDI Groups that work on the Project
- Fitzroy Ambursely	0	0	0
- Ignis	4	0	1
- Turner & Townsend	2.5	19	1
- P Aborn	0	0	0
- S Galloway	0	0	0
- STE	100	100	4

Report on consultant appointments using donor funds

Project Title	Total Number of Consultants that worked on the Project	Duration: Work Days	Donor and Contract Value in Rand
Parliamentary Millennium Project	1	19	13,600
Financial Management Improvement Plan (FMIP)	1	5	2,750
Commission for Gender Equality	1	2	7,500
Social Housing Foundation	5	99	192,100
Parliament	2	29	50,400
CPFSP	4	110	265,050
PSNP Eastern Cape	4	133	226,100
Working on Water	3	62	142,400
Assistance to the TAU	1	25	79,200
NTSIKA	1	67	94,000
Greater Tzaneen Municipality and LED Limpopo	1	15	40,000
Department of Health, North West and Northern Cape	3	120	234,100
Department of Education, Eastern Cape	1	55	107,400
PRAG (EU's Practical Guide on Procurement)	1	10	35,000
Department of Social Development, FMIP and Tshwane Homelessness Project	1	27	46,400
HIV/AIDS	3	59	157,500
GCIS	1	11	42,000
Various	2	31	77,800
SAPS DNA	2	64	98,000
PSNP National	3	44	112,000
IDCSP (Long-term Contract) – (EU Funds)	3	713	906,120
IDCSP (Technical Assistants) – (UNDP Funds)	2	522	1,193,558
IDCSP (Short-term Contracts) – (EU Funds)	3	435	192,682
Technical Assistance from PUK	2	25	580,000
USAID – Technical Assistance from AID Contractors	3	756	2,030,500





Analysis of consultant appointments using donor funds, in terms of historically disadvantaged individuals (HDIs)

Project Title	Percentage Ownership by HDI Groups	Percentage Management by HDI Groups	Number of Consultants from HDI Groups that work on the Project
Parliament	100	100	1
FMP	100	100	1
Social Housing Foundation	100	100	1
Parliament	25	25	3
CPFSP	25	25	3
Working for Water	100	100	2
Social Housing Foundation	100	100	3
NTSIKA	100	100	1
Greater Tzaneen Municipality and LED Limpopo	100	100	1
Department of Social Development, FMIP and Tshwane Homelessness Project	100	100	1
HIV/AIDS	100	100	3
Various	100	100	1
PSNP	100	100	2
Department of Health, Northern Cape	0	0	1
Department of Health International health Liaison	100	100	2
IDCSP	0	0	5



ANNEXURES


Annexure 1: Abbreviations

ACCC	Anti-Corruption Coordinating Committee
ADB	African Development Bank
ADF	African Development Fund
AFIS	Automated Fingerprint Identification System
APRM	African Peer Review Mechanism
ASB	Accounting Standards Board
AU	African Union
BAS	Basic Accounting System
BIS	Bank for International Settlements
CFTC	Commonwealth Fund for Technical Cooperation
CGE	Compatible General Equilibrium
CISNA	Securities and Non-banking Financial Authorities
CMU	Contract Management Unit
CMA	Common Monetary Area
CPD	Corporation for Public Deposits
DBSA	Development Bank of Southern Africa
DCIS	Development Corporation Information System
DOC	Department of Communications
DPE	Department of Public Enterprises
DPSA	Department of Public Service and Administration
ED	Exposure Drafts
EU	European Union
FATF	Financial Action Task Force
FFC	Financial and Fiscal Commission
FIC	Financial Intelligence Centre
FMS	Financial Management System
FOSAD	Forum of SA Directors-General
FSB	Financial Services Board
G20	Group of Twenty Countries
G24	Group of Twenty-Four Countries
GAMAP	Generally Accepted Municipal Accounting Practices
GCC	Guarantee Certification Committee
GCIS	Government Communications and Information System
GDS	Growth and Development Summit
GEPF	Government Employee Pension Fund
GFECRA	Gold and Foreign Exchange Contingency Reserve Account
GRAP	Generally Recognised Accounting Practices
HDI	Historically Disadvantaged Individual
HEDCOM	Heads of Education Departments Committee
HIPC	Highly Indebted Poor Countries
HSRC	Human Sciences Research Council
IAS	International Accounting Standards



IDC	International Development Cooperation
IFAC	International Federation of Accountants
IFMS	Integrated Financial Management Systems
IJS	Integrated Justice Sector
ILP	Inflation linked bond
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
IOSCO	International Organization of Securities Commissions
IPFA	Institute for Public Finance and Auditing
IPSAS	International Public Sector Accounting Standards
ISDA	International Swaps and Derivatives Association
LRAD	Land Reform for Agricultural Development
MFI	Micro-Finance Intermediaries
MFMA	Municipal Financial Management Act
MFMTAP	Municipal Finance Management Technical Assistance Project
MOU	Memorandum of Understanding
MSP	Master Systems Plan
MTEF	Medium-Term Expenditure Framework
NCOP	National Council of Provinces
NEDLAC	National Economic Development and Labour Council
NEPAD	New Partnership for Africa's Development
NIA	National Intelligence Agency
NOFP	Net Open Forward Position
NPA	National Ports Authority
OAG	Office of the Auditor-General
PIC	Public Investment Commissioners
PFAI	Provident Fund for Associated Institutions
PFMA	Public Finance Management Act
PPP	Public-Private Partnerships
PPFA	Preferential Procurement Policy Act
RDP	Reconstruction and Development Programme
RISDP	Regional Indicative Strategic Development Plan
RMF	Risk Management Framework
SACU	Southern African Customs Union
SADC	Southern African Development Community
SAFCOL	SA Forestry Company Limited
SAPS	South African Police Services
SAPO	South African Post Office
SARB	South African Reserve Bank
SARS	South African Revenue Service
SASRIA	South African Special Risks Insurance Association
SCM	Supply Chain Management
SCOA	Standard Chart of Accounts
SETA	Sector Education and Training Authority





SITA	State Information Technology Agency
SCOPA	Standing Committee on Public Accounts
SMMEs	Small, Medium and Micro-Enterprises
SOEs	State-owned Enterprises
STRIPS	Separate Trading of Registered Interest and Principal Securities
WTO	World Trade Organisation



Annexure 2: Institutions associated with the National Treasury

The National Treasury works closely with a number of public institutions. They have operational and institutional independence and, in some instances, constitutionally-guaranteed autonomy. They produce their 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

Financial Markets Advisory Board

Pension Funds Advisory Board

Financial Intelligence Centre

Financial Intelligence Centre Act (38 of 2001)

Independent Development Trust

Public Accounts and Auditors Board

Policy Board for Financial Services Regulation

Policy Board for Financial Services and Regulation Act (141 of 1993)

Public Investment Commissioners

Public Commissioners Investment Act (45 of 1984)

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 Services

SA Revenue Service Act (34 of 1997)





South African Special Risk Insurance Association (SASRIA)

Special Pensions Board

Special Pension Advisory Board

State Tender Board

Statistical Council

Statistics Act (66 of 1976)

Tax Advisory Committee

Tax (Katz) Commission

Unit Trusts Advisory

Advisory Committee on short-term insurance

