

# National Treasury



Annual Report  
2002 - 2003



REPUBLIC OF  
SOUTH AFRICA




Republic of South Africa

  
**NATIONAL TREASURY**

# **Annual Report 2002 / 2003**

RP 135/2003

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Republic of South Africa

**NATIONAL TREASURY**

## **Annual Report 2002 / 2003**

**Mr TA Manuel**  
**Minister of Finance**

Report of the Director-General of the National Treasury for the period  
01 April 2002 to 31 March 2003

I have the honour to submit the annual report of the National Treasury.

A handwritten signature in black ink, appearing to read 'M Ramos', with a long horizontal stroke extending to the right.

M Ramos  
Director-General



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## OVERVIEW BY THE ACCOUNTING OFFICER

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The central aim and thrust of the National Treasury is to promote economic development, good governance, social progress and rising living standards through accountable, economic, efficient, equitable and sustainable management of public finances.

Together with our sister departments, the Treasury bears considerable responsibilities for developing and maintaining the economic and financial management policy, and legislative and regulatory frameworks that enhance South Africa's economic growth and development, and support improved service delivery to communities.

Our third annual report presents a snapshot of the myriad activities and achievements of the National Treasury during 2002/03.

The past year has seen consolidation of progress on many fronts. To draw attention to a few: we entered 2003 with considerable grounds for optimism that the foundation for growth and development is now firmly in place. A strengthening currency, robust investment growth, rising business confidence, a moderate recovery in employment and an upward growth trend are set to continue into the next three years, despite adverse global conditions.

Our robust economic performance in the face of global turbulence is, in part, due to the strength and stability of our financial section and systems. At the international level, our involvement in the New Partnership for Africa's Development remains a key focus and, more importantly, Africa's economic integration through appropriate policy, governance and institutional development.

Efficient management of public sector debt is a key contributor to our robust fiscal position. National government debt fell to 38,5 percent at the end of the 2002/03 financial year, enabling a decline in debt-servicing costs to 4,2 percent of GDP thereby releasing further resources for spending on Government's social and economic priorities. A key achievement over the past year is the raising of South Africa's sovereign credit ratings from a stable to a positive outlook by Fitch Rating and by Standard and Poor's.



**Maria Ramos**  
Director-General of  
the National Treasury

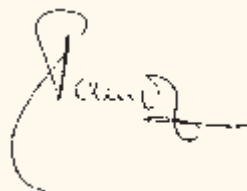


The 2003 Budget, the tenth presented to a democratic Parliament, delivers on the prudent yet tough economic policy choices made over the past decade. Fiscal policy remains expansionary, within the sustainable framework provided by sound management of state finances. Significant allocations are made to infrastructure development and to social transfers targeted at those most at risk. And while we open the economy to the benefits of global integration, we continue to place our full force behind the challenge of eradicating the scourge of unemployment and poverty that remain deeply embedded in South Africa.

Deepening of the budget reforms and enhanced financial management are critical to enhancing service delivery to communities. The 2003 Budget introduces measurable objectives, output measures and service-delivery target information set out in the annual Estimates of National Expenditure (ENE). Departments are also now required to publish three-year strategic plans, outlining their strategic and measurable objectives and service delivery targets in line with their Medium Term Expenditure Framework (MTEF) allocations. Service-delivery progress is reported on in departmental annual reports, completing the accountability cycle.

Recognising that provinces and local government are at the forefront of delivery, efforts to improve their performances remain high on the Treasury agenda. The recent publication of the 2003 Intergovernmental Fiscal Review provides a consolidated review of how the nine provinces and 284 municipalities fund basic and social service delivery. Provincial finances are stabilising and attention and resources are now focused on improving the quality of social service delivery. At the local level, considerable work has gone into the drafting of the soon-to-be enacted Municipal Finance Management Bill. The latter will extend and deepen financial management and budget reforms to municipalities.

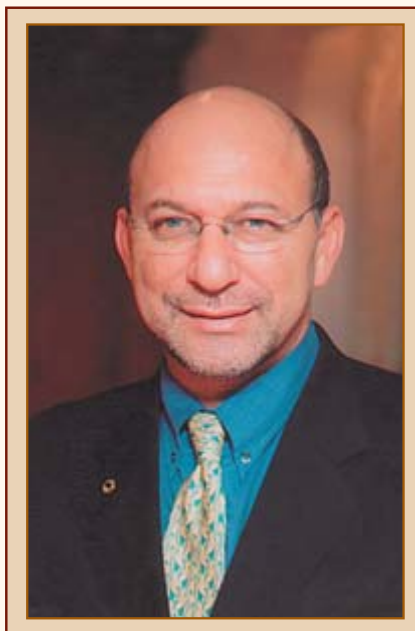
The achievements highlighted above point to the breadth of the mantle that the Treasury team wears. The eight divisions carry their responsibilities with a sense of commitment, professionalism and dedication that is unsurpassed. Our successes and achievements over the past year are evidence of the dynamism and strength of the Treasury team and build confidence in the organisation at the hub of Government business as we look ahead to the third democratic election next year.



M Ramos  
Director-General

## THE MINISTRY

Minister of Finance Trevor Manuel has been at the executive helm of the National Treasury since 1996. Under his political stewardship we remain on course to achieve sustainable economic growth as we navigate the turbulent uncertainties of the global economy. At the heart of South Africa's economic transformation is the desire to eradicate poverty through sustained delivery of social services, while at the same investing in the productive capacity of our people. We do this by working co-operatively with our social partners towards reducing unemployment, so that our workforce can find a meaningful existence in the formal economy.



**Trevor A Manuel, MP**  
Minister of Finance

The achievements of the National Treasury are a result of the commitment and teamwork of its leadership. Minister Manuel is ably supported by Deputy Minister Mandisi Mpahlwa and by Director-General Maria Ramos. Deputy Minister Mpahlwa also has executive responsibility for the functioning of the Government Employees Pension Fund (GEPF) and the Public Investment Commissioners (PIC). Furthermore, the Minister and the Deputy Minister are responsible for the activities of Statistics South Africa and the South African Revenue Service.

The Ministry comprises an excellent team of support staff. A core team of dedicated and committed individuals ensures that the Office of the Ministry functions optimally and they often work long hours and under sustained pressure.

As public representatives, the Minister and Deputy Minister are fully committed to public accountability and parliamentary oversight. The Parliamentary Office has proactively supported the Minister, Deputy Minister and Director-General in fulfilling their parliamentary duties and in so doing successfully elevated the achievements and outputs of the National Treasury at Parliament.

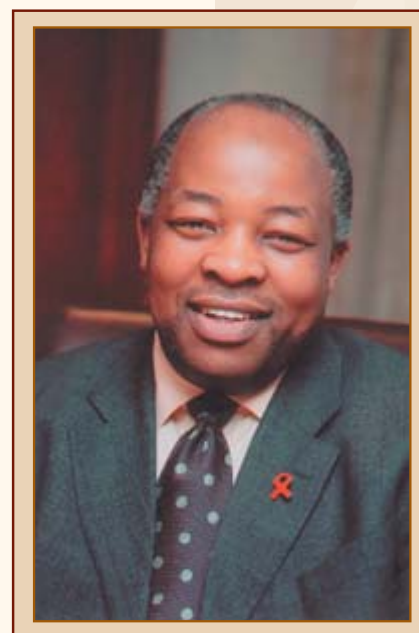
South Africa has rightly taken up its place as a member of the global community. Globalisation offers many opportunities and challenges, especially for the developing world. In this regard, Minister Manuel plays an active role in various multinational fora such as the International Monetary Fund, World Bank, African Development Bank, Commonwealth Finance Ministers' Meetings, the Economic Commission for Africa 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 and developing countries.

### **International visits undertaken by the Minister of Finance during the 2002/03 Financial Year**

09 – 12 April 2002	New York, USA, to attend the Medical Education for South African Blacks (MESAB) fundraising dinner and received the MESAB ServiceAward
25 – 29 May 2002	Addis Ababa, Ethiopia, to attend the Annual Meetings of the African Development Bank
02 – 07 July 2002	London, UK, Geneva, Switzerland and Evian, France to sign a double taxation agreement with the UK and to attend a strategic audit of the World Economic Forum
30 July - 04 August 2002	Singapore to meet with investors and attend a Singapore University alumni conference
22 – 26 September 2002	London to attend the Commonwealth Finance Ministers' annual meeting
26 September – 1 October 2002	Washington DC, USA, to attend the International Monetary Fund and World Bank Annual Meetings
20 – 24 November 2002	Delhi, India, to attend a G20 Ministerial Meeting
19 – 21 January 2003	Rome, Italy to address the meeting of the Council of the Socialist International
24 – 28 January 2003	Davos, Switzerland to attend the Annual Meeting of the World Economic Forum
28 February – 02 March 2003	Dar es Salaam, Tanzania, to attend a Special Constituency Meeting of the Africa Group 1 constituency of the IMF and World Bank
23 – 25 March 2003	Geneva, Switzerland, to address a working party meeting of the International Labour Organisation

**International visits undertaken by the Deputy Minister of Finance during the 2002/03 Financial Year**

06 - 11 April 2002	Abidjan, Côte d'Ivoire, to attend the African Development Bank Group Governors Consultative Committee meeting
14 - 20 July 2002	Fiji Islands (via Australia), to attend, with the President, the Third Summit of the African, Caribbean and Pacific Heads of State and Government
24 - 26 July 2002	London, UK, to attend the graduation ceremony at the University of London, where a master's degree was conferred on the Deputy Minister
14 - 16 August 2002	Manzini, Kingdom of Swaziland, to attend the Second Eastern and Southern Association for the Anti-Money Laundering Group's Council of Ministers
22 - 26 September 2002	London, UK, to attend the Commonwealth Finance Ministers' Annual Meeting
26 September - 1 October 2002	Washington DC, USA, to attend the International Monetary Fund and World Bank Annual Meetings
21 - 24 October 2002	Algiers, Algeria, to attend, along with the President and a South African delegation, the Algeria Binational Commission meeting
12 - 16 January 2003	Amman, Jordan, to attend the South Centre High Level Policy meeting intended to discuss principal challenges faced by developing countries
16 - 20 January 2003	Addis Ababa, Ethiopia, to attend the United Nations Economic Commission for Africa's Third Meeting of the Big Table for African Finance Ministers as well as Ministers for Development and Planning
18 - 21 March 2003	Bonn, Germany, to represent the African National Congress at Africa Day 2003 celebrations, organised by the Friederich Ebert Stiftung Foundation, an organisation that also sponsored this trip to Germany



**Mandisi Mpahlwa**  
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 the highest standards of financial management and fiscal discipline. We acknowledge the importance of delivering excellent service and in this endeavour work as a team, planning with precision and executing with enthusiasm and commitment, striving at all times to improve our performance.

Our staff is a valued asset. We will invest in them, affording them opportunities to enhance their skills, to access the best technology and to advance their careers to their fullest potential.

In our dealings with the public and with our colleagues we will 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.

## **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 public finances.

We endeavour to advance economic growth and income redistribution and to prepare a sound and sustainable national Budget and equitable division of resources between the three spheres of government.

We strive to equitably and efficiently raise fiscal revenue while enhancing the efficiency and competitiveness of the South African economy and to manage Government's financial assets and liabilities soundly.

We promote transparency and enforce effective financial management.

## **Values**

As custodians of the nation's financial resources, the National Treasury is accountable to the nation through public and parliamentary process.

We discharge our responsibilities professionally and with humility and adhere to the highest standards of financial management and fiscal discipline.

We value teamwork, sound planning and enthusiasm and always strive to improve our performance. Respect for and investment in our staff is an important part of our values.

The National Treasury will act transparently, with integrity, respect, fairness and objectivity and we honour the faith of the South African.



**DIRECTOR-GENERAL: NATIONAL TREASURY**  
**MARIA RAMOS**

**CHIEF OPERATIONS OFFICER**  
**VACANT**



**ASSET & LIABILITY MANAGEMENT**  
**BRIAN MOLEFE**

ASSET MANAGEMENT  
LIABILITY MANAGEMENT  
FINANCIAL OPERATIONS  
STRATEGY & RISK MANAGEMENT



**ECONOMIC POLICY & INTERNATIONAL FINANCIAL RELATIONS**  
**LESETJA KGANYAGO**

FINANCIAL REGULATIONS  
INTERNATIONAL ECONOMICS  
MACRO ECONOMIC POLICY  
TAX POLICY



**CORPORATE SERVICES**  
**SIMONE LE HANE**

HUMAN RESOURCES MANAGEMENT  
CHIEF FINANCIAL OFFICER  
COMMUNICATIONS & IT  
LEGAL SERVICES



**BUDGET OFFICE**  
**ANDREW DONALDSON**

EXPENDITURE PLANNING  
PUBLIC FINANCE STATISTICS  
INTERNATIONAL DEVELOPMENT COORDINATION  
FISCAL POLICY  
PUBLIC PRIVATE PARTNERSHIP UNIT



**INTER-GOVERNMENTAL RELATIONS**  
**ISMAIL MOMONIATI**

LOCAL GOVERNMENT INTERGOVERNMENTAL POLICY & PLANNING  
PROVINCIAL BUDGET ANALYSIS



**SPECIALIST FUNCTIONS**  
**COEN KRUGER**

CONTRACT MANAGEMENT  
NORMS & STANDARDS  
SUPPLY CHAIN POLICY  
PUBLIC FINANCE MANAGEMENT ACT  
FINANCIAL SYSTEMS



**OFFICE OF THE ACCOUNTANT-GENERAL**  
**ISMAIL MAMOOJEE**

NATIONAL ACCOUNTS  
FINANCIAL MANAGEMENT IMPROVEMENT  
INTERNAL AUDIT  
ACCOUNTING SERVICES

## Minister's Statement on Policy and Commitment

The political mandate of our Government, given our historical inequities, has always been the eradication of poverty and the creation of a better life for all South Africans. How we manage the financial resources at our disposal, in the interest of service delivery, especially to the most vulnerable in our society, is exceedingly important. As the custodians of the government's financial resources, the National Treasury has the responsibility to ensure sound fiscal and financial management, long-term debt management, effective and prudent budgeting and well targeted public expenditure.

This role entrusted to the National Treasury requires us to develop good intra-governmental relations. In our engagement with line-function departments we must always be mindful of Government's overall policy objectives, and the overarching need to eradicate poverty. This necessitates taking tough decisions and making difficult policy choices. The acid test for the National Treasury is to ensure that Government is sufficiently funded to meet its operational and developmental objectives, within an affordable spending envelope.

Since the advent of democracy we have successfully integrated our economy within a global economic environment. While globalisation offers many opportunities and challenges, the difficult structural reforms undertaken have laid the foundation for us to become more competitive, stimulate economic confidence, encourage incentives for investors and enhance economic growth. It is only through sustained economic growth that entrepreneurial and employment opportunities will abound, enabling a better quality of life for our people.

The Public Finance Management Act (PFMA) and its implementation continue to enhance transparency and accountability. In the period under review, the format of the Adjustments Budget was revised in line with the structure of the main Estimates of National Expenditure. Better planning, multi-year budgeting and improved reporting on public expenditure have contributed to steady progress with service delivery.

Through our maturing intergovernmental fiscal system a large part of the nation's resources are allocated to social services, via the budgets of national, provincial and local governments. As we continue to implement the PFMA, we have also extended its principles to local government. The Municipal Finance Management Bill, currently before Parliament, should ensure greater financial management and accountability at the coalface of service delivery, namely our municipalities and town councils. The challenge now facing local government is to foster economically viable municipalities, without compromising service delivery, especially to our historically marginalised communities.

In the period under review, we continued with our expansionary fiscal stance. Notwithstanding strong spending growth in all areas, the 2003 Budget further emphasised increased allocations for infrastructure; for addressing poverty and vulnerability through



additional health and welfare allocations; for partnerships with municipalities to improve access to affordable basic services; and for 16 000 additional police over the medium term. Robust revenue growth in the 2002/03 financial year reflected a strengthening of our tax administration and sound revenue policies resulting in personal income tax relief amounting to R15-billion, mainly benefiting lower and middle income earners. This helped ease the burden of South African households and encouraged a culture of savings. Since 1996 we have built a solid foundation for the management of our public finances, which augurs well for future cost-effective service delivery.

The capacity of all three spheres of government to spend their appropriated resources effectively, and in full remains a significant challenge. Capacity building therefore remains a priority of Government. As the National Treasury we are proud of our achievements in striking the right balance between prudent financial management and the need to expand service delivery. We are also mindful that addressing poverty and vulnerability remains at the centre of our Government's Reconstruction and Development Programme, and we must ensure that we continue to rise to this challenge.



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 co-ordination of macroeconomic policy; to co-ordinate intergovernmental financial and fiscal relations; manage the Budget preparation process; to promote and enforce transparency and effective management in respect of revenue and expenditure, assets and liabilities of departments, 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 the legislature. 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.

Headed by a director, the *Parliamentary Services* has to foster a transparent and co-operative 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 the Parliamentary Services include:**

- Keeping the Minister informed of his parliamentary commitments;
- Ensuring that presentations and speeches are prepared;
- Accompanying the Minister and his senior officials to meetings and parliamentary sittings;
- 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;
- Providing the Minister with parliamentary procedural support;
- Facilitating the drafting of answers to questions posed to the Minister for submission to Parliament;
- Advising the parliamentary committee chairpersons on the legislative programme; and
- Ensuring that legislation is timeously placed on the committee agenda and that senior officials brief the committee to facilitate meaningful deliberations on legislation, policy documents and areas of economic interest, which the committee wishes to focus on.

## **Legislation Enacted**

The National Treasury tables a significant amount of legislation in Parliament annually. The legislative workload of the National Treasury can be subdivided into three categories namely:

- Legislation conceptualised and prepared in-house;
- Legislation prepared by regulatory bodies such as the Financial Services Board and South African Reserve Bank, with policy direction provided by the National Treasury; and
- Tax legislation prepared in conjunction with the South African Revenue Service, with policy direction provided by the National Treasury.

**During the 2002/03 financial year, the following pieces of legislation were passed in Parliament.**

1. **Social Grants Appropriation Act, 2002 (Act No. 2 of 2002)**  
Bill enacted: Social Grants Appropriation Bill [B9-2002]  
Assented to and published in the Government Gazette on 27 March 2002
2. **Burundi Protection Support Appropriation Act, 2002 (Act No. 3 of 2002)**  
Bill enacted: Burundi Protection Support Appropriation Bill [B10-2002]  
Assented to and published in the Government Gazette on 27 March 2002
3. **Unemployment Insurance Contributions Act, 2002 (Act No. 4 of 2002)**  
Bill enacted: Unemployment Insurance Contributions Bill [B85-2001]  
Assented to and published in the Government Gazette on 28 March 2002
4. **Division of Revenue Act, 2002 (Act No. 5 of 2002)**  
Bill enacted: Division of Revenue Bill [B5D-2002]  
Assented to and published in the Government Gazette on 28 March 2002
5. **Appropriation Act, 2002 (Act No. 29 of 2002)**  
Bill enacted: Appropriation Bill [B4-2002]  
Assented to and published in the Government Gazette on 12 July 2002
6. **Taxation Laws Amendment Act, 2002 (Act No. 30 of 2002)**  
Bill enacted: Taxation Laws Amendment Bill [B26-2002]  
Assented to and published in the Government Gazette on 31 July 2002
7. **Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002)**  
Bill enacted: Financial Advisory and Intermediary Services Bill [B52-2001]  
Assented to and published in the Government Gazette on 15 November 2002
8. **Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002)**  
Bill enacted: Collective Investment Schemes Control Bill [B28B-2002]  
Assented to and published in the Government Gazette on 9 December 2002

- 9. Finance Act, 2002 (Act No. 48 of 2002)**  
Bill enacted: Finance Bill [B48-2002]  
Assented to and published in the Government Gazette on 22 January 2003
- 10. Adjustment Appropriation Act, 2002 (Act No. 73 of 2002)**  
Bill enacted: Adjustment Appropriation Bill [B66-2002]  
Assented to and published in the Government Gazette on 26 November 2002
- 11. Revenue Laws Amendment Act, 2002 (Act No. 74 of 2002)**  
Bill enacted: Revenue Laws Amendment Bill [B67-2002]  
Assented to and published in the Government Gazette on 13 December 2002
- 12. Gold and Foreign Exchange Contingency Reserve Account Defrayal Act, 2003 (Act No. 4 of 2003)**  
Bill enacted: Gold and Foreign Exchange Contingency Reserve Account Defrayal Bill [B17-2003]  
Assented to and published in the Government Gazette on 28 March 2003
- 13. Food Relief Adjustments Appropriation Act, 2003 (Act No. 5 of 2003)**  
Bill enacted: Food Relief Adjustments Appropriation Bill [B16-2003]  
Assented to and published in the Government Gazette on 28 March 2003
- 14. Division of Revenue Act, 2003 (Act No. 5 of 2003)**  
Bill enacted: Division of Revenue Bill [B9D-2003]  
Assented to and published in the Government Gazette on 17 April 2003



# **PROGRAMME 1**

## **Administration**

### **Aim**

To provide strategic management, legal and administrative support to the National Treasury and give managerial leadership to the work of the Department.

### **Programme Policy Developments**

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 strategy and structure to ensure compliance with applicable legislation and appropriate best practices.

The programme is divided into five sub-programmes:

- The *Minister* sub-programme provides for the Ministry of Finance and includes Parliamentary and Ministerial support services.
- The *Deputy Minister* sub-programme provides for the Office of the Deputy Minister of Finance and related support services.
- *Management* funds the Office of the Director-General and related support services.
- *Corporate Services* supports the administration and smooth running of the Department.
- *Sector Education and Training Authority (Seta)* allocates funds to Fasset, the Sector Education and Training Authority for finance, accounting, management consulting and other financial services.

## Output and service delivery trends

Sub-Programmes	Outputs	Output Performance Measures	Performance Against Target	
			Target	Actual
Financial Management	Full compliance with PFMA	Unqualified audit	31 July 2002	Achieved
	Full implementation of procurement reform	Percentage compliance with new procurement programme	100% with new procurement programme by 30 June 2002	
Human Resources Management	Transformation of National Treasury through restructuring and implementing new/human resource systems	Percentage of policies and procedures finalised	60% of policies and procedures finalised by 31 March 2003	Achieved
		Structure fully in place for all divisions	First round of appointments completed by June 2002; thereafter continuous filling of positions in line with divisional strategies	Achieved
Information, Communication and Technology	Improve leverage of Information Technology investment	Percentage implementation of new and updated Information Technology systems	50% Implementation by 30 September 2002 and 100% by 31 March 2003	Achieved
	Implementation of NT Communications Strategies	Percentage implementation of policies and procedures	28 February 2003	Achieved
	Resource Centre	Manage and oversee running of resource centre	Ongoing	70%
Legal Services	The lawful and effective execution of a range of responsibilities by the National Treasury and its Head, the Minister	The enactment of legislative instruments and ensuring that decisions taken by the National Treasury are not assailable on legal grounds	Effectively addressing the instructions of the National Treasury for advice on different issues as they arise	Achieved on an ongoing basis

## Financial Management

The Financial Management unit (comprising Financial Administration, Procurement and Facilities and Security) is focused on maximising compliance with all relevant financial statutes and regulations, the most important of which is the Public Finance Management Act (PFMA), Act 1 of 1999 and providing excellent service to its customers, both internally and externally.

The unit has made considerable progress to date in complying with the PFMA requirements, which is evidenced by an unqualified audit report for the past three years. The Audit Committee established in 2002, is operating effectively and recently approved the internal audit plan. The internal audit function has been outsourced to a consortium and the 2002/03 internal audit is in progress. In addition, a risk assessment exercise has been completed and a fraud prevention plan developed in line with PFMA and National Treasury regulation requirements. A Risk Management Committee has been established, internal controls and asset-management procedures have been implemented and financial delegations are in place.

## Procurement Reform

The National Treasury is one of the pilot departments for the new decentralised procurement system, aimed at improving procedures, transparency and meeting empowerment targets. There is a significant amount to be learnt in this area and the Department is going through a process of continuous development and refinement of its internal structures and processes.

The Department has made considerable progress in this area. The Accounting Officer's Procurement Procedures have been developed and implemented. An established Accredited Procurement unit is in operation, and the Preferential Procurement Policy Framework Act and Regulations have been fully implemented. In our endeavour to continuously improve procurement procedures, the private sector has proposed certain improvements, which are being considered for implementation.

Further streamlining of procedures will continue with annual targets set regarding procurement from black economic empowerment and small, micro and medium-sized businesses. In addition, an electronic suppliers database has been developed and the Department is currently piloting the use of this database to facilitate the supplier selection process.

## Human Resources Management

The finalisation of the restructuring process of the National Treasury was a major focus for the 2002/03 financial year. Considerable effort went into developing and implementing a new structure and filling core senior management and professional positions in line with the Aligned Framework: Restructuring of the National Treasury, which is aligned to Resolution 7 of 2002. (The framework is aimed at transforming and restructuring the public service to improve its efficiency and to provide for redeployment and retraining and, where possible, alternative employment of excess employees.)



The National Treasury finalised the absorption of employees into the new structure and declared employees in excess to the establishment. Furthermore, the National Treasury developed and implemented its social plan. This plan includes counselling, assessment and financial services and life-skills training for excess employees. This process must now be consolidated through further appointments that ensure employment equity.

Thirty percent of human resources policies were approved during the 2002/03 financial year. The focus for 2003/04 is to enhance human resources policies, procedures and systems to meet the needs of the Department and ensure compliance with legislation and the Public Service Regulations. Key among these is the implementation of competency-based recruitment, performance management and career management systems. Specific Human Resources Management strategic objectives will include:

- The repositioning of Human Resources function for improved service delivery;
- Facilitating the creation of project based and integrated teams; and
- Facilitating the enhancement of a high performance culture.

The 2003/04 financial year will be marked by completion of the skills audit at an individual level, ensuring continual compliance with the requirements of the Skills Development Act.

## **Information and Communication Technology**

A Director for Information Technology was appointed in order to bring this vital component in line with the strategic direction of the National Treasury. A complete restructuring process of the information technology system has been initiated, which includes a review of the National Treasury IT architecture and procedures. The restructuring process will ensure that the IT directorate continues to deliver effective service and state-of-the-art technology to all clients.

Several successes were achieved to date including the IT support for the refurbishment of the 240 Vermeulen Street building. This entailed a redesign of all existing systems and the migration of the current user base over a single weekend. The newly installed infrastructure has ensured that the availability of IT systems has been maximised.

More focus has been placed on the development of several in-house applications to automate internal processes, with great success. This included an asset tracking system, venue booking and document tracking applications. A central IT helpdesk was also established enabling more effective service delivery to clients.

## **Communications**

The focal point of our communications strategy has been the provision of a strong media liaison service to the Ministry and the Department. The National Treasury's broader activities included the 2003 Budget in Parliament, the Municipal Finance Management Bill, the Medium Term Budget Policy Statement, the annual meetings of the International Monetary Fund and World Bank and the meetings of the African Development Bank. The Communications unit continues to oversee and manage the resource centre, whose

responsibilities include: the distribution of publications, updating information material databases, internal information audit, subscriptions and research. Participation in the economics cluster of the Government Communication and Information System (GCIS) remains a key function and priority. The roll-out plan for the new structure of this directorate has been finalised and will broaden the scope of its operations in the coming year.

## Legal Services

Legal Services bears responsibility for providing or co-ordinating the provision of a range of legal services to the Minister, Deputy Minister, Director-General and all the divisions of the National Treasury. These services include the drafting or vetting of a variety of legal instruments, including contracts, primary and secondary legislation and Public International Law agreements; providing legal advice on the restructuring of state-owned enterprises; and attending to litigation brought by or against the Minister and the National Treasury.

On the legislative front, the successful processing of the Constitution of the Republic of South Africa Third Amendment Bill, 2002 into law is undoubtedly a highlight. Through that amendment, the intervention mechanisms by provincial and national government have been greatly enhanced to ensure that, for example, municipalities can be assisted in avoiding getting into serious financial distress and, in the event they do, that effective plans can be put in place to quickly get them back to financial stability. Further, direct charges legislation was drafted and enacted to ensure that payment for the purposes of defraying losses on the Gold and Foreign Exchange Contingency Reserve Account is a direct charge against the National Revenue Fund. The Financial and Fiscal Commission Act Amendment Bill, 2003, was introduced to ensure the reduction of the membership of the FFC and that, before there is any inter-sphere transfer of functions, full account is taken of the financial and fiscal implications of such transfer.

A host of multilateral instruments were successfully negotiated and signed. These include the Agreement between the United Nations Economic Commission for Africa and the Government of the Republic of South Africa on the Arrangements for the Convening of the Conference of Ministers of Finance and Ministers of Planning and Economic Development; and the Loan Agreement between the Republic of South Africa and the International Bank for Reconstruction and Development on the Municipal Financial Management Technical Assistance Project.

The approach of Legal Services has always been to ensure that the various divisions of the National Treasury are not prevented from doing what is necessary and prudent to do, but that such divisions are advised on how best to achieve their objectives. On the corporate law front, this has, among other things, included ensuring the successful unwinding of the M-Cell (MTN) transaction, which was entered into in the beginning of 2002 with a company incorporated under the laws of the Netherlands, Ice Finance BV.

This ensured the acquisition of a significant stake in MTN by the company's staff. A lot of focus was also given, and continues to be given, to the successful winding up of

Saambou Bank. This has included the minimisation of the risks that would affect Government's contingent liabilities arising from its efforts to protect the deposits of individuals and corporates that had accounts with Saambou Bank at the time it was placed under curatorship.

Legal Services also played an active role in advising on a number of issues concerning the Telkom Initial Public Offering (IPO).

The way in which we manage complex litigation on a host of matters is envied by many. Legal Services bears responsibility for ensuring that cases brought against the Minister and the National Treasury are successfully defended and that the policies of the Government are well articulated

### **Refurbishment of 240 Vermuelen Street Building**

Following the move of many divisions to the 40 Church Square building in March 2001, it was the turn of the 240 Vermuelen Street building to get a facelift.

The renovations of the 240 Vermuelen Street building started in November 2001 and were completed in July 2003. This building now houses modern, open-plan offices, creating an innovative environment conducive to creativity and productivity.

### **Transfer Payments**

<b>Name of Institution</b>	<b>Amount Transferred</b>
Sector Education and Training Authority	R 96 000

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

The National Treasury is in essence a financial and administrative services department, and therefore owns no fixed assets, such as buildings. Lease payments for its premises, 240 Vermuelen Street and 40 Church Square, are administered and paid for by the Department of Public Works.

Further expansion of the eight divisions necessitates additional accommodation requirements over the MTEF period. The next three years will also see the completion of the refurbishment of the 240 Vermuelen Street building, the revision of the internal arrangements in 40 Church Square to optimise divisional accommodation and the refurbishment of the Cape Town office at 120 Plein Street.

## **Programme 2**

### **Economic Planning and Budget Management**

#### **Aim**

To provide advice and professional support to the Minister of Finance on economic and fiscal policy, financial regulation and tax policy; to oversee the management of public finances in all three spheres of Government; to co-ordinate South Africa's international financial relations; and to co-ordinate the annual budget process.

#### **Programme policy developments**

Programme two spans considerable areas of responsibility, which are reflected in the four sub-programmes delivered through four divisions of the National Treasury:

- The Budget Office
- Public Finance
- Intergovernmental Relations
- Economic Policy and International Relations

The main activities of this programme revolve around the annual budget process. The National Treasury co-ordinates a multi-year budget process, which is informed by detailed planning spanning all three spheres of Government and is subject to rigorous political oversight. The Budget is based on robust macroeconomic forecasts, sound tax policies, a growth-enabling fiscal stance and medium-term planning that takes account of Government's strategic priorities. Developing and maintaining an accurate set of public finance statistics is critical for planning and for holding Government accountable.

This programme also includes international financial relations in Africa through regional formations such as the Southern African Development Community, the African Union and the African Development Bank, and our membership of other multilateral institutions such as the International Monetary Fund and the World Bank. The Minister of Finance is currently the Chairperson of the Development Committee of the IMF and World Bank.

#### **Outputs and Service Delivery Trends**

##### **The Budget Office**

The *Budget Office* is responsible for the co-ordination of the annual budget process and the production of the National Budget that the Minister of Finance tables in Parliament in February each year.

The 2003 Budget, tabled on 27 February 2003, was notable in a number of respects.

First, this Budget saw the introduction of measurable objectives for each programme of each vote, thereby taking a major step forward in realising the objective of aligning spending plans with service-delivery commitments. Second, the Budget strengthened the growth-oriented fiscal stance first set out in the 2001 Budget. The 2003 Budget included significant spending changes to social security, provincial services and for the roll-out of free basic services. Third, the budget documentation included financial information on a selected set of public entities, increasing the oversight over the wider public sector.

The main outputs of the Budget Office are the Medium Term Budget Policy Statement, the Budget Review, the main Appropriation Bill and subsequent Adjustments Appropriations. The Budget Office also contributes to the Estimates of National Expenditure and the Intergovernmental Fiscal Review, and oversees the compilation of public finance statistics.

Significant strides were made in 2002/03 in increasing political oversight over the budget process. As the division responsible for co-ordinating the budget process, the Budget Office had increased interaction with the Ministers' Committee on the Budget, the Budget Council and Budget Forum (the latter two committees include the Minister of Finance, MECs for Finance and organised local government). In putting together the Budget, the Budget Office also plays a co-ordination role in the Treasury, bringing together inputs from other divisions of the National Treasury and external role players in the budget process.

Steady progress has been made in recent years in improving the quality and reliability of public finance statistics, publishing up-to-date revenue and expenditure data and preparing consolidated analyses of medium-term estimates. The Public Finance Statistics section of the Budget Office ensured that the Treasury complied with the requirement of the Treasury Regulations that the quarterly expenditure and revenue reports are published on time. A draft of the new economic reporting format that will replace the existing standard item classification in the budget documentation was developed. The new format will form the backbone of the new Chart of Accounts, developed using international reporting standards, to be implemented as the financial system of Government. This work follows on the revenue Chart of Accounts introduced on 1 April 2002. Ongoing improvements to the budget databases of national departments and provinces were made last year. Good progress has been made in expanding the range of financial information reported. This now includes relevant data for a number of public entities, including a consolidated statement of the Sectoral Education and Training Authorities in the budget documentation.

Each year the Budget Office distributes Treasury Guidelines to all national and provincial departments at the start of the budget process. These include primarily information on the budget process and the formats of the MTEC submission. The Guidelines also provide a platform for the introduction of new budget reforms, such as the integration of strategic plans and medium-term budget allocations. Several steps were taken this year to support departments with the formulation of measurable objectives, including a detailed description

in the Treasury Guidelines, which was distributed to departments in October 2002. While commendable efforts have been made to develop appropriate objectives, the full potential of this reform has not yet been realised. The Treasury will work closely with departments this year to improve the quality of measurable objectives and to strengthen the alignment between the objectives of national and provincial departments.

To improve transparency and provide Parliament with enhanced information, the information provided in the Adjusted Estimate for 2002/03 was significantly enhanced to ensure greater clarity on the additional allocations to departments.

Where departments need to invest in new infrastructure, or where they would like to make use of the wealth of innovative and specialist skills available in the private sector for service delivery, they are encouraged to consider making use of a public private partnership (PPP) as the delivery mechanism. Currently, PPPs are in place or being considered in the fields of information technology, prisons, office accommodation, school buildings, eco-tourism, large infrastructure like rail networks and toll roads, health services and vehicle fleet management, among others.

In 2000, a specialised PPP unit was established in the Treasury to support departments through policy development and technical assistance, and to approve project proposals from a budgetary perspective. During 2002/03, the following PPP deals were concluded:

- National Department of Labour Information Services/Technology PPP
- Universitas and Pelonomi Hospitals Co-location PPP, Free State
- Chapman's Peak Drive Toll Road PPP, Western Cape
- State Vaccine Institute

More than 250 people from the public and private sector received training through PPPs during the year. The unit has also developed standardised PPP provisions to guide project design and contract formulation. These provisions have been welcomed by the private sector as a step forward in encouraging transparency and appropriate risk management in fostering PPPs.

The *International Development Co-operation* (IDC) component of the Budget Office is responsible for the management of official development assistance (ODA) to South Africa. Since 1994 South Africa has benefited from an increasing flow of both foreign grants and in-kind support. These donations have been formalised into some 30 international co-operation agreements and in excess of 2 000 project implementation agreements, accounting for between R1 billion and R1,6 billion per annum in assistance to the Government. In addition, foreign support to civil society and the private sector, primarily to emerging businesses, is substantial. Mirroring South African spending priorities, the focus in development co-operation has shifted from support for policy and strategy development towards strengthening actual service delivery, with a strong emphasis on poverty reduction and job creation.

Since the introduction of three-year budgeting, efforts towards better management of ODA and closer alignment of foreign assistance to Government's spending priorities

have intensified. A key trend in this regard has been the strengthened integration of development co-operation programmes and projects into the normal operations of Government, particularly in the key social services area, ensuring long-term sustainability beyond the phase of foreign support.

Strengthened information management is central to the IDC's ODA management improvement programme. Over the past year the IDC has finalised the construction of a management information system for ODA – the Development Co-operation Information System (DCIS) consisting of an integrated website and database for ODA to South Africa.

Also during the past year, development co-operation programme reviews were conducted with Canada, the European Union, the Netherlands, Norway and Sweden. The IDC has successfully negotiated and concluded a number of development co-operation strategies and memoranda of understanding on future co-operation, inter alia with Belgium, Denmark, the European Union, the Flemish Community, Italy and Ireland.

## Public Finance

The *Public Finance* division consists of five sections, four dealing with sectoral and departmental programmes and a fifth responsible for technical assistance projects. The public finance teams are the direct interface between the National Treasury and national departments. They are responsible for supporting other departments in preparing their budgets, for advising the Minister of Finance on policy proposals and for aligning policies with budgets in an intergovernmental context where national departments make policies and provincial or local governments implement them. The Public Finance teams make substantial input into the budget process in evaluating departmental budget submissions and assessing spending and service-delivery plans of departments. They also assist national departments in the development of measurable objectives, the drafting of the Estimates of National Expenditure and monitoring their monthly spending.

The *Social Service* team deals with key provincial functions such as education, health and welfare and national competencies such as labour, arts and culture, science and technology, the social security funds and sport and recreation. Sectoral technical committees with strong provincial representation assist in developing sound policies and budget proposals. The Social Services team contributed to the Intergovernmental Fiscal Review chapters dealing with the social service functions. The main tasks in 2002/03 centred around the restructuring of the higher-education sector; efforts to improve facilities and resources in schools; assessing the impact of poverty-relief programmes; a financing framework for responding to HIV/Aids; the hospital revitalisation programme; modelling the cost of extending the child-support grant; the creation of a social-security payments agency; Government's research and development strategy; and enhancing financial administration in the Sectoral Education and Training Authorities.

The *Economic Services* team deals with departments that play a regulatory and policy role in the real economy. Economic Services works with the Departments of Agriculture

and Land Affairs, Environmental Affairs and Tourism, Communications, Housing, Minerals and Energy, Transport, Trade and Industry and Water Affairs and Forestry. The unit also participates in spatial development and infrastructure investment initiatives, development of black economic empowerment policies and tourism promotion. The unit has focused on revising the bus subsidy contract system, an assessment of the roads strategic framework, an analysis of the effectiveness of water boards, restructuring of the PostBank, shaping the restructuring of the electricity-distribution industry and examining the role of research and development in economic development. The Economic Services team is establishing a unit to deal with the evolving regulatory framework, with particular focus on administered tariffs and costs of compliance to business.

The *Administrative Services* team deals with departments with central administrative and financial functions and responsibilities. These include the Presidency, Home Affairs, Public Service and Administration, Provincial and Local Government, Foreign Affairs and the National Treasury. Together with the PPP unit, financial oversight and project management support has been provided for several major information and communications technology projects. In addition, the team has been providing assistance in considering various service-delivery mechanisms in the implementation of policy.

The team worked closely with the South African Management Development Institute to assist in establishing a trading account for training activities and, together with the Departments of Public Service and Administration and Public Works, worked on the establishment of the State Property Management Agency as a public entity.

The *Protection Services* team deals with the justice and protection sector, encompassing the Departments of Safety and Security, Justice, Correctional Services, Defence and the Independent Complaints Directorate. The Treasury convenes an integrated forum of the criminal justice system departments, which reviews budget issues and key initiatives pertaining to the departments. In 2002/03, administration of courts, personnel shortages and the upgrading the Masters' Offices were identified as priorities. Work was also done on how the criminal justice system deals with the protection of vulnerable groups, especially women and children. The team supports various initiatives aimed at improving court service delivery; including temporary Saturday and additional courts, IJS court centres, family courts, sexual offences courts and child court centres.

National Treasury initiated a review of the contracts between the Department of Correctional Services and the two PPP prisons, in consultation with the Department of Public Works. A process to renegotiate these contracts to improve value for money is now in place and will be supported by the Treasury's PPP unit. Considerable consultation has taken place concerning lower-cost prison designs and new approaches to the management of prisoners.

The *Technical Assistance Unit*, a joint Government and European Union-funded project, supplies government institutions with technical and management support and expertise in order to facilitate more rapid and effective delivery of Government and donor-funded development projects and programmes. Its strategic objective is to develop project management competence with a focus on infrastructure investment and maintenance,



including the sound technical and financial management of projects and programmes that contribute towards the economic and social development in the country. The unit plays an important role in the strengthening of management capacity to deliver on development programmes and projects in Government. The unit achieved a customer satisfaction rating of 88 percent from client departments. During 2002/03, 82 requests for assistance were received, of which 51 were supported by the unit.

### Output and service delivery trends

Sub-Programmes	Outputs	Output Performance Measures	Performance Against Target	
			Target	Actual
Public Finance	Sectoral and departmental policy advice and expenditure analysis	Timely and relevant analysis and advice	Measurable indicators for all budget programmes	Measurable objectives and indicated introduced in 2003 ENE
	Analysis of budget submissions	Quality of spending estimates		
	Project management support	Improved project and financial management	More effective and efficient public service delivery	Support provided to 51 projects
Budget Office	Annual budget framework and Division of Revenue	Integrity of budget framework	Broadening scope of budget and public finance statistics	More public entities and improved analysis brought into budget documentation
	Budget documentation and public finance statistics	Quality of budget documentation		
	Expenditure evaluation reviews	Expenditure reprioritisation and quality enhancement	Capacity building over two years	
	Public-private partnership agreements	Value for money and risk transfer	Growth in PPPs	Four PPP transactions concluded; 50 projects registered

## Intergovernmental Relations

The *Intergovernmental Relations* division facilitates sound fiscal and financial relations among the three spheres of government, by promoting co-operative governance in the budget process and overseeing the implementation of and compliance with relevant legislation such as the Division of Revenue Act and the PFMA.

In the 2002/03 financial year, the Intergovernmental Relations division continued to play a pivotal role in ensuring cohesion and proper intergovernmental co-ordination, especially on matters pertaining to alignment of policy and budgets. This was accomplished by undertaking the technical work essential to informing policy and decision-making with respect to the provincial and local government fiscal frameworks - equitable share and conditional grants - which comprise the core responsibility of the sub-programme. By organising and participating in various intergovernmental forums, the division facilitated much stronger alignment between the division of revenue among the spheres and national priorities implemented at the provincial and local spheres of government. This continues to be a very important function in the intergovernmental system not only because provinces and local government account for over 60 percent of government expenditure, but also because the two spheres implement the bulk of government's pro-poor programmes.

Monitoring and oversight of budget implementation was enhanced by making use of the foundation laid by the much-improved Division of Revenue Act 2002, which the division produces. Trends in provincial spending were closely monitored and quarterly reports were compiled as required by Section 32 of the PFMA. Reporting on conditional grant transfers and expenditure now forms part of the quarterly reports. At the same time the division prepared the Division of Revenue Bill for the 2003/04 financial year, setting out the three-year allocations for the 2003 MTEF.

One of the significant achievements initiated by the division, regarding the 2003 MTEF, is the publication, for the first time, of three-year budget allocation for each municipality. This represents another step in the systematic process of extending some of the budget and public-expenditure management reforms that have now become a permanent feature of national and provincial governments to the local government sphere. There are tremendous benefits deriving from this for local government planning and budgeting, which should translate to improved local government service delivery, including the provision of free basic services.

The division, collaborating with other branches of the Treasury, instituted several initiatives in the area of budget reform, support and capacity building at both provincial and local government levels. In the provincial sphere, key reform initiatives include the development of generic, uniform formats for strategic plans. This entailed working closely with the relevant national and provincial line-function departments (for example, education, health, etc.) in designing common programme structures for each sector. Although all provincial departments submitted strategic plans for the 2003/06 period, it is only in three sectors - education, health and social development - that successful harmonisation of programme structures and formats has been fully implemented, allowing aggregation

across provinces and across programmes, and facilitating inter-provincial comparison of programmes.

In the local government sphere, significant progress has been made in the 2002/03 financial year with the processing of the Municipal Finance Management Bill, which is now going through the final stages of the Parliamentary process. This Bill paves the way for the modernisation of budgeting and financial management practices at municipal level. The division also prepared the foundation for the phased implementation of the Bill once it is passed by Parliament. The division was also involved with the approval of constitutional amendments related to interventions in municipalities, as these were required for the Bill.

Budget and financial management reforms are being implemented in carefully selected pilot municipalities. These municipalities have been provided with technical support, with advisers to set up institutional frameworks and systems essential for the successful implementation of the reforms underpinned in the legislation. Of the 31 pilot municipalities, 24 have been able to table three-year MTEF budgets for the first time.

## Output and service delivery trends

Sub-Programmes	Outputs	Output Performance Measures	Performance Against Target	
			Target	Actual
Provincial and local government frameworks and grants	Annual Division of Revenue Act	Division of Revenue Bill and division of revenue for provinces and municipalities	Prepare DOR Bill for tabling on Budget Day with 3-year allocations for provinces and municipalities	2003 DOR Bill tabled on Budget Day with 3-year allocations by province and municipality, and signed into law by President on 16 April 2003
	Explanatory memorandum on the division of revenue	Annexure E of the Budget Review (also published with the draft Bill)	Prepare Annexure E for inclusion in Budget Review and Division of Revenue Bill	Annexure E published in Budget Review and with Division of Revenue Bill on Budget Day. Also included schedules on all conditional grants
Support for provincial and municipal budget reforms and financial management development	Financial management and budget reforms implemented in provinces	Provincial departments to publish strategic plans	Provincial departments provided with generic format for tabling of their strategic plans to support provincial Budgets	All provincial departments tabled their strategic plans to support their budgets. Three sectors also succeed in customising the generic format for a more sector-specific format
	Number of pilot municipalities participating in implementation of financial management and budget reforms	Pilot municipalities to table three-year MTEF budgets in 2003	Pilot municipalities were encouraged to prepare 3-year MTEF budgets	24 pilot municipalities tabled 3-year budgets in 2003
Analysis of intergovernmental fiscal trends	Publications setting out trends in provincial revenue and expenditure with detailed analyses thereof	A chapter in the MTBPS and the Budget Review explaining trends in intergovernmental transfers Quarterly reports on provincial revenue and expenditure Intergovernmental Fiscal Review	1 chapter in MTBPS and 1 chapter in Budget Review To publish 4 Section 32 reports	Chapter 6 of the MTBPS and chapter 7 of the Budget Review 4 Section 32 reports were published on time
			Date of publication shifted from October 2002 to early April 2003, to facilitate budget hearings for 2003 Budget	Tabled 2003 Intergovernmental Fiscal Review on 8 April 2003 in Parliament

A series of activities relating to capacity building were undertaken involving both provincial and local government officials. These include a course on budget formulation, which was offered to about 250 officials, and a project management course. Both courses received support from the United States Treasury. As part of the capacity building at local government level, the division held a workshop with representatives of the 31 pilot municipalities with the view of facilitating peer learning and sharing of experiences with the implementation of the reform programme.

Regarding publications, the division co-ordinated the preparation of the 2003 Intergovernmental Fiscal Review, which was published in April. The early publication of the Review, which coincided with the budget debates in Parliament and provincial legislatures, was intended to further enrich portfolio committee discussions on the 2003 MTEF budgets, especially those relating to concurrent functions. The division also contributed chapters to the MTBPS and Budget Review.

## Economic Policy and International Financial Relations

The *Economic Policy and International Financial Relations* division is responsible for policy analysis and support as well as engaging in consultations and collaborative work in the areas of international economics, macroeconomics, tax policy and financial sector policy. The division is made up of four units covering these four policy areas.

The *International Economics* unit has consolidated its output into four policy programmes, which revolve around ensuring that the international economic environment is supportive of South Africa's development. These are:

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

The Africa programme has expanded greatly over the past year, making the International Economics unit the largest contributor in the National Treasury to the design and implementation of the New Partnership for Africa's Development (NEPAD). The unit has also taken on new responsibilities following the inauguration of the African Union (AU) in July 2002. Additional employees were appointed to boost the capacity of the unit to formulate and deliver economic policy and development advice that will further strengthen National Treasury's co-operation with other African countries and organisations. Extensive work was undertaken to advise the NEPAD Secretariat on the African Peer Review Mechanism. Outputs relating to the AU include proposals on the financing of the AU, and the institutional framework.

Regional policy and economic integration remain a key focus of the work of this unit. This includes work in the Southern African Development Community (SADC), the Southern African Customs Union (SACU), and the Common Monetary Area (CMA) etc. We have successfully finalised a Memorandum of Understanding (MOU) on macroeconomic convergence and are contributing to the development of an investment

MOU for SADC. Several initiatives have been launched to operationalise the macroeconomic convergence programme by designing a surveillance mechanism and macroeconomic targets for SADC countries.

Analysis in the areas of capital flows and financial market integration supports the unit's work on exchange-control policy advice and capital account liberalisation. A major focus has been on the upcoming transition from exchange controls to prudential regulation of the foreign investments of institutional investors. Another area of focus has been on making South African financial markets more attractive and better equipped to serve the capital raising needs of the continent. Capital account policy is formulated in a broad international financial environment, or architecture. The Ministry of Finance and National Treasury played an active role over the past year in the G20 and other forums that focused on the development of a sovereign debt-restructuring mechanism and other crisis-prevention and resolution instruments.

Trade policy analysis has focused on trade in services and, in particular, on the development of a South African position on financial services for World Trade Organisation (WTO) negotiations. Two studies on trade in services and market access for developing countries were completed last year.

Over the past year, the Finance Ministry and National Treasury have worked to shape the global development policy agenda, particularly through the chairmanship of the Development Committee (DC) of the World Bank. During the past year, the DC agreed to the setting up of an implementation framework to monitor progress by development partners in implementing the Monterrey Consensus and the Millennium Development Goals. Increasing the voice and participation of developing countries in the Bank and the Fund became a central theme of work. Some progress was made to increase the staff complement and research funding of the Africa Group Constituencies. The more substantive issue of rebalancing the voting strength of developing and developed countries will be played out in the next few years.

The *Macroeconomic Policy* unit represents National Treasury on a range of domestic and international fora, which seek to improve the performance of the domestic economy. Prominent among these are NEDLAC, the Policy Board and Financial Markets Advisory Board to the Minister of Finance. The unit is the primary source of macroeconomic policy advice to the National Treasury and Ministry of Finance.

Macroeconomic forecasting, a key output of the unit, has been significantly strengthened over the past year. Stakeholder workshops have helped to further refine the models, and capacity has been deepened, expanding the scope and integrity of the economic modelling capability in the National Treasury.

Against the backdrop of the development challenges facing South Africa, the unit has been closely involved in initiatives to broaden economic participation in the economy. The financial sector summit, organised under the auspices of NEDLAC, culminated in the signing of an agreement between major stakeholders on 20 August 2002.

Working closely with other divisions in the National Treasury and government departments, the unit is playing a pivotal role in ensuring implementation of the agreements reached at the summit. In particular, the unit is collaborating with other stakeholders to develop a financial sector charter. The charter will identify appropriate mechanisms to ensure access to financial products, especially savings vehicles, and to develop appropriate financing mechanisms for black economic empowerment.

Inflation targeting has been in operation for three years, though the spike in inflation following the depreciation of the currency in 2001 represented a test of the framework. Together with the South African Reserve Bank, the unit analysed inflation trends and pressures and developed forecasts for policy advisory services to the Ministry.

As part of its increased focus on microeconomic policy, the unit helped to establish an interdepartmental task team to examine regulatory and pricing mechanisms in public utilities. The expected output from this project would be a regulatory reform programme that should generate improvements in the efficiency of regulation and governance in public utilities. Going forward, this project will be extended to cover aspects of market concentration in different industries in South Africa.

The unit is also involved in a range of initiatives to improve the productive capacity of the economy. Included among these are processes with the Department of Agriculture and Land Affairs to facilitate the critical land reform effort and agricultural extension programmes.

The *Taxation Policy* unit is primarily responsible for advising the Minister of Finance on tax policy issues that arise at all three levels of government. The key objective of this unit is to ensure an efficient, effective, equitable and internationally competitive revenue-raising system for Government.

In its policy advice function to Government, the unit must design tax instruments that can optimally fulfil their revenue-raising function, achieve economic and allocative functions and seek to strengthen their respective redistribution and social policy functions at the same time.

During the 2002/03 fiscal year, the unit has continued to pursue a number of overarching key tax policy goals, including various legislative projects, upgrading of revenue estimation, work on indirect taxes, and regional tax projects.

Within the Tax Policy unit, Legislative Oversight was involved in four major projects. These are the Taxation Laws Amendment Act, the Revenue Laws Amendment Act, and a review of policy options for a state royalty on mineral extraction, which culminated in the Mineral and Petroleum Royalty Bill. The fourth project involved preliminary analysis of the current tax and regulatory framework in respect of the retirement fund industry. Reform of the current tax dispensation will centre on promoting retirement savings, in line with the decision to reduce the tax on retirement funds from 25 percent to 18 percent announced during the 2003/04 Budget in February 2003.



Revenue estimation in the Tax Policy unit focused on developing statistics of income (SOI) for collection, analysis and processing tax return information and statistics to the relevant stakeholders and general public for tax policy and research purposes. A “tax expenditure statement” was published in the 2003 Budget Review for the first time, and a Revenue Analysis Working Committee was established in May 2002 to report to the Minister of Finance on actual revenue collection trends to date and any revisions of the revenue forecasts for the fiscal year.

Indirect taxation remains a key focus of the Tax Policy unit, with an ongoing review of issues in the application of VAT to public entities and greater certainty in the taxation of alcoholic beverages. The unit has also begun an intensive exercise aimed at exploring the use of environmental taxes in South Africa. A discussion document will be released shortly.

Government policy on the taxation of fuels already addresses some environmental concerns, with incentives in place for the use of unleaded petrol, diesel and other bio-fuels in the process of development. Leaded petrol and high-sulphur diesel must be phased out by 1 January 2006.

The Tax Policy unit continues to play a leading role in coordinating tax policy programmes at the regional level in Southern Africa, principally through the work of the SADC Tax Subcommittee, which is chaired by South Africa. SADC Ministers of Finance signed the SADC Memorandum of Understanding on Tax in August 2002 and the Tax Subcommittee is working towards its implementation in 2004. Progress has included capacity-building workshops in the areas of tax policy and administration, double taxation treaties, excise revenue estimation and VAT administration. A comprehensive SADC tax database and website was under construction last year, and the unit managed a major project to collect the data.

The Financial Sector Policy unit (formerly the Financial Regulation unit) is primarily responsible for advising the Minister of Finance on the financial regulatory and supervisory policy issues in the financial sector and for providing the legislative and regulatory framework in this regard. The unit also formulates the Government’s financial sector policy, including the appropriate regulatory architecture of the domestic financial system. With the shift in focus to being primarily a policy-making unit, capacity and skills are being built up to effectively perform this mandate.

The *Financial Sector Policy* unit represents the National Treasury on numerous domestic fora, including the Policy Board for Financial Services and Regulation, the Financial Markets Advisory Board, the Standing Committee for the Revision of the Banks Act, 1990, the Exchange Control Technical Committee and the Money Laundering Advisory Council.

The unit seeks to influence the international financial sector policy agenda and, with the Financial Intelligence Centre (FIC), has begun to actively engage the Financial Action Task Force (FATF) on anti-money laundering (AML) and combating of the financing

of terrorism (CFT). Given its responsibility for National Treasury policy on AML/CFT issues, the unit together with the FIC, has consulted extensively with stakeholders in preparation for the joint FATF/ESAAMLG assessment of South Africa's compliance with international AML/CFT standards. The unit has also worked closely with the Financial Intelligence Centre in preparing and promulgating the FIC Act Regulations, which came into operation on 1 July 2003.

The unit represents the National Treasury as an associate member of the International Association of Deposit Insurers, and attends the meetings of regional organisations, such as the Common Monetary Area (CMA) and the SADC Committee of Insurance, Securities and Non-banking Financial Authorities (CISNA).

The unit is charged with ensuring that financial services legislation is in accordance with the policy objectives of the Minister of Finance. Legislation facilitated and promulgated during the year under review includes:

- The Financial Advisory and Intermediary Services Act, 37 of 2002 (into full operation on 15 February 2003);
- The Collective Investment Schemes Control Act, 45 of 2002 (commenced on 3 March 2003);
- The Insurance Amendment Act, Act 17 of 2003 (scheduled for commencement in 2003); and
- The Banks Amendment Act, 19 of 2003 (scheduled for commencement in 2003).

Following the Minister's announcement of an exchange control amnesty with accompanying tax measures in the 2003 Budget, the unit has worked closely with the Tax Policy unit, the Exchange Control department of the South African Reserve Bank and the South African Revenue Service to prepare the draft Exchange Control Amnesty and Amendment of Taxation Laws Bill 2003. On the exchange-control policy front, the unit works with the International Economics unit on domestic financial market integration and improving the capital-raising ability of South African financial markets, through the Financial Centre for Africa project. It also advises on exchange-control policy and capital account liberalisation. The present focus is on the transition from exchange controls to prudential regulation of the foreign investments of institutional investors.

During the review period, the unit has worked closely with the South African Reserve Bank in the resolution of problems experienced in the banking sector, particularly by Unifer Bank, Saambou Bank and BOE Bank, during the early part of 2002. While the period has seen a further consolidation in the banking sector and the exit of several A2 banks, the robustness of the banking sector was once more evident and underpinned the return to normality during this period. The unit has actively pursued the furtherance of a broad-based process to improve access to finance, particularly in the banking sector.

Research is being conducted, inter alia, with regard to the appropriate regulatory framework for the introduction and establishment of a single regulatory agency for the financial services sector; and an examination of the regulatory and fiscal implications of establishing a deposit insurance scheme for retail banking depositors in South Africa.

## **Donor Funds Under Management**

Donor funding was provided by the European Union (EU). The purpose was to facilitate the more rapid and effective delivery of the Reconstruction and Development Programme projects by the Government and donor agencies, through the implementation of effective project management structures, procedures and adequate monitoring in key departments by the Technical Assistance Team.

The International Development Co-operation Support Programme (IDCSP) is an EU-funded programme aimed at strengthening Government's capacity in co-coordinating and managing donor assistance to South Africa, in line with development priorities.

Funding was provided by the EU and IDCSP for the Development Co-operation Information Systems, to establish and operationalise a management information system for development assistance to South Africa.

Donor funds amounting to R30 901 000, in kind, were made available by various donors and were divided among all three divisions under this programme.

Please refer to Note 3 of the Annual Financial Statements for an analysis of the donor funds received.

## **Programme 3**

### **Assets and Liability Management**

#### **Aim**

This programme aims to manage the Government's asset and liability portfolio in a manner that ensures optimal management of the Government's domestic and foreign-debt portfolio, prudent financial and cash management, management of state-owned entities (SOE's) including asset restructuring and financial management.

#### **Programme Policy Development**

The programme is managed by the National Treasury's Assets and Liability Management division, and is divided into four sub-programmes:

- The Liability Management unit;
- The Financial Operations unit;
- The Strategy and Risk Management unit; and
- The Asset Management unit

The *Liability Management* unit 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. The section also contributes to the development of domestic capital markets and timeous servicing of debt. Debt management objectives have evolved from the development of the domestic capital market to the minimising of debt costs subject to acceptable risk levels. This means a shift from strategic to active debt management that involves tactical policies and strategies, such as, debt consolidation, elimination of former regional authorities' debt, the introduction of a full yield curve of inflation-linked bonds and the development of the strip market to allow investors to diversify their portfolios. The emphasis on foreign debt management has shifted from the setting up of international benchmarks for South African financial institutions to the diversification of the foreign-debt portfolio. The foreign debt management strategy also took the elimination of the Net Open Forward Currency Position (NOFP) of the South African Reserve Bank (SARB) into consideration.

The *Financial Operations* unit is responsible for the management of the government's cash requirements, it also ensures that all Government's debt transactions are recorded timeously and reported upon in terms of the Public Finance Management Act, 1 of 1999 (PFMA) and ensures all other multilateral institutions' reporting requirements are met. It provides for the division's information system requirements, which incorporates integration of systems.

The *Strategy and Risk Management* unit has developed and maintains a risk-management framework of the Government debt portfolio and ensures that the strategies adopted by the division, Asset and Liability Management, are in line with the agreed framework.

The *Asset Management* unit is committed to enhancing shareholder value through restructuring of state-owned entities, monitoring and enforcing compliance with corporate governance by government bodies and public entities in accordance with the PFMA and co-ordinating borrowing activities of public entities in line with Treasury Regulations.

## Output and Service Delivery Trends

Government's net borrowing requirement of R12,8 billion was successfully financed through the net increase in short-term loans (R4,2 billion), net decrease in domestic long-term loans (R3,0 billion), net increase in foreign loans (R14,3 billion) and net decrease in changes in cash and other balances (R2,7 billion).

The debt-consolidation programme for portfolio restructuring purposes for the 2002/03 fiscal year included a switch of R4,2 billion illiquid bonds into benchmark bonds and a cash buy-back of R535,3 million of illiquid bonds. This was intended to increase the tradability of the government debt portfolio. The debt consolidation programme is now complete with a total amount of R46,0 billion consolidated since 2000/01.

The Gold and Foreign Exchange Contingency Reserve Account Defrayal Act, 4 of 2003 (GFECRA), was promulgated on 31 March 2003. This Act stipulates the methodology to be followed in order to repay the realised losses on GFECRA amounting to R28,0 billion as at 31 March 2002. In terms of this Act, the National Treasury is obliged to annually issue nil coupon bonds to the value of R7,0 billion to the SARB over the period 2002/03 to 2005/06. On 9 September 2002, nil coupon bonds to the amount of R7,0 billion were issued to the SARB of which R3,0 billion were switched into fixed-income bonds and the remaining R4,0 billion were repurchased.

The proceeds, equivalent to US\$1,0 billion, from the foreign loan issued during April 2002 were utilised to repay maturing foreign loans and to reduce the NOFP. The NOFP has been reduced substantially from a high of US\$23,2 billion in 1998 to US\$1,2 billion at the end of 2002/03.

South Africa's participation in the international capital markets as well as the interaction and management of the relationship with the international credit rating agencies remains one of the key focus areas. During the period under review, Fitch Rating, Standard and Poor's and Moody's improved South Africa's sovereign credit ratings from a stable to a positive outlook.

A strips (Separate Trading of Registered Interest and Principal Securities) programme was initiated with a view to increasing demand for the underlying instruments and encouraging active portfolio management. The strips programme allows the holders of the strips to trade the bond as well as the interest separately if and when market conditions are favourable. As at 31 March 2003, an amount of R9,9 billion nominal in bonds has been stripped with R3,3 billion nominal reconstituted.

As a result of the prudent debt management and macroeconomic policies followed by

the National Treasury, Government's gross total loan debt decreased from 48,3 percent of GDP in 1998/99 to 38,1 percent of GDP at the end of 2002/03. Subsequently, debt service costs as a percentage of GDP declined from 5,7 percent to 4,2 percent over the same period.

By the end of 2002/03, fixed-income bonds constituted 85,0 percent, index-linked bonds 7,3 percent and Treasury bills 6,6 percent of total domestic debt.

To further reduce borrowing costs and enhance the credit risk management across Government, optimal use of available cash resources of Government will continue to be co-ordinated centrally between the provinces and the National Treasury. The Intergovernmental Cash Co-ordination (IGCC) project entails provinces opening a Commission for Public Deposits bank account as part of their Provincial Revenue Fund accounts. Good progress has been made with this project during 2002/03 and it is expected that all the provinces will be part of the IGCC by the end of the 2003/04 fiscal year. National Treasury used R7,5-billion of the surplus cash of the provinces as bridging finances, saving 75 basis points on the equivalent Treasury bill borrowing cost. In addition, through the reengineering of existing cash-management processes, the balances in the Exchequer Account were reduced from R500 million to R250 million. As a result, additional interest of R35 million was earned on invested funds.

The Commonwealth's Debt Recording and Management System (CS-DRMS) needed further enhancements to make it relevant for the recent developments in our domestic debt-management practices, and also to cater for the specific foreign loans. The final testing on live data is under way and will be completed in September 2003.

The division commenced with a business process review that will streamline activities and processes as well as improve communications and the sharing of information and data. This will improve the overall efficiency of the division and release resources to focus on more value-adding activities, thus impacting positively on overall operations. This process should be finalised during the next financial year.

The division, *Asset and Liability Management*, continued its ongoing support of the restructuring of public enterprises. Amid difficult market conditions, the successful Telkom IPO generated proceeds to the amount of R4,2 billion accruing to the National Revenue Fund. In addition, proceeds from the restructuring of the Central Energy Fund (CEF) and from the sale of Transnet's stake in MTN amounted to R2,2 billion and R1,6 billion, respectively.

Considerable progress has been made in normalising the dividend policies and tax status of all major business public enterprises. As a result, dividends amounting to R1,0 billion were paid into the National Revenue Fund during 2002/03 as compared to R0,4 billion during 2001/02.

During the year under review, 90 public entities were listed, de-listed or underwent name changes, bringing the total number of public entities listed in the PFMA to 322.

## Output and service delivery trends

Sub-Programmes	Outputs	Output Performance Measures	Performance Against Target	
			Target	Actual
Liability Management	Financing the deficit	Meet government borrowing requirement	Net borrowing requirement of R12, 3 billion	Achieved
	Maintain presence in foreign markets	Annual issuance in foreign markets	Issuance equivalent to US\$ 1 billion	Achieved Sovereign credit rating upgraded
	Eliminate GFECRA losses within MTEF	Annual reduction of GFECRA losses	Issue R 7 billion nil coupon bonds	GFECRA Defrayal Act promulgated and R7 billion nil coupon bonds issued to the SARB
	Meet all debt obligations	All payments made timeously	March 2003	Achieved
Financial Operations	Efficient cash management	Publish a revised framework	June 2002	Achieved. More efficient cash management resulted in R35 million interest earned
	Improve operational efficiency of the ALM Division	Implement intergovernmental cash co-ordination	April 2002	Provincial surplus cash of R7,5 billion used as bridging finance during 2002/03 A formal process of intergovernmental cash co-ordination is in the process of being set up
	Sound internal controls and timeous reporting	Implement debt recording system and produce an information system strategy	April 2002 to December 2002	Enhancements made to CS-DRMS debt recording system to cater for all RSA specific requirements, final testing for user acceptance underway Business processes review completed
		Quality of controls measured by annual audits and met deadlines	Ongoing and annually	Achieved

Sub-Programmes	Outputs	Output Performance Measures	Performance Against Target	
			Target	Actual
Assets Management	Successful management of process to get maximum financial proceeds from the restructuring of state assets	Restructuring proceeds meets targets and takes place within the planned timeframes	R 12,0 billion budgeted	R8,0 billion received in the National Revenue Fund
	Quarterly consolidated borrowing programme and debt management profile of Government	Quarterly programme and profile on time	Quarterly	Achieved
Strategy and Risk Management	Implement debt benchmark recommendations	Achieve management of the debt in relation to the benchmark	April 2002	Debt benchmarks established Reviewing risk management framework
	Implement performance management system	Proper reporting framework and compliance procedures in place	April 2002	Reviewing risk management framework
	Produce annual portfolio review	Quarterly, timelines and dissemination of document	March 2003	Achieved



## Programme 4

### Financial Management and Systems

#### Aim

The Financial Management and Systems division is charged with managing and regulating Government's supply-chain management functions. It also implements and maintains standardised financial systems; as well as co-ordinating the implementation of the Public Finance Management Act, 1 of 1999 (PFMA) and related capacity-building initiatives.

#### Programme Policy Developments

This division comprises the following three sub-programmes:

- Supply Chain Management;
- Financial Systems; and
- PFMA Implementation and Co-ordination

#### Output and Service Delivery Trends

##### Supply Chain Management

The *Supply Chain Management* unit has, during the period under review, continued with Government-initiated reforms to public-sector procurement policies. The process of phasing out the national and provincial tender boards has commenced and a Supply Chain Management Office has been established to replace the Office of the State Tender Board to facilitate and assist with the management of transversal term contracts on behalf of national Government. It is envisaged that the State Tender Board Act will be repealed as part of the Public Finance Management Amendment Act during 2003. In order to enhance the decentralisation process and prepare accounting officers to accept the increased accountability conferred upon them by the PFMA and the anticipated dismantling of the state tender board, increased procurement delegations have to date been granted to all national departments.

The Supply Chain Management unit has also focused on the introduction of a new supply-chain management function within Government. This function is an integral part of prudent financial management that seeks to introduce international best practice principles, while at the same time addressing the socio-economic objectives of government. During 2002 the team, in conjunction with provincial treasuries, developed a Policy Strategy to Guide Uniformity in Procurement Reform Processes in Government. This strategy supports the issuance of a framework for supply-chain management, which is aimed at promoting sound financial management and uniformity in implementation of procurement reform initiatives in all three spheres of government. It also enhances common interpretation and understanding of related legislation and policies and introduces an integrated supply-

chain management function and a system for the appointment of consultants. The framework for supply-chain management will be promulgated in terms of Section 76 (4)(c) of the PFMA as part of the Treasury Regulations.

Uniformity in bid and contract documentation as well as bid and procedure standards will be promoted in order to standardise supply-chain management practices. For this purpose, a series of practice notes with regard to, among others, conditions of contract, generic bid documents, appointment of consultants and a standard code of conduct for supply-chain practitioners, has been drafted. These practice notes will be issued in terms of the framework to guide uniformity in practices and procedures across the three spheres of government.

Over the past year, the section has also given extensive guidance to national and provincial departments and municipalities on the implementation of the Preferential Procurement Policy Regulations. To this end, numerous workshops were held with national and provincial departments, constitutional institutions and public entities. It has, however, become evident that there are deficiencies associated with the current Preferential Procurement Policy Framework Act (PPPFA) and its associated regulations. The process of reviewing the Act and regulations has begun, particularly regarding the need to more effectively align it to Government's broad-based Black Economic Empowerment policy objectives.

## Financial Systems

In recent years significant revisions of governance practices have had a fundamental impact on public-sector management and associated IT solutions. This has necessitated an analysis of existing financial applications (Financial Management System (FMS), Basic Accounting System (BAS), Logis and Persal) to determine their suitability. New Integrated Financial Management Solutions will need to be phased in over time.

An Integrated *Financial Management Systems* project office was established to develop a Master Systems Plan (MSP) that will guide the replacement of the current legacy outdated systems in a phased manner. This MSP, which is scheduled for completion by February 2004, will also include a prospectus that will provide alternative system solutions, costs and detailed future phases of the project.

Parallel to the development of the MSP, a process has been initiated to streamline the interim management of the existing systems - BAS, FMS, Logis, Persal and Vulindlela. This approach has made it possible to register substantial savings in the costs of maintaining the existing systems during the interim period.

In limiting the acquisition of new sub-systems and/or enhancements to the existing systems, a clearing-house procedure was put in place through the Budget Council Structure to ensure proper co-ordination with provincial governments.

All national departments, with the exception of the Departments of Justice and Constitutional Development; Correctional Services, Safety and Security and Defence have migrated

from the FMS system to the BAS. The Departments of Justice and Constitutional Development and Correctional Services together with four provinces will migrate to BAS by April 2004. This will make it possible to further eliminate the duplication of systems.

## **PFMA Implementation**

This sub-programme focused largely on providing Cabinet and Parliament's Standing Committee on Public Accounts (SCOPA) with progress reports on the implementation of the PFMA and co-ordination of related capacity-building initiatives. In this regard, a compliance survey was conducted and reports were forwarded to Cabinet and SCOPA during June 2002. These reports detailed progress made with the implementation of the PFMA in national and provincial departments, constitutional institutions and in public entities. Previous surveys only measured compliance issues related to the PFMA and the Treasury Regulations and during the year under review it was considered prudent to develop a document that would measure both compliance and qualitative improvements related to the PFMA and the Treasury Regulations. Hence, the Normative Measures for Financial Management document was developed, which aims to provide accounting officers, among others, with a benchmark to evaluate the quality of financial management practices within their departments. This extensive document, which was finalised in consultation with the provincial treasuries, enables the relevant treasuries to report bi-annually to Cabinet and to the Executive Councils on specific aspects of financial management within a specific department or in respect of national and provincial departments as a whole.

In order to achieve the qualitative improvements associated with financial management and to ensure the successful implementation of the PFMA, through effective and quality training, the Validation Board was established. The Board exercises qualitative control over external service providers' training materials. In the year under review, it has accredited 48 courses that are 100% relevant to the financial reforms and are also consistent with the financial training priorities of public-sector personnel. To date, the board has accredited a total of 59 courses of 12 training service providers.

The National Treasury has always recognised that capacity constraints can seriously impede the successful implementation of the PFMA. Through constructive engagements with departments via the various fora, it became clear that departments lacked capacity in areas related to strategic planning and budgeting, in-year management, monitoring and reporting, internal control and risk management and internal audit and audit committees. To provide assistance to departments external service providers were commissioned to present courses related to the aforementioned areas. National and provincial departments were invited to nominate delegates to attend these courses paid for by the PFMA Implementation unit. In the period from September 2002 to January 2003, 243 chief financial officers and other senior managers attended eight training courses. Feedback from delegates revealed that these courses were extremely useful and provided an excellent platform to understanding the related matters.

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. The Service Level Agreement requires the IPFA to deliver an agreed number of short courses to government officials on various aspects related to financial management. These courses are required to be of an acceptable quality and in accordance with National Treasury's priorities.

## Output and service delivery trends

Sub-Programmes	Outputs	Output Performance Measures	Performance Against Target	
			Target	Actual
Supply Chain Management	Regulating and monitoring supply chain management policy in Government and facilitating general supply contracts on behalf of national Government	Completing procurement strategy for Government	30 September 2002	80% Achieved
		Issue regulations and manuals for supply-chain management	1 April 2002	In draft, will be issued once the Framework for Supply Chain Management is promulgated
Financial Systems	Implementing, maintaining and enhancing financial management systems	Availability and stability of financial systems within working hours	98% system availability during working hours	FMS: 99% LOGIS: 99% BAS: 96% PERSAL: 93% (Below target performance on BAS due to increase in user base not accompanied by adequate capacity planning by SITTA. Actual performance by PERSAL during normal working hours was 100% However, weekend batch processes reduces the actual performance to the indicated average level for the year.)
		Roll-out of new Enterprise Application Solution on scheduled date	October 2003	This is to be replaced by the Integrated Financial Management Systems scheduled to be phased in starting February 2004
PFMA Implementation	Co-ordinating implementation and training initiatives of the National Treasury as well as monitoring implementation of the PFMA in other institutions	Extent of implementation of BAS in national departments	100% by March 2003	All national departments migrated to BAS except for Justice and Correctional Services
		Report bi-annually to Cabinet and the Standing Committee on Public Accounts on progress in implementing the PFMA and improving financial management	30 September 2002	SCOPA: - 19 June 2002 Cabinet: - 26 June 2002
		Training material evaluated and accredited relevant to government needs	31 March 2003	SCOPA: 25 June 2003 Cabinet: 23 July 2003
		Number of courses presented that meet the financial training needs of government personnel	100%	Achieved
			6 courses	8 courses

## Programme 5

### Financial Accounting and Reporting

#### Aim

The *Financial Accounting and Reporting* programme intends developing new and enhancing existing accounting policies and practices to ensure compliance with Generally Recognised Accounting Practices (GRAP) standards to be issued by the Accounting Standards Board (ASB). This will enable a transition from the cash basis of accounting to an accrual basis. 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.

#### Programme Policy Developments

The Office of the Accountant-General has undergone considerable restructuring and consists of the following sub-programmes:

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

### Output and service delivery trends

Sub-Programmes	Outputs	Output Performance Measures	Performance Against Target	
			Target	Actual
Financial Management Improvement	Development and implementation of accounting policies and practices to comply with GRAP standards	Timely issuing of accounting policies and practices	31 March 2003	February 2003
	Issuing of guidelines for Asset register	Percentage of GRAP standards complied with	75% by 31 March 2003	Not applicable
	Internal audit policies and guidelines	Timely issuing of guidelines for asset register	1 April 2002	Achieved
Financial Reporting on National Accounts	Monthly expenditure and consolidation reports	Timely issue of internal audit policies and guidelines	31 March 2003	Achieved
		Timely publishing of reports	30 days after month end and 6 months after year end	Not applicable

**Timely issuing of accounting policies and practices:** The policies for fixed assets, investments, leases and gifts, sponsorships and donations were completed and accepted for inclusion in the drafting of the 2002/03 financial statement formats to ensure improved disclosure.

**Percentage of GRAP standards complied with:** The Office of the Accountant-General established the ASB during 2002 and its strategic plan was approved by the Minister of Finance during October 2002. The ASB is responsible for the development of GRAP standards. The ASB has adopted the International Federation of Accountants (IFAC) standards as the basis for developing the South African standards. Policies have been drafted for 10 of the 20 approved IFAC standards.

**Timely issuing of guidelines for asset register:** The guidelines were completed and issued timeously. However, commencement of capturing of assets was delayed by departments, owing to the completion of the Annual Financial Statements for the year ended 31 March 2002.

**Timely issue of internal audit policies and guidelines:** The policies and guidelines were prepared and issued timeously. These were benchmarked against the King II Report. The policies and guidelines were presented to the Heads of the Internal Audit Forum in June 2003. This event signified the operationalisation of Internal Audit units within departments. Circulation of handbooks and guides for comment will facilitate the implementation and acceptance of the internal audit function in departments.

**Timely publishing of reports:** Enhancements in the formats for financial reporting for national and provincial government introduced uniformity in reporting and improved disclosure of fixed assets, investments and gifts, donations and sponsorships in the Annual Financial Statements for 2002/03. A process of extensive consultation and training with the national and provincial departments eased the implementation of the new formats and will enhance the revision of the annual reports in line with the development of new accounting policies. Further improvements that were introduced during the past year are earlier ledger-closure dates and an in-year monitoring system to facilitate timeous monthly, quarterly and annual reporting.

### Transfer payments

Name of Institution	Amount Transferred
Accounting Standards Board	R 3 598 000
Auditor-General	R 11 877 000
Institute for Public Finance and Auditing	-



### **Donor Funds under Management**

The European Commission (EC), as part of its foreign-aid programme, has allocated a grant to the Office of the Accountant-General to effect certain activities that are vital to upgrading government financial management performance. The office supplements the grant with its own budget.

The EC grant consists of finance amounting to 12 million Euros for long- and short-term technical assistance, monitoring and evaluation support, policy support and development, training and co-ordination support.

A total of R26 465 154 was received to 31 March 2003 of which R3 716 027 was spent during the last financial year for the interim programme office and infrastructure, in accordance with the requirements of the EC.

## **Programme 6**

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### **Provincial and Local Government Transfers**

#### **Aim**

The *Intergovernmental Relations* division manages three conditional grant programmes to provinces and municipalities. These grants are appropriated on the vote of the National Treasury, and represent a small portion of the total grant transfer to provinces and municipalities.

#### **Output and Service Delivery Trends**

The National Treasury administers one grant to provinces and two to local government. The provincial grant supports infrastructure development while the two local government grants provide for restructuring and support municipal budget and financial management reforms.

#### **The Provincial Infrastructure Grant**

The purpose of the provincial infrastructure grant is to enable provinces to address infrastructure needs, particularly for roads, schools, health facilities and rural development. One of the objectives of the grant is to boost provincial capital budgets for infrastructure, and to institutionalise the process of systematic planning for projects, their implementation and reporting on expenditure.

Based on the sharp growth in provincial capital expenditure budgets in 2002/03, and healthy spending against these budgets, it appears that the goal of stimulating provincial infrastructure investment has been accomplished. For the 2002/03 financial year, including the R2 billion Provincial Infrastructure Grant, provincial capital expenditure rose by more than 15 percent, from R11,3 billion to R13,7 billion, and is set to rise to R22 billion by 2005/06. Consequently, the share of capital expenditure in total provincial expenditure will exceed 10 percent in future years.

### Allocation for Provincial Infrastructure by Province

Province	Allocation/Transfe (R'000)
Eastern Cape	356 107
Free State	151 913
Gauteng	157 084
KwaZulu-Natal	331 123
Limpopo	208 961
Mpumalanga	52 997
Northern Cape	460, 19
North West	135 086
Western Cape	96 210
<b>Total</b>	<b>1 950 000</b>

The Table above sets out provincial allocations, which are equal to total transfers as all funds were transferred to the provinces. Although the full amount was ultimately transferred, some provinces had their instalments delayed for short periods, to ensure that provincial departments complied fully with the criteria set out in the framework for the grant and the 2002 Division of Revenue Act.

### Local Government Grants

The aim of the *Local Government Finance Management Grant* is to promote and support reforms to municipal financial management practices, including the modernisation of budgeting, financial management, accounting and monitoring systems in municipalities, as envisaged in the Municipal Finance Management Bill.

As at the end of March 2003, all of the R221 million was transferred to the 39 pilot municipalities. Annexure 1A to the financial statements provides information per municipality.

Municipalities reported spending R117 million or 53 percent of the amount transferred, with the balance being expected to be spent during the 2003/04 national financial year (but possibly still in the 2002/03 municipal year, as it ends three months later on 30 June 2003). All transfers went through the accredited bank accounts of municipalities as required by the Act.

Of the 39 municipalities that participated during the 2002 budget, 24 tabled three-year budgets to Council and submitted reasonable budget returns in the proposed format. All have employed suitably qualified Municipal Managers and Chief Financial Officers. Seven will have prepared financial statements in the new formats for the municipal financial year ending 30 June 2003.

In February 2003, nine long-term advisers were placed in municipalities for a period of two years. Two advisers were appointed to support the programme at a national level. These advisers have assisted the selected municipalities in completing the 2003/04 to 2005/06 multi-year budgets. Between five and 10 long-term advisers will be placed in pilots by September 2003, with a further nine by February 2004.

To promote skills development and transformation in local government, an internship programme was introduced as part of the reform programme. As part of the initial roll-out of the strategy, 71 graduates from disadvantaged communities have been recruited to serve in municipalities, where they will gain first-hand, practical experience and be trained in reforms in public finances.

## Restructuring Grant

The aim of *Restructuring Grant* is to support restructuring and the modernisation of large municipalities to make them more effective and efficient, and to function in a fiscally sustainable manner.

The National Treasury's role is to evaluate the applications and to monitor whether municipalities are meeting the pre-determined objectives or milestones as specified in their respective restructuring plans. The first contract approved was with the City of Johannesburg in 2000/01 for R525 million. Given the establishment of new boundaries to many municipalities in December 2000, municipalities struggled to complete their restructuring plans during 2001/02 and 2002/03.

For this reason, in March 2002, seed funding to the tune of R68 million was allocated to 13 municipalities to assist them in completing restructuring grant applications, which were due on 12 November 2002. Some funds were made available in 2001/02 to Cacadu District Municipality (formerly Western District Council) to assist them in dealing with specific problems arising from their new demarcation. The grant applications include the provision of institutional, economic and financial analysis to ensure the sustainability of the municipality.

Seven applications were received from Mangaung, Msunduzi, uMhlatuze, Sol Plaatje, Cacadu, Ekurhuleni and eThekweni during 2002/03. None of the approved municipalities were able to complete their contract agreements by the end of the 2002/03 financial year. Three of these applications, Mangaung Local Municipality (R130 million), Msunduzi Local Municipality (R130 million) and Cacadu District Municipality (R39 million) totaling R299 million, have completed their multi-year contract agreements.

As a result, they received their first installments after the end of the financial year, in May 2003, totaling R99 million - Mangaung (R40 million), Cacadu District Municipality (R19 million) and Msunduzi (R40 million).

During the 2002/03 financial year, a total of only R151 million was transferred to four municipalities, namely, Johannesburg (R125 million), Cape Town (R8 million), Sol Plaatje (R10 million) and uMhlatuze (R8 million). Of the total of R224 million not transferred, R125 million was withheld from the City of Johannesburg, as the municipality did not meet all the conditions of the grant on debtor-collections ratios, capacitating of its Contract Management Unit and the implementation of its staff rationalisation strategy.

The remaining R99 million was delayed in 2002/03 but transferred in May 2003 as indicated above.

All transfers went through the accredited bank accounts of municipalities as required by the Division of Revenue Act. Annexure 1A of the Annual Financial Statements sets out a detailed breakdown of the grant allocations by municipality. The notes to the financial statements for Programme six also explain the reasons for the funds not transferred during 2002/03.

### Output and service delivery trends

Sub-Programme	Outputs	Output Performance Measures	Performance Against Target	
			Target	Actual
Conditional Grants to Provinces	Enhanced funding for provincial infrastructure spending	The grant has clear and transparent conditions	100% of payments and reporting as per stated criteria and conditions	100% Transfer of Allocation
		Payments on time as per conditions Regular reporting as per each grant		
Conditional Grants to Municipalities	Funding of municipal financial management reforms and restructuring	Targeted beneficiaries reached	100% of payments and reporting as per stated criteria and conditions	58 % of the grants transferred and reporting as per stated criteria achieved (Refer to Local Government Grants section above)
		The two grants contain clear and transparent conditions		
		Payments on time as per conditions		
		Regular reporting as per each grant	100%	Achieved
		Targeted beneficiaries reached	100%	Achieved

## **Programme 7**

### **Civil and Military Pensions, Contributions to Funds and Other Benefits**

#### **Aim**

To provide for the payment of pensions and other benefits in the public sector.

*Civil Pensions and Contributions to Funds* 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.

*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 and contractual commitments.

#### **Outputs and Service Delivery Trends**

Programme Seven 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) as well as pensioners and widows of the former Development Boards and National Film Board.

Another important activity is the payment of pensions to persons who have made sacrifices or served the public interest in the establishment of a democratic constitutional order. These include members of any armed or military force not established by or under any law and which is under 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, Act 69 of 1996 as amended.

The programme also ensures 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 as well as payment of medical costs arising from such injuries in, accordance with the Compensation for Occupational Injuries and Diseases Act, Act 130 of 1993.

Another activity is the timeous payment of military pensions to former soldiers who were involved in the pre-1914 wars, the First and Second World Wars, the Korean War, and 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, Act 84 of 1976.

## Other items of expenditure under the programme include the following:

- Payment of additional retirement benefits to members of the Provident Fund for Associated Institutions in the event of the member retiring before pensionable age is reached due to ill-health. (Associated Institutions Pension Fund Act, Act 11 of 1971);
- Payment of pension to persons after successfully petitioning Parliament. Pensions payment is based on approved applications by Parliament. This constitutes a non-discretionary commitment determined by Parliament;
- Partial reimbursement of the Government Employees Pension Fund in respect of higher expenditure resulting from the additional pensionable service granted to South African National Defence Force members. (Proclamation 21 of 1996);
- Payment of pension to members of the legislative assembly of the former Venda, Transkei, Lebowa and Gazankulu governments;
- Payment of pension benefits and awards to judges or their widows in accordance with the Judges Pension Act, Act 90 of 1978; members of the pension scheme of the National Road Board in accordance with the Transport (Co-ordination) Act, Act 44 of 1948; members of the pension scheme of the South African Mint in accordance with the South African Reserve Bank Act, Act 90 of 1989; members of the Black Teachers Pension Funds (Act 43 of 1887 (Cape); Black Chiefs (Proclamation 110 of 1957)). Payment to members of the funds and schemes that have been discontinued but in respect of which benefits are still payable such as pre-Union pension funds, the Cape Widows Fund and Government service officials and employees injured during war service and who are also entitled to civil pension and members of statutory bodies or their widows in accordance with the Members of Statutory Bodies Pension Act, Act 94 of 1969;
- Payment of pension to the President of the Republic of South Africa after retirement in terms of Section 2(2)(a) of the Remuneration of Political Office Bearers Act, Act 20 of 1998;
- Payment of contribution for death and disability benefits and fund expenses to the Political Office Bearers Fund;
- Payment of United Kingdom tax on pensions of former locally recruited staff in London who were employed after 1910 and prior to 1 October 1953;
- Payment of pensions to Civil Protection volunteers who sustained permanent disablement or to the widows or dependants of those who died in terms of the Civil Defence Act, Act 67 of 1977;
- Payments of medical claims arising from treatment provided in respect of a members pensionable disability, medical appliances and subsistence and travel allowances in terms of the Military Pensions Act, Act 67 of 1976; and
- Payment of an administration grant to the South African Legion to attend to the socio-economic needs of war veterans.

### Transfer Payments

Name of Institution	Amount Transferred
United Kingdom Tax	R 3 566 000
SA Legion	R 50 000



### Output and service delivery trends

Sub-Programmes	Outputs	Output Performance Measures	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	Achieved
	Payment of contributions to medical aid schemes	82 256 members paid monthly	Payment to be made by the end of the month following that month in which the expenses were incurred	Achieved
	Payment of risk and administration fees to the Political Office Bearers' Pension Fund	Payment of risk and administration fees for 959 members monthly	Payment to be made by the 7 <sup>th</sup> working day of each month	Achieved
Military Pensions and Other Benefits	Payment of military pension benefits	7 667 beneficiaries paid monthly	Payment to be made on the 1 <sup>st</sup> working day of each month	Achieved
	Payment to service providers for medical expenses	4 944 beneficiaries paid monthly	Payment of claims on receipt of claims from service providers	Achieved

## **Programme 8**

### **Fiscal Transfers**

#### **Aim**

To facilitate the smooth transfer of funds to relevant public authorities and other institutions, where this is applicable under various statutory provisions that govern the financial relations between Government and the particular authority or institution. This includes international development institutions of which Government is a member, such as the African Development Bank.

#### **Programme Policy Developments**

Domestic transfers are made to the Development Bank of Southern Africa, the South African Revenue Service and the independent Financial and Fiscal Commission for the fulfilment of their statutory obligations. In addition, the programme facilitated the establishment and operations of the new Financial Intelligence Centre.

Foreign transfer payments are made to the Highly Indebted Poor Countries Initiative, which provides debt relief to poor countries in terms of a bilateral agreement between the donor countries, the World Bank Group, the African Development Fund. Transfer payments are also made to Lesotho and Namibia in respect of the Multilateral Monetary Agreement.

#### **Outputs and Service Delivery Trends**

The *Development Bank of Southern Africa* is a development finance institution wholly owned by the South African Government. At 31 March 2002 it had total assets of R18 billion. The bank is self-sustaining and raises capital on the local and international capital markets. It has investment-grade international credit ratings from Standard and Poor's (BBB-) and Moody's (Baa2), on a par with the South African sovereign rating. The bank also has a domestic credit rating for long-term debt of AAA from Fitch IBCA.

The *South African Revenue Service (SARS)* has continued to make significant progress in enhancing its administrative capacity in order to become a world-class tax and customs administrator, capable of effectively responding to the challenges of globalisation. Tax collections have consistently surpassed budget targets. In 2002/03, total gross tax revenue collected amounted to R282 billion, exceeding the original target by R1,9 billion.

In 2001, SARS launched *Siyakha*, its most expensive transformation programme to date. The programme aims to overhaul the organisation's operational infrastructure through business process re-engineering. SARS has also made significant progress in orienting its culture towards customer service and improved service delivery, which are embodied in the principles of Batho Pele. The organisation continues to make progress in building its enforcement capability and tackling wilful non-compliance through the performance of integrated audits, collaboration with industries and professional bodies as well as

implementing risk-based techniques in managing its activities.

During 2003/04 SARS will focus on developing and implementing a comprehensive compliance strategy that provides an integrated response to taxpayer behaviour. The strategy includes simplifying the administrative process, improving service levels and strengthening targeted enforcement initiatives.

South Africa participates in replenishing International Development Fund resources, contributing R83 million in the most recent rounds.

As the largest member of the *Southern African Customs Union*, South Africa contributes sizeable transfers to other member states through the union's Revenue Sharing Formula. Total payments to Botswana, Lesotho, Namibia and Swaziland have risen sharply over the past few years to about 40 percent of all customs and exercise revenues collected in the union. During October 2002, Botswana, Lesotho, Swaziland and South Africa concluded negotiations on the new Southern Africa Customs Union dispensation. The countries agreed to a new institutional arrangement and a new revenue-sharing formula for the common customs area. The new formula is expected to come into effect during 2003/2004.

At the 2000 Annual Meeting of the World Bank and International Monetary Fund, Government pledged to contribute R200 million to the financing of the *Highly Indebted Poor Countries* Initiative, payable in five equal annual instalments. The fifth and the final payment will be made in May 2004.

The *Financial Intelligence Centre* started functioning in an operational capacity, receiving, processing, analysing and disseminating information on suspicious and unusual transactions on 3 February 2003. The Sections of the Financial Intelligence Centre Act, 2001, requiring suspicious and unusual transactions to be reported to the Financial Intelligence Centre and enabling the centre to perform its functions in respect of such reports took effect on the same day.

The Sections of the Financial Intelligence Centre Act and the regulations dealing with the duties of client 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 will result in clients of these institutions being asked for identification in different forms prior to transacting with the institutions. This may also result in requests for clients to update the information that is kept at institutions with which they have relationships.

These provisions are aimed at, among others, establishing control measures with 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 *Accounting Standards Board (ASB)* has been established in terms of section 87 of the Public Finance Management Act, Act 1 of 1999 as a schedule 3 public entity and falls under the ambit of Programme Five. The function of the ASB is to set standards of generally recognised accounting practice, as required by Section 216 (1) (a) of the Constitution, for the annual financial statements of departments; public entities; constitutional institutions, municipalities and boards, commissions, companies, corporations, funds or other entities under the ownership control of a municipality; and Parliament and the provincial legislatures.

The *Financial and Fiscal Commission (FFC)*, a Constitutional institution, was established in terms of Section 220 of the Constitution of the Republic of South Africa and the Financial and Fiscal Commission Act, Act 99 of 1997. The FFC is an advisory body mandated to make recommendations on financial and fiscal matters to Parliament, the provincial legislatures and any other institution of government when necessary. It submits advice on the division of revenue between the national, provincial and local spheres.

### Transfer Payments

<b>Name of Institution</b>	<b>Amount Transferred</b>
Development Bank of Southern Africa	R -
South African Revenue Service	R 3 501 950 000
Financial and Fiscal Commission	R 12 038 000
Financial Intelligence Centre	R 35 000 000
Lesotho & Namibia	R 128 925 000
African Development Bank (Shares)	R 112 738 000
Contribution to Highly Indebted Poor Countries	R 54 400 000
Secret Services	R 1 328 668 000



**REPORT OF THE AUDIT COMMITTEE**  
**for the year ended 31 March 2003**

# NATIONAL TREASURY VOTE 8

## REPORT OF THE AUDIT COMMITTEE

### for the year ended 31 March 2003



We are pleased to present our report for the financial year ended 31 March 2003.

#### 1. General

The Audit Committee's (the Committee's) function is primarily to assist the Accounting Officer in discharging her responsibilities relative to the Public Finance Management Act, Act 1 of 1999, as amended. The Audit Committee Charter provides clear terms of reference for the Committee and sets out specific responsibilities as delegated by the Accounting Officer, to the Committee. The Committee has been so constituted as to ensure its independence with five external members.

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

<b>Audit Committee Meetings 2002/03</b>			
<b>Name</b>	<b>Attended</b>	<b>Apologies</b>	<b>Total</b>
Mr Ignatius Sehoole (Chairperson)	5	2	7
Dr Len Konar	6	1	7
Mr Johnson N Njeke	3	4	7
Mr Jeff van Rooyen	5	2	7
Ms Ntombiyakhe Kwinana*	5	1	6

\*Ms. Kwinana resigned from the Audit Committee with effect from 9 January 2003.

#### 2. Audit Committee Responsibility

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

The Committee co-ordinates and monitors the activities of the Internal Audit Function (IAF). Through this, the Committee is able to report on the effectiveness of the internal control systems and to assess whether the IAF is fulfilling its role effectively and efficiently. The IAF has been outsourced to the consortium PricewaterhouseCoopers Inc. and MSGM Masuku Jeena Inc. (Consortium). The Consortium has commenced with the internal audits for the first year of the rolling three-year strategic internal audit plan.

## **NATIONAL TREASURY VOTE 8**

### **REPORT OF THE AUDIT COMMITTEE**

#### **for the year ended 31 March 2003**

The Department undertook a comprehensive risk assessment exercise during the 2002/03 financial year. Flowing from this exercise, a Risk Management Committee was created to assist in overseeing the quality, integrity and reliability of the Department's corporate accountability and associated risk management and reporting.

The system of internal control is effective as the various reports of the IAF, the Audit Report on the annual financial statements and the management letter of the Auditor-General have not reported any material non-compliance with prescribed policies and procedures.


The Committee has noted with concern the deficiencies in the controls over contributions to medical schemes, highlighted by the Auditor-General in its audit report. Furthermore, the Committee has noted management's commitment to resolve and address the weaknesses highlighted by the Auditor-General, and in this regard, reiterate its commitment to assist the Accounting Officer and management in their endeavours to successfully improve the Department's internal controls.

#### **4. Evaluation of the Annual Financial Statements**

##### **The Audit Committee has:**

- Reviewed and discussed with the Auditor-General and the Accounting Officer, the audited annual financial statements to be included in the annual report;
- Reviewed the Auditor-General's management letter and management response;
- Reviewed the accounting policies and practices; and
- 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  
DATE: 8 August 2003



ANNUAL FINANCIAL  
  
STATEMENTS 2002/2003



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# NATIONAL TREASURY VOTE 8

## MANAGEMENT REPORT

### for the year ended 31 March 2003



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

A programme of fiscal restructuring, since the mid-1990s, has improved the stability of South Africa's economic position, with fiscal and monetary policies contributing significantly to the economy's success in weathering recent global economic uncertainties. It has also meant that since 2001/02, Government has been able to increase significantly the resources allocated to priority programmes, including the delivery of public services.

Over the medium-term, the National Treasury will give effect to its broad priorities through the activities of the Department's eight programmes. Ongoing fiscal reform will focus on promoting sustainable growth and development, poverty reduction, enhancing budgetary transparency and improving financial management. Systems to improve the monitoring and reporting of public expenditure, including modernisation of financial accounts and service-delivery information, will be instituted.

#### The 2002/03 National Treasury Vote comprised eight programmes:

The *Administration* programme provides strategic management and administrative support to the National Treasury, giving political and managerial leadership to the work of the Department. In addition, the administration and smooth running of the Department is supported by the Corporate Services division, which seeks to create a productive and creative working environment that will enhance efficiency.

In 2001/02, the personnel establishment of this programme was expanded to fulfil a range of new functions required after the amalgamation of the departments of Finance and State Expenditure. In addition, the occupation and renovation of the 40 Church Square and 240 Vermuelen Street buildings over the past few years has resulted in rapid, though once-off, increases in the programme budget.

The *Economic Planning and Budget Management* programme provides for professional advice and support to the Minister of Finance on economic and fiscal

## NATIONAL TREASURY VOTE 8 MANAGEMENT REPORT for the year ended 31 March 2003

policy, international financial relations, financial regulation, tax policy, intergovernmental financial relations, public finance development and management of the annual Budget process.

This programme involves four of the divisions of the Department (Public Finance, the Budget Office, Intergovernmental Relations and Economic Policy and International Financial Relations) and is responsible for the preparation of the annual budget.

Expenditure on *Economic Planning and Budget Management* has increased by 21 percent a year since 1999/00. Much of this growth is accounted for by exceptional spending on the work of the Commission of Inquiry into the Depreciation of the Rand in 2002/03.

The *Asset and Liability Management* programme is responsible for the prudent management of Government's financial assets and liabilities, including the domestic and foreign debt portfolios.

The budget for the *Asset and Liability Management* programme increased by approximately 95,6 percent in 2002/03, with growth being reasonably and evenly spread among all sub-programmes. Expenditure growth over the medium-term will facilitate the expansion of the sub-programmes' functions and posts, the implementation of new risk-management approaches, and the establishment of a formal cash-management function. This expenditure will, however, help to reduce Government's debt costs significantly.

The *Specialist Functions* programme manages and regulates Government's supply-chain processes, implements and maintains standardised financial systems, and co-ordinates the implementation of the Public Finance Management Act, Act 1 of 1999 (PFMA) and related capacity-building initiatives.

Increases in this programme over the medium-term reflect the intention to roll-out training and capacity-building initiatives related to implementing the PFMA and to create a Supply Chain Management Office in order to align Government processes with the requirements of the PFMA processes. Increasing expenditure on financial systems includes further work towards the integration of the financial management systems.

Professional and special services consume more than 85 percent of the budget, as much of the management of Government's financial systems is handled by the State Information Technology Agency (SITA) and other contracted service providers.

## NATIONAL TREASURY VOTE 8 MANAGEMENT REPORT for the year ended 31 March 2003

In terms of Section 76(4)(c) of the PFMA, a Supply Chain Management Framework was published for comments, at the end of October 2002. Its purpose is to replace the outdated procurement and provisioning systems in Government with an integrated supply chain management function, as well as an international best-practice process for the appointment of consultants. The framework, which will be replicated by a similar framework issued in terms of the still-to-be-enacted Municipal Finance Management Bill, is intended to support the drive towards improved financial management in all organs of State and in all spheres of Government, while at the same time pursuing government preferential procurement policy objectives.

The Validation Board, established in November 2001 to accredit training material used in the building of capacity for the implementation of the PFMA, has already accredited 15 courses, ensuring that training initiatives produce the requisite skills. Eight courses were presented between September 2002 and January 2003, including courses in strategic planning and budgeting; internal audit; internal control and risk management; and in-year financial management, monitoring and reporting.

A progress report on the implementation of the PFMA was submitted to Cabinet and Parliament in June 2002, with another due in June 2003. More recently, a project office was established on 1 February 2003 to develop a master plan for the integration of the financial management systems in Government. The master plan, which needs to be completed within a period of 12 months, will include options for the replacement and/or enhancement of Government's current legacy systems, together with proposed budgets and implementation timeframes relevant to the possible options.

The *Financial Accounting and Reporting* programme aims to develop new, and enhance existing, accounting policies and practices to ensure compliance with Generally Recognised Accounting Practices, 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.

Formats and standards of annual financial statements for the year ended 31 March 2003 were completed timeously and were successfully implemented. The Accounting Standards Board has been established, and is responsible for the development of accounting standards. The division has already defined a process for the introduction of new policies and practices for Government, based on the standards to be issued. Draft guidelines for the asset register have been adopted by the Department and fixed assets reported for the 2002/03 year end.

## **NATIONAL TREASURY VOTE 8**

### **MANAGEMENT REPORT**

#### **for the year ended 31 March 2003**

The *Provincial and Local Government Transfer* programme comprises those conditional grants to the provincial and local spheres of Government, for which the National Treasury is directly responsible. It excludes the large equitable share allocations to provincial governments, which are a direct charge on the National Revenue Fund, and which are legislated in the annual Division of Revenue Act through the work of the Economic Planning and Budget Management programme.

The Provincial Infrastructure Grant was introduced in 2000/01 with an allocation of R300 million, to address the backlog in provincial infrastructure and boost infrastructure spending in general. The grant was increased from R800 million in 2001/02 to R1,5 billion in 2002/03. In addition, four provinces (Eastern Cape, Free State, Mpumalanga and Limpopo) were allocated R400 million and R200 million for the rehabilitation of infrastructure damaged by floods in 1999 and 2000 respectively. The spending of the grant is reported in the provincial budgets.

The Local Government Financial Management Grant increased from R50 million in 2000/01 to R154,2 million in 2002/03 (inclusive of the financial management grant to the Development Bank of South Africa). The programme supports financial management reforms in municipalities and assists to capacitate pilot municipalities to roll-out the municipal finance management legislation. The reform programme has been expanded from the initial seven pilot municipalities in 2000/01 to 39 municipalities in 2002/03. Eighteen of the pilots succeeded in tabling three-year budgets in the new uniform formats. The rest have instituted plans, processes and procedures to achieve these outcomes by 2003/04. Linked to this programme is an international advisory initiative to place strategic advisers in pilot municipalities, and includes a Memorandum of Understanding with the Development Bank of Southern Africa to assist it in administering the programme through an allocation of R43,2 million.

The Local Government Restructuring Grant is a demand-driven grant allocated to municipalities that require financial assistance to modernise and restructure their administrations. It increased from R225 million in 2000/01 to R375 million in 2002/03. Of the R375 million, R151 million was transferred to four municipalities (City of Cape Town: R8 million, Sol Plaatjie municipality: R10 million, Umhlatuze municipality: R8 million and City of Johannesburg Metropolitan municipality: R125 million). Of the remaining R224 million, R125 million was withheld from the City of Johannesburg, because of non-compliance with grant conditions, and the amounts to Msunduzi (R40 million), Mangaung (R40 million) and Cacadu District (R19 million) were not transferred as they did not complete their applications.

## NATIONAL TREASURY VOTE 8 MANAGEMENT REPORT for the year ended 31 March 2003

The key objectives for the *Civil and Military Pensions* programme are to provide for payment of certain pensions and other benefits in the public sector.

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 various statutes, collective-bargaining agreements and other commitments.

Military Pensions and Other Benefits provides for the payment of military pension benefits and medical claims arising from treatment for disability, medical-assistance devices and other related expenses, in keeping with statutory requirements and commitments.

The Government contribution to medical schemes for retired civil servants carries the largest expenditure burden in this programme, growing from R1,3 billion in 2002/03 to R1,5 billion in 2005/06. Because of the accelerated adjudication of applications as a result of the appointment of a full-time Special Pensions Board and a Special Pensions Review Board by the Minister of Finance, special pension payments increased after 2001/02.

*Pension Administration*, on behalf of the National Treasury, made all payments of civil and military pensions and contributions to medical schemes in 2002/03.

The *Fiscal Transfers* programme 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 several international financial obligations.

The *Fiscal Transfers* programme makes up about 50 percent of the Department's budget, with the bulk of the allocation made to the South African Revenue Service (SARS) and the Secret Services. The budgets for both SARS and the Secret Services have grown faster than the budgets for the programme as a whole, while a once-off adjustment to the transfer made to Lesotho and Namibia in 2002/03 reflects the delay in agreeing on the rounding rules and calculation methods applied in 2001/02.

South Africa participated in the successful conclusion of the Ninth Replenishment of the African Development Fund. South Africa is the only African country that participates in the replenishment of African Development Fund resources.

# NATIONAL TREASURY VOTE 8

## MANAGEMENT REPORT

### for the year ended 31 March 2003

#### **Operational Budget:**

The National Treasury's operational budget of R634,8 million for the 2002/03 financial year (2001/02: R485,7 million) consists of programmes one to five: *Administration, Economic Planning and Budget Management, Asset and Liability Management, Specialist Functions, and Financial Accounting and Reporting.*

The remaining programmes account for transfers and committed payments to provinces, local government and other institutions, amounting to R9,722 billion for the 2002/03 financial year (2001/02: R10,264 billion). The total budget vote for the 2002/03 financial year was R10,357 billion (2001/02: R10,749 billion).

A saving of R113,5 million (2001/02: R103,5 million) was recorded on the operational budget of the Department. This is mainly due to a saving of R74,5 million on Professional and Special Services, and delays in the filling of vacant positions within the Department, leading to a saving of R34,2 million on Personnel and associated expenditure.

#### **2. Capacity constraints**

As previously reported, a general dearth of skilled expertise still exists in the economic and financial fields that are central to the National Treasury's work. However, the Department has enhanced its recruitment programme to acquire the required skilled personnel. Over the next three years the Department will implement improved human-resource processes, procedures and systems. Key among these is the implementation of the improved performance management and personnel-development system, ensuring completion of performance contracts for all senior management and providing for further employee training and development at all levels.

Driven by its skills requirements, the National Treasury has developed its own education, training and development strategy that focuses on enhancing employees' skills at all levels. As part of the strategy, a competency framework and training curriculum have been developed. The Department intends implementing a leadership programme and mentorship programme during 2003/04. These programmes will contribute towards the implementation of a career-development system that provides for further employee training and development at all levels. With the establishment of the Education, Training and Development Directorate, it is envisaged that the required skills will be developed internally by making extensive use of skills development and training programmes.

## NATIONAL TREASURY VOTE 8 MANAGEMENT REPORT for the year ended 31 March 2003

### 3. Utilisation of donor funds

Foreign-aid assistance received in cash during the year amounted to R6,8 million (2001/02: R3,7 million) relating to the different projects, excluding a deficit of R1,2 million brought forward from the 2001/02 financial year. Expenditure incurred amounted to R5,9 million (2001/02: R5,7 million). The overspending of R1,2 million that was reported in the 2001/02 financial year was recovered from the applicable donor. Assistance in kind in 2002/03 amounted to an estimated R30,9 million (2001/02: R17,3 million).

### 4. Public entities

*See Annexure 2 to the financial statements.*

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.

#### South African Revenue Service

The South African Revenue Service (SARS), a Schedule 3 entity reporting to the Minister of Finance, has continued to make significant progress in enhancing its administrative capacity in order to become a world-class tax and customs administrator, capable of effectively responding to the challenges of globalisation. Tax collections have consistently surpassed budget targets, and exceeded the original 2002/03 target by an estimated 3,2 percent. In 2001 SARS launched Siyakha, its most expansive transformation programme to date. The programme aims to overhaul the operational infrastructure through business process re-engineering.

SARS will continue to seek ways of increasing revenue collections while holding down collection costs and becoming more accessible and transparent. It will focus on:

- Effectively developing and implementing new taxation legislation;
- Continuing to build on the strengths of its organisational structure, culture and technology, while transforming those elements that remain sub-optimal; and
- Improving taxpayer service, communication and education.



# **NATIONAL TREASURY VOTE 8**

## **MANAGEMENT REPORT**

### **for the year ended 31 March 2003**

#### **The Development Bank of Southern Africa**

The Development Bank of Southern Africa (DBSA), a Schedule 2 major public entity, is governed by the Development Bank of Southern Africa Act, Act 13 of 1997. The DBSA is a development finance institution wholly owned by the South African Government. The callable capital of the Bank is R4,8 billion and the paid-up capital is R200 million. At 31 March 2002, it had total assets of R18,010 billion. The Bank is self-sustaining and raises capital on the local and international capital markets. It has investment-grade international credit ratings from Standard and Poor's (BBB-) and Moody's (Baa3), on par with the South African sovereign rating, and a domestic credit rating for long-term debt of AAA.

#### **Financial Services Board**

The Financial Services Board is a statutory body in terms of the Financial Services Board Act, Act 97 of 1990. It supervises 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 15 parliamentary Acts, which entrust regulatory functions to the Registrar of Long-and-Short term Insurance, Friendly Societies, Pension Funds, Collective Investment Schemes, Stock Exchanges, Financial Markets and Financials 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 (PIC) is a statutory body governed in terms of the Public Investment Commissioners Act, Act 45 of 1984. The Minister is responsible for appointing the board, which is responsible for overseeing the activities of the secretariat and its investment portfolio. The PIC is effectively self-funded and produces its own annual report, which is tabled in Parliament. It invests and manages surplus funds on behalf of various public sector bodies and funds. Previously, the PIC was restricted to the role of a government administrative agency, investing all deposits in government securities. In 1995 its investment mandate was extended to include equities and property.

#### **Financial Intelligence Centre**

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

## **NATIONAL TREASURY VOTE 8**

### **MANAGEMENT REPORT**

#### **for the year ended 31 March 2003**

Provision for the establishment of the FIC was made in February 2002, and it has operated as a project within the National Treasury. In this time, it has been involved in planning for implementation, based on international best practice. As the Centre is established and develops capacity, so it will become an independent state agency as envisaged in the legislation.

The Centre has developed a draft of the Regulations to the Act, consulting extensively with all stakeholders. The Act requires that the Regulations be referred to the Money Laundering Advisory Council (MLAC) for comment before being promulgated. The Regulations provide for accountable institutions to start reporting suspicious transactions to the Centre from February 2003. In addition, accountable institutions are required to start identifying clients and keeping records from June 2003.

The Money Laundering Advisory Council, consisting of members from government departments, supervisory bodies and accountable institutions, was launched in October 2002.

The design of information and communication technology systems has begun, as has the process of developing financial investigation capacity within the law enforcement authorities. A pilot training programme was held in December 2002 and training will continue throughout 2003.

South Africa was accepted as a member of the Eastern and Southern Africa Anti-Money Laundering Group during August 2002. This is a regional body of the Financial Action Task Force (FATF), which is the *de facto* global co-ordinating body for the development of international standards and policy in this arena. South Africa is an observer on the FATF.

#### **Accounting Standards Board**

On 2 February 2002, the Minister appointed the first members of the Accounting Standards Board (ASB), as contemplated by Section 89 of the Public Finance Management Act. The ASB has had several meetings to date, where its work plan, structures and other operational issues were discussed. The ASB's work plan was submitted to the Minister in 2003, where it was approved. On 1 March 2003, the ASB appointed its Chief Executive Officer, as well as other supporting staff members.

## **NATIONAL TREASURY VOTE 8**

### **MANAGEMENT REPORT**

**for the year ended 31 March 2003**

#### **5. Other organisations to whom transfer payments have been made**

The Department, through its *Fiscal Transfers* programme, 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.

In 2002/03, domestic transfers were made to:

- The South African Revenue Service, which is responsible for collection of revenue in terms of the South African Revenue Service Act, Act 34 of 1997;
- The Accounting Standards Board;
- The Development Bank of Southern Africa;
- The Financial and Fiscal Commission, a constitutional body charged with making recommendations about the equitable division of revenue;
- The Secret Services Account, which is 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
- The Financial Intelligence Centre, which is charged with assisting in combating money laundering and strengthening financial regulation capacity.

Foreign transfer payments, made in terms of the relevant international obligations of Government, were made to:

- Lesotho and Namibia in terms of the Common Monetary Area Agreement;
- The World Bank Group;
- The Highly Indebted Poor Countries Initiative (HIPC) of the International Monetary Fund;
- The African Development Bank; and
- The African Development Fund.

Furthermore, the Department is responsible for managing conditional grants to the provincial and local spheres of Government. These transfers are divided into two categories:

- The Provincial Infrastructure Grant supplements the provinces' infrastructure budgets, accelerating the building and maintenance of social and economic infrastructure such as hospitals, clinics, schools and provincial roads; and

## **NATIONAL TREASURY VOTE 8**

### **MANAGEMENT REPORT**

#### **for the year ended 31 March 2003**

- The Local Government Financial Management and Restructuring Grant provides for the transfer and monitoring of funds for local government financial management reforms, and assists in restructuring initiatives for modernising the delivery of services in the larger municipalities.

#### **6. Corporate governance arrangements**

The Audit Committee, which was established in 2002 and operates within approved written terms of reference, has met a number of times during the period. The Audit Committee has approved the Internal Audit Charter, the rolling three-year strategic internal audit plan and the first year's internal audit plan based on the rolling three-year plan.

The Internal Audit Function has been outsourced to the consortium PricewaterhouseCoopers Inc. and MSGM Masuku Jeena Inc. The consortium has commenced with the internal audits for the first year of the rolling three-year strategic internal audit plan.

The Department undertook a comprehensive risk assessment exercise during the 2002/03 financial year. Flowing from this exercise, a Risk Management Committee was created. Its objective is to assist in overseeing the quality, integrity and reliability of the Department's corporate accountability and associated risk management and reporting. The Risk Management Committee reviews and assesses the integrity of the risk-control systems and ensures that risk management policies and strategies are effectively managed.

The Risk Management Committee also provides an independent and objective oversight and review of the information presented by management on corporate accountability and specifically associated risks, taking account of reports by management and the Audit Committee to the National Treasury on operational and strategic risks. The Risk Management Committee operates within approved written terms of reference and has approved the Treasury Risk Management Framework.

#### **7. Events after the reporting date**

Payments to the value of R101,1 million were processed during the period April 2003 to May 2003, which relate to the 2002/03 financial year. These payments are not included in the Annual Financial Statements for the 2002/03 financial year.

## **NATIONAL TREASURY VOTE 8**

### **MANAGEMENT REPORT**

#### **for the year ended 31 March 2003**

R147 million, relating to 2002/03, was transferred to Lesotho and Namibia after the finalisation of accounts in April 2003, in terms of Article 6 of the Multilateral Monetary Agreement.

The Department transferred R99 million in municipal restructuring grants appropriated for 2002/03 in May 2003, after compliance with conditions by municipalities.

#### **8. Progress with financial management improvement**

The Audit Committee has met a number of times and is operating effectively. A risk-assessment exercise has been completed and a fraud-prevention plan developed, in line with PFMA and Treasury Regulation requirements. As part of the departmental implementation plan, fraud-prevention awareness workshops have been held throughout the National Treasury.

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

In addition, the Department is one of the pilot sites for the new decentralised procurement system, aimed at improving procedures, creating transparency and meeting empowerment targets. An established Accredited Procurement Unit is now in operation and further streamlining of procedures will continue with targets set annually regarding procurement to black economic empowerment and small, micro and medium-sized businesses.

Processes have been initiated to develop further the Department's current financial manual and procurement procedures to be in line with international best practices.

The Department continuously reviews and enhances its implementation plan to ensure continual compliance with the PFMA. Such enhancements include:

- Reviewing the Audit Committee's terms of reference and Internal Audit Charter;
- Assessing and implementing the Treasury Risk Management Framework;
- Enhancing the Fraud Prevention Plan;
- Reviewing and enhancing internal controls;
- Enhancing asset-management policies;
- Examining procurement processes and related matters; and
- Reviewing financial delegations in terms of Section 10 of the PFMA .

# NATIONAL TREASURY VOTE 8

## MANAGEMENT REPORT

### for the year ended 31 March 2003

#### 9. Performance information

As preparation for introducing measurable objectives in the *2003 Estimates of National Expenditure*, the National Treasury altered the Budget process to allow for departments' strategic plans to feed into the preparation of Budget submissions. While much work still needs to be done, the publication of measurable objectives for each programme in every department reflects a commitment to improved service delivery, greater transparency and increased accountability.

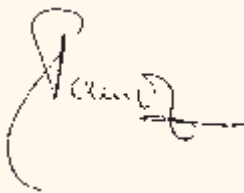
The National Treasury has worked closely with provinces and local government to implement similar reforms in order to improve management and supervision of provincial and local finances. A noticeable achievement during the 2002/03 financial year was the multi-year allocations in the 2003 Division of Revenue Bill, to 284 municipalities, allowing for credible planning and budgeting in all spheres of government. The Municipal Finance Management Bill, which is close to being adopted by the National Assembly, is a key pillar in the overall public finance architecture of Government, providing a similar framework for local government that the PFMA provides for national and provincial government.

#### 10. Acknowledgements

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

#### Approval

The annual financial statements set out on pages 90 to 136 have been approved by the Accounting Officer.



**MARIA RAMOS**  
**DIRECTOR-GENERAL: NATIONAL TREASURY**  
**DATE:**



AUDITOR - GENERAL

REPORT OF THE  
  
**AUDITOR – GENERAL**

ON THE  
ANNUAL FINANCIAL STATEMENTS OF THE  
NATIONAL TREASURY  
FOR  
**THE YEAR ENDED 31 MARCH 2003**



PUBLISHED BY AUTHORITY

RP 135/2003

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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 2003**

### **1. AUDIT ASSIGNMENT**

The financial statements as set out on pages 90 to 136, for the year ended 31 March 2003, 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:**

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- 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 2003 and the results of



## **REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF VOTE 8 - NATIONAL TREASURY for the year ended 31 March 2003**

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:

#### **4.1 Control over medical expenditure**

Various weaknesses in the controls over “Contribution to medical schemes” included in Note 10.1 to the financial statements were identified. For example, information on the system is not always supported by appropriate documentation and reconciling items between amounts claimed by the medical aids and actual payments by the National Treasury were not always followed up and resolved on a monthly basis.

### **5. 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 R279 881 000 during the year under review (2002: R338 657 000).

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.

**REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE  
FINANCIAL STATEMENTS OF VOTE 8 - NATIONAL TREASURY  
for the year ended 31 March 2003**

**6. SECRET SERVICES**

Included in Programme 8 of the department's vote is an amount of R1 328 668 000 (2002: R983 307 000) 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.

**7. APPRECIATION**

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

*Shaunet Fakie*

\_\_\_\_\_  
SA Fakie  
Auditor-General  
Pretoria  
29/07/2003

## **NATIONAL TREASURY VOTE 8**

### **STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS**

#### **for the year ended 31 March 2003**

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, 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, Act 5 of 2002.

#### **1. Basis of preparation**

The financial statements have been prepared on a modified cash basis of accounting, except where stated otherwise. The reporting entity is in transition from reporting on a cash basis of accounting to reporting on an accrual basis of accounting. 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 upon 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.

## **NATIONAL TREASURY VOTE 8**

### **STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS**

#### **for the year ended 31 March 2003**

#### **5. Unauthorised, irregular and fruitless and wasteful expenditure**

Unauthorised expenditure means:

- the overspending of a vote or a main division within a vote, or
- 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:

- the Public Finance Management Act, or
- 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 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 the vote if responsibility cannot be determined.

#### **6. Debts written off**

Debts are written off when identified as irrecoverable. No provision is made for irrecoverable amounts.

#### **7. Capital expenditure**

Expenditure for physical items on hand on 31 March 2003 to be consumed in the following financial year, is written off in full when they are received and are accounted for as expenditure in the income statement. Physical assets acquired are expensed i.e. written off in the income statement when the payment is made.

#### **8. Investments**

Marketable securities are carried at market value. Market value is calculated by reference to stock exchange quoted selling prices at the close of business on the balance sheet date.

## **NATIONAL TREASURY VOTE 8**

### **STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS**

#### **for the year ended 31 March 2003**

Non-current investments excluding marketable securities 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.

Increases in the carrying amount of marketable securities classified as non-current assets are credited to revaluation and other reserves in equity. Decreases that offset previous increases of the same marketable security are charged to the income statement. Increases/decreases in the carrying amount of marketable securities classified as current assets are credited/charged to the income statement.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement. On disposal of a marketable security classified as a non-current asset, amounts in revaluation and other reserves relating to that marketable security, are transferred to retained earnings.

#### **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:

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

## **NATIONAL TREASURY VOTE 8**

### **STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS**

#### **for the year ended 31 March 2003**

#### **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 in the notes to enhance the usefulness of the financial statements.

#### **13. Lease commitments**

Lease commitments for the period remaining from the accounting date until the end of the lease contract are disclosed as a note to the financial statements. These commitments are not recognised in the balance 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 year-end, or an invoice has been received but remains unpaid at year-end. 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.

#### **15. Employee benefits**

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

The cost of short-term employee benefits is expensed in the income statement in the reporting period that 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 note to the financial statements and are not recognised in the income statement.

## **NATIONAL TREASURY VOTE 8**

### **STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS**

#### **for the year ended 31 March 2003**

##### *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 through defined benefit plans. 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.

Post retirement medical benefits for retired civil servants 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, or deposits paid on behalf of employees of a foreign mission, 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 due to non-performance in accordance with an agreement. Repayments are transferred to the National Revenue Fund as and when the repayment is received.

**NATIONAL TREASURY VOTE 8**  
**STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS**  
**for the year ended 31 March 2003**

**18. Comparative figures**

Where necessary, comparative figures have been adjusted to conform to 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 2003

		Programme 2002/03						2001/02	
	Adjusted Appropriation R'000	Virement R'000	Revised 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	
<b>1. Administration</b>									
Current	93,414	(1,684)	91,730	78,054	13,676	85	72,007	59,715	
Capital	24,991	9,736	34,727	28,842	5,885	83	14,262	2,449	
<b>2. Economic Planning and Budget Management</b>									
Current	121,662	(8,912)	112,750	84,078	28,672	75	87,486	50,982	
Capital	2,692	205	2,897	2,344	553	81	2,523	2,824	
<b>3. Asset and Liability Management</b>									
Current	30,749	-	30,749	19,480	11,269	63	18,814	15,359	
Capital	864	655	1,519	582	937	38	914	800	
<b>4. Procurement Management, Financial Systems and PFMA</b>									
Current	241,803	(2,010)	239,793	215,089	24,704	90	212,364	178,688	
Capital	1,769	2,010	3,779	3,078	701	81	2,697	1,992	
<b>5. Financial Accounting and Reporting</b>									
Current	123,161	(9,198)	113,963	89,300	24,663	78	72,556	66,074	
Capital	3,046	(202)	2,844	372	2,472	13	2,074	1,021	
<b>6. Provincial and Local Government Transfers</b>									
Current	530,000	-	530,000	306,000	224,000	58	2,957,877	2,838,127	
Capital	1,950,000	-	1,950,000	1,950,000	-	100	1,400,000	1,400,000	
<b>7. Civil and Military Pensions, Contributions to Funds and Other Benefits</b>									
Current	1,915,635	-	1,915,635	1,895,922	19,713	99	1,679,305	1,664,462	
Capital	4,625,952	9,400	4,635,352	4,486,439	148,913	97	3,731,362	3,603,376	
Capital	690,916	-	690,916	687,280	3,636	99	495,256	495,254	
<b>Total</b>	<b>10,356,654</b>	<b>-</b>	<b>10,356,654</b>	<b>9,846,860</b>	<b>509,794</b>	<b>95</b>	<b>10,749,497</b>	<b>10,381,123</b>	

	2002/03						2001/02		
	Adjusted Appropriation R'000	Virement R'000	Revised 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	
<b>Economic classification</b>									
<b>Current</b>	<b>7,682,376</b>	<b>(12,404)</b>	<b>7,669,972</b>	<b>7,174,362</b>	<b>495,610</b>	<b>94</b>	<b>8,831,774</b>	<b>8,476,783</b>	
Personnel	153,358	(11,918)	141,440	107,276	34,164	76	113,347	93,559	
Transfer payments	5,283,578	(99,968)	5,183,610	4,810,664	372,946	93	6,832,908	6,571,141	
Other	2,245,440	99,482	2,344,922	2,256,422	88,500	96	1,885,519	1,812,083	
<b>Capital</b>	<b>2,674,278</b>	<b>12,404</b>	<b>2,686,682</b>	<b>2,672,498</b>	<b>14,184</b>	<b>99</b>	<b>1,917,723</b>	<b>1,904,340</b>	
Land and buildings	-	5,600	5,600	5,600	-	100	-	-	
Transfer payments	2,640,916	192	2,641,108	2,637,472	3,636	100	1,895,254	1,895,254	
Acquisition of capital assets	33,362	6,612	39,974	29,426	10,548	74	22,469	9,086	
<b>Total</b>	<b>10,356,654</b>	<b>-</b>	<b>10,356,654</b>	<b>9,846,860</b>	<b>509,794</b>	<b>95</b>	<b>10,749,497</b>	<b>10,381,123</b>	

	2002/03						2001/02		
	Adjusted Appropriation R'000	Virement R'000	Revised 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	
<b>Standard item classification</b>									
Inventories	10,497	2,047	12,544	9,695	2,849	77	9,877	8,392	
Personnel	153,358	(11,918)	141,440	107,276	34,163	76	113,347	93,559	
Administrative	47,369	(10,135)	37,234	27,768	9,466	75	30,193	19,045	
Equipment	36,039	6,747	42,786	31,006	11,779	72	25,572	10,262	
Land and buildings	-	5,600	5,600	5,600	-	100	-	-	
Professional and special services	402,326	6,605	408,931	334,440	74,492	82	318,218	260,258	
Transfer payments	7,924,494	(99,776)	7,824,718	7,448,136	376,583	95	8,728,163	8,466,395	
Miscellaneous	1,782,571	100,830	1,883,401	1,882,137	1,264	100	1,524,127	1,522,564	
Special functions	-	-	-	802	(802)	-	-	648	
<b>Total</b>	<b>10,356,654</b>	<b>-</b>	<b>10,356,654</b>	<b>9,846,860</b>	<b>509,794</b>	<b>95</b>	<b>10,749,497</b>	<b>10,381,123</b>	

**NATIONAL TREASURY VOTE 8**  
**DETAIL PER PROGRAMME 1**  
**for the year ended 31 March 2003**

Programme per subprogramme	2002/03						2001/02	
	Adjusted Appropriation R'000	Virement R'000	Revised 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
<b>1.1 Minister</b>								
Current	685	10	695	691	4	99	634	614
<b>1.2 Deputy Minister</b>								
Current	506	19	525	511	14	97	469	454
<b>1.3 Management</b>								
Current	8,448	(2,474)	5,974	4,744	1,230	79	13,526	8,983
Capital	137	-	137	15	122	11	815	894
<b>1.4 Corporate Services</b>								
Current	83,649	761	84,410	72,012	12,398	85	57,102	49,454
Capital	24,854	9,736	34,590	28,827	5,763	83	13,446	1,555
<b>1.5 SETA</b>								
Capital	126	-	126	96	30	76	276	210
<b>1.6 GG Transport</b>								
Capital	-	-	-	-	-	-	1	-
<b>Total</b>	<b>118,405</b>	<b>8,052</b>	<b>126,457</b>	<b>106,896</b>	<b>19,561</b>	<b>85</b>	<b>86,269</b>	<b>62,164</b>

	2002/03					2001/02		
	Adjusted Appropriation R'000	Virement R'000	Revised 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
<b>Economic classification</b>								
Current	93,414	(1,684)	91,730	78,054	13,676	85	72,007	59,715
Personnel	36,397	(1,812)	34,585	28,912	5,673	84	34,117	27,111
Transfer payments	126	-	126	96	30	76	276	211
Other	56,891	128	57,019	49,046	7,973	86	37,614	32,393
<b>Capital</b>	<b>24,991</b>	<b>9,736</b>	<b>34,727</b>	<b>28,842</b>	<b>5,885</b>	<b>83</b>	<b>14,262</b>	<b>2,449</b>
Land and buildings	-	5,600	5,600	5,600	-	100	-	-
Acquisition of capital assets	24,991	4,136	29,127	23,242	5,885	80	14,262	2,449
<b>Total</b>	<b>118,405</b>	<b>8,052</b>	<b>126,457</b>	<b>106,896</b>	<b>19,561</b>	<b>85</b>	<b>86,269</b>	<b>62,164</b>

	2002/03					2001/02		
	Adjusted Appropriation R'000	Virement R'000	Revised 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
<b>Standard item classification</b>								
Inventories	2,452	1,457	3,909	3,481	428	89	2,294	1,959
Personnel	36,397	(1,812)	34,585	28,912	5,673	84	34,117	27,111
Administrative	12,957	-	12,957	10,651	2,306	82	13,306	8,545
Equipment	25,653	4,116	29,769	23,749	6,020	80	14,962	2,781
Land and buildings	-	5,600	5,600	5,600	-	100	-	-
Professional and special services	40,820	(1,309)	39,511	34,377	5,134	87	21,314	20,929
Transfer payments	126	-	126	96	30	76	276	211
Special functions	-	-	-	30	(30)	-	-	628
<b>Total</b>	<b>118,405</b>	<b>8,052</b>	<b>126,457</b>	<b>106,896</b>	<b>19,561</b>	<b>85</b>	<b>86,269</b>	<b>62,164</b>

**NATIONAL TREASURY VOTE 8**  
**DETAIL PER PROGRAMME 2**  
**for the year ended 31 March 2003**

Programme per subprogramme	2002/03					2001/02		
	Adjusted Appropriation R'000	Virement R'000	Revised 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
<b>2.1 Public Finance</b>								
Current	26,147	(3,505)	22,642	18,655	3,987	82	12,778	11,491
Capital	563	(15)	548	369	179	67	383	518
<b>2.2 Budget Coordination</b>								
Current	25,062	3,144	28,206	16,576	11,630	59	10,831	8,859
Capital	626	105	731	583	148	80	434	478
<b>2.3 Intergovernmental Relations</b>								
Current	16,823	(1,516)	15,307	12,972	2,335	85	10,201	9,620
Capital	687	(17)	670	615	55	92	568	666
<b>2.4 Economic Policy</b>								
Current	53,630	(7,035)	46,595	35,875	10,720	77	53,676	21,013
Capital	816	132	948	777	171	82	1,138	1,161
<b>Total</b>	<b>124,354</b>	<b>(8,707)</b>	<b>115,647</b>	<b>86,422</b>	<b>29,225</b>	<b>75</b>	<b>90,009</b>	<b>53,806</b>

Economic classification	2002/03					2001/02		
	Adjusted Appropriation R'000	Virement R'000	Revised 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
<b>Current</b>	<b>121,662</b>	<b>(8,912)</b>	<b>112,750</b>	<b>84,078</b>	<b>28,672</b>	<b>75</b>	<b>87,486</b>	<b>50,982</b>
Personnel	63,802	(6,873)	56,929	43,372	13,557	76	40,749	35,293
Other	57,860	(2,039)	55,821	40,706	15,115	73	46,737	15,689
<b>Capital</b>	<b>2,692</b>	<b>205</b>	<b>2,897</b>	<b>2,344</b>	<b>553</b>	<b>81</b>	<b>2,523</b>	<b>2,824</b>
Acquisition of capital assets	2,692	205	2,897	2,344	553	81	2,523	2,824
<b>Total</b>	<b>124,354</b>	<b>(8,707)</b>	<b>115,647</b>	<b>86,422</b>	<b>29,225</b>	<b>75</b>	<b>90,009</b>	<b>53,806</b>

Standard item classification	2002/03					2001/02		
	Adjusted Appropriation R'000	Virement R'000	Revised 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
<b>Inventories</b>	<b>3,768</b>	<b>547</b>	<b>4,315</b>	<b>3,708</b>	<b>607</b>	<b>86</b>	<b>3,470</b>	<b>3,303</b>
Personnel	63,802	(6,873)	56,929	43,372	13,557	76	40,749	35,293
Administrative	13,369	(1,102)	12,267	10,046	2,221	82	8,542	5,975
Equipment	2,929	318	3,247	2,660	587	82	3,968	3,099
Professional and special services	40,486	(1,597)	38,889	26,636	12,253	68	33,280	6,123
Miscellaneous	-	-	-	-	-	-	-	8
Special functions	-	-	-	-	-	-	-	5
<b>Total</b>	<b>124,354</b>	<b>(8,707)</b>	<b>115,647</b>	<b>86,422</b>	<b>29,225</b>	<b>75</b>	<b>90,009</b>	<b>53,806</b>

**NATIONAL TREASURY VOTE 8**  
**DETAIL PER PROGRAMME 3**  
**for the year ended 31 March 2003**

Programme per subprogramme	2002/03					2001/02		
	Adjusted Appropriation R'000	Virement R'000	Revised 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
<b>3.1 Asset Management</b>								
Current Capital	5,603 164	(233) 319	5,370 483	3,524 375	1,846 108	66 78	5,691 161	4,182 53
<b>3.2 Liability Management</b>								
Current Capital	11,786 328	(101) 130	11,685 458	8,659 155	3,026 303	74 34	13,123 753	11,177 747
<b>3.3 Financial Operations</b>								
Current Capital	8,621 242	715 242	9,336 484	5,875 46	3,461 438	63 10	- -	- -
<b>3.4 Strategy and Risk Management</b>								
Current Capital	4,739 130	(381) (36)	4,358 94	1,422 6	2,936 88	33 6	- -	- -
<b>Total</b>	<b>31,613</b>	<b>655</b>	<b>32,268</b>	<b>20,062</b>	<b>12,206</b>	<b>62</b>	<b>19,728</b>	<b>16,159</b>

	2002/03						2001/02	
	Adjusted Appropriation R'000	Virement R'000	Revised 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
<b>Economic classification</b>								
Current	30,749	-	30,749	19,480	11,269	63	18,814	15,359
Personnel	16,390	142	16,532	11,186	5,346	68	9,331	7,910
Other	14,359	(142)	14,217	8,294	5,923	58	9,483	7,449
Capital	864	655	1,519	582	937	38	914	800
Acquisition of capital assets	864	655	1,519	582	937	38	914	800
<b>Total</b>	<b>31,613</b>	<b>655</b>	<b>32,268</b>	<b>20,062</b>	<b>12,206</b>	<b>62</b>	<b>19,728</b>	<b>16,159</b>

	2002/03						2001/02	
	Adjusted Appropriation R'000	Virement R'000	Revised 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
<b>Standard item classification</b>								
Inventories	2,063	(669)	1,394	713	681	51	943	874
Personnel	16,390	142	16,532	11,186	5,346	68	9,331	7,910
Administrative Equipment	4,813	(298)	4,515	2,619	1,896	58	2,060	1,461
Professional and special services	1,037	760	1,797	728	1,069	41	1,124	842
<b>Total</b>	<b>31,613</b>	<b>655</b>	<b>32,268</b>	<b>20,062</b>	<b>12,206</b>	<b>60</b>	<b>19,728</b>	<b>16,159</b>



**NATIONAL TREASURY VOTE 8**  
**DETAIL PER PROGRAMME 4**  
**for the year ended 31 March 2003**

Programme per subprogramme	2002/03					2001/02		
	Adjusted Appropriation R'000	Virement R'000	Revised 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
<b>4.1 Contract Management</b>								
Current	13,916	1,781	15,697	11,076	4,621	71	11,053	9,697
Capital	219	365	584	443	141	76	405	16
<b>4.2 Procurement Management</b>								
Current	10,384	(1,794)	8,590	3,026	5,564	35	8,708	4,652
Capital	373	(265)	108	23	85	21	246	59
<b>4.3 PFMA Implementation Unit</b>								
Current	8,800	129	8,929	5,114	3,815	57	4,719	1,392
Capital	1	-	1	-	1	-	40	25
<b>4.4 Financial Systems</b>								
Current	208,703	(2,126)	206,577	195,873	10,704	95	187,884	162,949
Capital	1,176	1,910	3,086	2,612	474	85	2,006	1,890
<b>Total</b>	<b>243,572</b>	<b>-</b>	<b>243,572</b>	<b>218,167</b>	<b>25,405</b>	<b>90</b>	<b>215,061</b>	<b>180,680</b>

Economic classification	2002/03					2001/02		
	Adjusted Appropriation R'000	Virement R'000	Revised 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
<b>Current</b>	<b>241,803</b>	<b>(2,010)</b>	<b>239,793</b>	<b>215,089</b>	<b>24,704</b>	<b>90</b>	<b>212,364</b>	<b>178,688</b>
Personnel	27,907	(310)	27,597	20,775	6,822	75	23,270	18,225
Other	213,896	(1,700)	212,196	194,314	17,882	92	189,094	160,463
<b>Capital</b>	<b>1,769</b>	<b>2,010</b>	<b>3,779</b>	<b>3,078</b>	<b>701</b>	<b>81</b>	<b>2,697</b>	<b>1,992</b>
Acquisition of capital assets	1,769	2,010	3,779	3,078	701	81	2,697	1,992
<b>Total</b>	<b>243,572</b>	<b>-</b>	<b>243,572</b>	<b>218,167</b>	<b>25,405</b>	<b>90</b>	<b>215,061</b>	<b>180,680</b>

Standard item classification	2002/03					2001/02		
	Adjusted Appropriation R'000	Virement R'000	Revised 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
<b>Inventories</b>	<b>1,521</b>	<b>252</b>	<b>1,773</b>	<b>1,036</b>	<b>737</b>	<b>58</b>	<b>2,488</b>	<b>1,951</b>
Personnel	27,907	(310)	27,597	20,775	6,822	75	23,270	18,225
Administrative	4,831	680	5,511	3,436	2,075	62	4,609	2,416
Equipment	2,788	1,969	4,757	3,588	1,169	75	3,345	2,475
Professional and special services	206,525	(2,591)	203,934	189,332	14,602	93	181,349	155,606
Special Functions	-	-	-	-	-	-	-	7
<b>Total</b>	<b>243,572</b>	<b>-</b>	<b>243,572</b>	<b>218,167</b>	<b>25,405</b>	<b>90</b>	<b>215,061</b>	<b>180,680</b>

**NATIONAL TREASURY VOTE 8**  
**DETAIL PER PROGRAMME 5**  
for the year ended 31 March 2003

Programme per subprogramme	2002/03					2001/02		
	Adjusted Appropriation R'000	Virement R'000	Revised 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
<b>5.1 Financial Reporting for National Accounts</b>								
Current	24,939	2,146	27,085	24,831	2,254	92	6,570	6,027
Capital	1,457	(108)	1,349	259	1,090	19	980	95
<b>5.2 Financial Management Improvement</b>								
Current	11,373	(8,123)	3,250	667	2,583	21	12,011	9,114
Capital	1,195	(94)	1,101	-	1,101	-	100	-
<b>5.3 Investment of Public Monies</b>								
Current	1	-	1	-	1	-	1	-
<b>5.4 Service Charges</b>								
Current	5,532	105	5,637	5,634	3	100	5,319	3,807
<b>5.5 Audit Statutory Bodies</b>								
Current	11,697	180	11,877	11,877	-	100	7,593	6,169
<b>5.6 Integrated Financial Systems</b>								
Current	30,000	(6,590)	23,410	6,555	16,855	28	12,567	12,674
<b>5.7 Administration of Vulindlela</b>								
Current	39,618	3,084	42,702	39,735	2,967	93	28,494	28,283
Capital	394	-	394	114	280	29	994	926
<b>5.8 Contingent Liabilities</b>								
Current	1	-	1	-	1	-	1	-
<b>Total</b>	<b>126,207</b>	<b>(9,400)</b>	<b>116,807</b>	<b>89,672</b>	<b>27,135</b>	<b>77</b>	<b>74,630</b>	<b>67,095</b>

	2002/03					2001/02		
	Adjusted Appropriation R'000	Virement R'000	Revised 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
<b>Economic classification</b>								
Current	123,161	(9,198)	113,963	89,300	24,663	78	72,556	66,074
Personnel	8,862	(3,065)	5,797	3,032	2,765	52	5,880	5,020
Transfer payments	11,698	3,588	15,286	15,282	4	100	10,511	8,800
Other	102,601	(9,721)	92,880	70,986	21,894	76	56,165	52,254
<b>Capital</b>	<b>3,046</b>	<b>(202)</b>	<b>2,844</b>	<b>372</b>	<b>2,472</b>	<b>13</b>	<b>2,074</b>	<b>1,021</b>
Transfer payments	-	192	192	192	-	100	-	-
Acquisition of capital assets	3,046	(394)	2,652	180	2,472	7	2,074	1,021
<b>Total</b>	<b>126,207</b>	<b>(9,400)</b>	<b>116,807</b>	<b>89,672</b>	<b>27,135</b>	<b>77</b>	<b>74,630</b>	<b>67,095</b>

	2002/03					2001/02		
	Adjusted Appropriation R'000	Virement R'000	Revised 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
<b>Standard item classification</b>								
Inventories	693	460	1,153	757	396	66	682	305
Personnel	8,862	(3,065)	5,797	3,032	2,765	52	5,880	5,020
Administrative	11,399	(9,415)	1,984	1,016	968	51	1,676	649
Equipment	3,632	(416)	3,216	282	2,934	9	2,173	1,064
Professional and special services	84,390	(849)	83,541	63,477	20,064	76	48,388	47,446
Transfer payments	11,698	3,780	15,478	15,474	4	100	10,511	8,800
Miscellaneous	5,533	105	5,638	5,634	4	100	5,320	3,807
Special functions	-	-	-	-	-	-	-	4
<b>Total</b>	<b>126,207</b>	<b>(9,400)</b>	<b>116,807</b>	<b>89,672</b>	<b>27,135</b>	<b>77</b>	<b>74,630</b>	<b>67,095</b>

**NATIONAL TREASURY VOTE 8**  
**DETAIL PER PROGRAMME 6**  
**for the year ended 31 March 2003**

Programme per subprogramme	2002/03					2001/02		
	Adjusted Appropriation R'000	Virement R'000	Revised 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
<b>6.1 Conditional Grants to Provinces</b>	-	-	-	-	-	-	2,547,877	2,547,877
Current Capital	1,950,000	-	1,950,000	1,950,000	-	100	1,400,000	1,400,000
<b>6.2 Conditional Grants to Municipalities</b>	530,000	-	530,000	306,000	224,000	58	410,000	290,250
<b>Total</b>	<b>2,480,000</b>	<b>-</b>	<b>2,480,000</b>	<b>2,256,000</b>	<b>224,000</b>	<b>91</b>	<b>4,357,877</b>	<b>4,238,127</b>

Economic classification	2002/03						2001/02	
	Adjusted Appropriation R'000	Virement R'000	Revised 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
<b>Current</b>	<b>530,000</b>	-	<b>530,000</b>	<b>306,000</b>	<b>224,000</b>	<b>58</b>	<b>2,957,877</b>	<b>2,838,127</b>
Transfer payments	529,230	-	529,230	305,230	224,000	58	2,957,877	2,838,127
Other	770	-	770	770	-	100	-	-
<b>Capital</b>	<b>1,950,000</b>	-	<b>1,950,000</b>	<b>1,950,000</b>	-	<b>100</b>	<b>1,400,000</b>	<b>1,400,000</b>
Transfer payments	1,950,000	-	1,950,000	1,950,000	-	100	1,400,000	1,400,000
<b>Total</b>	<b>2,480,000</b>	-	<b>2,480,000</b>	<b>2,256,000</b>	<b>224,000</b>	<b>91</b>	<b>4,357,877</b>	<b>4,238,127</b>

Standard item classification	2002/03						2001/02	
	Adjusted Appropriation R'000	Virement R'000	Revised 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
<b>Professional and special services</b>	<b>770</b>	-	<b>770</b>	<b>770</b>	-	<b>100</b>	-	-
Transfer payments	2,479,230	-	2,479,230	2,255,230	224,000	91	4,357,877	4,238,127
<b>Total</b>	<b>2,480,000</b>	-	<b>2,480,000</b>	<b>2,256,000</b>	<b>224,000</b>	<b>91</b>	<b>4,357,877</b>	<b>4,238,127</b>

**NATIONAL TREASURY VOTE 8**  
**DETAIL PER PROGRAMME 7**  
**for the year ended 31 March 2003**

Programme per subprogramme	2002/03					2001/02		
	Adjusted Appropriation R'000	Virement R'000	Revised 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 Contribution to Funds Current	1,780,359	(3,617)	1,776,742	1,762,101	14,641	99	1,533,919	1,533,622
7.2 Military Pensions and Other Benefits Current	135,276	3,617	138,893	133,821	5,072	96	145,386	130,840
<b>Total</b>	<b>1,915,635</b>	<b>-</b>	<b>1,915,635</b>	<b>1,895,922</b>	<b>19,713</b>	<b>99</b>	<b>1,679,305</b>	<b>1,664,462</b>

Economic classification	2002/03					2001/02		
	Adjusted Appropriation R'000	Virement R'000	Revised 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
<b>Current</b>	<b>1,915,635</b>	<b>-</b>	<b>1,915,635</b>	<b>1,895,922</b>	<b>19,713</b>	<b>99</b>	<b>1,679,305</b>	<b>1,664,462</b>
Transfer payments	116,572	(112,956)	3,616	3,616	-	100	132,881	120,627
Other	1,799,063	112,956	1,912,019	1,892,306	19,713	99	1,546,424	1,543,835
<b>Total</b>	<b>1,915,635</b>	<b>-</b>	<b>1,915,635</b>	<b>1,895,922</b>	<b>19,713</b>	<b>99</b>	<b>1,679,305</b>	<b>1,664,462</b>

Standard item classification	2002/03					2001/02		
	Adjusted Appropriation R'000	Virement R'000	Revised 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
<b>Total</b>	<b>1,915,635</b>	<b>-</b>	<b>1,915,635</b>	<b>1,895,922</b>	<b>19,713</b>	<b>99</b>	<b>1,679,305</b>	<b>1,664,462</b>
Professional and special services	22,025	12,231	34,256	15,031	19,225	44	27,617	25,083
Transfer payments	116,572	(112,956)	3,616	3,616	-	100	132,881	120,627
Miscellaneous	1,777,038	100,725	1,877,763	1,876,503	1,260	100	1,518,807	1,518,748
Special functions	-	-	-	772	(772)	-	-	4



**NATIONAL TREASURY VOTE 8**  
**DETAIL PER PROGRAMME 8**  
for the year ended 31 March 2003

Programme per subprogramme	2002/03						2001/02	
	Adjusted Appropriation R'000	Virement R'000	Revised 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
<b>8.1 Lesotho &amp; Namibia</b>								
Current	277,837	-	277,837	128,925	148,912	46	118,222	448
<b>8.2 Development Bank of SA</b>								
Current	1	-	1	-	1	-	1	-
<b>8.3 World Bank Group</b>								
Current	1	-	1	-	1	-	1	-
<b>8.4 Highly Indebted Poor Countries Initiative</b>								
Current	45,000	9,400	54,400	54,400	-	100	49,400	49,388
<b>8.5 African Development Bank</b>								
Capital	116,373	-	116,373	112,738	3,635	97	100,358	100,358
<b>8.6 SA Revenue Service</b>								
Current	2,952,408	-	2,952,408	2,952,408	-	100	2,468,285	2,468,285
Capital	549,542	-	549,542	549,542	-	100	394,896	394,896
<b>8.7 Financial and Fiscal Commission</b>								
Current	12,038	-	12,038	12,038	-	100	9,258	9,258
<b>8.8 Secret Services</b>								
Current	1,328,668	-	1,328,668	1,328,668	-	100	991,307	983,307
<b>8.9 National Development Agency</b>								
Current	-	-	-	-	-	-	92,690	92,690
<b>8.10 Financial Intelligence Centre</b>								
Current	10,000	-	10,000	10,000	-	100	2,200	-
Capital	25,000	-	25,000	25,000	-	100	-	-
<b>Total</b>	<b>5,316,868</b>	<b>9,400</b>	<b>5,326,268</b>	<b>5,173,719</b>	<b>152,549</b>	<b>97</b>	<b>4,226,618</b>	<b>4,098,630</b>

Economic classification	2002/03						2001/02	
	Adjusted Appropriation R'000	Virement R'000	Revised 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
<b>Current</b>	<b>4,625,952</b>	<b>9,400</b>	<b>4,635,352</b>	<b>4,486,439</b>	<b>148,913</b>	<b>97</b>	<b>3,731,362</b>	<b>3,603,376</b>
Transfer payments	4,625,952	9,400	4,635,352	4,486,439	148,913	97	3,731,362	3,603,376
<b>Capital</b>	<b>690,916</b>	<b>-</b>	<b>690,916</b>	<b>687,280</b>	<b>3,636</b>	<b>99</b>	<b>495,256</b>	<b>495,254</b>
Transfer payments	690,916	-	690,916	687,280	3,636	99	495,256	495,254
<b>Total</b>	<b>5,316,868</b>	<b>9,400</b>	<b>5,326,268</b>	<b>5,173,719</b>	<b>152,549</b>	<b>97</b>	<b>4,226,618</b>	<b>4,098,630</b>

Standard item classification	2002/03						2001/02	
	Adjusted Appropriation R'000	Virement R'000	Revised 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
<b>Transfer payments</b>	<b>5,316,868</b>	<b>9,400</b>	<b>5,326,268</b>	<b>5,173,719</b>	<b>152,549</b>	<b>97</b>	<b>4,226,618</b>	<b>4,098,630</b>
Transfer payments	5,316,868	9,400	5,326,268	5,173,719	152,549	97	4,226,618	4,098,630
<b>Total</b>	<b>5,316,868</b>	<b>9,400</b>	<b>5,326,268</b>	<b>5,173,719</b>	<b>152,549</b>	<b>97</b>	<b>4,226,618</b>	<b>4,098,630</b>

## **NATIONAL TREASURY VOTE 8**

### **NOTES TO THE APPROPRIATION STATEMENT**

**for the year ended 31 March 2003**

- 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) 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 (Charge to National Revenue Fund) 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 (Details of Special Functions) to the annual financial statements.
- 4. Explanations of material variances from Amount Voted (after Virement)**
  - 4.1 Per programme:**

#### **Programme 1: Administration**

As a result of the ongoing restructuring process, there are posts that have not been filled, which has resulted in a saving on Personnel and related costs. The saving on Professional and Special Services and Equipment, was due to the extended period in the refurbishing of the 240 Vermeulen Street Building, which is anticipated to be finalised within the next few months.

#### **Programme 2: Economic Planning and Budget Management**

As a result of the ongoing restructuring process, there are posts that have not been filled, which has resulted in a saving on Personnel and related costs. 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**

As a result of the ongoing restructuring process, there are posts that have not been filled, which has resulted in a saving on Personnel and related costs. The saving on Professional and Special Services and Equipment was due to lower than anticipated legal costs and less than anticipated expenditure on equipment.

#### **Programme 4: Procurement Management, Financial Systems and PFMA Implementation**

As a result of the ongoing restructuring process, there are posts that have not been filled, which has resulted in a saving on Personnel and related costs. The saving on Professional and Special Services was due to lower than anticipated consultant fees.

## **NATIONAL TREASURY VOTE 8**

### **NOTES TO THE APPROPRIATION STATEMENT**

#### **for the year ended 31 March 2003**

#### **Programme 5: Financial Accounting and Reporting**

As a result of the ongoing restructuring process, there are posts that have not been filled, which has resulted in a saving on Personnel and related costs. The saving on Professional and Special Services was due to less costs being incurred than was budgeted for, on the development of Integrated Financial Systems and Vulindlela.

#### **Programme 6: Provincial and Local Government Transfers**

The positive variance of R224 million on the Restructuring Grant arose because the funds were not transferred to certain municipalities (City of Johannesburg, Msunduzi, Mangaung, Cacadu District municipalities) on or before 31 March 2003, as these municipalities did not fully comply with the conditions of the grant. R99 million of this amount was transferred to municipalities in May 2003 (Msunduzi R40m, Mangaung R40m, Cacadu District R19m) and the remaining R125 million to City of Johannesburg is due for transfer in July 2003 or upon finalisation of negotiations with respect to grant conditions.

#### **Programme 7: Civil and Military Pensions**

The saving of R20 million was mainly due to Pensions Administration receiving fewer medical claims by year end.

#### **Programme 8: Fiscal Transfers**

The positive variance of R149 million arose due to delays in the finalisation of the amount to be transferred to Lesotho and Namibia.

#### **Special functions**

This amount consists of overpayments for Civil and Military Pensions due to fraud, prescriptions and death of beneficiaries of R0.8 million. An amount of R28 000 was written off by the Chief Financial Officer in respect of bad debts incurred by employees.

#### **4.2 Per standard item:**

##### **Personnel**

The saving was mainly due to posts not being filled during the restructuring process.

##### **Administrative**

The saving was mainly due to posts not being filled during the restructuring process.

## NATIONAL TREASURY VOTE 8 NOTES TO THE APPROPRIATION STATEMENT for the year ended 31 March 2003

### Inventories

The saving was mainly due to posts not being filled during the restructuring process.

### 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 on Professional and Special Services was due to less than anticipated consultant fees and legal costs.

### Transfer payments

The positive variance of R224 million on the Restructuring Grant arose as the funds were not transferred to certain municipalities (City of Johannesburg, Msunduzi, Mangaung, Cacadu District municipalities) on or before 31 March 2003, as these municipalities did not fully comply with the conditions of the grant. R99 million of this amount was transferred to municipalities in May 2003 (Msunduzi R40m, Mangaung R40m, Cacadu District R19m) and the remaining R125 million to Johannesburg is due for transfer in July 2003 or upon finalisation of negotiations with respect to grant conditions. The positive variance of R149 million arose due to delays in the finalisation of the amount to be transferred to Lesotho and Namibia.

### Miscellaneous

The saving of R20 million was mainly due to Pensions Administration receiving fewer medical claims by year end.

#### 5. Reconciliation of appropriation statement to income statement:

	2002/03 R'000	2001/02 R'000
Total expenditure per income statement	9,956,919	10,386,869
Less: Local and foreign aid assistance (including RDP funds)	(5,870)	(5,746)
Less: Unauthorised expenditure approved	(104,189)	-
<b>Actual expenditure per appropriation statement</b>	<b>9,846,860</b>	<b>10,381,123</b>

**NATIONAL TREASURY VOTE 8**  
**INCOME STATEMENT**  
**(STATEMENT OF FINANCIAL PERFORMANCE)**  
**for the year ended 31 March 2003**

	Note	2002/03 R'000	2001/02 R'000
<b>REVENUE</b>			
<b>Voted funds</b>			
Charge to National Revenue Fund	1	10,356,654	10,749,497
Appropriation for unauthorised expenditure	12.1	104,189	-
<b>Non voted funds</b>			
Other revenue to be surrendered to the National Revenue Fund	2	1,485,043	1,464,068
Local and foreign aid assistance (incl. RDP funds)	3	6,765	4,501
<b>TOTAL REVENUE</b>		<b><u>11,952,651</u></b>	<b><u>12,218,066</u></b>
<b>EXPENDITURE</b>			
<b>Current</b>			
Personnel	4	107,276	93,559
Administrative		27,768	19,045
Inventories	5	9,695	8,392
Machinery and equipment	6	1,580	1,109
Professional and special services	8	334,440	260,258
Transfer payments	9	4,810,664	6,571,141
Miscellaneous	10	1,882,137	1,522,564
Special functions: authorised losses	11	802	648
Local and foreign aid assistance (incl. RDP funds)	3	5,581	5,746
Unauthorised expenditure approved	12.1	104,189	-
<b>Total current expenditure</b>		<b><u>7,284,132</u></b>	<b><u>8,482,462</u></b>
<b>Capital</b>			
Machinery and equipment	6	29,426	9,153
Land and buildings	7	5,600	-
Transfer payments	9	2,637,472	1,895,254
Local and foreign aid assistance (incl. RDP funds)	3	289	-
<b>Total capital expenditure</b>		<b><u>2,672,787</u></b>	<b><u>1,904,407</u></b>
<b>TOTAL EXPENDITURE</b>		<b><u>9,956,919</u></b>	<b><u>10,386,869</u></b>
<b>NET SURPLUS FOR THE YEAR</b>	13	<b><u>1,995,732</u></b>	<b><u>1,831,197</u></b>

**NATIONAL TREASURY VOTE 8**  
**BALANCE SHEET**  
**(STATEMENT OF FINANCIAL POSITION)**  
**as at 31 March 2003**

<b>ASSETS</b>	<b>Note</b>	<b>2002/03 R'000</b>	<b>2001/02 R'000</b>
<b>Current assets</b>		<b>551,247</b>	<b>385,729</b>
Unauthorised, and fruitless and wasteful expenditure	12	167	104,356
Cash and cash equivalents	14	533,023	262,631
Receivables	15	17,211	17,185
Local and foreign aid assistance (including RDP funds) receivable from donors	3	846	1,557
<b>TOTAL ASSETS</b>		<b>551,247</b>	<b>385,729</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>551,247</b>	<b>385,729</b>
Voted funds to be surrendered	16	509,794	368,374
Revenue funds to be surrendered	17	29,036	8,107
Revenue to be surrendered: Civil and military pensions	18	12	96
Revenue to be surrendered: Special pensions	19	29	-
Bank overdraft: Civil and military pensions	20	3,419	3,584
Bank overdraft: Special pensions	21	3,622	2,150
Payables	22	4,839	3,106
Local and foreign aid assistance (including RDP funds) repayable to donors	3	496	312
<b>TOTAL LIABILITIES</b>		<b>551,247</b>	<b>385,729</b>
<b>NET ASSETS/LIABILITIES</b>		<b>-</b>	<b>-</b>
<b>EQUITY</b>		<b>-</b>	<b>-</b>
Capitalisation reserve		-	-
Recoverable revenue		-	-
Local and foreign aid assistance (including RDP funds) rolled over		-	-
<b>TOTAL EQUITY</b>		<b>-</b>	<b>-</b>

**NATIONAL TREASURY VOTE 8**  
**STATEMENT OF CHANGES IN NET ASSETS/EQUITY**  
for the year ended 31 March 2003

	Note	2002/03 R'000	2001/02 R'000
<b>Capitalisation reserve</b>			
Opening balance		-	-
Transfers		-	-
Closing balance		<u>-</u>	<u>-</u>
<b>Recoverable revenue</b>			
Opening balance			
Transfer to National Revenue Fund		-	-
Debts written off		-	-
Debts raised		-	-
Closing balance		<u>-</u>	<u>-</u>
<b>Local and foreign aid assistance (including RDP funds) rolled over</b>			
Opening balance		-	-
Transfers		-	-
Transfer to/from other reserves		-	-
Closing balance		<u>-</u>	<u>-</u>
<b>TOTAL EQUITY</b>		<u>-</u>	<u>-</u>



**NATIONAL TREASURY VOTE 8**  
**CASH FLOW STATEMENT**  
for the year ended 31 March 2003

	Note	2002/03 R'000	2001/02 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net cash flow generated by operating activities	23	4,667,335	3,736,849
Cash generated through decrease in working capital	24	1,652	259,744
Voted funds and revenue funds surrendered	25	(1,832,488)	(1,736,253)
Unauthorised expenditure approved	12.1	104,189	-
Local and foreign aid assistance (including RDP funds)		895	(1,975)
<b>Net cash flow available from operating activities</b>		<b>2,941,583</b>	<b>2,258,365</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		<b>(2,672,498)</b>	<b>(1,904,407)</b>
<b>Net cash flows from operating and investing activities</b>		<b>269,085</b>	<b>353,958</b>
<b>Net increase in cash and cash equivalents</b>		<b>269,085</b>	<b>353,958</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>256,897</b>	<b>(97,061)</b>
<b>Cash and cash equivalents at end of period</b>	26	<b>525,982</b>	<b>256,897</b>

**NATIONAL TREASURY VOTE 8**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 March 2003**

**1. Charge to National Revenue Fund**

<b>1.1 Programmes</b>	<b>Total Appropriation 2002/03</b>	<b>Actual</b>	<b>Variance over/(under)</b>	<b>Total Appropriation 2001/02</b>
Administration	126,457	106,896	19,561	86,269
Economic planning and budget management	115,647	86,422	29,225	90,009
Asset and liability management	32,268	20,062	12,206	19,728
Procurement management, financial systems and PFMA implementation and coordination	243,572	218,167	25,405	215,061
Financial accounting and reporting	116,807	89,672	27,135	74,630
Provincial and local government transfers	2,480,000	2,256,000	224,000	4,357,877
Civil and military pensions and other benefits	1,915,635	1,895,922	19,713	1,679,305
Fiscal transfers	5,326,268	5,173,719	152,549	4,226,618
<b>Total</b>	<b>10,356,654</b>	<b>9,846,860</b>	<b>509,794</b>	<b>10,749,497</b>

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

**2. Other revenue to be surrendered to National Revenue Fund**

<b>Description</b>	<b>2002/03 R'000</b>	<b>2001/02 R'000</b>
Cheques written back	135	9,944
Interest received	1,450,547	979,162
Dividends	7,136	369,474
Penalty and estreatments	-	720
Fines and forfeitures	-	5,209
Lloyds Tax	-	16,600
Revenue previous financial year	2,278	6,301
Garage rent	36	44
Commission on insurance	29	25
Recovery of loans: Auditor-General	9,000	3,000
Debt recoveries	-	91
Other miscellaneous revenue	15,882	73,498
<b>Total</b>	<b>1,485,043</b>	<b>1,464,068</b>

**NATIONAL TREASURY VOTE 8**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 March 2003**

**3. Local and foreign aid assistance (including RDP funds)**

3.1 Assistance received in cash	Opening Balance	Revenue	Expenditure		Closing Balance
Name of donor programme	Balance		Current	Capital	
<b>Local</b>					
Funds not utilised prior year- Departmental Aids Programme	46	-	25	-	21
<b>Foreign</b>					
International Development Co- operation - Capacity building	10	-	-	-	10
Technical Assistance Team (TAT)	(1,557)	2,897	1,529	-	(189)
Financial Management Improvement Programme (FMIP)	56	3,000	3,606	107	(657)
Development Co-operation Information Systems	-	18	18	-	-
International Development Co- operation Support Programme	200	850	403	182	465
<b>Total</b>	<b>(1,245)</b>	<b>6,765</b>	<b>5,581</b>	<b>289</b>	<b>(350)</b>

**Analysis of balance**

	2002/03 R'000	2001/02 R'000
Amounts owing by donors	(846)	(1,557)
Amounts owing to donors	496	312
<b>Total</b>	<b>(350)</b>	<b>(1,245)</b>

**3.2 Assistance received in kind**

**Foreign aid assistance**

Sweden	-	2,063
USAID	18,066	13,304
German South African Development Co-operation	8,427	463
Singapore Government Department for International Development (DFID)	-	25
	4,408	1,446
<b>Total local and foreign aid assistance received in kind</b>	<b>30,901</b>	<b>17,301</b>

**4. Personnel**

**4.1 Current expenditure**

Basic salary costs	68,260	62,114
Pension contributions	9,674	8,192
Medical aid contributions	3,797	3,732
Other salary related costs	25,545	19,521
<b>Total personnel costs</b>	<b>107,276</b>	<b>93,559</b>

Average number of employees	480	502
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**NATIONAL TREASURY VOTE 8**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 March 2003**

5.	<b>Inventories</b>		<b>2002/03</b>	<b>2001/02</b>
			<b>R'000</b>	<b>R'000</b>
<b>5.1</b>	<b>Current expenditure</b>			
	<b>Inventories purchased during the year</b>			
	Government printing		3,049	4,379
	Newspapers, magazines & manuals		579	445
	Publications/printing: non government printers		2,258	1,099
	Stationery		1,784	691
	Computer material		1,615	1,453
	Training material		27	12
	Cleaning detergents & material		33	7
	Maintenance material		-	31
	Operating material		342	258
	Other		8	17
	<b>Total cost of inventories</b>		<b>9,695</b>	<b>8,392</b>
<b>5.2</b>	<b>Inventories on hand at year end</b>	<b>Costing method used</b>		
	Consumables(*)	Average price	497	
	<b>Total</b>		<b>497</b>	
	(*)The value of inventory on hand disclosed is for the main stores.			
<b>6.</b>	<b>Machinery and equipment</b>	<b>Note</b>		
	Current (rentals, maintenance and sundry net cash discount)		1,580	1,109
	Capital	6.1	29,426	9,153
	<b>Total current and capital expenditure</b>		<b>31,006</b>	<b>10,262</b>
<b>6.1</b>	<b>Capital machinery and equipment analysed as follows:</b>			
	Computer equipment		8,744	5,810
	Furniture and office equipment		13,373	1,846
	Other machinery and equipment		5,056	54
	Vehicles		373	659
	Computer software		1,880	784
	<b>Total</b>		<b>29,426</b>	<b>9,153</b>
<b>7.</b>	<b>Land and buildings</b>	<b>Note</b>		
	Capital expenditure	7.1	5,600	-
	<b>Total capital expenditure</b>		<b>5,600</b>	<b>-</b>
<b>7.1</b>	<b>Capital land and building expenditure analysed as follows:</b>			
	Non-residential buildings		5,600	-
	<b>Total</b>		<b>5,600</b>	<b>-</b>

**NATIONAL TREASURY VOTE 8**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2003

8.	<b>Professional and special services</b>		<b>2002/03</b>	<b>2001/02</b>
			<b>R'000</b>	<b>R'000</b>
<b>8.1</b>	<b>Current expenditure</b>			
	Auditors' remuneration		5,049	9,735
	Consultants and advisory services		29,095	39,381
	Computer services		208,479	169,829
	Commissions and committees		192	224
	Other		91,625	41,089
	<b>Total professional and special services</b>		<b>334,440</b>	<b>260,258</b>
<b>9.</b>	<b>Transfer payments</b>	<b>Note</b>		
	Conditional grant transfers	Annexure 1A&B	2,255,230	4,238,127
	Transfers to public entities and institutions	Annexure 1C	3,549,084	2,967,972
	Other transfers	Annexure 1D	1,643,822	1,260,296
	<b>Total</b>		<b>7,448,136</b>	<b>8,466,395</b>
	<b>Analysis of payments</b>			
	Capital		2,637,472	1,895,254
	Current		4,810,664	6,571,141
	<b>Total</b>		<b>7,448,136</b>	<b>8,466,395</b>
<b>10.</b>	<b>Miscellaneous</b>			
<b>10.1</b>	<b>Current expenditure</b>	<b>Note</b>		
	Remissions, refunds and payments made as an act of grace	10.2	-	8
	Contribution to medical schemes		1,227,712	967,746
	Compensation: Injury on duty		179,232	153,717
	Pension payments: Special Pensions		279,881	338,657
	Pension payments: Civil and Military Pensions		189,678	58,629
	Service charges		5,634	3,807
	<b>Total miscellaneous expenditure</b>		<b>1,882,137</b>	<b>1,522,564</b>
<b>10.2</b>	<b>Remissions, refunds and payments made as an act of grace</b>			
	<b>Nature of remissions, refunds and payments</b>			
	Accident damages		-	8
	<b>Total</b>		<b>-</b>	<b>8</b>
<b>11.</b>	<b>Special functions: authorised losses</b>	<b>Note</b>		
	Material losses through criminal conduct	11.1	-	415
	Other material losses written off	11.2	774	106
	Debts written off	11.3	28	127
	<b>Total</b>		<b>802</b>	<b>648</b>
<b>11.1</b>	<b>Material losses through criminal conduct</b>			
	<b>Nature of losses</b>			
	Cheque fraud		-	415
	<b>Total</b>		<b>-</b>	<b>415</b>

**NATIONAL TREASURY VOTE 8**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 March 2003**

11.2	Other material losses written off in income statement in current period	2002/03 R'000	2001/02 R'000
	<b>Nature of losses</b>		
	Vehicle accidents	2	23
	Miscellaneous	772	83
	<b>Total</b>	<b>774</b>	<b>106</b>
11.3	<b>Debts written off</b>		
	<b>Nature of debts written off</b>		
	Salary overpayments	22	10
	State guarantees	1	95
	Bursary debt	1	5
	Home owner's allowance	-	4
	Housing instalments	-	10
	Other	4	3
	<b>Total</b>	<b>28</b>	<b>127</b>
11.4	<b>Details of special functions (theft and losses)</b>		
	<b>Per programme</b>		
	Administration	30	628
	Economic planning and budget management	-	5
	Procurement management, financial systems and PFMA implementation and coordination	-	7
	Financial accounting and reporting	-	4
	Civil and military pensions and other benefits	772	4
	<b>Total</b>	<b>802</b>	<b>648</b>
12.	<b>Unauthorised and fruitless and wasteful expenditure disallowed</b>	<b>Note</b>	
	Unauthorised expenditure	12.2	167 104,356
	<b>Total</b>		<b>167 104,356</b>
12.1	<b>Reconciliation of unauthorised expenditure balance</b>		
	Opening balance	104,356	104,356
	Approved by Parliament	(104,189)	-
	<b>Closing balance</b>	<b>167</b>	<b>104,356</b>
12.2	<b>Unauthorised expenditure</b>		
	<b>Incident</b>	<b>Disciplinary steps taken/ criminal proceedings</b>	
	Interest payments on outstanding balance to Closed Pension Fund	None	- 40,742
	Consultant fees	None	69 69
	Interest payments on outstanding balance to Closed Pension Fund	None	- 34,119
	Interest payments on outstanding balance to Closed Pension Fund	None	- 29,244
	Virement not requested for Asset and Liability Management	None	- 85
	Printing and administrative costs	None	98 97
	<b>Total</b>		<b>167 104,356</b>

**NATIONAL TREASURY VOTE 8**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 March 2003**

<b>13. Analysis of surplus</b>		<b>2002/03</b>	<b>2001/02</b>
		<b>R'000</b>	<b>R'000</b>
Voted funds to be surrendered to the National Revenue Fund		509,794	368,374
Non voted funds		1,485,938	1,462,823
Other revenue to be surrendered to the National Revenue Fund		1,485,043	1,464,068
Local and foreign aid assistance (including RDP funds) rolled over		895	(1,245)
<b>Total</b>		<b>1,995,732</b>	<b>1,831,197</b>
<b>14. Cash and cash equivalents</b>			
Paymaster General Account		533,016	262,624
Cash on hand		7	7
<b>Total</b>		<b>533,023</b>	<b>262,631</b>
<b>15. Receivables - current</b>			
	<b>Note</b>		
Amounts owing by other departments		1,422	3,003
Staff debtors	15.3	556	711
Outstanding debt: Civil and military pensions		957	973
Other debtors	15.4	5,419	5,565
Disallowances: Civil and military pensions		4,313	4,090
Disallowances: Special Pensions		2,957	2,150
Advances	15.5	1,587	693
<b>Total</b>		<b>17,211</b>	<b>17,185</b>
<b>15.1</b>	Amounts of R2,3 million (2002 : R 1,3 million) included above may not be recoverable, but have not been written off in the income statement		
<b>15.2 Age analysis – receivables current</b>		<b>2002/03</b>	<b>2001/02</b>
		<b>R'000</b>	<b>R'000</b>
Less than one year		3,243	7,884
One to two years		9,185	4,256
More than two years		4,783	5,045
<b>Total</b>		<b>17,211</b>	<b>17,185</b>
<b>15.3 Staff debtors</b>			
Departmental debt		535	699
Other debt		21	12
<b>Total</b>		<b>556</b>	<b>711</b>

**NATIONAL TREASURY VOTE 8**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2003

15.4 Other debtors	2002/03 R'000	2001/02 R'000
<b>Claims recoverable:</b>	<b>1,063</b>	<b>2,031</b>
Telkom	111	214
General	686	-
Government Employees Pension Fund	266	1,329
Other	-	488
	<b>4,356</b>	<b>3,534</b>
<b>General accounts:</b>		
Travel agencies	-	38
State guarantees	2,038	1,063
Theft and losses	366	281
Personnel transfers	-	273
ACB recalls: PERSAL	20	-
Military pension payments	1,588	1,551
Dishonoured cheques	-	6
Disallowances	319	320
Other	25	2
<b>Total</b>	<b>5,419</b>	<b>5,565</b>
<b>15.5 Advances</b>		
<b>Nature of advances</b>		
Travel and subsistence advances	153	572
Advance: Eastern Cape - GG Transport	22	29
Advances: Special pensions	694	-
Advances: Civil and military pensions	718	92
<b>Total</b>	<b>1,587</b>	<b>693</b>
<b>16. Voted funds to be surrendered</b>		
Opening balance	368,374	272,402
Transfer from income statement	509,794	368,374
Paid during the year	(368,374)	(272,402)
<b>Closing balance</b>	<b>509,794</b>	<b>368,374</b>
<b>17. Revenue funds to be surrendered</b>		
Opening balance	8,107	7,890
Transfer from income statement for revenue to be surrendered	1,485,043	1,464,068
Paid during the year	(1,464,114)	(1,463,851)
<b>Closing balance</b>	<b>29,036</b>	<b>8,107</b>
<b>18. Revenue funds to be surrendered: Civil and military pensions</b>		
Opening balance	96	8
Transfer from income statement for revenue to be surrendered	12	96
Paid during the year	(96)	(8)
<b>Closing balance</b>	<b>12</b>	<b>96</b>



**NATIONAL TREASURY VOTE 8**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 March 2003**

<b>19. Revenue funds to be surrendered: Special pensions</b>	<b>2002/03</b>	<b>2001/02</b>
	<b>R'000</b>	<b>R'000</b>
Opening balance	-	-
Transfer from income statement for revenue to be surrendered	29	-
Paid during the year	-	-
<b>Closing balance</b>	<b>29</b>	<b>-</b>
<b>20. Bank overdraft: Civil and military pensions</b>		
Paymaster General Account	<b>3,419</b>	<b>3,584</b>
<b>21. Bank overdraft: Special pensions</b>		
Paymaster General Account	<b>3,622</b>	<b>2,150</b>
<b>22. Payables - current</b>		
<b>Description</b>	<b>Note</b>	
Amounts owing to other departments		
Advances received	22.1	865
Other payables	22.2	3,974
<b>Total</b>		<b>4,839</b>
<b>22.1 Advances received</b>		
National and provincial departments: Implementation and support - Basic Accounting System		-
National and provincial departments: Implementation and support - FMS		1,244
<b>Total</b>		<b>865</b>
<b>22.2 Other payables</b>		
Income tax deduction payable		77
Pension contribution payable		-
VAT foreign assistance		204
Pensions Administration		978
Recoverable revenue: Civil and military pensions		2,557
Recoverable income		35
Receivable interest		114
Other		9
<b>Total</b>		<b>3,974</b>
<b>23. Net cash flow generated by operating activities</b>		
Net surplus as per Income Statement	1,995,732	1,831,197
Adjusted for items separately disclosed	<b>2,671,603</b>	<b>1,905,652</b>
Transfer of land and buildings	5,600	-
Purchase of equipment	29,426	9,153
Transfer payments (capital expenditure)	2,637,472	1,895,254
Local and foreign aid assistance	(895)	1,245
<b>Net cash flow generated by operating activities</b>	<b>4,667,335</b>	<b>3,736,849</b>

**NATIONAL TREASURY VOTE 8**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 March 2003**

<b>24. Cash generated through decrease in working capital</b>	<b>2002/03</b>	<b>2001/02</b>
	<b>R'000</b>	<b>R'000</b>
(Increase) / decrease in receivables	(26)	261,149
Increase / (decrease) in payables	1,733	(1,493)
(Decrease) / Increase in other current liabilities	(55)	88
<b>Total</b>	<b><u>1,652</u></b>	<b><u>259,744</u></b>
<b>25. Voted funds and revenue funds surrendered</b>		
Voted funds surrendered	368,374	272,402
Revenue funds surrendered	1,464,114	1,463,851
<b>Total</b>	<b><u>1,832,488</u></b>	<b><u>1,736,253</u></b>
<b>26. Consolidated cash and cash equivalents</b>		
Paymaster General Account	533,016	262,624
Cash on hand	7	7
Paymaster General Account: Civil and military pensions	(3,419)	(3,584)
Paymaster General Account: Special Pensions	(3,622)	(2,150)
<b>Total</b>	<b><u>525,982</u></b>	<b><u>256,897</u></b>

## NATIONAL TREASURY VOTE 8

### DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

#### for the year ended 31 March 2003

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, 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, Act 5 of 2002.

#### 27. Contingent liabilities

Liable to	Nature	Note	2002/03 R'000	2001/02 R'000
Motor vehicle guarantees	Employees	Annexure 3	1,027	731
Housing loan guarantees	Employees	Annexure 3	983	882
Departmental claims			17,874	-
Military and Special Pensions		27.2	7,716	1,200
Suspended medical scheme contributions		27.3	20,069	-
<b>Total</b>			<b>47,669</b>	<b>2,813</b>

#### 27.1 Medical schemes

Pension Administration is in the process of reconciling the monthly claims received from medical schemes. A potential liability exists regarding possible short payments and interest on outstanding balances, however, the value of any potential liability cannot be quantified at this time.

#### 27.2 Military and Special Pensions

A potential liability exists on the Pension Administration system for inactive life certificates relating to the past three years. This amount is an estimate based on current available information.

#### 27.3 Suspended medical scheme contributions

A potential liability exists in respect of those medical scheme contributions suspended due to medical schemes not claiming such contributions.

#### 28. Commitments

	2002/03 R'000
<b>Current expenditure</b>	
Approved and contracted/ordered	2,206
	<b>2,206</b>
<b>Capital expenditure</b>	
Approved and contracted/ordered	2,386
	<b>2,386</b>
<b>Total commitments</b>	<b>4,592</b>

#### 29. Accruals

Per standard item	2002/03 R'000	2001/02 R'000
Inventories	487	87
Administrative	481	118
Equipment	2,178	560
Professional and special services	5,225	6,276
Transfer payments	5,633	-
Miscellaneous	87,111	124,938
<b>Total</b>	<b>101,115</b>	<b>131,979</b>

**NATIONAL TREASURY VOTE 8**  
**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2003

		2002/03	2001/02
		R'000	R'000
<b>Listed by programme level</b>			
	Administration	5,109	1,062
	Economic planning and budget management	1,293	1,057
	Asset and liability management	1,281	42
	Procurement management, financial systems and PFMA implementation and coordination	566	4,787
	Financial accounting and reporting	5,755	93
	Civil and military pensions and other benefits	87,111	124,938
	<b>Total</b>	<b>101,115</b>	<b>131,979</b>
<hr/> <hr/>			
<b>30.</b>	<b>Employee benefits</b>		
	Leave entitlement	14,591	12,629
	Thirteenth cheque	2,583	2,182
	Performance bonus	6,005	4,500
	<b>Total</b>	<b>23,179</b>	<b>19,311</b>
<hr/> <hr/>			
<b>31.</b>	<b>Leases</b>		
<b>31.1</b>	<b>Operating leases</b>	<b>Property</b>	<b>Equipment</b>
		<b>Total</b>	<b>Total</b>
		<b>2002/03</b>	<b>2001/02</b>
		<b>R'000</b>	<b>R'000</b>
	Not later than 1 year	-	1,736
	Later than 1 year and not later than 3 years	-	4,010
	Later than 3 years	-	4,852
	<b>Total present value of lease liabilities</b>	<b>-</b>	<b>10,598</b>
<hr/> <hr/>			
<b>32.</b>	<b>Irregular expenditure</b>		
<b>32.1</b>	<b>Movement schedule of irregular expenditure</b>		
	Opening Balance	176	176
	<b>Closing Balance</b>	<b>176</b>	<b>176</b>
<hr/> <hr/>			
	<b>Analysis</b>		
	Prior Years	176	176
	<b>Total</b>	<b>176</b>	<b>176</b>
<hr/> <hr/>			
<b>33.</b>	<b>Key management personnel</b>		
<b>33.1</b>	<b>Remuneration</b>	<b>Number of individuals</b>	
	Minister	1	691
	Deputy Minister	1	510
	Director-General	1	749
	Deputy Director-General	7	3,382
	<b>Total</b>		<b>5,332</b>
<hr/> <hr/>			
<b>33.2</b>	<b>Other remuneration and compensation provided to key management and close members of the family of key management personnel</b>		
		<b>Number of individuals</b>	
	<b>Other remuneration</b>		<b>2002/03</b>
	Deputy Director-General	7	288
	<b>Total</b>		<b>288</b>
<hr/> <hr/>			
			<b>2001/02</b>
			R'000
			259
			<b>259</b>
<hr/> <hr/>			

**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2003

**ANNEXURE 1A**

**STATEMENT OF CONDITIONAL GRANT TRANSFERS TO MUNICIPALITIES BY NATIONAL DEPARTMENTS AS AT 31 MARCH 2003**

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 R'000	Capital R'000	Current R'000
<b>Local Government Restructuring Grant</b>									
City of Cape Town Metropolitan Municipality	8,000	-	-	8,000	8,000	-	100	-	8,000
Sol Plaatje Municipality	10,000	-	-	10,000	10,000	-	100	-	10,000
Msundusi Municipality	40,000	-	-	40,000	-	40,000	-	-	-
Umhlatuze Municipality	8,000	-	-	8,000	8,000	-	100	-	8,000
City of Johannesburg Metropolitan Municipality	175,000	-	75,000	250,000	125,000	125,000	50	-	125,000
Mangaung Local Municipality	40,000	-	-	40,000	-	40,000	-	-	-
Cacadu District Municipality	19,000	-	-	19,000	-	19,000	-	-	-
<b>Sub total:</b>	<b>300,000</b>	<b>-</b>	<b>75,000</b>	<b>375,000</b>	<b>151,000</b>	<b>224,000</b>	<b>40</b>	<b>-</b>	<b>151,000</b>
<b>Financial Management Grant</b>									
City of Cape Town	3,000	-	-	3,000	3,000	-	100	-	3,000
Swartland Municipality	2,000	-	-	2,000	2,000	-	100	-	2,000
West Coast District Municipality	2,000	-	-	2,000	2,000	-	100	-	2,000
Stellenbosch	1,500	-	-	1,500	1,500	-	100	-	1,500
George Municipality	2,500	-	-	2,500	2,500	-	100	-	2,500
Krystna Municipality	2,500	-	-	2,500	2,500	-	100	-	2,500
Sol Plaatje	3,000	-	-	3,000	3,000	-	100	-	3,000
Frances Baard District Municipality	2,500	-	-	2,500	2,500	-	100	-	2,500
Nelson Mandela Metropolitan Municipality	3,500	-	-	3,500	3,500	-	100	-	3,500
Cacadu	3,000	-	-	3,000	3,000	-	100	-	3,000
Buffalo City Council	3,500	-	-	3,500	3,500	-	100	-	3,500
O R Tambo Municipality	3,000	-	-	3,000	3,000	-	100	-	3,000
Amatole District Municipality	3,500	-	-	3,500	3,500	-	100	-	3,500
Kopanong	3,000	-	-	3,000	3,000	-	100	-	3,000

**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2003

**ANNEXURE 1A**

**STATEMENT OF CONDITIONAL GRANT TRANSFERS TO MUNICIPALITIES BY NATIONAL DEPARTMENTS AS AT 31 MARCH 2003**

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 R'000	Capital R'000	Current R'000
Mangaung Municipality	3,500	-	-	3,500	3,500	-	100	-	3,500
Matjhabeng Municipality	2,500	-	-	2,500	2,500	-	100	-	2,500
eThekweni	3,000	-	-	3,000	3,000	-	100	-	3,000
Mmunduzi Municipality	3,000	-	-	3,000	3,000	-	100	-	3,000
uMgungundlovu District Municipality	3,000	-	-	3,000	3,000	-	100	-	3,000
Newcastle	1,500	-	-	1,500	1,500	-	100	-	1,500
uMhlatuze Municipality	2,500	-	-	2,500	2,500	-	100	-	2,500
Eastvaal District Municipality	3,500	-	-	3,500	3,500	-	100	-	3,500
Emalaheni Municipality	2,500	-	-	2,500	2,500	-	100	-	2,500
Middelburg Municipality	3,000	-	-	3,000	3,000	-	100	-	3,000
Mbombela Local Municipality	3,000	-	-	3,000	3,000	-	100	-	3,000
Ehlanzeni District Municipality	3,000	-	-	3,000	3,000	-	100	-	3,000
Greater Tzaneen Municipality	3,500	-	-	3,500	3,500	-	100	-	3,500
Thulamela	3,000	-	-	3,000	3,000	-	100	-	3,000
Makhado	1,000	-	-	1,000	1,000	-	100	-	1,000
Polokwane Municipality	3,500	-	-	3,500	3,500	-	100	-	3,500
Rustenburg Municipality	2,500	-	-	2,500	2,500	-	100	-	2,500
Mafikeng	2,000	-	-	2,000	2,000	-	100	-	2,000
Potchefstroom Municipality	2,500	-	-	2,500	2,500	-	100	-	2,500
Klerksdorp	2,500	-	-	2,500	2,500	-	100	-	2,500
Ekurhuleni Metropolitan Municipality	4,000	-	-	4,000	4,000	-	100	-	4,000
Johannesburg Metropolitan Municipality	4,000	-	-	4,000	4,000	-	100	-	4,000
Tshwane Municipality	4,000	-	-	4,000	4,000	-	100	-	4,000
Emfuleni Municipality	3,500	-	-	3,500	3,500	-	100	-	3,500
Randfontein	2,500	-	-	2,500	2,500	-	100	-	2,500

**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2003

**ANNEXURE 1A**

**STATEMENT OF CONDITIONAL GRANT TRANSFERS TO MUNICIPALITIES BY NATIONAL DEPARTMENTS AS AT 31 MARCH 2003**

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 R'000	Capital R'000	Current R'000
Financial Management Grant - Indirect	43,230	-	-	43,230	43,230	-	100	-	43,230
Conditional Grant (via DBSA)	154,230	-	-	154,230	154,230	-	100	-	154,230
<b>Sub total:</b>	<b>454,230</b>	<b>-</b>	<b>75,000</b>	<b>529,230</b>	<b>305,230</b>	<b>224,000</b>	<b>58</b>	<b>-</b>	<b>305,230</b>

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

# NATIONAL TREASURY VOTE 8

## ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2003

### ANNEXURE 1B

#### STATEMENT OF CONDITIONAL GRANTS TO PROVINCES BY NATIONAL DEPARTMENTS AS AT 31 MARCH 2003

	GRANT ALLOCATION				EXPENDITURE				SPENT			
	Division of Revenue Act	Adjustments Estimate	Roll Overs	Total Available	Actual Transfer	Amount not Transferred	% of Available Transferred	Capital	Current	Amount received by Province	Actual amount Spent (*)	% of Transferred Spent
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>CONDITIONAL GRANT</b>	<b>1,550,000</b>	-	-	<b>1,550,000</b>	<b>1,550,000</b>	-	<b>100</b>	<b>1,550,000</b>	-	<b>1,550,000</b>	<b>1,401,474</b>	<b>90</b>
<b>Provincial Infrastructure Grant</b>												
Gauteng Province	157,084	-	-	157,084	157,084	-	100	157,084	-	157,084	166,152	106
Kwazulu-Natal	331,123	-	-	331,123	331,123	-	100	331,123	-	331,123	318,091	96
Free State	93,913	-	-	93,913	93,913	-	100	93,913	-	93,913	69,177	74
Eastern Cape	286,107	-	-	286,107	286,107	-	100	286,107	-	286,107	278,403	97
North West Province	135,086	-	-	135,086	135,086	-	100	135,086	-	135,086	150,795	112
Northern Cape	52,997	-	-	52,997	52,997	-	100	52,997	-	52,997	-	-
Western Cape	96,210	-	-	96,210	96,210	-	100	96,210	-	96,210	95,162	99
Limpopo Province	278,519	-	-	278,519	278,519	-	100	278,519	-	278,519	204,084	73
Mpumalanga	118,961	-	-	118,961	118,961	-	100	118,961	-	118,961	119,610	101
<b>Provincial Infrastructure Grant - Flood Rehabilitation</b>	<b>400,000</b>	-	-	<b>400,000</b>	<b>400,000</b>	-	<b>100</b>	<b>400,000</b>	-	<b>400,000</b>	<b>330,341</b>	<b>83</b>
Free State	58,000	-	-	58,000	58,000	-	100	58,000	-	58,000	25,224	43
Eastern Cape	70,000	-	-	70,000	70,000	-	100	70,000	-	70,000	100,492	144
Limpopo Province	182,000	-	-	182,000	182,000	-	100	182,000	-	182,000	73,145	40
Mpumalanga	90,000	-	-	90,000	90,000	-	100	90,000	-	90,000	131,480	146
<b>Total</b>	<b>1,950,000</b>	-	-	<b>1,950,000</b>	<b>1,950,000</b>	-	<b>100</b>	<b>1,950,000</b>	-	<b>1,950,000</b>	<b>1,731,815</b>	<b>89</b>

Please refer to the Notes to the Appropriation Statement for explanation of underspending

(\*) Actual amount spent includes provincial roll-overs which are not part of National Treasury's Vote



**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2003

**ANNEXURE 1C**

**STATEMENT OF TRANSFERS TO PUBLIC ENTITIES AND INSTITUTIONS BY NATIONAL DEPARTMENTS AS AT 31 MARCH 2003**

	TRANSFER ALLOCATION				EXPENDITURE				
	Appropriation Act R'000	Adjustment Estimate R'000	Roll Overs R'000	Total Available R'000	Actual Transfer R'000	Amount not Transferred R'000	% of Available Transferred R'000	Capital R'000	Current R'000
<b>ENTITIES TRANSFERS</b>									
Sectoral Education and Training (SETA)	126	-	-	126	96	30	76	-	96
South African Revenue Service	3,417,296	24,654	60,000	3,501,950	3,501,950	-	100	549,542	2,952,408
Financial Intelligence Centre	35,000	-	-	35,000	35,000	-	100	25,000	10,000
Financial and Fiscal Commission (FFC)	9,038	3,000	-	12,038	12,038	-	100	-	12,038
<b>Total</b>	<b>3,461,460</b>	<b>27,654</b>	<b>60,000</b>	<b>3,549,114</b>	<b>3,549,084</b>	<b>30</b>		<b>574,542</b>	<b>2,974,542</b>

Please refer to the Notes to the Appropriation Statement for explanation of underspending

**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 March 2003**

**ANNEXURE 1D**

**STATEMENT OF OTHER TRANSFERS BY NATIONAL DEPARTMENTS AS AT 31 MARCH 2003**

	TRANSFER ALLOCATION					EXPENDITURE				
	Appropriation Act R'000	Adjustment Estimate R'000	Roll Overs R'000	Total Available R'000	Actual Transfer R'000	Amount not Transferred R'000	% of Available Transferred R'000	Capital R'000	Current R'000	
<b>Other transfers (*)</b>	<b>303,662</b>	<b>19,889</b>	<b>128,626</b>	<b>452,177</b>	<b>299,629</b>	<b>152,548</b>	<b>66</b>	<b>112,738</b>	<b>186,891</b>	
International transfers	122,664	26,547	128,626	277,837	128,925	148,912	46	-	128,925	
Purchase of shares: African Development Bank	133,373	(17,000)	-	116,373	112,738	3,635	97	112,738	-	
South African contribution to highly indebted poor countries (HIPC)	45,000	9,400	-	54,400	54,400	-	100	-	54,400	
World Bank Group (Shares)	1	-	-	1	-	1	-	-	-	
United Kingdom Tax	2,624	942	-	3,566	3,566	-	100	-	3,566	
<b>Local transfers</b>	<b>1,427,537</b>	<b>(83,340)</b>	<b>-</b>	<b>1,344,197</b>	<b>1,344,193</b>	<b>4</b>	<b>100</b>	<b>192</b>	<b>1,344,001</b>	
Contribution to Provident Fund for Associated Institutions (PFAI)	696	(696)	-	-	-	-	-	-	-	
Military: Ex Servicemen	45,158	(45,158)	-	-	-	-	-	-	-	
Military: SA Citizen Force	68,042	(68,042)	-	-	-	-	-	-	-	
Military: Civil Protection	2	(2)	-	-	-	-	-	-	-	
SA Legion	50	-	-	50	50	-	100	-	50	
Secret Services	1,305,690	22,978	-	1,328,668	1,328,668	-	100	-	1,328,668	
Audit Statutory Bodies	7,898	3,979	-	11,877	11,877	-	100	-	11,877	
Investment public money	-	1	-	1	-	1	-	-	-	
Development Bank of Southern Africa	1	-	-	1	-	-	-	-	-	
Financial Management Improvement Programme (FMIP)	-	3,600	-	3,600	3,598	2	100	192	3,406	
<b>Total</b>	<b>1,731,199</b>	<b>(63,451)</b>	<b>128,626</b>	<b>1,796,374</b>	<b>1,643,822</b>	<b>152,552</b>		<b>112,930</b>	<b>1,530,892</b>	

Please refer to the Notes to the Appropriation Statement for explanation of underspending

(\*) Other transfer payments as listed are made in terms of existing agreements or legislation and are accordingly not subject to written assurance as contemplated by section 38(j) of the PFMA

**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2003

**ANNEXURE 2**

**STATEMENT OF OTHER CONTROLLED ENTITIES AS AT 31 MARCH 2003**

Name of public entity	Nature of public entities business	Relevant Act	Entity's PFMA Schedule type	Amounts owing to		Amounts owing by		Audit Report Status
				2002/03 R000's	2001/02 R000's	2002/03 R000's	2001/02 R000's	
Accounting Standards Board	Determine standards of generally recognised accounting practice.	Act 1 of 1999	Schedule 3A	-	-	-	-	- N.a.
Corporation for Public Deposits	Investment of certain moneys received or held by, for, or on behalf of the Government and certain bodies, councils, funds and accounts, for the dissolution of the National Finance Corporation of South Africa and for matters connected therewith.	Act 46 of 1984	Not listed	-	-	-	-	- Unqualified
Development Bank of Southern Africa	Promote, facilitate and by funding to mobilise the socio-economic development in Southern Africa, while efficiency, fairness, transparency and responsibility 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	Not listed	-	-	-	-	- N.a.
Financial Services Board	Supervise compliance with laws regulating financial institutions and the provision of financial services and for 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 141 of 1993	Not listed	-	-	-	-	- Unqualified
Public Accountants' and Auditors' Board	Registration of public accountants and auditors and for the regulation of the training of public accountants and auditors.	Act 80 of 1991	Not listed	-	-	-	-	- 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, councils, 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	-	-	-	-	- Qualified
South African Revenue Service	Efficient and effective collection of revenue.	Act 34 of 1996	Schedule 3A	-	-	-	-	- Unqualified

**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2003

**ANNEXURE 2**

**STATEMENT OF OTHER CONTROLLED ENTITIES AS AT 31 MARCH 2003**

Name of public entity	Nature of public entities business	Relevant Act	Entity's PFMA Schedule type	Amounts owing to		Amounts owing by		Audit Report Status
				2002/03 R000's	2001/02 R000's	2002/03 R000's	2001/02 R000's	
South African Insurance Association (SASRIA)	Short-term insurance industry as regards special risks and to reduce the State's risk exposure.	Act 134 of 1998	Schedule 3B	-	-	-	-	Unqualified
Special Pension Board	Review application for benefits in terms of the Special Pensions Act	Act 69 of 1996	Not listed	-	-	-	-	N.a.
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	Not listed	-	-	-	-	Unqualified
<b>Total</b>				-	-	-	-	-

**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2003

**ANNEXURE 3**

**STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2003**

**DOMESTIC GUARANTEES**

Guaranteed institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance as at 1/4/2002	Guaranteed during the year	Guarantees paid/cancelled/reduced during the year	Guaranteed interest outstanding as at 31/3/2003	Closing balance 31/3/2003	Realised losses i.r.o. claims paid out
		R'000	R'000	R'000	R'000	R'000	R'000	R'000
Stannic	Motor vehicle guarantees	1,280	731	863	567	-	1,027	-
<b>Sub total:</b>		<b>1,280</b>	<b>731</b>	<b>863</b>	<b>567</b>	<b>-</b>	<b>1,027</b>	<b>-</b>
ABSA Bank	Housing guarantees	175	201	55	81	-	175	-
FBC Fidelity	Housing guarantees	31	31	-	-	-	31	-
First National Bank	Housing guarantees	109	-	109	-	-	109	-
Nedbank	Housing guarantees	117	24	93	-	-	117	-
Nedcor (Permanent Bank)	Housing guarantees	84	89	39	44	-	84	24
Saambou Bank	Housing guarantees	159	302	-	143	-	159	-
Standard Bank	Housing guarantees	289	216	88	15	-	289	-
VBS Mutual Bank	Housing guarantees	19	19	-	-	-	19	-
<b>Sub total:</b>		<b>983</b>	<b>882</b>	<b>384</b>	<b>283</b>	<b>-</b>	<b>983</b>	<b>24</b>
<b>Total</b>		<b>2,263</b>	<b>1,613</b>	<b>1,247</b>	<b>850</b>	<b>-</b>	<b>2,010</b>	<b>24</b>

**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2003

**ANNEXURE 4**

**PHYSICAL ASSET MOVEMENT SCHEDULE (Not including inventories)**

PHYSICAL ASSETS ACQUIRED DURING FINANCIAL YEAR 2002/03	Opening Balance R'000	Additions		Disposals R'000	Transfers		Closing Balance R'000
		R'000	R'000		In R'000	Out R'000	
<b>MACHINERY AND EQUIPMENT</b>							
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
<b>Total</b>	<b>8,369</b>	<b>27,546</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,915</b>

PHYSICAL ASSETS ACQUIRED DURING FINANCIAL YEAR 2001/02	Opening Balance R'000	Additions		Disposals R'000	Transfers		Closing Balance R'000
		R'000	R'000		In R'000	Out R'000	
<b>MACHINERY AND EQUIPMENT</b>							
Computer equipment	-	5,810	-	-	-	-	5,810
Furniture and office equipment	-	1,846	-	-	-	-	1,846
Other machinery and equipment	-	54	-	-	-	-	54
Transport assets	-	659	-	-	-	-	659
<b>Total</b>	<b>-</b>	<b>8,369</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,369</b>

**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2003

**ANNEXURE 5**

**INTANGIBLE ASSET MOVEMENT SCHEDULE (Not including inventories)**

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

INTANGIBLE ASSETS ACQUIRED DURING FINANCIAL YEAR 2001/02	Opening Balance R'000	Additions R'000	Disposals R'000	Transfers		Closing Balance R'000
				In R'000	Out R'000	
Computer software	-	784	-	-	-	784
<b>Total</b>	<b>-</b>	<b>784</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>784</b>

# **HUMAN RESOURCES MANAGEMENT**

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## **Human Resources Statistics**

### **1. Service Delivery**

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

On the financial management priorities, the development of public sector accounting rules will help to enhance the quality, accuracy and usefulness of Government's financial statements. National Treasury is helping to design and implement financial statements, which will be in line with Generally Recognised Accounting Practice (GRAP) standards, currently being set by the Accounting Standards Board.

### **Macroeconomic Policies**

The macroeconomic policies are developed to be relevant to the challenges of globalisation and include deepening South Africa's financial sector oversight and regulation. We actively engage in the development of the Southern African region through cooperation with neighbouring Southern African Development Community (SADC) countries on issues such as taxation, promoting investment and economic integration within the region.

### **Stronger Relationship With Provincial And Local Government**

Progress has been made in the development of the National Treasury's relationship with other spheres of government. Here, the National Treasury has sought to articulate consistent policies, which promote development and increase social and economic equality. One way in which it pursues this objective is through the enactment of the annual Division of Revenue Act, which governs the management of grants to both the provincial and local spheres. New frameworks for the allocation of these grants provide sharper definitions of the purpose and intended outputs for each grant. This enhances transparency and is expected to lead to improve delivery.



### **Implementing the PFMA**

Transforming public sector financial management is a key objective of the National Treasury. To this end, the Department is implementing the Public Finance Management Act (and the Municipal Finance Management Act when the latter is enacted), and providing and managing appropriate 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 have been among the most important of National Treasury's reforms.

### **Managing Public Sector Debt**

The Asset and Liability Management division is charged with the efficient management of public sector debt. This division manages the financing of the budget deficit. Mechanisms for financing the government deficit for the 2003 budget year are currently being put in place. These include borrowing in the domestic and foreign markets and using the proceeds of the restructuring of state-owned enterprises. The main objective is to finance at a lower cost while taking cognisance of the risk limits. This approach will be implemented within a prudent cash-management framework that ensures that the movement of cash is properly monitored.

## 2. Expenditure

### Personnel Costs By Programme, 2002 / 2003

Programme	Total expenditure (R'000)	Personnel expenditure (R'000)	Training expenditure	Professional and special services (R'000)	Personnel cost as a % of total expenditure	Average personnel cost per employee (R'000)
Administration	106,896	28,912	449	34,377	27	205
Economic Planning and Budget Management	86,422	43,371	1,433	26,637	40	232
Asset and Liability Management	20,062	11,186	498	4,816	10	228
Procurement Management, Financial Systems and PFMA	218,167	20,775	278	189,332	19	182
Financial Accounting and Reporting	89,672	3,032	245	63,477	3	233
Provincial and Local Government Transfers	2,256,000	0	0	770	0	0
Civil and Military Pensions, Contributions to Funds and Other Benefits	1,895,922	0	0	15,031	0	0
Fiscal Transfers	5,173,719	0	0	0	0	0
<b>Total</b>	<b>9,846,860</b>	<b>107,276</b>	<b>2,903</b>	<b>334,440</b>	<b>100</b>	<b>0</b>

### Personnel Costs By Salary Bands, 2002 / 2003

Salary bands	Personnel expenditure (R'000)	% of total personnel cost	Average personnel cost per employee (R'000)
Lower skilled (level 1-2)	1,612	2	64
Skilled (levels 3-5)	3,725	3	79
Highly skilled production (levels 6-8)	17,285	16	137
Highly skilled supervision (levels 9-12)	35,309	33	210
Senior and top management (13-16)	46,559	43	391
<b>Total</b>	<b>104,490</b>	<b>97</b>	<b>0</b>

Note: The amounts stated in the above table exclude salaries and benefits of the Minister, Deputy Minister and casual employees.

## Salaries, Overtime, Home Owners Allowance And Medical Aid By Programme, 2002 / 2003

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	18,533	64.1	137	0.47	472	1.6	1,133	3.9
Economic Planning and Budget Management	27,148	62.6	33	0.08	398	0.9	1,348	3.1
Asset and Liability Management	6,980	62.4	53	0.47	123	1.1	380	3.4
Procurement Management, Financial Systems and PFMA	13,677	65.8	0	0	412	2.0	834	4.0
Financial Accounting and Reporting	1,922	63.4	0	0	42	1.4	101	3.3
Provincial and Local Government Transfers	0	0	0	0	0	0	0	0
Civil and Military Pensions, Contributions to Funds and Other Benefits	0	0	0	0	0	0	0	0
Fiscal Transfers	0	0	0	0	0	0	0	0
<b>Total</b>	<b>68,260</b>	<b>0</b>	<b>223</b>	<b>0</b>	<b>1,447</b>	<b>0</b>	<b>3,796</b>	<b>0</b>

## Salaries, Overtime, Home Owners Allowance And Medical Aid By Salary Bands, 2002 / 2003

Salary Bands	Salaries		Overtime		Home Owners Allowance		Medical Aid	
	Amount (R'000)	% of personnel costs of salary bands	Amount (R'000)	% of personnel costs of salary bands	Amount (R'000)	% of personnel costs of salary bands	Amount (R'000)	% of personnel costs of salary bands
Lower skilled (level 1-2)	927	1	4	0	32	2	70	2
Skilled (levels 3-5)	2,367	4	40	18	95	7	231	6
Highly skilled production (levels 6-8)	11,478	17	117	52	449	31	1,013	27
Highly skilled supervision (levels 9-12)	24,934	38	62	28	693	48	1,216	32
Senior and top management (13-16)	26,296	40	0	0	178	12	1,213	32
<b>Total</b>	<b>66,002</b>	<b>100</b>	<b>223</b>	<b>100</b>	<b>1,447</b>	<b>100</b>	<b>3,743</b>	<b>100</b>

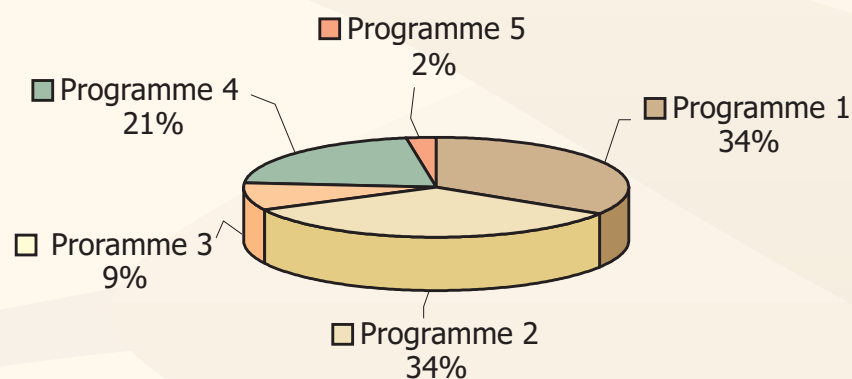
Note: The amounts stated in the above table exclude salaries and medical aid of the Minister and Deputy Minister.

### 3. Employment And Vacancies

#### Employment And Vacancies By Programme, 31 March 2003

Programme	Number of posts	Number of posts filled	Vacancy rate %	Number of posts filled additional to the establishment
Programme 1	251	165	34	5
Programme 2	349	164	53	2
Programme 3	80	43	46	1
Programme 4	235	103	56	1
Programme 5	61	12	80	6
<b>Total</b>	<b>976</b>	<b>487</b>	<b>50</b>	<b>15</b>

#### Filled Positions as Percentage Of Total (487)



#### Employment And Vacancies By Salary Bands, 31 March 2003

Salary band	Number of posts	Number of posts filled	Vacancy rate %	Number of posts filled additional to the establishment
Lower skilled (Levels 1-2)	29	26	10	3
Skilled (Levels 3-5)	137	47	66	4
Highly skilled production (Levels 6-8)	249	129	48	6
Highly skilled supervision (Levels 9-12)	366	168	54	1
Senior management (Levels 13-16)	195	117	41	1
<b>Total</b>	<b>976</b>	<b>487</b>	<b>50</b>	<b>15</b>

## 4. Job Evaluation

### Job Evaluated, 1 April 2002 To 31 March 2003

Salary band	Number of posts	Number of Jobs Evaluated	% of posts evaluated by salary bands	Posts Upgraded	
				Number	% of posts evaluated
Lower skilled (Levels 1-2)	29	0	0	0	0
Skilled (Levels 3-5)	137	7	0	1	0.5
Highly skilled production (Levels 6-8)	249	48	5	11	6
Highly skilled supervision (Levels 9-12)	366	66	18	13	7
Senior Management Service Band A	146	59	40	0	0
Senior Management Service Band B	40	17	43	0	0
Senior Management Service Band C	8	0	0	0	0
Senior Management Service Band D	1	0	0	0	0
<b>Total</b>	<b>976</b>	<b>197</b>	<b>0</b>	<b>25</b>	<b>13</b>

### Profile Of Employees Whose Salary Positions Were Upgraded Due To Their Posts Being Upgraded, 1 April 2002 To 31 March 2003

Beneficiaries	African	Asian	Coloured	White	Total
Female	2	0	0	11	13
Male	6	1	1	4	12
<b>Total</b>	<b>8</b>	<b>1</b>	<b>1</b>	<b>15</b>	<b>25</b>
<b>Employees with a disability</b>					<b>0</b>

### Employees Whose Salary Level Exceeds The Grade Determined By Job Evaluation 1 April 2002 To 31 March 2003 (In Terms Of PSR 1.V.C.3)

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
SMS	1	13	14	Scarce skills
Deputy Director	2	11	12	Scarce skills
	3	0	0	
<b>Total Number of Employees whose salaries exceeded the level determined by job evaluation in 2002/03</b>				<b>3</b>
<b>Percentage of total employment</b>				<b>0.6 %</b>

### Profile Of Employees, Whose Salary Level Exceeds The Grade Determined By Job Evaluation, 1 April 2002 To 31 March 2003 (In Terms Of PSR 1.V.C.3)

Beneficiaries	African	Asian	Coloured	White	Total
Female	0	0	0	1	1
Male	0	1	0	1	2
<b>Total</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>2</b>	<b>3</b>
<b>Employees with a disability</b>					<b>0</b>

## 5. Employment Changes

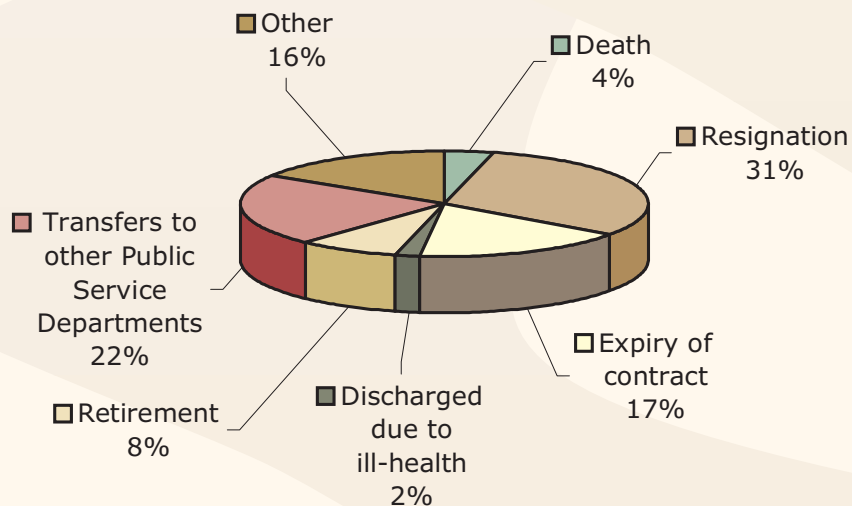
### Annual Turnover Rates By Salary Band For The Period 1 April 2002 To 31 March 2003

Salary band	Number of employees per band as on 1 April 2002	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate
Lower skilled (Levels 1-2)	26	0	5	-5
Skilled (Levels 3-5)	47	6	6	0
Highly skilled production (Levels 6-8)	129	8	14	-6
Highly skilled supervision (Levels 9-12)	168	30	15	15
Senior Management Service Band A	80	26	9	17
Senior Management Service Band B	29	7	0	7
Senior Management Service Band C	7	0	0	0
Senior Management Service Band D	1	0	0	0
<b>Total</b>	<b>487</b>	<b>77</b>	<b>49</b>	<b>28</b>

### Reasons Why Staff Are Leaving The Department

Termination Type	Number	% of total turnover
Death	2	4
Resignation	15	31
Expiry of contract	8	17
Dismissal – operational changes	0	0
Dismissal – misconduct	0	0
Dismissal – inefficiency	0	0
Discharged due to ill-health	1	2
Retirement	4	8
Transfers to other Public Service Departments	11	22
Other	8	16
<b>Total</b>	<b>49</b>	<b>100</b>
<b>Total number of employees who left as a % of the total employment</b>		<b>10</b>

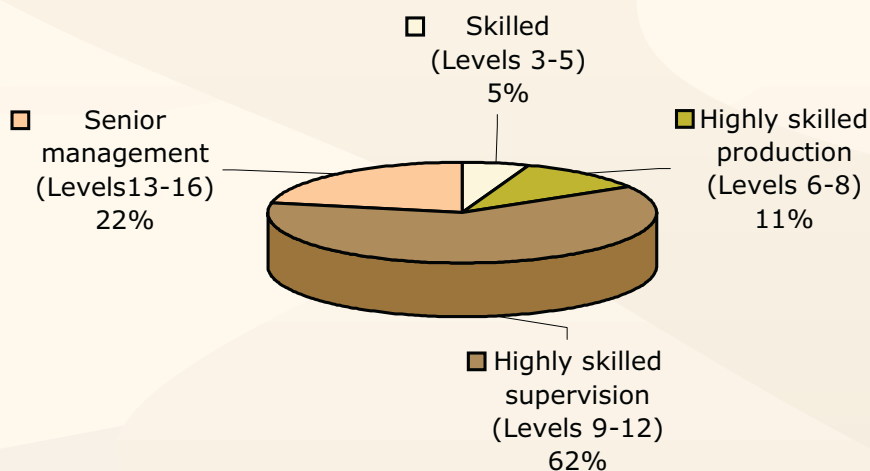
### % Turnover Rates



## Promotions By Salary Band

Salary band	Employees 1 April 2002	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)	26	0	0	4	15
Skilled (Levels 3-5)	47	4	9	16	34
Highly skilled production (Levels 6-8)	129	8	6	27	21
Highly skilled supervision (Levels 9-12)	168	45	27	19	11
Senior management (Levels 13-16)	117	16	14	48	41
<b>Total</b>	<b>487</b>	<b>73</b>	<b>0</b>	<b>114</b>	<b>0</b>

## % of Promotions Per Salary Band

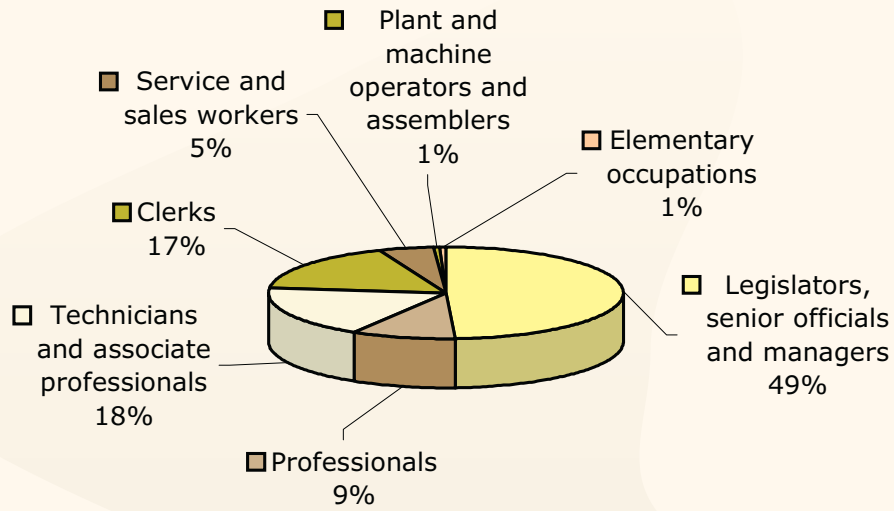


## 6. Employment Equity

Total number of employees (including employees with disabilities) in each of the following occupational categories as on 31 March 2003

Occupational categories (SASCO)	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	55	13	16	64	29	8	6	48	239
Professionals	2	1	1	22	2	1	0	17	46
Technicians and associate professionals	18	2	0	8	28	2	0	31	89
Clerks	14	4	0	5	24	7	1	28	83
Service and sales workers	9	1	0	1	13	0	0	0	24
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	3	0	0	0	0	0	0	0	3
Elementary occupations	0	0	0	0	3	0	0	0	3
<b>Total</b>	<b>101</b>	<b>21</b>	<b>17</b>	<b>100</b>	<b>99</b>	<b>18</b>	<b>7</b>	<b>124</b>	<b>487</b>
<b>Employees with disabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

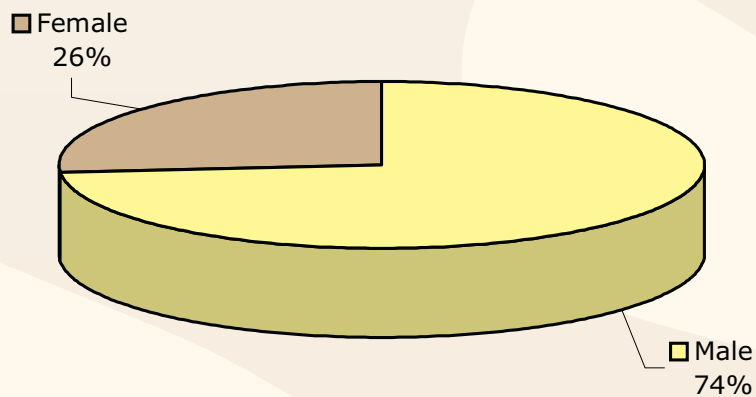
### % of Employees Per Occupational Category



### Total Number Of Employees In Each Of The Following Occupational Bands As On 31 March 2003

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	Total
Top Management	2	0	2	2	0	1	0	1	8
Senior Management	29	9	8	34	11	3	2	13	109
Professionally qualified and experienced specialists and mid-management	17	2	6	27	17	3	2	26	100
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	9	3	1	23	3	2	2	25	68
Semi-skilled and discretionary decision making	35	6	0	14	52	9	1	59	176
Unskilled and defined decision making	9	1	0	0	16	0	0	0	26
<b>Total</b>	<b>101</b>	<b>21</b>	<b>17</b>	<b>100</b>	<b>99</b>	<b>18</b>	<b>7</b>	<b>124</b>	<b>487</b>

### Gender Distribution In Senior Management

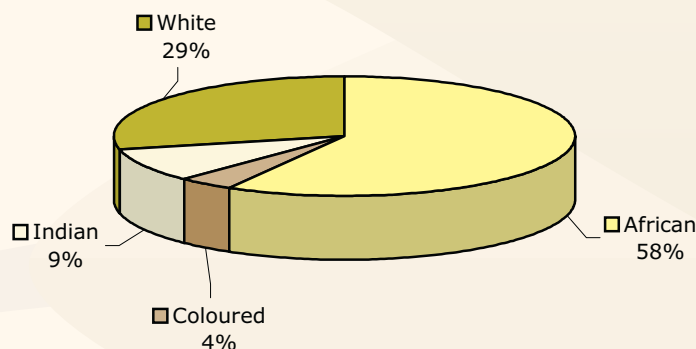




## Recruitment For The Period 1 April 2002 To 31 March 2003

Occupational bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	0	0	0	0	0	0	0	0
Senior Management	15	1	1	4	4	1	1	6	33
Professionally qualified and experienced specialists and mid-management	7	0	2	3	10	0	3	5	30
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	3	0	0	0	1	1	0	3	8
Semi-skilled and discretionary decision making	1	0	0	1	4	0	0	0	6
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>26</b>	<b>1</b>	<b>3</b>	<b>8</b>	<b>19</b>	<b>2</b>	<b>4</b>	<b>14</b>	<b>77</b>

## Recruitments Per Race



## Promotions For The Period 1 April 2002 To 31 March 2003

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	0	0	0	0	0	0	0	0
Senior Management	1	1	2	7	1	0	1	3	16
Professionally qualified and experienced specialists and mid-management	15	1	2	7	5	2	0	13	45
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	1	0	0	0	1	0	0	6	8
Semi-skilled and discretionary decision making	2	1	0	0	1	0	0	0	4
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>19</b>	<b>3</b>	<b>4</b>	<b>14</b>	<b>8</b>	<b>2</b>	<b>1</b>	<b>22</b>	<b>73</b>

### Terminations For The Period 1 April 2002 To 31 March 2003

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	0	0	0	0	0	0	0	0
Senior Management	2	0	0	2	0	1	1	2	8
Professionally qualified and experienced specialists and mid-management	4	0	1	4	0	0	0	0	9
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	2	0	0	1	3	1	0	4	11
Semi-skilled and discretionary decision making	0	0	0	0	2	0	0	3	5
Unskilled and defined decision making	1	0	0	1	2	1	0	0	5
<b>Total</b>	<b>9</b>	<b>0</b>	<b>1</b>	<b>8</b>	<b>7</b>	<b>3</b>	<b>1</b>	<b>9</b>	<b>38</b>

### Disciplinary Action For The Period 1 April 2002 To 31 March 2003

	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Disciplinary action	0	0	0	0	0	0	0	1	1

## 7. Performance Rewards

### Performance Rewards By Race, Gender, And Disability, 1 April 2002 To 31 March 2003

	Beneficiary Profile			Cost	
	Number of beneficiaries	Total number of employees in group	% of total within group	Cost (R'000)	Average cost per employee Rand
<b>African</b>	<b>130</b>	<b>200</b>	<b>65</b>	<b>1,762</b>	<b>13,554</b>
Male	64	101	63	996	15,562
Female	66	99	67	766	11,606
<b>Asian</b>	<b>15</b>	<b>24</b>	<b>63</b>	<b>419</b>	<b>27,933</b>
Male	13	17	76	372	28,615
Female	2	7	29	47	23,500
<b>Coloured</b>	<b>28</b>	<b>39</b>	<b>72</b>	<b>393</b>	<b>14,036</b>
Male	12	19	63	177	14,750
Female	16	20	80	216	13,500
<b>White</b>	<b>175</b>	<b>223</b>	<b>78</b>	<b>3,851</b>	<b>22,006</b>
Male	81	100	81	2,149	26,530
Female	94	123	76	1,702	18,106
Employees with a disability	1	1	100	7	7,055
<b>Total</b>	<b>349</b>	<b>487</b>	<b>72</b>	<b>6,432</b>	<b>18,430</b>

### Performance Rewards By Salary Bands For Personnel Below Senior Management Service, 1 April 2002 To 31 March 2003

Salary Bands	Beneficiary Profile			Cost		
	Number of beneficiaries	Number of employees	% of total within salary bands	Total Cost (R'000)	Average cost per employee Rand	Average cost as a % of the total personnel expenditure
Lower skilled (Levels 1-2)	26	26	100	199	7,653	<0.01
Skilled (Levels 3-5)	46	47	98	306	6,652	<0.01
Highly skilled production (Levels 6-8)	105	129	81	1,260	12,000	0.01
Highly skilled supervision (Levels 9-12)	103	168	61	2,554	24,796	0.02
<b>Total</b>	<b>280</b>	<b>370</b>	<b>76</b>	<b>4,319</b>	<b>15,425</b>	<b>0</b>

### Performance Related Rewards (Cash Bonus), By Salary Band, For Senior Management Service 1 April 2002 To 31 March 2003

Salary Band	Beneficiary Profile			Total Cost (R'000)	Average cost per employee Rand	Average cost as a % of the total personnel expenditure
	Number of beneficiaries	Number of employees	% of total within band			
Band A	51	80	64	1,391	27,274	0.01
Band B	10	29	34	331	33,100	<0.01
Band C	7	7	100	287	40,000	<0.01
Band D	1	1	100	104	103,772	<0.01
<b>Total</b>	<b>69</b>	<b>117</b>	<b>59</b>	<b>2,113</b>	<b>30,623</b>	<b>0</b>

## 8. Foreign Workers

### Foreign Workers, 1 April 2002 To 31 March 2003, By Salary Band

Salary Band	1 April 2002		31 March 2003		Change	
	Number	% of total	Number	% of total	Number	% change
Lower skilled (Levels 1-2)	0	0	0	0	0	0
Skilled (Levels 3-5)	0	0	0	0	0	0
Highly skilled production (Levels 6-8)	0	0	0	0	0	0
Highly skilled supervision (Levels 9-12)	0	0	4	57	4	80
Senior management (Levels 13-16)	2	100	3	43	1	20
<b>Total</b>	<b>2</b>	<b>100</b>	<b>7</b>	<b>100</b>	<b>5</b>	<b>100</b>

### Foreign Workers, 1 April 2002 To 31 March 2003, By Major Occupation

Major Occupation	1 April 2002		31 March 2003		Change	
	Number	% of total	Number	% of total	Number	% change
Chief Director	1	50	1	14	0	0
Director	1	50	2	29	1	20
Deputy Director	0	0	4	57	4	80
<b>Total</b>	<b>2</b>	<b>100</b>	<b>7</b>	<b>100</b>	<b>5</b>	<b>100</b>

## 9. Leave Utilisation

### Sick leave, 1 January 2002 To 31 December 2002

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)	144	94	18	6	8	18
Skilled (Levels 3-5)	284	79	34	12	8	50
Highly skilled production (Levels 6-8)	744	83	96	33	8	232
Highly skilled supervision (Levels 9-12)	740	83	101	34	7	424
Senior management (Levels 13-16)	216	74	45	15	5	338
<b>Total</b>	<b>2,128</b>	<b>83</b>	<b>294</b>	<b>100</b>	<b>7</b>	<b>1,062</b>

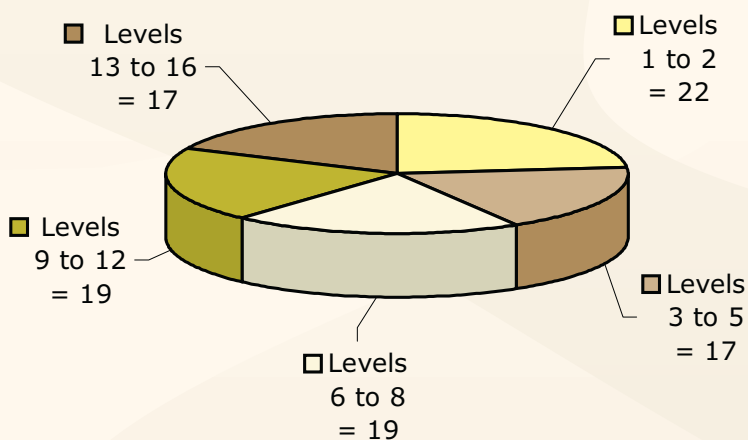
### Disability Leave (Temporary And Permanent), 1 January 2002 To 31 December 2002

Salary band	Total days taken	% days with medical certification	Number of employees using disability leave	% of total employees using disability leave	Average days per employee	Estimated cost R'000
Lower skilled (Levels 1-2)	0	0	0	0	0	0
Skilled (Levels 3-5)	0	0	0	0	0	0
Highly skilled production (Levels 6-8)	234	100	3	60	78	54
Highly skilled supervision (Levels 9-12)	11	100	2	40	6	4
Senior management (Levels 13-16)	0	0	0	0	0	0
<b>Total</b>	<b>245</b>	<b>100</b>	<b>5</b>	<b>100</b>	<b>49</b>	<b>58</b>

## Annual Leave, 1 January 2002 To 31 December 2002

Salary bands	Total days taken	Average per employee
Lower skilled (Levels 1-2)	600	22
Skilled Levels 3-5)	896	17
Highly skilled production (Levels 6-8)	2,585	19
Highly skilled supervision (Levels 9-12)	3,290	19
Senior management (Levels 13-16)	1,962	17
<b>Total</b>	<b>9,333</b>	<b>18.66</b>

### Average Vacation Days Taken Per Employee



## Capped Leave, 1 January 2002 To 31 December 2002

Salary bands	Total days of capped leave taken	Average number of days taken per employee	Average capped leave per employee as at 31 December 2002
Lower skilled (Levels 1-2)	54	1	38
Skilled Levels 3-5)	54	1	25
Highly skilled production (Levels 6-8)	147	2	31
Highly skilled supervision (Levels 9-12)	336	4	52
Senior management (Levels 13-16)	268	3	73
<b>Total</b>	<b>859</b>	<b>10</b>	<b>46</b>

## Leave Payouts For The Period 1 April 2002 To 31 March 2003

The following table summarises payments made to employees as a result of leave that was not taken.

Reason	Total amount	Number of employees	Average payment per employee
Leave payout for 2002/03 due to non-utilisation of leave for the previous cycle	3,013	1	3,013
Capped leave payouts on termination of service for 2002/03	319,121	15	21,275
Current leave payout on termination of service for 2003/03	232,251	36	6,451
<b>Total</b>	<b>554,385</b>	<b>52</b>	<b>0</b>

## 10. HIV/AIDS & 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
Building Maintenance Coordinator	<p>The following protective clothing and accessories were provided to employees:</p> <ul style="list-style-type: none"> <li>• Safety-goggles</li> <li>• Safety boots</li> <li>• Face-guard</li> <li>• Gloves</li> <li>• Overalls</li> </ul>

### 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 - 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  Budget: R 228 436
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		Counseling, Wellness programmes, Training & awareness campaigns
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		Divisional representatives were nominated
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
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		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		Greater awareness among staff
8. Has the department developed measures/indicators to monitor & evaluate the impact of its health promotion programme? If so, list these measures/indicators.	X		EAP Consultation / Reports / Statistics

## 11. Labour Relations

### Collective Agreements, 1 April 2002 To 31 March 2003

Subject Matter	Date
Aligned Framework Agreement: Restructuring of the National Treasury	3/12/02

### Misconduct And Disciplinary Hearings Finalised, 1 April 2002 To 31 March 2003

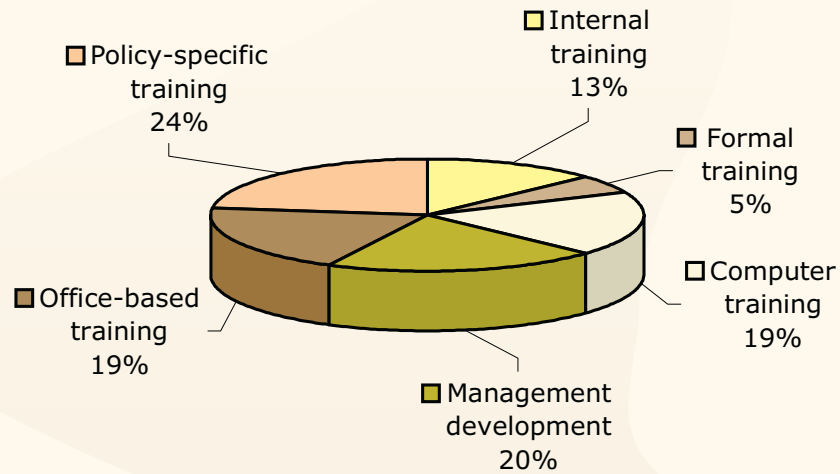
Outcomes of disciplinary hearings	Number	% of total
Correctional counselling	0	0
Verbal warning	0	0
Written warning	0	0
Final written warning	0	0
Suspended without pay	0	0
Fine	0	0
Demotion	0	0
Dismissal	1	100
Not guilty	0	0
Case withdrawn	0	0
<b>Total</b>	<b>1</b>	<b>100</b>

## 12. Skills Development

### Skills Development By Type Of Training, 1 April 2002 To 31 March 2003

Type of training	Number of beneficiaries	Training day equivalents	Average days per person	% of total	Total Rand expenditure	Rand Average per beneficiary
Internal training	57	128	2.24	13	0	0
Formal training	24	0	0	5	272,169	11,340
Computer training	82	287	3.5	19	97,817	1,193
Management development	90	305	3.38	21	325,332	3,615
Office-based training	85	203	2.38	19	163,144	1,919
Policy-specific training	102	422	4.13	23	640,822	6,283
<b>Total</b>	<b>440</b>	<b>1,345</b>	<b>15.63</b>	<b>100</b>	<b>1,499,284</b>	<b>3,407</b>

### Number of Beneficiaries Per Type of Training



### Skills Development By Type Of Training, 1 April 2002 To 31 March 2003

Nature of injury on duty	Total expenditure Rand	Average per beneficiary Rand
Formal training	272,169	11,341
Computer training	97,817	1,193
Management development	325,332	3,615
Office-based training	163,144	1,919
Policy-specific training	640,822	6,383
<b>Total</b>	<b>1,499,284</b>	<b>3,407</b>

## 13. Injury On Duty

### Injury On Duty, 1 April 2002 To 31 March 2003

Nature of injury on duty	Number	% of total
Required basic medical attention only	7	100
Temporary Total Disablement	0	0
Permanent Disablement	0	0
Fatal	0	0
<b>Total</b>	<b>7</b>	<b>0</b>



## 14. Utilisation Of Consultants

### Report On Consultant Appointments Using Appropriated Funds

Project title	Total number of consultants that worked on the project	Duration:	Contract value in Rand
		Work days	
Office designer and space planner	2	365	650,000
Drafting of specifications for the security system at 240 Vermeulen Street	1	30	12,000
Editing 2002 ENE	1	60	56,707
Perform a secretarial function to the validation board	1	365	200,000
Rendering of an internal audit services to National Treasury	12	730	4,000,000
Appointment of forensic auditors	5	90	100,000
Maintenance of Financial Systems (PERSAL and Vulindlela)	137	365	34,345,841
Maintenance of Financial Systems (LOGIS)	95	365	29,261,187
Maintenance of Financial Systems (BAS and FMS)	155	365	22,282,797
Consultants: Skills Audit	5	365	66,234
Reference checking of candidates to be appointed	5	365	9,000
Contractors to review enhance and document departmental prescripts of the National Treasury	3	90	200,000
Development of an electronic tender evaluation system	3	365	350,000
Project Management Services to the Accountant General's Office	5	365	424,080
Project Management Services to the Accountant General's Office	6	365	980,000
IT Helpdesk System	9	365	1,872,826
IT Management support and Network support	6	365	2,500,000
IT Programmer at Asset and Liability Management	1	365	444,000
Development of normative measures for financial management	3	365	600,000
Development of a bank account fraud detection system	8	730	7,500,000
Rendering the services of a Chief Financial Officer	1	730	760,000
Development of the Local Government monitoring database	2	182	189,787
Consultants on poverty allocations	7	365	2,007,606
Project Management : Technical Assistance Team	1	250	357,600
Project Management: Technical Assistance Team	1	280	387,200
Project Management: Technical Assistance Team	1	280	345,600
Project Management: Technical Assistance Team	1	280	358,400
Project Management: Technical Assistance Team	1	182	347,200
Appointment of a legal company to assist the PPP Unit with the standardisation of contracts	13	365	1,670,000
Translation of the Municipal Management Bill	1	30	5,901
Advise on the existing law and legislation regarding the various forms of municipal entities	1	60	10,000
Transaction advisor to the PPP Unit	1	60	162,000
Legal review of amendments to the Public Finance Management Act (PFMA) 1999	1	60	50,000
Drafting of the Municipal Finance Management Bill and Regulations	1	365	175,000
Procurement review of National Treasury's Procurement Processes	1	20	8,189
Advise on the budget process and procedure to amend money bills	1	18	23,150
Review of the local government equitable share model	1	365	371,673
Rendering of policy support related to the Municipal Structures Act, Municipal Systems Act	1	365	210,000
Development of normative measures for financial management	5	30	170,384
Editing ENE document 2002	1	30	67,000
Financial Analyst and technical services to the PPP Unit	2	180	273,000
Development of Local Government Monitoring Database	2	455	190,000
Editing of the 2001 annual report	1	30	84,426

## 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 (Persal 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
Drafting of specifications for the security system at 240 Vermeulen Street	20	10	0
Editing 2002 ENE	100	100	1
Perform a secretarial function to the validation board	43	15	0
Rendering of an internal audit services to National Treasury	30	30	5
Appointment of forensic auditors	5	0	4
Consultants: Skills Audit	20	20	5
Reference checking of candidates to be appointed.	50	50	3
Contractors to review, enhance and document departmental prescripts of the National Treasury	15	0	0
Project Management Services to the Accountant General's Office	100	100	5
Project Management Services to the Accountant General's Office	80	80	6
IT Helpdesk System	35	20	8
IT Management support and Network support	51	40	2
IT Programmer at Asset and Liability Management	100	100	1
Development of normative measures for financial management	12	5	
Development of a bank account fraud detection system	75	60	4
Rendering the services of a Chief Financial Officer	15	0	1
Consultants on poverty allocations	50	50	4
Project Management: Technical Assistance Team	100	100	1
Project Management: Technical Assistance Team	100	100	1
Appointment of a legal company to assist the PPP Unit with the standardisation of contracts	0	0	7
Translation of the Municipal Management Bill	100	100	1
Advise on the existing law and legislation regarding the various forms of municipal entities	100	100	1
Transaction advisor to the PPP Unit	100	100	1
Advise on the budget process and procedure to amend money bills	100	100	1
Rendering of policy support related to the Municipal Structures Act, Municipal Systems Act	100	100	1
Development of normative measures for financial management	24	5	4
Financial Analyst and technical services to the PPP Unit	50	50	0
Development of Local Government Monitoring Database	60	35	1
Editing of the 2001 annual report	100	100	1

## Report On Consultant Appointments Using Donor Funds

Project title	Total Number of consultants that worked on the project	Duration: work days	Donor currency	Contract value in Rand
1. Support to Chief Directorate: Public Finance Stats (GFS) System	1	204	DFID	540,103
2. Transaction Advisor PPP Unit	1	365	USAID	500,000
3. Transaction Advisor PPP Unit	1	365	USAID	500,000
4. Acting Head PPP	1	365	USAID	500,000
5. Inkwazi Management	1	319	EU	122,640
6. Amazwe Consulting	1	319	EU	95,540
7. Process Innovation Management	1	319	EU	122,640
8. Michael Acres & Associates	1	319	EU	105,120
9. Nkosinathi Vusani Hlanti	1	319	EU	98,550
10. Prudential Reporting Task Team	2	252	DFID	313,347
11. Towards Macro Prudential Reg Framework (Ext)	3	191	DFID	196,578
12. Review of Taxation on SA retirement savings	5	21	DFID	150,000
13. IDCSP	3	198	EU Funds	86,642
14. IDCSP	2	522	EU Funds	1,341,600
15. IDCSP DCIS	1	21	IDRC Funds	40,176

# Annexures

## Annexure 1: Abbreviations

ADB	African Development Bank
ASB	Accounting Standards Board
AU	African Union
CMU	Contract Management Unit
DBSA	Development Bank of Southern Africa
DPSA	Department of Public Service and Administration
FATF	Financial Action Task Force
FIC	Financial Intelligence Centre
G20	Group of Twenty Countries
G24	Group of Twenty-Four Countries
GAMAP	Generally Accepted Municipal Accounting Practices
GEPF	Government Employee Pension Fund
GCIS	Government Communication and Information System
GRAP	Generally Recognised Accounting Practices
HDI	Historically Disadvantaged Individual
HIPC	Highly Indebted Poor Countries
IMF	International Monetary Fund
IPFA	Institute for Public Finance and Auditing
NEDLAC	National Economic Development and Labour Council
NEPAD	New Partnership for Africa's Development
PIC	Public Investment Commissioners
PFAI	Provident Fund for Associated Institutions
PFMA	Public Finance Management Act
PPP	Public-Private Partnerships
RDP	Reconstruction and Development Programme
SACU	Southern African Customs Union
SADC	Southern African Development Community
SARS	South African Revenue Service
SASRIA	South African Special Risks Insurance Association
SITA	State Information Technology Agency
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.

### **Coin Liabilities**

SA Reserve Bank subsidiary

### **Corporation for Public Deposits**

Corporation for Public Deposits Act (No 46, 1984)

### **Development Bank of Southern Africa**

Development Bank of Southern Africa Act (No 13, 1997)

### **Financial and Fiscal Commission**

Financial and Fiscal Commission Act (No 99, 1997)

### **Financial Services Board**

Financial Services Board Act (No 97, 1990)

The following report to it:

Pension Fund

Financial Markets Advisory Board

Pension Funds Advisory Board

### **Unit Trusts Advisory**

Advisory Committee on short-term insurance

### **Independent Development Trust**

### **Public Accounts and Auditors Board**

### **Policy Board for Financial Services Regulation**

Policy Board for Financial Services and Regulation Act (No 141, 1993)

### **Public Investment Commissioners**

Public Commissioners Investment Act (No 45, 1984)

### **SA Banknote Company**

SA Reserve Bank subsidiary

### **SA Mint Company**

SA Reserve Bank subsidiary

### **South African Reserve Bank**

SA Reserve Bank Act (No 90, 1989)

### **South African Revenue Service**

SA Revenue Service Act (No 34, 1997)

### **South African Special Risk Insurance Association (SASRIA)**

### **Special Pensions Board**

### **Special Pension Advisory Board**

### **State Tender Board**

### **Statistical Council**

Statistics Act (No 66, 1976)

Tax Advisory Committee

### **Tax (Katz) Commission**

### **Registrar of Banks**

Reports to SA Reserve Bank





# NOTES



# NOTES



the 1990s, the number of people in the UK who are employed in the public sector has increased from 10.5 million to 12.5 million, and the number of people in the public sector who are employed in health care has increased from 1.5 million to 2.5 million (Department of Health 2000).

There are a number of reasons for this increase. One of the main reasons is the increasing demand for health care services. The population of the UK is ageing, and there is a growing number of people with chronic conditions such as heart disease, diabetes, and asthma. This has led to an increase in the number of people who are admitted to hospital and the length of their stay. In addition, there has been a growing emphasis on preventive care, which has led to an increase in the number of people who are seen by their general practitioners and other health care professionals.

Another reason for the increase in the number of people employed in the public sector is the increasing demand for health care services. The population of the UK is ageing, and there is a growing number of people with chronic conditions such as heart disease, diabetes, and asthma. This has led to an increase in the number of people who are admitted to hospital and the length of their stay. In addition, there has been a growing emphasis on preventive care, which has led to an increase in the number of people who are seen by their general practitioners and other health care professionals.

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