



# **National Treasury**

## **Annual Report**

**2006/07**



Published by the National Treasury  
Private Bag X115  
Pretoria  
0001  
South Africa

Tel: +27 12 315 5757  
Fax: +27 12 315 5126

The 2006/07 *National Treasury Annual Report* is also available on  
[www.treasury.gov.za](http://www.treasury.gov.za)

Editorial, Coordination and Layout: National Treasury Communications  
Directorate

Printing and Binding: Formeset Printers Cape (Pty) Ltd

**ISBN : 978-0-621-37264-9**  
**RP : 139/2007**



# National Treasury

## Annual Report

2006/07

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

I have the honour of submitting the Annual Report of the National Treasury for the period 1 April 2006 to 31 March 2007.

**L Kganyago**  
**Director-General**





## CONTENTS

Accounting Officer's Overview .....	1
The Ministry .....	4
Mission Statement.....	7
Minister's Statement on Policy and Commitment .....	9
Legislative Mandate .....	11
Legislation Enacted.....	12
Programme 1: Administration .....	14
Programme 2: Economic Planning and Budget Management .....	26
Programme 3: Asset and Liability Management.....	45
Programme 4: Financial Management and Systems.....	52
Programme 5: Financial Accounting and Reporting .....	58
Programme 6: Provincial and Local Government Transfers.....	63
Programme 7: Civil and Military Pensions.....	68
Programme 8: Fiscal Transfers.....	71
Report of the Audit Committee .....	74
Annual Financial Statements .....	77
Annual Financial Statements of the Project Development Facility .....	178
Human Resources Management .....	194
Annexures.....	230





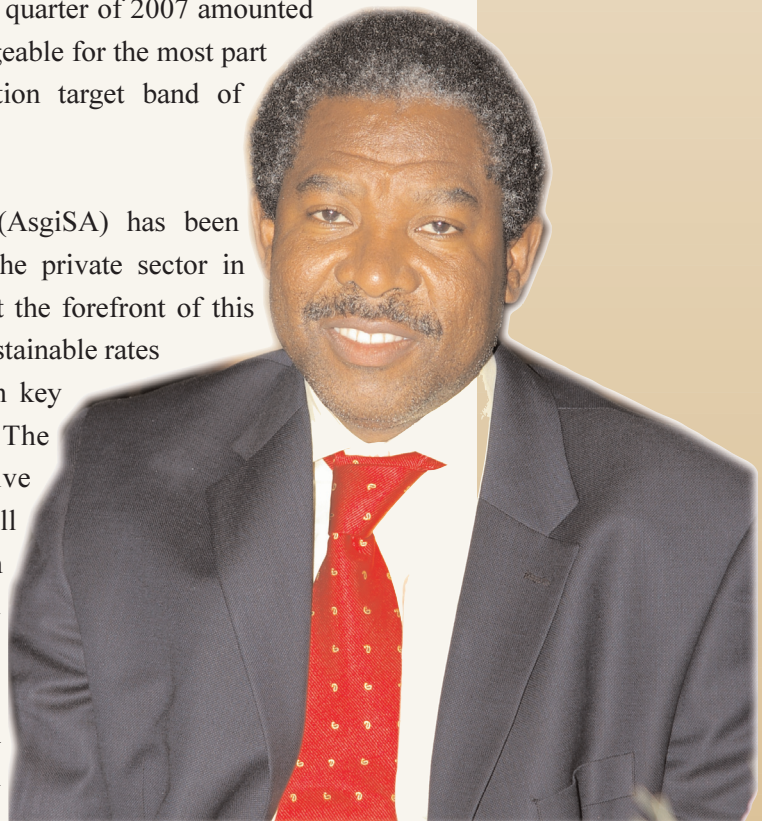
## ACCOUNTING OFFICER'S OVERVIEW

The period covered by this annual report was marked by a number of significant events in South Africa's economic life – including, for the first time, a budget surplus of 0,3 per cent of GDP. This surplus created valuable fiscal space and enhanced government's ability to improve the quality of life for all. With the economy growing at an annual rate of 5 per cent, the way was paved for the landmark Budget, in which government clearly signalled its intention to introduce a contributory social security system to further the aims of a broad-based economic growth. The people of South Africa are now beginning to reap the benefits of a healthy, sustainable and inclusive economy.

On the broader macroeconomic front, strong economic growth during 2006/07 was supported by high international commodity prices, sustained increases in disposable income and investment in productive capacity. High levels of business and consumer confidence reinforced the positive environment. Although 500 000 new jobs were created for the year to September 2006, further significant progress is still required for a major decrease in the 25 per cent unemployment rate. Investment has been growing at about 10 per cent for the past two years, and in the first quarter of 2007 amounted to 20,7 per cent of GDP. Inflation remained manageable for the most part of the fiscal year, remaining within the inflation target band of 3 to 6 per cent during 2006.

The accelerated and shared growth initiative (AsgiSA) has been embraced by all government departments and the private sector in general. The Office of the Deputy President is at the forefront of this initiative to grow the South African economy at sustainable rates of at least 6 per cent and beyond, together with key departments in Cabinet's economic cluster. The National Treasury has provided comprehensive economic modelling for this initiative and will continue to contribute by executing its mandate in a manner that enables accelerated and shared growth.

Robust economic growth and improved tax compliance contributed to better-than-expected tax revenue collection, and the continued broadening of the tax base. The phasing out of the tax on retirement funds and the intention to replace the



**Lesetja Kganyago**  
**Director-General: National Treasury**



secondary tax on companies with a withholding tax on dividends will ensure that our tax system is more transparent, equitable and competitive.

In the financial sector, major strides were made in reforming policies aimed at improved consumer protection. Regulations issued with effect from 1 December 2006 codified in law certain minima on endowment policies and retirement annuities agreed to between the life insurance industry and the Minister of Finance in late 2005. Further regulatory reforms, including a review of commission paid to intermediaries, are due to follow in the latter half of 2007.

Changes to the Pension Funds Act, discussed by Parliament during June 2006, will see greater protection for the members and former members of pension funds. The scrapping of retirement fund taxation in the 2007 Budget provided retirement fund members with a further incentive to save for their later years.

The banking environment also came under scrutiny during the review period, with hearings into competition and charges being conducted by the Competition Commission. A draft of the Banks Amendment Bill was submitted to Parliament in February 2007. These changes will have an important effect on the way banks grant credit and provide the consumer with protection across a wide range of transactions.

Hosting the 2010 FIFA World Cup provides an opportunity to make major investments in the upgrading of infrastructure and sporting facilities. This will leave a valuable legacy and also provides the opportunity to market South Africa to the rest of the world as a destination for investment, sport and leisure. During the review period, FIFA representatives indicated their satisfaction with the progress that had been made.

In South Africa's system of national, provincial and local government, regular interaction, cooperative governance and joint decision-making are central to driving the state's development agenda and pro-poor service delivery programmes. With the legislative frameworks in place, the primary focus in the area of intergovernmental relations has been on accelerating implementation of government programmes and improving the quality of services and outcomes. Our targeted efforts to support municipalities to comply with the prescripts of the Municipal Finance Management Act also continued during 2006/07.

With regard to asset and liability management, lower borrowing requirements created the scope to manage government's debt portfolio more actively during the year. To further decrease the sovereign's external vulnerability, government continued to support the Reserve Bank to accumulate reserves, resulting in a R9,7 billion increase in official reserves.

On the international front, during the 2006 annual meetings of the World Bank and International Monetary Fund (IMF), the National Treasury lobbied strongly for progress





in increasing overall official development assistance to developing countries in support of the Millennium Development Goals. South Africa is the only African country that is also a multilateral donor, and during multilateral donor meetings the National Treasury sustained the calls to double aid commitments to Africa by 2010.

Reform at the African Development Bank (ADB) proceeded apace under new leadership, and the institution looks well placed to play a leading role in support of Africa's growth and development. South Africa also increased its shareholding in the ADB from 4 per cent to 4,5 per cent, and will continue to seek to take up additional shares in future.

During 2007 South Africa is chairing the Group of 20, and the G-20 Secretariat established within the National Treasury during the review period has coordinated discussions on G-20 policy issues.

Still, the labour market is tight and there are challenges ahead. National Treasury has continued to attract and retain highly qualified and experienced individuals and has built a formidable, high-calibre team.

**L Kganyago**  
**Director-General: National Treasury**



## THE MINISTRY

Bound by the principle of social solidarity, the 2006/07 financial year was an eventful time for the Ministry of Finance. Through our oversight of the National Treasury and a range of related institutions, we have made further progress in building the institutional underpinnings required for a successful democracy.

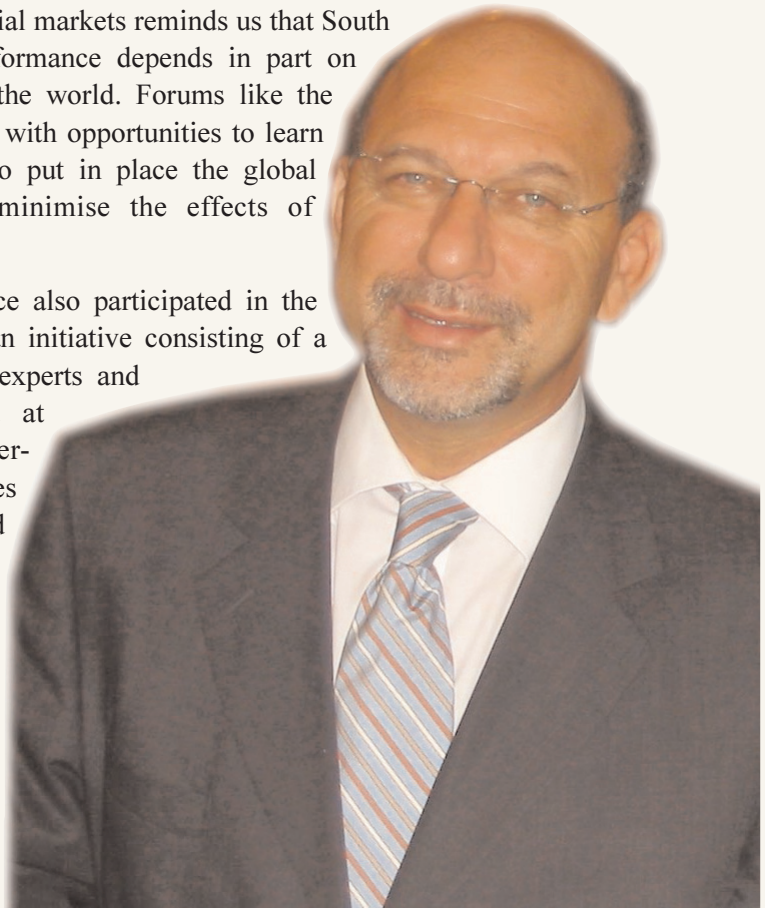
During the course of 2006/07, together with ministerial colleagues from Social Development, Health and Labour, the National Treasury announced far-reaching reforms to South Africa's social security system. These reforms aim to improve income security for all citizens in their retirement years and to provide improved risk benefits to both workers and their dependants. These historic changes will affect our society for decades to come, binding us together and giving life to the spirit of social solidarity.

Under the leadership of the Deputy President, we have also made significant progress in developing the accelerated and shared growth initiative, putting all hands on deck to ensure that our economy grows more rapidly and that we reduce poverty and inequality through faster employment growth and the active involvement of a developmental state. In refining our thinking on growth, we have benefited from the advice of a range of both local and international experts. We thank them for their inputs.

At the beginning of 2007, South Africa took over as chair of the Group of 20 (G-20), which brings together finance ministers and reserve bank governors from a range of the world's most systemically significant economies. Recent turmoil in global financial markets reminds us that South Africa's economic performance depends in part on growth in the rest of the world. Forums like the G-20 provide countries with opportunities to learn from each other and to put in place the global architecture to help minimise the effects of financial crises.

The Minister of Finance also participated in the Growth Commission, an initiative consisting of a range of international experts and policy makers aimed at improving our understanding of what drives long-term growth and development, and under what conditions poor people can benefit from growth.

During the review period the Ministry, through the robust leadership and guidance from the Deputy Minister, ensured a sustained effort to manage and contain the



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



cost of hosting the 2010 FIFA World Cup.

The Ministry provided executive oversight to the National Treasury, which sets extremely high performance standards, constantly raising the bar for what is expected of civil servants.

The Ministry's interaction with the National Treasury is channelled through Lesetja Kganyago, the Director-General, and his management structure. Mr Kganyago and his officials continue to lead a competent and dedicated team, providing technical advice to the Ministry on a range of complex policy issues and leading the implementation of a number of policies, acts of parliament and sets of regulations.



### **International visits undertaken by the Minister of Finance during the 2006/07 financial year**

- 10 April 2006 : One-day visit to Maputo to launch an Education Campaign with the Chancellor of the Exchequer
- 18 - 26 April 2006 : Visit to Washington D.C., USA, to attend the Spring Meetings of the IMF and World Bank, and to Princeton, New Jersey, USA, to address Faculty Seminars
- 13 - 18 May 2006 : Visit to Ouagadougou, Burkina Faso, to attend the Annual Meetings of the UN Economic Commission for Africa and the African Development Bank
- 22 - 24 June 2006 : Visit to Madrid, Spain, to attend an African Finance Ministers Meeting to discuss voice and participation of developing and transition countries in the Bretton Woods Institutions, convened by the IMF
- 07 - 09 July 2006 : Visit to United Kingdom to deliver the Ditchley Park Annual Lecture
- 28 July 2006 : Visit to Gaborone, Botswana, to attend a meeting of SADC Finance Ministers
- 03 - 04 August 2006 : Visit to Maputo, Mozambique, to attend a caucus of African Governors
- 15 - 16 August 2006 : Visit to Maseru, Lesotho, to attend the SADC Council of Ministers Meeting
- 13 - 26 September 2006: Visit to Singapore to attend the Annual Meetings of the IMF and World Bank, and a visit to Ireland on the invitation of Mr Niall Fitzgerald of Reuters
- 15 - 20 November 2006: Visit to Melbourne, Australia, to attend the G-20 Finance Ministers' Meeting
- 25 - 28 January 2007: Visit to Davos, Switzerland, to attend the Annual Meetings of the World Economic Forum
- 08 - 11 February 2007: Visit to Essen, Germany, to attend an outreach meeting on the fringes of the G7 Finance Ministers

### **International visits undertaken by the Deputy Minister of Finance during the 2006/07 financial year**

- 09 - 20 Sept 2006 : Attend the Signing of Partnership Framework Agreement with France, Commonwealth Finance Ministers Meeting and Annual Meetings of the International Monetary Fund and the World Bank, in Paris, Sri Lanka and Singapore
- 29 Oct - 2 Nov 2006 : Delivered Key Note address at the South African Chamber of Commerce America (SACCA) Conference, in New York
- 12 - 15 Nov 2006 : Delivered Keynote address at the 17th World Congress of Accountants, in Istanbul, Turkey



## VISION

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

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

## MISSION AND OBJECTIVES

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

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

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

We promote transparency and effective financial management.

## VALUES

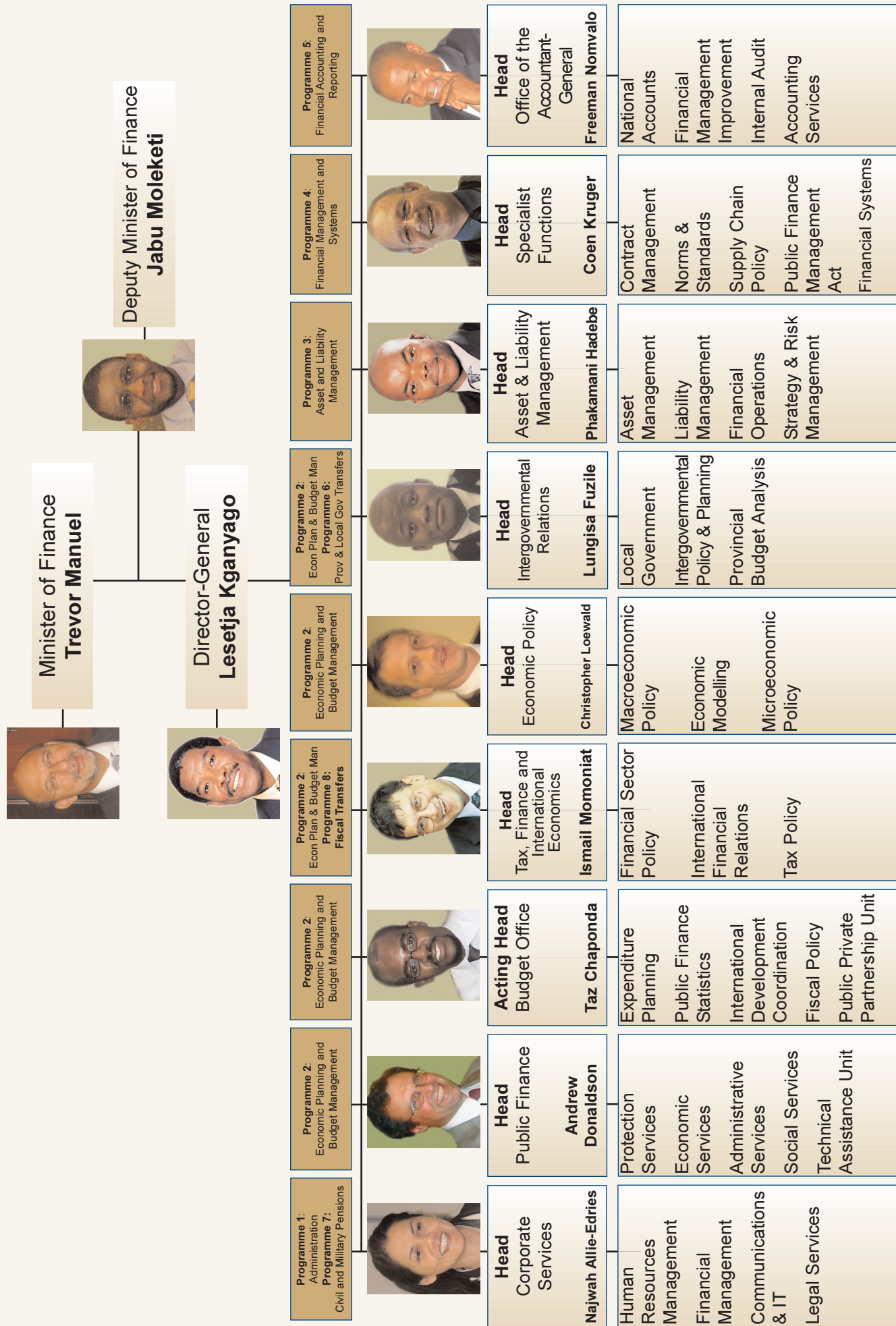
As custodians of the nation's financial resources, the National Treasury acknowledges the authority of Parliament through whom we are accountable to the nation.

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

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

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

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





## MINISTER'S STATEMENT ON POLICY AND COMMITMENT

The words "human life has equal worth", which underpinned the 2007 Budget Speech, form the core value that unites all the citizens of our diverse nation. In discharging its duties related to directing, managing and monitoring the use of public funds, the National Treasury seeks to play its part in transforming this notion into continued action and service delivery.

Directing financial resources to achieve accelerated economic growth in a dynamic and sometimes turbid domestic and international economic environment requires both resilience and resolve. The resolve is needed to ensure the use of resources in a manner that promises to improve the lives of all citizens; the resilience, to continuously test the relevance of the strategy at hand.

The outlook of government policy remains fundamentally unchanged, with the intent to nurture growth to create employment and income in a sustainable manner. In this context, the importance of poverty reduction and eliminating the marginalisation of people and communities cannot be emphasised enough. The economic effects of climate change and related matters will also become a focal point of activity in years to come to ensure that we remain an economically viable nation far into the future.

The 2007 Budget projected a surplus as a result of many years of prudent financial management. It will offer the fiscal space to allow government to consider structural reforms to the social security system, rising funding levels for public sector infrastructure, education and other priorities. The need to introduce an appraisal system for multi-year capital projects is yet another reflection of the emergence of fiscal space as a feature in our public finances.

Since 2001, we have channelled an ever-greater share of our resources into capital spending. Our investment in infrastructure has been focused on two major areas: the built environment and economic infrastructure. The built environment refers to a cluster of activities and services related to building viable, secure residential communities – housing, water, electrification, sanitation, roads, sports facilities, police stations, schools and clinics. Government remains committed to these programmes, which seek to change both the urban and rural landscapes – to turn barren, dusty land into places that people feel proud to live in.

There have been some instances of flagrant disregard of the high ethical and fiduciary responsibilities expected of people in our financial institutions. These often involve hundreds of millions of rands plundered from companies or from ordinary South Africans who spend a lifetime saving relatively small amounts annually. Neither organised criminal activity nor abuse of stewardship obligations should be allowed to squander the gains of our hard-earned democracy, and such activity will be addressed with the necessary resolve.



On the international front, this is the year that South Africa chairs the G-20 meetings. The theme for the G-20 in 2007 is "Sharing - Influence, Responsibility, Knowledge". South Africa has prepared a detailed work programme for the year focused on three major areas. In addition to the area of fiscal space, the G-20 will look at the issue of increasing the voice of developing countries on the global economic stage by giving impetus to efforts to strengthen the voting power of emerging markets and low-income countries in the International Monetary Fund and World Bank. South Africa will also use the opportunity of its host year to improve and strengthen knowledge, within the forum, of African economic and financial policy challenges, and to facilitate a sharing of knowledge with African countries.

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





## LEGISLATIVE MANDATE

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

### Parliamentary Services

The Minister of Finance as the political principal of the Department regards the active collaboration with Parliament as vital. Consequently, the National Treasury continued to have sustained relations during the period under review through interactions with Parliamentary committees. Chief amongst the committees that the Department works with is the Portfolio Committee on Finance; other committees include the Select Committee on Finance, Joint Budget Committee and the Standing Committee on Public Finance.

At the core of maintaining the Ministry's cooperative relationship is the Parliamentary Services Office. Tasked with ensuring a transparent and cooperative working relationship with Parliament this office is the Ministry's representative office in Parliament. The Office is a vehicle through which financial policies and pieces of legislation are presented to Parliament for consideration and approval.

During the period under review the Parliamentary Services maintained a transparent working relationship through coordinating work processes between policy makers and public representatives. Information continued to flow between the Ministry through Cabinet to Parliament and vice versa.

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

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

The Parliamentary Services Office also maintains collegial and cooperative relationships on behalf of the Ministry with political structures as well offices of the presiding officers and Leader of Government Business.



## LEGISLATION ENACTED

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

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

Following is a list of legislation tabled in Parliament during the 2006/2007 financial year to date:

1. **Appropriation Act, 2006 (Act No. 7 of 2006)**  
Bill enacted: Appropriation Bill [B2 - 2006]  
English text signed by the President. Assented to 14 July 2006  
Published in Government Gazette No. 29048 dated 19 July 2006
2. **Small Business Tax Amnesty and Amendment of Taxation Laws Act, 2006 (Act No. 9 of 2006)**  
Bill enacted: Small Business Tax Amnesty and Amendment of Taxation Laws Bill [B14 - 2006]  
English text signed by the President. Assented to 20 July 2006  
Published in Government Gazette No. 29068 dated 25 July 2006
3. **Second Small Business Tax Amnesty and Amendment of Taxation Laws Act, 2006 (Act No. 10 of 2006)**  
Bill enacted: Second Small Business Tax Amnesty and Amendment Taxation Laws Bill [B15 - 2006]  
English text signed by the President. Assented to 20 July 2006  
Published in Government Gazette No. 29069 dated 25 July 2006
4. **Adjustments Appropriation Act, 2006 (Act No. 14 of 2006)**  
Bill enacted: Adjustments Appropriation Bill [B32 - 2006]  
English text signed by the President. Assented to 24 November 2006  
Published in Government Gazette No. 29440 dated 30 November 2006
5. **Revenue Laws Amendment Act, 2006 (Act No. 20 of 2006)**  
Bill enacted: Revenue Laws Amendment Bill [B33 - 2006]  
English text signed by the President. Assented to 3 February 2007  
Published in Government Gazette No. 29603 dated 7 February 2007



**6. Revenue Laws Second Amendment Act, 2006 (Act No. 21 of 2006)**

Bill enacted: Revenue Laws Second Amendment Bill [B34 - 2006]

English text signed by the President. Assented to 3 February 2007

Published in Government Gazette No. 29604 dated 7 February 2007

**7. Division of Revenue Act, 2007 (Act No. 1 of 2007)**

Bill enacted: Division of Revenue Bill [B3 - 2007]

English text signed by the President. Assented to 31 March 2007

Published in Government Gazette No. 29763 dated 31 March 2007

**8. Finance Act, 2007 (Act No. 2 of 2007)**

Bill enacted: Finance Bill [B5 - 2007]

English text signed by the President. Assented to 31 March 2007

Published in Government Gazette No. 29764 dated 31 March 2007



## Programme 1

# ADMINISTRATION

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

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

The programme is divided into four subprogrammes:

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

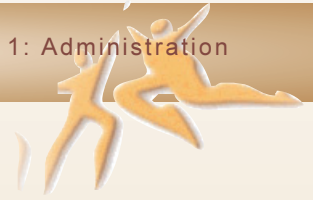
### Service Delivery Objectives and Indicators

#### Recent outputs

*Administration* falls under the *Corporate Services* division. *Corporate Services* is responsible for the department's governance framework, and aims to create a productive and creative working environment that enhances effectiveness. The division consists of seven units: *Information Technology, Facilities Management, Security Management, Financial Management, Internal Audit, Human Resources Management and the Project Office.*

#### Integrated document management system

*Corporate Services* has launched a pilot project for an integrated document management system (IDMS) to enhance the management of records and documents. The first stage of this project focuses on the Ministry and Parliamentary Office, with the goal of eliminating the cumbersome transportation of physical documents between the Cape Town and Pretoria offices of the Ministry. The project will be expanded into the operational environment with a view to creating a records management blueprint for the rest of the National Treasury.



Related work has taken place in the following areas:

- **Document tracking system:** The division procured Paper Trail software, appointed the implementation partners, conducted change-management road shows, and initiated application customisation and training.
- **E-Registry:** The division redesigned the file plans for the Office of the Ministry of Finance and National Treasury. The IDMS project has archived the Ministry's records and 60 per cent of the Director-General's records. These filing systems will save the National Treasury about R470 000 per year.
- **Knowledge management and disaster recovery plan:** The division developed a disaster recovery plan and knowledge portal, and appointed a knowledge management intern.

The division also completed re-engineering and mapping of its business processes.

Corporate Services has enhanced its project management capability by increasing the functionality and size of the Project Office. A fully staffed project support office (PSO) now focuses on project strategy and governance. During the review period the PSO:

- Defined a project management strategy and direction to ensure alignment to Corporate Services strategy
- Provided project governance at project, business unit and divisional level
- Incorporated the use of project management tools.

The main focus of the *Financial Management* unit is compliance with the Public Finance Management Act (1999) (PFMA) and associated legislation. To ensure that the unit meets its fiduciary duties and to improve the overall financial management of the National Treasury, the unit was thoroughly reorganised in 2006/07. Several key activities were identified and the following substructures were introduced under the direction of the Chief Financial Officer: *Supply Chain Management*, *Management Accounting*, *Financial Accounting* and *the Public Entities Oversight* unit. The unit plans to conclude this reorganisation during 2007/08.

The *Supply Chain Management* unit is in the final phases of implementing supply change management policy, procedures and bidding processes. The unit has also begun implementing an electronic procurement system covering the adjudication of bids, awarding of contracts and registration of suppliers for proper administration and reporting.

During the review period, 54 bid contracts were awarded, of which 35 went to companies owned by historically disadvantaged individuals and 28 to companies with majority BEE ownership.

The National Treasury began a co-sourced approach to internal audits in July 2006, with the approval of a service provider. The methodology of *Internal Audit*, the annual plan and three-year rolling strategic plan were presented to and approved by the Audit Committee. The *Internal Audit* unit achieved 61 per cent of the audit work outlined in the annual audit



plan and completed numerous consulting assignments. All reports were tabled with the Audit Committee.

*Internal Audit* detected material findings on areas audited and helped to implement recommendations. The unit also performs secretariat functions for the Audit Committee and Risk Management Committee, and ensures their recommendations and decisions are implemented.

The *Information Technology* unit has successfully upgraded the network operating system and the e-mail system throughout the National Treasury. This has enabled improved network management, enhanced security and remote access to e-mail services. The unit has also extended the service desk solution to all *Corporate Services* business units, which has enabled accurate reporting on service delivery.

South Africa is chairing the G-20 in 2007. To support this international collaboration of finance ministers and central bank governors, *Information Technology* designed a website, launched at the end of 2006, along with a members' site for collaboration by G-20 participants.

The *Security Management* unit made considerable progress in creating a secure and enabling working environment, despite a strike in the private security industry. The unit met various standards set by national institutions, such as emergency evacuation plans as stipulated in occupational health and safety regulations.

The National Treasury has made considerable progress in complying with the minimum information security standards policy and has recruited more staff to tackle the increased workload. All National Treasury employees are screened before they can assume employment or occupy new positions. In addition, at least 221 employees have been issued with clearance certificates.

*Human Resources* assessed its ability to function as a team and focused on improving the technical abilities of its staff so that they can provide professional services to the National Treasury. The unit has strengthened its organisational development capability to focus on:

- Team-effectiveness assessments and initiatives
- Development of a change management framework for the National Treasury
- Diversity management workshops.

A significant highlight of this period has been the implementation of voluntary counselling and testing, which received a favourable response from employees. This will be done annually and supported by a holistic employee wellbeing programme.

*Human Resources* worked successfully to reduce the vacancy rate to 14 per cent as of 31 March 2007 from 21 per cent a year earlier.

*Facilities Management* works to improve quality, reduce risks and deliver value for money services to the National Treasury. Successful projects in 2006/07 included installation of new standby generators, a dedicated generator for Information



Technology, optimisation of office space at 240 Vermeulen Street and the installation of a new air-conditioning system in the computer rooms at 120 Plein Street.

The unit has been at the forefront of the cost-reduction initiatives within *Corporate Services*, including measures related to telephones, postage, printing, copying and general maintenance. *Facilities Management* has also introduced strict control mechanisms to manage consumables.

*Legal Services* provides legal services to the Minister, Deputy Minister, Director-General and all divisions of the National Treasury. These services include the drafting or vetting of domestic and international agreements and legal instruments; primary and secondary legislation; providing legal advice on a wide range of issues, including the restructuring of state-owned enterprises, financial regulation, supply chain management and intergovernmental relations; and litigation brought by or against the Minister and the National Treasury.

During the review period *Legal Services* played a crucial role in various pieces of legislation – those that it engages with annually, and those submitted to Parliament by other ministers in consultation with the Minister of Finance.

The *Legal Services* unit reviewed a myriad of documents at different stages of the public-private partnership (PPP) cycle and participated in the negotiation of a number of PPP projects, including the Western Cape Rehabilitation Centre and Lentegeur Hospital, Limpopo Renal Dialysis, an independent power producer in the Eastern Cape, and pharmaceutical supply chain management services.

On the commercial front, *Legal Services* was involved in a number of transactions, agreements, guarantees and indemnities. These include negotiating and settling the agreements enabling South Africa to make a grant to the Gavi Fund; advising on buyback of bonds in international markets; and updating the 18K disclosure document in terms of the rules of the Securities Exchange Commission, ensuring that from a legal perspective, government's exposure was mitigated.

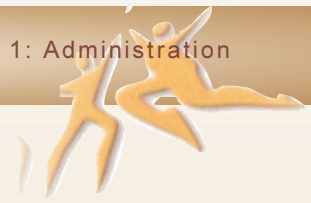
In the past financial year, *Legal Services* was actively involved in a variety of complex litigation matters, and ensured that government's policies and interests were well protected.

The *Communications* unit planned and managed three outreach programmes in Bisho, Nelspruit and Kimberley with over 250 learners in attendance. This together with various official study tours and workshops ensured a sustained contribution to the broader objective of taking the budget to the people. During the period under review the unit successfully managed a series of media workshops and conferences including journalists' lock-ups during the *budget speech* and the *Medium Term Budget Policy Statement* in Cape Town and Pretoria. Through the sustained efforts and work of the unit the department enjoyed a favourable media presence and coverage which generated robust public debate. The unit also managed the launch and marketing of the new retail bond. With the assistance of the unit the department launched the graduate recruitment and the TOPP programmes (Training Outside Public Practice). Communications also managed the



layout, design and printing of all major publications and promotional items on behalf of the department. During the period under review the unit as the main point of entry to the National Treasury managed various public queries about the scope of work done by the department, including assisting ex-members of the public service with their pensions.





## SERVICE DELIVERY ACHIEVEMENT Programme 1: Administration

<b>Measurable objective:</b> The programme aims to provide an effective leadership, management and administrative support service to the core business divisions of the National Treasury, through the continuous refinement of organisational strategy and structure, ensuring compliance with applicable legislation and alignment with appropriate best practice.		<b>Actual performance against target</b>	
<b>Subprogramme</b>	<b>Output</b>	<b>Output performance Measure/service delivery indicator</b>	<b>Target</b>
			<b>Achieved</b>
Minister and Deputy Minister of Finance (Parliamentary Office)	A procedurally sound and politically astute Parliamentary Unit	Achieving a proactive relationship with Parliament	Proactive support established through ensuring the provision of training to parliamentarians with regard to the Budget Processes and the evaluation of Annual Reports
	Extensive engagement with the Legislature on the budget reform processes, with specific reference to the constitutional requirement for a process to deal with money bills	The number of dialogue/meetings held between the National Treasury and Parliament on the budget reform processes, with specific reference to the constitutional requirement for legislative powers and processes to amend money bills	Monitoring feedback from all role players for evaluation of legislation passed to amend money bills
Management (Office of the Director-General)	Monitoring and facilitating promulgation of financial legislation and policies that are presented to the Legislature	Monitoring the passage of legislation from drafting to enactment	Monitoring and facilitating promulgation of identified financial legislation and policies such as the Dedicated Banks Bill, amendments to the Pensions Fund Act and legislation giving effect to the Statement of Intent concluded with the Life Industry
	National Treasury's strategic direction aligned to the country's development policy needs	Strategic plans developed by the National Treasury and approved by Parliament	80% achievement of targets set out in National Treasury's strategic plan



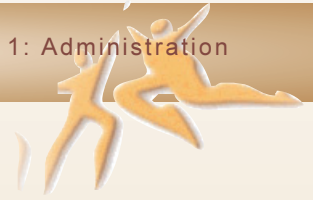
Subprogramme	Output	Output performance Measure/service delivery indicator	Actual performance against target	
			Target	Achieved
Corporate Services	Delivery of efficient, cost-effective transactional services	Attainment of an unqualified audit report	July 2007	Unqualified audit attained July 2007
		Attainment of an unqualified audit opinion without an emphasis of matter	July 2007	Unqualified audit without an emphasis of matter attained July 2007
		Opportunities for cost reduction identified	Two new initiatives identified and implemented	<p>Achieved</p> <p>Costs cut in Corporate Services</p> <p>Examples include:</p> <ul style="list-style-type: none"> <li>Facilities unit initiative to switch off lights at night resulted in a saving of R20 000 a month</li> <li>Groceries tender successfully implemented, resulting in a centralised buying and payment system that reduces waste. Groceries bill reduced by R30 000 per month.</li> <li>Telephone management - R 783 000 savings</li> <li>Cleaning services - R705 000 savings</li> </ul>
Design and implementation of a Corporate Services governance framework		Operational policies, processes and procedures documented, improved and implemented	Outstanding operational policies, processes and procedures documented	Operational policies, processes and procedures documented. Governance Committee established.
			Opportunities for improvements identified in remaining 75% of Corporate Services	Business process improvement project completed and improvement opportunities identified for all business units
			Associated implementation plan developed	Implementation plans developed



Subprogramme	Output	Output performance Measure/service delivery indicator	Actual performance against target	
			Target	Achieved
Establishment of an Internal Audit (IA) Unit		Completion of 2006/07 IA annual plan	Implementation of improvements initiated	Implementation initiated
		Approved IA annual plan	Co-sourced service provider approved	Achieved
		Implementation of IA annual plan	IA annual plan developed IA annual plan finalised Capacitating of the unit – 30% complete	The implementation of the co-sourced approach for IA commenced in July after the approval of the service provider IA Annual Plan developed and approved by Audit Committee Two vacancies filled Re-advised director: internal audit Workshops facilitated in 30% of NT
		Ran fraud awareness and risk assessment workshops	Workshops run in 30% of NT	
Development and implementation of an integrated client service strategy		Revise client charter and service standards	Service-level agreements (SLA) aligned to Batho Pele requirements	Achieved for all of Corporate Services
		Phased implementation of service standards (existing and revised)	Implementation of service standards continued	Achieved SLAs implemented



Subprogramme	Output	Output performance Measure/service delivery indicator	Actual performance against target	
			Target	Achieved
		Customer service rating attained in client survey	Overall customer satisfaction rating of 70% attained	<p>Evaluation using annual client services survey and reports from HEAT call logging system</p> <p>Corporate Services attained the following client satisfaction rating:</p> <p>2005 client satisfaction 65% - image 63%</p> <p>2006 client satisfaction 67% - image 67%</p> <p>2007 client satisfaction 69% - image 63%</p>
	Facilitate the building of strategic partnerships with stakeholders	Strategic support and change management plans developed for stakeholders	Design plan of action in response to stakeholder needs analysis	<p>Selected organisational development initiatives were rolled out across NT</p> <p>Collaborated on planning for hosting of G20 meetings</p> <p>Implemented active directory</p> <p>Finalised future accommodation requirements for NT</p>
	Establishment of a working environment that encourages innovation and productivity	Opportunities to provide innovative solutions to client needs implemented	Opportunities identified Compilation of implementation plans initiated	<p>Improved service delivery through the implementation of new business process models</p> <p>Developed talent pool and intern programme</p> <p>Business intelligence analysis conducted by Internal Audit</p>



Subprogramme	Output	Output performance Measure/service delivery indicator	Actual performance against target	
			Target	Achieved
	Creation of a secure working environment	Monitor performance rating: Employee wellness statistics	1% improvement	Achieved Renewal of the ICAS contract and re-launching the employee wellness service Voluntary counselling and HIV tests done on 1 December 2006 with 135 employees Achieved improvement of meeting SLA targets. Improved from 95% to 97%
		Service desk statistics	2% improvement	
		Reduction in security and health and safety incidents	2% reduction	2% reduction achieved. Members of floor committee have received training on health and safety issues
		Improvement in vetting statistics	2% improvement	An improvement of 2% has not been attained because the National Treasury is dependent on the National Intelligence Agency for the vetting function
		Strategic plan for IT developed and rolled out	Rollout of IT strategic plan initiated IT strategic plan 60% implemented	IT strategic plan and structure approved Implementation initiated
		Design, develop and implement an IT architecture that supports achievement of NT's objectives	100% implementation of service desk	Service desk system implemented in 100% of Corporate Services
		100% implementation of new wide area network solution	Waiting for a formal wide area network design from SITA to engage with relevant stakeholders and to set dates	



Subprogramme	Output	Output performance Measure/service delivery indicator	Actual performance against target				
			Target	Achieved			
	Contribute to the establishment of a knowledge management (KM) culture in the National Treasury	KM framework for Corporate Services implemented	Knowledge areas identified and knowledge libraries developed	<p>KM framework researched and documented</p> <p>Knowledge repository designed and implemented</p> <p>Content managers trained</p> <p>KM libraries populated for Corporate Services</p> <p>Started implementation of communities of interest and communities of practice</p>			
					<p>Implementation of the agreed solution 25% complete</p>	<p>NT archiving process flows documented</p> <p>Proof of concept pilot implemented in Ministry</p> <p>Started implementation of centralised NT archiving system</p>	
						<p>Talent management strategy researched and developed</p>	<p>Achieved. Implementing talent management component.</p>
						<p>Leadership development plan researched and developed</p>	<p>Achieved. Developed as part of the talent management process. Designing implementation plan.</p>



Subprogramme	Output	Output performance Measure/service delivery indicator	Actual performance against target	
			Target	Achieved
		Organisational development (OD) framework developed and implemented for NT	<p>OD initiatives implementation plan finalised</p> <p>OD initiatives rolled out to 50% of NT</p> <p>OD initiative implementation monitored and evaluated</p>	<p>Achieved. Plan was based on the outcomes of the Climate and Culture survey.</p> <p>Team effectiveness processes rolled out in various divisions. Finalising change management framework.</p> <p>Evaluation has been delayed</p>
	Contribute to fostering a performance management culture	Adherence to performance management policy guidelines	<p>Development of the competency framework for NT finalised</p> <p>Rollout of competency framework initiated</p>	<p>Competency framework developed as part of the talent management strategy</p> <p>Rollout initiated</p>
			Created capacity to facilitate alignment of employee performance agreements with NT objectives	Achieved. HR was reorganised to create capacity.



## Programme 2

### ECONOMIC PLANNING AND BUDGET MANAGEMENT

**Purpose:** *Economic Planning and Budget Management* provides professional advice and support to the Minister of Finance on economic and fiscal policy, international financial relations, financial regulation, tax policy, intergovernmental financial relations, public finance and the management of the annual budget process.

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

These functions are organised into four separate subprogrammes:

- *Public Finance* manages the National Treasury's relations with other national departments, provides budgetary support to departments, and advises the Minister and the rest of the National Treasury on departmental and government cluster matters. Focus areas include: departmental and sectoral financing and budgeting; monitoring financial management, expenditure and service delivery; policy analysis and policy development support; and project management support for development programmes and initiatives.
- The *Budget Office* provides fiscal policy advice, oversees expenditure planning and the national budget process, leads the budget reform programme, coordinates international technical assistance and donor finance, supports public-private partnerships (PPPs) and compiles public finance statistics.
- *Intergovernmental Relations* coordinates fiscal relations between national, provincial and local government, and promotes sound provincial and municipal budgetary planning, reporting and financial management.
- *Economic Policy and International Financial Relations* is responsible for macroeconomic and microeconomic analysis and policy advice, economic forecasting, the management of international financial relations, tax policy analysis, and financial sector policy advice. The division also coordinates its activities with the Reserve Bank on the supervision and regulation of banking and exchange control, the Financial Services Board in relation to non-banking financial services, and the Financial Intelligence Centre in relation to anti-money-laundering measures and combating the financing of terrorism.

#### Service Delivery Objectives and Indicators

##### Recent outputs

###### *Budget Office*

Much of the work of the *Budget Office* is focused on coordinating the budget process,





providing advice to the Ministers' Committee on the Budget, and monitoring fiscal and public expenditure trends.

The *Fiscal Policy* unit plays a leading role in monitoring economic and fiscal trends and advising the Minister of Finance on fiscal policy options and the budget framework. It is responsible for the annual Budget Review, the *Medium-Term Budget Policy Statement* (MTBPS) and inputs to the deliberations of the Ministers' Committee on the Budget.

Over the past year, policy advice and analysis focused on public service remuneration issues, infrastructure investment and medium-term fiscal sustainability. This included support for the occupation-specific dispensation policy for health, police and educators and preparation for the new public-sector wage agreement. Research also looked at the capital spending plans of government departments, provinces and public entities; and improved budgeting and planning processes for infrastructure investment. Fiscal trends, government's contribution to national savings and inter-temporal budget implications were analysed in detail with a view to position the budget in support of government's social and economic objectives.

*Fiscal Policy* is extensively involved in interdepartmental budgetary and policy consultation, including support for the Department of Public Service and Administration (DPSA) relating to public-service wage bargaining, and liaison with the Department of Trade and Industry on critical infrastructure planning and budgeting.

Much of the *Expenditure Planning* unit's work is focused on the coordination of the budget process in preparation of the annual *Estimates of National Expenditure*. The unit is also responsible for the preparation of the Adjustments Budget that is tabled together with the MTBPS.

In relation to the budget process, the *Expenditure Planning* unit works to improve allocation decisions through increased political oversight, better evaluation of spending proposals and improved spending information.

Other key activities over the past year included:

- Working closely with the Standing Committee on Public Accounts to finalise outstanding cases of unauthorised expenditure. A Finance Act regularising the expenditure was tabled on 31 March 2007.
- Briefing parliamentary committees on the budget process and budget documents.
- Providing training on planning and budgeting to parliamentary researchers.
- Administering research projects that seek to improve the pro-poor impact of budget programmes.
- Managing the Secretariat of the Collaborative Africa Budget Reform Initiative, and assisting with preparations for the 3rd Budget Reform Seminar in Addis Abba.

The *Public Finance Statistics* unit focuses mainly on the production of appropriately classified fiscal data in various National Treasury publications in support of fiscal transparency and accountability. The data is also submitted to the International Monetary Fund (IMF).

During 2006/07 the team concentrated on enhancing previously introduced reforms. These areas of work included:

- Improvement of existing databases used for reporting data on all spheres of government and the consolidated government account, providing better-quality statistics to users. These improvements were supported by extensive programmes to strengthen capacity at national and provincial levels.
- Enhancements to the standard chart of accounts to cater for infrastructure reporting and further rollout of the training programme to 2 388 practitioners, bringing the total number of people trained at the end of phase 2 to 5 624.
- Completing the establishment of the accounts of South African Social Security Agency (SASSA), with inputs provided regarding classification and accounting procedures. The unit helped SASSA to finalise and reconcile expenditure outcome data for spending on social grants.
- During the review period an additional 28 public entities were included in the consolidated government account, improving coverage to about 52 per cent of public entities, representing 86 per cent of government resources controlled by entities. This process is being supported by an improved National Treasury data collection process that will improve the efficiency of data flows between public entities and government, and will ensure accuracy in the consolidations process.
- In collaboration with the European Union (EU), the unit completed the second phase of a project to design policy proposals on consolidated budgeting. This document and numerous other policy and classification papers were discussed at a Classification Conference that brought together the National Treasury, the Reserve Bank and Statistics South Africa.

Over the next several years the unit will focus on strengthening a range of existing initiatives. This will include enhancements to the standard chart of accounts to ensure improved reporting on infrastructure spending by building these reporting requirements into the financial system structures. A detailed review of the existing transaction classifications within the chart environment will be conducted and work finalised on the introduction of the new (GFS 2001) functional classification for Budget 2008. Reporting models and databases will be improved to ensure accurate reporting on spending on the 2010 FIFA World Cup and spending on research and development in various departments. Further work will also be done on an appropriate database platform for the statistics produced by the unit to improve the quality of and public access to the data.

The *Public-Private Partnership* unit regulates PPPs in terms of Treasury Regulation 16 to the Public Finance Management Act (PFMA), and in terms of PPP regulations to the Municipal Finance Management Act (MFMA).

The 2006/2007 financial year saw a significant increase in deal flow, with six PPPs reaching financial closure. It is envisioned that another six PPP deals will be closed in 2007/08.

The unit began to enhance its support to line departments and municipalities during the



review period by establishing a contract management competency. This new area of support will assist implementing institutions with the creation of a PPP contract management framework to ensure that value for money is realised during project implementation.

The unit launched the PPP Tourism Toolkit – the first industry-specific toolkit. It is expected that two new tourism PPPs will reach financial close by the end of 2007.

To reduce the time and costs involved in negotiating PPP agreements, the unit is conducting a review of standard provisions. The new standard provisions will be published in 2008 after appropriate consultation with government institutions and the private sector.

The unit strengthened its technical advisory capacity, particularly for the local government programme. As a result, a comprehensive set of municipal guidelines has been drafted and will be published during 2007. Capacity to understand PPPs across government continues to be expanded through the National Treasury's PPP training programme, which trained 265 officials and private-sector individuals during the review period.

The *International Development Cooperation* unit is responsible for the establishment of an effective and efficient policy framework and management system to deal with official development assistance (ODA) to South Africa. During the review period the unit:

- Implemented the policy framework and procedural guidelines for management of ODA flows into South Africa.
- Enhanced coordination through ODA coordinators' forums at national and provincial levels.
- Hosted the Development Counsellors' Forum for strategic management of donor interventions.
- Completed the South Africa-France Partnership Agreement.
- Worked with the Department of Foreign Affairs to access additional resources for trilateral cooperation in Africa.
- Finalised the development cooperation strategy for South Africa with the European Commission and 10 member states, applicable from 2007 to 2013, for signature in the last quarter of 2007.
- Organised 11 annual consultations and/or joint commissions with partner countries and multilateral bodies to review implementation and programming.
- Contributed to ODA reform efforts internationally in areas such as harmonisation, aid effectiveness and recipient empowerment.
- Organised an Aid Effectiveness Conference for Africa in Durban in September 2006.
- Organised the G-20 Aid Effectiveness Forum.
- Built capacity for ODA management and coordination in all spheres of government.
- Enhanced ODA information management through maintenance and refinement of a central information system.



The *Neighbourhood Development Partnership Grant* (NDPG) unit administers the grant of the same name. The grant provides municipalities with technical assistance to develop project proposals for property development in townships and residential neighbourhoods, and capital grants for the construction and/or upgrading of community facilities. The strategic objectives of the grant are to:

- Promote private-sector investment and public spending in townships
- Provide institutional support and technical capacity to municipalities
- Direct capital investment into township, nodal and linkage projects
- Promote knowledge, best practice and innovation in township development.

The *Public Entities Governance* unit was set up as a new chief directorate in the Budget Office in 2006 to implement the recommendations of the 2004/05 public entities governance framework review. The aim of the unit is to deepen the principles of good governance and accountability in public entities and institutionalise budgeting, reporting and change management processes. A key output of the unit will be a register of government agencies and public entities, and records of feasibility studies, approvals, budgets, strategic plans and annual reports of national agencies and entities. A governance and financial management monitoring and compliance system for government agencies, public entities and departmental business enterprises will also be developed.

In terms of the Public Entities Central Registry, the following changes were made during the review period: 7 entities were de-listed, 7 entities were listed, 2 entities were merged and 5 were renamed.

### *Public Finance*

The *Public Finance* division has responsibility for advising the Minister of Finance on sectoral policies and departmental spending programmes, evaluating budget submissions of national departments, and monitoring spending and service delivery trends. It includes a Technical Assistance Unit that builds project management capacity across government, and a specialised unit focused on financial and budgetary aspects of the 2010 FIFA World Cup.

The *Justice and Protection Services* team provided technical assistance and expertise on a range of key projects, including:

- An investigation into official housing accommodation provision practices.
- Support for the devolution of funds from the Department of Public Works, including transfer of responsibility for police stations to the Department of Safety and Security.
- Support for the implementation of a new business and governance model for the integrated justice system (IJS) modernisation project and the realignment of jobs towards rehabilitation, for the Department of Correctional Services.
- Guidance on an efficient and appropriate way forward to provide five new correctional facilities.



- Support to the Department of Justice and Constitutional Development concerning the establishment of a PPP arrangement for monies in trust, and the allocation of funds from the Criminal Asset Recovery Account.
- Monitoring the rollout of pilot projects of the Protection and Security Services division in the Department of Safety and Security, and facilitating the transfer of excess South African National Defence Force (SANDF) personnel to the division.
- Support to the Department of Defence for budgeting and financing peace support operations, preparing contractual agreements with third parties and developing a revenue tariff structure.
- Oversight of the special arms procurement programme of the SANDF.
- Assistance to the *International Development Cooperation* unit with the development of a case flow management and monitoring tool.
- Research on electronic monitoring of offenders, awaiting-trial and awaiting-sentence detainees, overcrowding of correctional facilities, and the potential knock-on effects of employing more police officers on other criminal justice system departments.

The team is represented on the Justice, Crime Prevention and Security (JCPS) cluster development committee, responsible for coordinating policy implementation and alignment of the strategic objectives of the criminal justice system, as well as the IJS board. The unit coordinates the activities of an IJS budget review team. The unit leads a JCPS initiative to build a common database and a model to predict detainee numbers to identify practical steps to reduce jail and prison overcrowding and eliminate blockages in the criminal justice system. A report of the trends in this quarterly output data was finalised.

The *Administrative Services* chief directorate oversees the finances and budgets of a range of central government responsibilities, including foreign policy (Foreign Affairs), macroeconomic, fiscal and financial policies (National Treasury), personnel policy (Public Service and Administration), and those responsible for coordinating and monitoring government activities (Provincial and Local Government, Public Service Commission, the Presidency and Parliament). The remaining departments are responsible for specific services, such as providing government with land and accommodation (Public Works), training (South African Management Development Institute), communication services (Government Communication and Information System) and statistics (Statistics South Africa), and by enabling the rights of citizens and residents (Home Affairs).

Key areas of work in 2006/07 included:

- *Foreign Affairs* – Worked with the department on an integrated strategy on the role of South Africa in post-conflict reconstruction and development in Africa, and strengthening the African Renaissance Fund.
- *Home Affairs* – Supported a departmental review and business process re-engineering.
- *Public Service and Administration* – Reviewed State Information Technology



Agency tariffs, advised on initiatives in the Democratic Republic of Congo (public service census), and supported the rollout of incapacity leave and ill-health retirement policy to all departments.

- *Statistics SA* – Provided technical support for a community survey in 2007 and planning for Census 2011.
- *National Treasury* – Supported work on the integrated financial management system (IFMS) and initiatives by the South African Revenue Service to strengthen capacity and improve project management. Work has been done to improve reporting and internal budget processes.
- *Public Service Commission (PSC)* – Continued work on the PSC's budget to ensure alignment between its mandate and budget allocations, and to upgrade information technology systems.
- *Public Works* – Helped to devolve funds to client departments, especially where they had difficulties reimbursing accommodation charges to the Property Management Trading Entity.

The unit has focused its efforts over the past year on improving the monitoring and reporting of expenditure, and provided guidance on the policy implications of legislative amendments. Assistance has also been provided to departmental entities with the interpretation of the standard chart of accounts in the preparation of financial statements and in meeting the requirements of the PFMA.

The *Social Services* unit contributes to appropriate planning and financing of education, health, social development and labour services, through the central and provincial government budgets and other mechanisms, such as dedicated taxes, PPPs and the generation of own revenue.

The unit plays a role in provincial budget analysis through active participation in provincial visits, provincial budget processes, and in the compilation of chapters on education, social development and health for the *Intergovernmental Fiscal Review*. Other key cross-cutting policy initiatives included the expanded public works programme for the social sector, the child labour programme of action and the national youth service.

The team's main focus areas were:

- *Education* - Year 1 of the three-year recapitalisation of Further Education and Training (FET) colleges saw the introduction of 11 new industry-relevant curricula and the beginning of the upgrading of 50 college campuses. Support was also provided to the Department of Education in the finalisation of school funding norms that led to the introduction of no-fee schools for 40% of learners in January 2007.
- *Health* - The team contributed to the development of a new remuneration dispensation for health workers, starting with nurses, and improved funding for national HIV and Aids programmes, including treatment rollout and costing of the National Strategic Plan and revision of the HIV and Aids grant formula. Support was given to the development and funding of an improved emergency medical



services model, increasing funded posts within the health sector and for hospital revitalisation. Other activities included steps towards improved training of health professionals, modernisation of tertiary services and support for the first year of implementation of the forensic pathology function shift. Support has also been given to the development of the Risk Equalisation Fund for medical schemes.

- *Social Development* – Worked on social assistance litigation and provided policy support to the department in terms of social welfare services personnel, a chronic illness grant, substance abuse legislation, and norms and standards. The unit also took part in the extensive effort to get the SASSA up and running.
- *Labour* – The unit supported development of policy and costing of the Child Labour Programme of Action and review of proposals for a UIF agency. The unit also participated in the technical task team for the integration of occupational health and safety and compensation competencies.
- *Sport and Recreation* – The unit supported the extension of the mass participation conditional grant to include school sport and assisted with the planning of stadium development for the 2010 FIFA World Cup.
- *Arts and Culture* – The unit helped to prepare the conditional grant for community libraries.

At the end of June 2006, the division in Public Finance responsible for the cluster of national departments delivering economic services was split into two chief directorates – *Economic Services* and *Urban Development and Infrastructure*.

This split takes into account increased spending on infrastructure and on services delivered such as social housing, water, electricity and telecommunications. In addition the number of new policy developments, the establishment of additional public entities, and legislative and regulatory changes emanating from various departments resulted in a need to create more capacity to evaluate these proposals in terms of the financial and economic impact.

*Economic Services* increased its direct participation in departmental projects, their budgetary requirements and the coordination of spending plans between departments promoting economic growth. These activities included advice on compliance with the PFMA, the budgetary process and the oversight over their public entities' business plans, governance, budgets, spending and outputs.

*Economic Services* provided sectoral advice on regulatory changes, such as the Environment Impact Assessment System, the Tourism Sector Support programme and on a range of incentive schemes, policy papers and informal-sector interventions proposed by the Department of Trade and Industry. The unit also provided assistance with the business plan of the State Diamond Trader.

The unit coordinated policy discussions between national and provincial government on the funding of industrial development zones, and on supporting small business, including the establishment of a number of Small Enterprise Development Agency branches. It also provided advice on the financial implications of the National Framework for Sustainable



Development, and took part in policy debates on sustainable economic development, and on financing environmental and climate change initiatives.

During the review period a number of state-owned enterprises experienced liquidity problems and required budgetary support. The unit was involved in:

- Funding and governance of the Blyde River Canyon National Park, a declared national park managed by Mpumalanga province
- Measures to resolve the systems, governance and financial issues of the Marine Living Resource Fund
- The land acquisition strategy of the Department of Land Affairs
- The large capital injection required and future role of the Land Bank
- Significant demands on the fiscus by the Department of Public Enterprises to recapitalise a number of state-owned enterprises
- The feasibility and viability of the Pebble Bed Modular Reactor
- Increased budgetary requests from the Department of Science and Technology to fund initiatives such as the creation of a Space Agency and funding for the Square Kilometre Array
- The cost-benefits of the increased spending undertaken by industrial development zones
- The demands on the fiscus from the National Empowerment Fund
- The success of the support measures offered to small businesses and the funding required.

The *Urban Development and Infrastructure* unit focuses on budgets and expenditure trends of national departments that provide infrastructure, and supports improved policy and programme design to enhance delivery of integrated infrastructure in housing, transport, water, telecommunications and energy.

The unit's activities in the review period included:

- Support to the Department of Communications for its 2010 FIFA World Cup communications plan, and for digitalisation and broadband infrastructure provision by Sentech.
- Assistance in the restructuring of the electricity distribution industry and in reviewing future energy generation opportunities in nuclear and renewable energy.
- Developing two new conditional grants for bulk infrastructure, sanitation and electricity to all schools and clinics, and additional funding to eradicate bucket sanitation.
- Guidance to the Department of Water Affairs and Forestry in compiling a money bill on the waste discharge charge system and a pricing strategy.
- Evaluation of municipal transport plans in 2010 FIFA World Cup host cities and monitoring of the public transport infrastructure and systems grant.
- Review of allocations to the South African National Road Agency, the Road Traffic





Management Corporation and the Road Accident Fund. Additional funding and budget adjustments were evaluated with respect to the merger of the South African Rail Commuter Corporation and Metrorail.

- Support to the review of housing institutions, an assessment of the feasibility of a housing tax credit and the regulatory impact analysis for housing policies. In support of the Financial Sector Charter additional funding was made available for credit-linked subsidies, and risk-sharing mechanisms were reviewed.

With its specific focus on infrastructure, the unit plays a key role in the Capital Budgets Committee, and supports the *PPP* unit and *Intergovernmental Relations* in budget preparation and expenditure reviews.

The *Technical Assistance Unit* (TAU), co-funded during 2006/07 by the EU and Canadian International Development Agency (CIDA), provides technical assistance and project management and advisory support to a variety of government initiatives and donor-funded projects to improve performance and the quality of government spending.

During 2006/07 the unit supported 87 projects, mostly in national and provincial government, made up of 47 new requests and 40 existing projects. The TAU uses the results-based management approach, which was applied successfully to supporting the improvement of conditional grants (necessitating a small adjustment in the Division of Revenue Act), the neighbourhood development partnership grant, and support for the Financial Intelligence Centre, where the unit helped to identify and recruit appropriate capacity for the project team.

Other key TAU work included support for:

- The infrastructure delivery and improvement programme, which enhanced the efficiency and effectiveness of projects in provincial departments
- The IJS programme and the Department of Correctional Services
- The Department of Provincial and Local Government's monitoring and evaluation system
- Local economic development projects in KwaZulu Natal, Limpopo and Eastern Cape
- A business planning process for the GCIS multipurpose community centres initiative
- The Department of Water Affairs and Forestry's Masibambane programme
- Strategic and technical support to the Integrated Coastal Management unit of the Department of Environmental Affairs and Tourism
- The Department of Social Development's victim empowerment programme
- The Presidency, for the pro-poor policy development programme
- The Department of Education for FET business plans.

In addition, a study was commissioned to assess the challenges that government departments confront in programme and project management. The results will assist the TAU to make a contribution to SAMDI's review of its training material.

The 2010 FIFA World Cup in South Africa provides opportunities to upgrade sporting



facilities and to market the country as a destination for investment, sport and leisure. South Africa will take full advantage of this opportunity to attract new investment in stadiums, transport, airports, communications, accommodation, broadcasting and information technology, and financial services.

The National Treasury has adopted a project-based model to capture all 2010-related projects. Highlights of the planning phase, completed in December 2006, included:

- Release of R242 million in March 2006 to assist host cities to plan for 2010 within budget.
- Completion of business cases for stadium funding, and analysis of these cases by a joint team from the Local Organising Committee, the Development Bank of South Africa and government.
- Presentation of priority statements by host cities to the Department of Transport to enable funding of transport projects.
- Compilation of government's funding contribution to the 2010 project as a key component of the 2007 Budget. Government has set aside a R17,4 billion direct investment for the 2010 FIFA World Cup, which is integrated into a much larger capital spending programme between 2006 and 2010.

### *Economic Policy and International Financial Relations*

*Economic Policy and International Financial Relations* covers the functions of two divisions in the National Treasury that were formed during the course of the 2006/07 fiscal year. These are the *Economic Policy* division and the *Tax, Financial Relations and International Economics* division. The work of the two divisions includes macroeconomic and microeconomic analysis and policy advice, economic forecasting, the management of international financial relations, tax policy analysis, and financial sector policy advice. These divisions also coordinate activities with the Reserve Bank on the framework and conduct of macroeconomic policy, supervision and regulation of banking and exchange control, the Financial Services Board in relation to non-banking financial services, and the Financial Intelligence Centre in relation to anti-money-laundering measures and combating the financing of terrorism.

The 2006/07 fiscal year saw a continuation of work on key policy objectives in all areas of responsibility and the initiation of a range of new projects. For both divisions, restructuring, conceptualisation of strategic focus, outputs and products and the necessary competencies, structure and staff were a large element of management time.

The *Economic Policy* division engaged in the ongoing research work, advice and coordination of growth-enhancing policies, including in the Asgisa task team and the economic cluster. Important areas of work over the past year have included:

- Providing analysis and advice on proposed industrial policies
- Public spending on infrastructure
- Review of the development finance institutions
- Economic modelling of Asgisa scenarios
- World Cup and the Gautrain.



The section also worked in conjunction with the *Public Finance* and *Asset and Liabilities* divisions to assess and advise on departmental policy proposals and initiatives of state-owned enterprises. The division continued to work with the International Panel of economists that is conducting research into constraints to economic growth in the South African economy.

The Head of the division co-chairs the Reserve Bank and National Treasury's Macroeconomic Standing Committee, which oversees fiscal and monetary policy, the inflation targeting framework, and international economic policy issues related to the Common Monetary Area and SADC. The division conducts policy analysis for the committee and prepares recommendations for the bilateral meetings of the Minister of Finance and Governor of the Reserve Bank.

Macroeconomic modelling and partial equilibrium analyses of wage subsidies were conducted in support of the ongoing National Treasury work on a new social security dispensation. The section has also worked over the past year on, and is currently finalising, an economic analysis of options for a social health insurance system for the country. As part of those efforts, the division has worked with the World Bank on the development of a new component of its computable general equilibrium model, a microsimulation model that will add analytical depth to the model outputs.

A key output of the division remains its work with the *Budget Office* on the national budget. Economic Policy creates the economic forecast for the medium term expenditure framework and writes the macroeconomic chapter of the MTBPS and Budget Review. In the process, the division focuses on the monitoring of various sectors of the economy and efforts are ongoing to improve that work. In support of fiscal policy, the division works closely with the *Asset and Liability Management* division to provide advice on the reserve accumulation strategy, in line with ongoing assessment of global and domestic economic conditions.

Government's regulatory impact assessment framework has been a critical focus area for the division in the past year. Staff have been instrumental in finalising the proposals, shepherding them through Cabinet, and developing a work programme, institutional structure and work process proposal between the National Treasury, the Presidency and the Cabinet Office, and other government departments. These will be finalised in the fiscal year. The divisional structure has been amended to provide for scaling up of analysis in this area.

The *Tax Policy* unit met most of its 2007/08 objectives as planned. The unit proposed significant tax proposals for the 2007 Budget, including a shift from the secondary tax on companies to a withholding tax on dividends. It also took over responsibility for the drafting of tax legislation, working closely with the SA Revenue Service (SARS) on the Revenue Laws Amendment Bill. *Tax Policy* also accelerated the legislative amendment process through early release of the Taxation Laws Amendment Bill in February 2007 (normally this bill is released in May).

The unit also oversaw the task team advising the Minister of Finance on the merits of introducing a windfall tax on the liquid fuels industry. The task team's report was published in February 2007.



The *Financial Sector Policy* unit spent a considerable amount of time on long-term insurance and retirement fund industry issues during the review period. It prepared the National Treasury paper entitled "Social Security and Retirement Reform: Second Discussion Paper," released on 23 February 2007 for public comment. With regard to long-term insurance, regulations giving effect to the statement of intent between the Minister of Finance and the life industry were promulgated in December 2006, and regulations to limit churning through restricting commission on replacement policies were promulgated in March 2007. A technical paper on regulating commissions and minimum early termination values was finalised at the beginning of 2007 and published shortly after the end of the financial year.

Efforts to maintain and strengthen financial stability included work on the Banks Amendment Bill to implement the Basel II international standards of risk management. The unit completed supporting research on the economic impact of Basel II in mid-2006, and a draft bill was approved by Cabinet in March 2007.

Initiatives to increase consumer protection included preparation of the Pension Funds Amendment Bill, which was approved by Cabinet in March 2007. The bill strengthens the enforcement powers of the pension funds regulator and closes legal gaps in the protection of member interest in pension fund surplus.

To improve access to finance and banking development, a draft Cooperative Banks Bill was finalised and prepared for submission to Cabinet in April 2007. The bill will be supported by a number of initiatives to strengthen financial management and to build capacity in financial services cooperatives.

The *International Financial Relations* unit is responsible for servicing South Africa's relationship with the World Bank and International Monetary Fund (IMF). Dondo Mogajane and Goolam Aboobaker were seconded as senior advisors at the World Bank and IMF respectively, improving government's voice within these institutions.

South Africa has also fully committed to the Multilateral Debt Relief Initiative by making a once-off, upfront payment contribution.

South Africa continued to play a key role at promoting regional integration through the Southern African Development Community (SADC) and the South African Customs Union (SACU).

*Economic Policy and International Financial Relations* also facilitated highly specialised research on shared growth, commissioning international and local academics to publish numerous papers. During 2006/07 the division arranged two study visits to South Africa by international researchers, resulting in the publication of research papers relating to the binding constraints South Africa faces as it strives for higher growth. South Africa also took over as chair of the G-20 in 2007.

### *Intergovernmental Relations*

The *Intergovernmental Relations* division coordinates fiscal relations between the national, provincial and local spheres of government. This is an important function given the design of intergovernmental funding arrangements, in which provinces and municipalities were allocated R204 billion, or 49 per cent of non-interest expenditure.



The bulk of these resources are expended on core programmes such as school education, public health care and provision of the free basic municipal services (e.g., water, sanitation and electricity).

During the review period *Intergovernmental Relations* played a central role in compiling consolidated provincial budgets and quarterly expenditure reports required in terms of section 32 of the PFMA, providing Parliament and provincial legislatures with valuable data for exercising more effective oversight. For the first time, quarterly reports on several municipal budgets were published.

An internet-based course on the essentials of budget formulation was run in all nine provinces for officials from the three spheres of government, and 370 participants, or 77 per cent of those who enrolled, successfully completed the course. The course provides graduate-level training for professional staff and managers in finance and budget sections of departments.

*Intergovernmental Relations* also worked to ensure effective use of financial resources through the infrastructure delivery improvement programme, monitoring and reporting on provincial infrastructure delivery trends, and recommending a delay of transfers where provinces failed to comply with the conditions of national grants. The aim was to ensure that remedial steps were taken to improve the pace of delivery and the quality of infrastructure.

The division provided hands-on support to 25 municipalities and nine provincial treasuries to implement the MFMA. A total of 22 international advisors with expertise in financial management were deployed to 25 municipalities to support the preparation of budgets, improve reporting and build local skills. In addition, five roving advisers were made available to provinces to assist with the monitoring of municipal financial management reforms.

Building on the work of previous years, a total of 469 financial management interns were part of the programme to build capacity in municipalities. Municipal capacity has been further strengthened by the financial management grant, training of officials and councillors, the issuance of guidelines and policy support. Together these initiatives have enabled the National Treasury to publish revenue and expenditure reports required in terms of section 71 of the MFMA.

As part of raising awareness and facilitating compliance with the provisions of the MFMA, nine circulars and guides were produced, distributed to all municipalities and published on the internet to assist municipal officials and political office bearers. The MFMA implementation website registered 26 000 hits over the past two financial years.

The division was responsible for monitoring all provincial and local government budgets, and continued to compile a database of all such information. Working with other divisions of the National Treasury, it also coordinated the preparation of the *Local Government Budgets and Expenditure Review 2001/02 - 2007/08* and *Provincial Budgets and Expenditure Review 2002/03 - 2008/09*. These publications set out data on provincial budgets and expenditure and analysed trends in service delivery.



## SERVICE DELIVERY ACHIEVEMENT

### Programme 2: Economic Planning and Budget Management

Subprogramme	Output	Output performance Measure/service delivery indicator	Actual performance against target	
			Target	Actual
Budget Office	Annual budget framework and division of revenue	Integrity of budget framework	MTBFS – October 2006; framework for 2007 Budget	MTBFS tabled in October 2006, providing framework for 2007 Budget
	<i>Budget Review, Estimates of National Expenditure</i> , appropriation and adjusted appropriation legislation and public finance statistics	Quality of budget documentation	Timely publication, accuracy, scope and quality of content	Budget tabled on 21 February 2007, together with all required documentation. Coverage of public entities in <i>Estimates of National Expenditure</i> increased to 134. <i>Adjusted Estimate</i> tabled on 24 October 2006.
	Public-private partnership agreements	Increased PPP oversight capacity	PPP advisory and regulatory function restructured	Initiated process to separate regulatory and technical assistance functions within PPP unit
	International cooperation agreements	Alignment of ODA with government objectives	Introduction of new policy framework	Implemented policy framework and procedural guidelines for management of ODA flows into SA. Eleven annual bilateral consultations convened in 2005/06 to review progress and continued relevance.
	Africa network of senior budget officials	Number of countries involved	21 African countries affiliated	16 member countries attended the 2 <sup>nd</sup> Budget Reform seminar in Maputo and another four are active members
	Targeted allocation of public funds to municipalities for projects in under-developed areas (i.e., neighbourhood development partnership grant [NDPG])	Technical assistance and capital grants granted to number of projects	50 projects in receipt of technical assistance by October 2007 Two projects commenced construction by October 2007	35 projects in receipt of technical assistance No projects commenced construction

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



Subprogramme	Output	Output performance Measure/service delivery indicator	Actual performance against target	
			Target	Actual
Public Finance	Sectoral and departmental policy advice	Timely and relevant analysis and advice	Continued support for departmental policy and programme development  Assessment of policy priorities for medium term and 2006	Policy analysis and advice continued to contribute to government service delivery improvements in various areas, including: regulatory impact assessment, BEE financing, housing finance, and institutional review, public transport, social assistance grants delivery, higher education finance reform, social health insurance, integrated justice sector programmes, Home Affairs restructuring and government accommodation services
	Expenditure analysis	Quality of expenditure estimates	Introduction of new in-year expenditure monitoring system Extension of budgets to include public entities and consolidated accounts	Continued analysis of client departments' monthly and quarterly expenditure reports to ensure improved quality of financial performance. Analysis of departmental budget submissions provided to Medium Term Expenditure Committee, expenditure review and analysis published in Intergovernmental Fiscal Review and <i>Estimates of National Expenditure (ENE)</i> . Public entity accounts included in ENE. In-year expenditure monitoring needs further development.



Subprogramme	Output	Output performance Measure/service delivery indicator	Actual performance against target	
			Target	Actual
Economic Policy and International Financial Relations	Project management support	Improved project and financial management	Growth in project flow and measured progress in service delivery of client departments and agencies	Continued evaluation of departmental project management plans to ensure effective use of allocated funds on key projects. There has been a significant increase in spending on projects and successful project implementation. Fifty-one projects were supplied with support within the TAU implementation cycle. Budgets (TAU, EC and CIDA) were spent appropriately.
	Macroeconomic forecasts and framework	Accurate and timely quarterly forecasts	Enhanced quarterly econometric forecasting model and development of the GCE model	Quarterly forecast model re-estimated CGE model developed and utilised in preliminary modelling of 2010 FIFA World Cup and social health insurance
	Macroeconomic policy analysis	Timely and relevant analysis and advice	Develop growth strategy	Paper titled "A partnership for growth and empowerment: accelerating economic development 2005 - 2014" presented to Cabinet in July 2005 and formed the basis for ASGISA
	Tax policy analysis and advice	Publication of tax and revenue proposals	Tax proposals for 2007 Budget	Completed (see Chapter 4 of 2007 Budget Review)
			Revision of tax legislation	Completed 2006 Revenue Laws Amendment Act, signed by the President on 7 February 2007 as Acts 20 and 21 of 2006
				Completed 2007 Taxation Laws Amendment Bill, released for comment in February 2007





Subprogramme	Output	Output performance Measure/service delivery indicator	Actual performance against target	
			Target	Actual
			Publication of revenue and tax data	Published monthly revenue data for each tax. National Treasury continues to coordinate this work with SARS.
			Publication of policy papers (e.g., synthetic fuel taxes, environmental taxes)	Task team released synthetic fuel tax paper in February 2007 Environmental tax paper published in April 2006
	Financial sector policy	Policy for various financial sectors (e.g., retirement, national payment system)	Revised discussion paper on pension reform	Discussion paper on social security and retirement reform published on 23 February 2007
		Deepening financial access and protection for consumers	Stability of financial sector	Continued financial stability during 2006/07
			Ensure FATF compliance	Ongoing attendance of FATF meetings and assessment of the impact of AML/CFT measures
			Submitting of Dedicated Banks Bill	Amendments to the Banks Act to give effect to dedicated banks to be finalised by July 2007.
	International financial relations	Extent of integration in SADC and SADC	Review of Revenue Sharing Formula	Announced in December 2006 and communicated formally to SACU member states in January 2007
		International economic relations	Implementation of debt relief to low-income countries	South Africa made full upfront payment on MDR
			Preparation and chairing of G-20	South Africa took the chair of the G-20 in 2007



Subprogramme	Output	Output performance Measure/service delivery indicator	Actual performance against target	
			Target	Actual
Intergovernmental Relations	Annual Division of Revenue Bill, with explanatory memorandum (Annexure E and appendices)	Quality of the bill and accompanying documents and accuracy of data contained therein	Timely publication, accuracy, scope and quality of content	Bill published on Budget Day 2007 and enacted on 31 March 2007 ( <i>Government Gazette 29763 of 31 March 2007</i> ). The process underlying the Bill is consultative, with provinces and local government.
	<i>Intergovernmental Fiscal Review</i>	Quality and scope of the review	Review published by October 2006	Provincial review published in October 2006 under the title: <i>Provincial Budgets and Expenditure Review 2002/03 – 2008/09</i> . Local government review published in October 2006 under the title: <i>Local Government Budgets and Expenditure Review 2001/02 to 2007/08</i> .
	Section 32 quarterly reports on spending trends	Timeliness and accuracy of information	Accurate quarterly reports on provincial budget implementation	Monthly and quarterly monitoring of provincial finances carried out and four accurate quarterly reports gazetted. Analyses of quarterly reports were made public for all quarters on the NT website and as submissions to the finance and budget committees in Parliament.
		Implementation of MFMA	Publication of metropolitan municipal budgets Quarterly reports on budget implementation of six metropolitan municipalities	All municipal budgets were published. In-year reports were published for the 43 municipalities



## Programme 3

# ASSET AND LIABILITY MANAGEMENT

**Purpose:** *Asset and Liability Management* is responsible for the prudent management of government's financial assets and liabilities.

**Measurable objective:** This programme aims to direct the government's asset and liability portfolio in a manner that ensures prudent cash and financial management, oversight of government business enterprises, and optimal handling of the state's domestic and foreign debt.

Programme activities are carried out through five subprogrammes:

- *Management* manages the office of the head of the division.
- *Liability Management* provides for the government's funding requirements and ensures prudent management of the domestic and the foreign debt portfolios by issuing debt at the lowest possible cost, subject to tolerable levels of risk. It also contributes to the efficiency and development of domestic capital markets and ensures timeous servicing of debt.
- *Financial Operations* is responsible for the management of government's liquidity requirements, and ensures that all government debt transactions are accounted for timeously and are reported in terms of the requirements of the Public Finance Management Act (1999) (PFMA) and multilateral institutions. It also provides for the divisional information system requirements.
- *Strategy and Risk Management* develops and maintains a government-wide risk management framework, and ensures that the strategies adopted by the division are in line with the agreed framework.
- *Asset Management* is committed to enhancing shareholder value through improved financial oversight of government business enterprises. It monitors and enforces compliance with corporate governance principles for these enterprises in accordance with the PFMA, and coordinates borrowing activities of these enterprises in line with National Treasury regulations.

## Service Delivery Objectives and Indicators

### Recent outputs

*Liability Management* – As a result of sound economic policy and prudent management of the national debt portfolio, supported by increasing revenue and lower bond yields, South Africa's borrowing requirement continues to decline.

The gross borrowing requirement in the review period was R38,9 billion in comparison to the budgeted R67,9 billion. This was funded through the issuance of domestic short-term loans (R5,4 billion), domestic long-term loans (R36,9 billion), foreign long-term loans (R9,2 billion) and changes in cash and other balances (-R12,6 billion). An amount of R3,8 billion was paid as partial settlement of government's liability relating to Saambou Bank.



The domestic debt portfolio was further diversified through the issuance of new 15- and 30-year fixed-income bonds, which contributed R2,3 billion and R5,0 billion respectively to financing the borrowing requirement. In addition, reverse repurchase transactions (repos) of R7,3 billion in all maturities of the inflation-linked bonds improved liquidity.

Turnover on the Bond Exchange of South Africa grew considerably during 2006, from R8,1 trillion in 2005 to R11,4 trillion, a 40,7 per cent increase. International investors showed an increased appetite for domestic bonds. South African domestic bonds are also traded internationally by investors through the Euroclear settlement agency. These numbers are, however, not reflected in the reported turnover of the Bond Exchange of South Africa.

In the foreign capital markets a new 4,5 per cent €750 million note due in 2016 was issued amid volatile global conditions at the lowest-ever coupon achieved by South Africa in the Euro market. As part of government's active foreign debt management strategy, US\$263 million (R1,8 billion) of the 8,5 per cent US\$500 million note due in 2017 was prepaid.

During 2006 the four major rating agencies visited South Africa for credit rating reviews. The Japanese rating agency, R&I, upgraded the long-term sovereign credit rating from BBB+ to A-, and Moody's reviewed the rating outlook from stable to positive.

Debt service cost as a percentage of GDP continued to decline, reaching a low of 2,97 per cent of GDP compared to a budgeted 3,0 per cent of GDP. The effects of higher interest rates and a weaker currency were offset by a slightly higher GDP figure.

*Financial Operations* – Further improvements in cash management resulted in the non-interest bearing liquidity buffer being eliminated by 31 July 2006.

The provinces are using the National Treasury's interest-bearing intergovernmental cash coordination account as an investment and bridging finance facility, resulting in a national and provincial government saving of 3,0 per cent on short-term borrowing and 0,75 per cent gain on investments. In addition, social assistance transfers to the South African Social Security Agency are ring-fenced in a portfolio created for this purpose. Unused funds are rolled up to the tax and loan accounts, effectively keeping the funds in the National Revenue Fund.

*Strategy and Risk Management* – During 2006 government continued with its primary objective of reducing debt, subject to acceptable risk levels, management of contingent liabilities, developing an operational risk management framework, and management of credit and country risks.

Events in the market, such as the performance of the rand against other currencies, movement in both domestic and international interest rates, and the options chosen by the National Treasury in its funding strategy, have affected the risk profile of government's debt portfolio. Floating-rate debt (TBs, ILBs and FRNs) accounted for 24,3 per cent and fixed-income debt 75,7 per cent of the domestic debt portfolio as at 31 March 2007, compared to the target of 30 per cent floating versus 70 per cent fixed. The weighted modified duration, which determines the volatility of the bond portfolio to interest rates, declined from 4,8 years on 31 March 2006 to 4,6 years on 31 March 2007.



Foreign debt was about 15 per cent of the total debt portfolio as at 31 March 2007, remaining well within the 20 per cent target. The relatively smaller percentage of foreign debt and the improving sovereign external vulnerability – which has been assisted by government contributing R9,7 billion towards the increase in the level of official reserves – have contributed to South Africa's improved credit rating.

Credit risk management activities over the past year focused on the management of contingent liabilities, which included exposures arising from public-private partnerships (PPPs). Counterparties are continuously reviewed and rated in terms of risk, and government exposures are continuously adjusted. An operational risk framework has been developed.

*Asset Management* – There is a continued emphasis on improving financial performance, operational efficiency and cost effectiveness of the service provided by the government business enterprises (GBEs). As strategic drivers of economic growth and development, GBEs have started investing financial resources in key infrastructure projects that are intended to attract higher levels of sustainable investment in the economy.

Enhanced financial performance is supported by initiatives that include:

- An assessment of treasury operations of GBEs
- A review of the mandates of development finance institutions (DFIs)
- An evaluation of policies concerning financial distribution and capital structure
- Continued investigation into a comprehensive shareholder management model.

The review of National Treasury operations has been completed and in 2007/08 discussions will begin with the relevant executive authorities and individual enterprises.

A three-phase approach has been adopted for tackling the DFI mandate reviews. The first phase focuses on reviewing mandates and statutes and is expected to be completed by July 2007 (by 31 March 2007, 58 per cent of the DFIs had been reviewed). The second phase will address the DFI system, and the third phase will focus on creating a development finance policy. On completion of the integrated financial model project, the National Treasury will engage with the GBEs and shareholder departments to determine individual capital structures and dividend policies. Shareholder management revision will be accommodated in the Draft Public Finance Management Amendment Bill.

To ensure a stable financial market, the borrowing activities of GBEs are coordinated by compiling a consolidated maturity profile of the domestic and foreign debt of government and GBEs on a quarterly basis.

As a result of government's financial oversight, dividends of R2,2 billion were received from GBEs.



## SERVICE DELIVERY ACHIEVEMENT

### Programme 3: Asset and Liability Management

Subprogramme	Output	Measure/Indicator	Actual Performance Against Target			
			Target	Achieved		
Measurable objective: Direct government's asset and liability portfolio in a manner that ensures prudent cash and financial management, enhanced service delivery of government business enterprises and optimal handling of the state's domestic and foreign debt.	Liability Management	Financing of government's gross borrowing requirements	Annual total government borrowing needs fully met	Gross issuance of R67,9 billion	Lower target of R38,9 billion achieved. Bought back US\$263 million of the 2017 foreign bond.	
			Enhanced liquidity: domestic market turnover	R9,5 trillion bond turnover	Bond market turnover improved from R8,1 trillion in 2005 to R11,4 trillion in 2006	
		Reduce debt service costs	Percentage of new investors	Attract 20% new investors in foreign market	Attracted 35% new investors in foreign market	
			Debt service cost as percentage of GDP declines	3% of GDP	2,97% of GDP	
		Contribute to development of financial markets	Diversification of funding instruments	Introduction of two new fixed-income bonds and enter into repurchase and reverse repurchase transactions. Borrowing in the foreign capital markets equivalent to US\$1 billion.	Two new fixed income bonds in the 15-year (R2,3 billion) and 30-year (R5 billion) maturities were issued. Reverse repos of R7,3 billion were done in all ILB maturities to improve liquidity. €750 million (US\$921 million) borrowed in foreign capital markets.	
						Annual domestic and foreign road shows, teleconferences and meetings. Timorous dissemination of reliable information.
		Sound investor relations	Retain current investors and attract new ones	Strategic engagement with rating agencies	Maintain and improve current sovereign ratings	Formulated quantitative indicators of sovereign risk based on rating agencies' analyses R&I upgraded the long-term sovereign credit rating from BBB+ to A- while Moody's upgraded their rating outlook from a stable to a positive



Subprogramme	Output	Measure/Indicator	Actual Performance Against Target	
			Target	Achieved
Financial Operations	Sound cash forecasts	Government's liquidity requirements met every time	Forecasting R1,1 trillion of cash flows	R1,2 trillion of cash flows forecasted as at end of March 2007
	Optimise return on investment	Reduction of non-interest bearing liquidity buffer	Non-interest bearing liquidity buffer eliminated by end of 2007/08	The non-interest bearing liquidity buffer eliminated by 31 July 2006
	Coordination of intergovernmental cash	All provinces using intergovernmental cash coordination facility	Continuous improvements to intergovernmental cash coordination	Provinces effectively using intergovernmental accounts as an investment and borrowing facility. Social assistance transfers to the South African Social Security Agency ring-fenced. Account configuration for Gautrain project payments developed.
Strategy and Risk Management	Annual financial statements and report	Saving by national and provincial government	Saving of 2% on borrowing costs	National and provincial governments saving up to 3% on short-term borrowing with 0,75% gain on investments.
	Fully automated and integrated treasury management systems	Audit reports	Timeous dissemination of reliable information	Target met
	Minimising and mitigating risks emanating from government debt portfolio (market risk)	Straight-through processing (One point of data captured, visible and available to all other users)	Acquisition and configuration of the debt and investment management system	Preferred bidder selected for the debt and investment management system. Division's IT strategy reviewed.
		Performance against benchmarks:	30% floating: 70% fixed	The debt composition is 24,3% floating and 75,7% fixed-rate debt.
			20% foreign vs. domestic debt	At year-end the split between foreign and domestic debt was 14,96% vs. 85,04%.



Subprogramme	Output	Measure/Indicator	Actual Performance Against Target	Achieved
		<ul style="list-style-type: none"> <li>Duration range</li> <li>Average maturity below 9,75 years</li> </ul>	<p>5,3 – 6 years</p> <p>Review of appropriate new issuances and debt constitution</p>	<p>The weighted modified duration of the total marketable debt instruments (including Treasury bills) was 4,62 years compared to 5,23 years on 31 March 2006. The fall in modified duration is largely due to the higher bond yields over the period.</p> <p>The weighted average term to maturity of the domestic debt portfolio is 8,4 years compared to 8,1 years as on 31 March 2006.</p>
	Minimising and mitigating counterparty risks emanating from the investment of surplus cash	Adherence to the surplus cash benchmark investment ratios with four commercial banks	20 - 29% per counterparty	Adhered to guidelines
	Minimising and mitigating sovereign credit rating risks	Capping of the investments per counterparty	50% of capital and reserves per counterparty	Adhered to guidelines
	Appropriate management of contingent liabilities	Quantitative indicators of sovereign risk	Semi-annual sovereign credit rating reviews	Adhered to guidelines
		Capping total government debt plus contingent liabilities as a percentage of GDP	50% of GDP	Adhered to guidelines
Asset Management	Present the report on the review of mandates of development finance institutions (DFIs)	Percentage of DFIs reviewed	20% reviewed	Restructured. Three-phase approach adopted. Phase 1: review of DFI mandates and statutes to be completed by end-July 2007. Phase 2: develop DFI system by end-September 2007. Phase 3: draw up development finance policy by end-December 2007. At 31 March 2007 58% of first phase had been completed (Land Bank, Mafisa, IDT, UYF, DBSA, NHFC and Khula).
	Present the report on the review of treasury operations of government business enterprises (GBEs)	Percentage of GBEs reviewed	60% reviewed	100% of reviews completed
	Guidelines on treasury operations	Adherence by GBEs to the guidelines	Incorporation of guidelines into NT regulations	In review process, guidelines and recommendations were provided to GBEs reviewed. Guidelines, where applicable, will be incorporated into PFMA Amendment Bill and Treasury regulations.





Subprogramme	Output	Measure/Indicator	Actual Performance Against Target	
			Target	Achieved
	GBE dividend policies formulated	Financial modelling of appropriate dividends policies for GBEs	20% modelled	60% of GBEs have been modelled and the integrated financial model project should be completed by end July 2007
		Dividend policy adherence	10% of GBEs	Determination of capital structure and dividend policy to commence after completion of integrated financial modelling
	Prudent management of GBEs	PFMA and King Code compliance and monitoring	Quarterly	Ongoing. Corporate plans submitted: 100%. AFS submitted: 98%. Shareholder management issues accommodated in PFMA Amendment Bill.
		Electronic annual financial statements of GBEs on the GBE register	Level of compliance to electronic submission	20% submitting electronically



## Programme 4

# FINANCIAL MANAGEMENT AND SYSTEMS

**Purpose:** *Financial Management and Systems* manages and regulates government's supply-chain processes, implements and maintains standardised financial systems, and coordinates the implementation of the Public Finance Management Act (PFMA) and related initiatives to build capacity.

**Measurable objective:** The programme oversees public-sector supply chain management, standardises the financial systems of national and provincial government, and coordinates implementation of the PFMA.

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

- *Supply Chain Management* develops policy that regulates supply chain management processes in the public sector, monitors policy outcomes, and facilitates and manages transversal term contracts on behalf of government.
- *PFMA Implementation and Coordination* provides for the National Treasury's role in coordinating implementation of the PFMA and related training initiatives.
- *Financial Systems* provides for the maintenance and enhancement of existing financial management systems by introducing systems that are compliant with both the PFMA and generally recognised accounting practice.

## Service Delivery Objectives and Indicators

### Recent outputs

*Supply Chain Management* – The Supply Chain Management Framework (now part of the PFMA Treasury Regulations 16A) requires departments, constitutional institutions and Schedule 3A and 3C public entities to establish supply chain management units within the offices of chief financial officers; to ensure that clear lines of authority and accountability exist; to improve sourcing procedures and processes; and to enhance asset and inventory management. During 2006/07, provincial departments continued with the phased implementation of this framework.

The Municipal Supply Chain Management Regulations have been implemented in all municipalities and their municipal entities.

Government's strategic procurement guideline and sourcing methodology help direct state spending to achieve its broader socioeconomic objectives. The *Specialist Functions* division is the custodian of strategic sourcing and is responsible for facilitating transversal term contracts used by various national and provincial departments. During 2006/07 sourcing strategies were applied to 72 per cent of transversal contracts.



The Broad-Based Black Economic Empowerment Act (BBBEEA) (2003) and its associated strategy document highlighted the deficiencies of the Preferential Procurement Policy Framework Act (2000) (PPPFA) to effectively achieve government's objectives. On 17 February 2007 Cabinet directed that the preferential procurement legislation should be aligned with the BBBEEA and strategy. The National Treasury, in consultation with the Department of Trade and Industry, is finalising the draft amendments to the PPPFA.

*PFMA Implementation and Coordination* – In August 2006, this subprogramme submitted detailed reports to the Portfolio Committee on Finance and to the Standing Committee on Public Accounts concerning progress with implementation of the PFMA. These reports focused on audit trends identified by the Auditor-General during his 2004/2005 audit. In November 2006, a memorandum was forwarded to Cabinet that provided details of the audit outcomes of national and provincial institutions for 2005/2006. These reports and the memorandum provided details of National Treasury's efforts to help institutions rectify concerns raised by the Auditor-General. These interventions included:

- Issuing a Framework for Managing Programme Performance Information to clarify definitions and standards for performance information
- Procuring a risk management solution to help institutions develop their own risk management programmes
- Conducting internal audit reviews among departments to determine their levels of compliance with the Institute of Internal Auditors standards, and to prepare departments for their external quality assurance reviews
- Establishing a Chief Internal Audit Executive Forum and a Risk Management Forum to serve as platforms for heads of internal audit and risk management to share knowledge, information and experience.

During 2006/2007, the National Treasury worked with the South African Management Development Institute (SAMDI) on supply chain management training. A total of 2 084 trainees took part in 81 courses. SAMDI has intensified its financial management training role, using a strategy developed in collaboration with the National Treasury. Through a bid process, SAMDI selected four training service providers for the rollout of 11 high-quality short courses at rates that are significantly lower than market rates. This training is taking place countrywide in the new financial year, and 247 training courses are expected to be rolled out to 4 940 trainees.

The nature and extent of amendments proposed in the PFMA Amendment Bill are greater than initially anticipated. They relate largely to technical amendments aligning the PFMA with the MFMA, and the amendment process has involved broad and extensive discussions. Given the scope of the amendments, the Minister of Finance revised the National Treasury's legislative programme so that the bill will only be tabled in Parliament towards the end of October 2007, instead of August 2006 as indicated in the 2006 Estimates of National Expenditure.

*Financial Systems* – Significant progress has been made on the Integrated Financial Management Systems project, with the publishing of tenders for the integrated



development environment toolset and the lead procurement module. The human resource management tender is scheduled to be published in the first quarter of 2007/08. These tenders have fuelled the momentum for the project to provide early deliverables and to make up for initial delays. Progress was slowed as a result of difficulty in accessing appropriate information and communication technology skills by the State Information Technology Agency (SITA). Projected expenditure for phase II of the project has been carried over to 2007/08.

Existing systems continue to be maintained to support critical requirements in line with the PFMA, and their performance during the year has been according to expectations. SITA continues to review required capacity on the mainframes and protection of the networks.



## SERVICE DELIVERY ACHIEVEMENT Programme 4: Financial Management and Systems

**Measurable objective:** The programme oversees public-sector supply chain management, standardises the financial systems of national and provincial government, and coordinates implementation of the PFMA.

Subprogramme	Output	Output performance Measure/service delivery indicator	Actual performance against target	
			Target	Actual
Supply Chain Management	Regulating and monitoring supply chain management policy and managing general supply contracts on behalf of government	Implementation of consistent legislative and policy framework	Phased implementation strategy and reports to Cabinet and Standing Committee on Public Accounts as part of the PFMA implementation monitoring reports	Report on progress on the implementation of supply chain management and measured preferential procurement policy outcomes submitted to Cabinet in February 2007. Cabinet directed that the Preferential Procurement Policy Framework Act be revised to align the objectives of the preferential procurement legislation with that of the Broad-Based Black Economic Empowerment Act.
		Issue further practice notes for implementing supply chain management	During 2006/07	The following directives/guidelines were issued during 2006/07: PFMA practice note: <ul style="list-style-type: none"> <li>• The restriction of suppliers and augmentation of General Conditions of Contract</li> </ul> Circulars: <ul style="list-style-type: none"> <li>• Exemptions from Supply Chain Management Framework (Phased implementation must be in accordance with an approved implementation plan)</li> </ul>



Subprogramme	Output	Output performance Measure/service delivery indicator	Actual performance against target	
			Target	Actual
				<ul style="list-style-type: none"> <li>Survey for amendment of threshold values for the procurement of goods and services by means of petty cash, verbal/written price quotations and competitive bids</li> </ul> MFMA circulars: <ul style="list-style-type: none"> <li>Reporting of awards above R100 000 and guidelines for bid adjudication committee members</li> <li>Supply chain management implementation checklist</li> </ul>
	Introduce strategic sourcing principles to enhance value for money	Applicable to at least 60 transversal term contracts	Introduce strategic sourcing strategies for 70% of all term contracts	Strategic sourcing has been applied to 72% of transversal contracts
PFMA Implementation and Coordination	Coordinate implementation of PFMA and related training initiatives. Monitor implementation in institutions to which the act applies.	Report to Cabinet and SCOPA on progress made with PFMA implementation	June 2006	Reports on progress with PFMA implementation forwarded to SCOPA and the Portfolio Committee on Finance in August 2006
		PFMA Amendment Bill submitted to Parliament	August 2006	Due to the magnitude of amendments to the act, the Minister revised the legislative programme. The PFMA Amendment Bill will only be submitted to Parliament towards the end of October 2007.



Subprogramme	Output	Output performance Measure/service delivery indicator	Actual performance against target	
			Target	Actual
Financial Systems	Implement, maintain and improve financial management systems	Number of courses presented to trainees to assist with implementation of financial reforms <ul style="list-style-type: none"> <li>▪ Standard chart of accounts</li> <li>▪ Supply chain management</li> <li>▪ Migration from cash to accrual accounting</li> </ul>	135 courses (2 700 trainees) 120 courses (2 400 trainees) 100 courses (2 000 trainees)	88 courses (1 989 trainees) 113 courses (2 847 trainees) 81 courses (1 852 trainees); internal audit, risk management and other financial management courses
	Submission of Integrated Financial Management System master plan	Percentage availability of financial management systems during working hours <ul style="list-style-type: none"> <li>▪ Produce draft systems architecture</li> <li>▪ Publish integrated development environment, procurement and human resources tenders</li> </ul>	98% system availability during office hours	98% availability during office hours



## Programme 5

### FINANCIAL ACCOUNTING AND REPORTING

**Purpose:** *Financial Accounting and Reporting* seeks to enhance accountability and governance by promoting the transparent, efficient and prudent management of revenue, expenditure, assets and liabilities. It develops frameworks, guidelines, practice notes and transversal policies for internal auditing, risk management and accounting for the public service. It sets new government accounting policies and practices, and improves existing ones, to ensure compliance with the generally recognised accounting practice (GRAP); prepares consolidated financial statements; and works to improve the timeliness and accuracy of financial reporting.

**Measurable objective:** The programme aims to achieve accountability to the general public by promoting transparency and effective management of revenue, expenditure, assets and liabilities in the public sector.

The programme consists of six subprogrammes:

- *Financial Reporting for National Accounts* is responsible for accounting for the National Revenue Fund and the RDP Fund, banking services for national government, and preparing consolidated financial statements.
- *Financial Management Improvement* includes improving financial management through training, and through developing and implementing accounting policies and internal audit services.
- *Investment of Public Monies* accommodates augmentation of the Public Investment Corporation's bank account.
- *Service Charges (Commercial Banks)* provides for bank service charges for all departments' deposit accounts.
- *Audit Statutory Bodies* provides for compensation for certain shortfalls of statutory bodies and municipalities in terms of the Auditor-General Act (12 of 1995).
- *Contingent Liabilities: Reinsurance Liabilities* provides for reinsurance granted to insurers arising from loss or damage to property, funds payments or consequential loss as a result of riots in terms of the Reinsurance of Damages and Losses Act (54 of 1989), and grants loans and advances to such insurers in terms of the act.

#### Service Delivery Objectives and Indicators

##### Recent outputs

During the period under review, the *Financial Reporting for National Accounts* unit produced a set of consolidated financial information for national government for 2006/07. This material was audited and tabled in Parliament in compliance with the requirements of the Public Finance Management Act (PFMA). While there are significant challenges in the consolidation process, largely as a result of the application of the cash and accrual bases of accounting in government departments and public entities respectively, the unit





is confident that over the short to medium term, both the product and process will continue to improve.

In preparation for the end of the 2006/07 financial year, a standardised financial reporting template was developed in consultation with various stakeholders, including departments, public entities and the Office of the Auditor-General. The templates incorporated policy improvements to the reporting framework in line with the GRAP standards issued by the Accounting Standards Board (ASB) and the transition to the accrual basis of accounting. A template for the consolidation process was also developed during the year, and this will facilitate the exercise.

During the review period the Office of the Accountant General conducted workshops on the specimen municipal annual financial statements for all three municipal classes, as well as the specimen consolidated annual financial statements for those municipalities that have entities to consolidate. This was the first financial year in which all high-capacity municipalities were required to comply with all the provisions of the Municipal Finance Management Act (MFMA). This posed challenges for the majority of the municipalities in relation to compliance with the new accounting standards, as required by section 122 of the MFMA. The Accountant General is working in consultation with local government, the Auditor-General and the ASB to address these challenges.

Emphasis was placed on implementation of the templates and accounting reforms during the year. More time and effort was invested in training and supporting reporting entities countrywide, through road shows, training sessions and workshops. In addition, the unit targeted initiatives to improve compliance with PFMA provisions - in particular, ensuring compliance with the annual financial statements submission and publication requirements – through regular support and interaction with executive and administrative management.

The *Financial Management Improvement* unit continued to develop new and refine existing accounting policies to comply with the standards issued by the ASB and the transition to accrual accounting. These policies were included in the guideline for the preparation of the annual financial statements for national and provincial departments.

The Accountant-General continued to support the implementation of the asset management framework by seconding officials to work with the departments in need.

To help departments, public entities and local government improve the quality and timing of their annual reports, on 31 March 2007 the Accountant-General issued the reporting frameworks and templates to be used for the annual financial statements for the year ending 31 March 2008.

The *Financial Management Improvement* subprogramme focused on implementing the internal audit and risk management frameworks in local government, and providing support to internal auditors and risk managers in all spheres of government. Support in these areas included training sessions.

The risk management tool was rolled out: it is fully operational at 14 sites and a work in progress at 27 sites. The rollout delay resulted from technical problems with department servers and security considerations within the State Information and Technology Agency. Training sessions were conducted in seven provinces, and will take place in the Eastern Cape and North West during the new financial year.



An accounting and risk management conference was held in October 2006 to keep officials up to date with the latest technology and concepts. The survey of government risk management was delayed due to the inability to obtain satisfactory proposals from service providers. Statistics South Africa has since been engaged to conduct the survey.

The Accountant-General's participation in the audit committees of national departments has improved, with virtually all departments embracing the initiative. As of 31 March 2007, the Accountant-General's office was also participating in 50 per cent of provincial departments' audit committees. An annual public-sector internal audit indaba was successfully hosted.

During July and August 2006, the National Treasury conducted a survey of national and provincial departments' internal audit functions and audit committees. The survey revealed that most departments met the legislative prescripts, but the effectiveness of internal audit activities is hampered by vacancies. The survey also showed that some accounting officers still do not attend audit committee meetings.

The Minister of Home Affairs has asked the Minister of Finance to investigate the system of financial management and internal controls at Home Affairs in terms of section 6(2)(e) of the PFMA. The Accountant-General was asked to lead the project on behalf of the National Treasury. The investigation was conducted in two phases using resources from the offices of the Accountant-General and Auditor-General. The first phase (revenue and receivables; human resource expenditure and supply chain management; asset management; and internal audit and internal control) was completed by 31 March 2007. The second phase relates to information systems. While this project produced valuable lessons, it also resulted in a delay of the Public Sector Audit Committee Forum.

During 2006/07 the National Treasury sponsored 10 students in the South African Institute of Chartered Accountants' (SAICA) Thuthuka Bursary Fund. The Accountant-General employed interns in risk management, internal audit and accounting, and in some cases these interns were deployed to support departments and municipalities. The Minister of Finance also approved a project to train chartered accountants in the National Treasury through the Training Outside Public Practice initiative started by SAICA in 1998. The preparatory work was done by the end of the financial year, and the accreditation, curriculum development and recruitment of trainees will take place during 2007/08 fiscal year.



## SERVICE DELIVERY ACHIEVEMENT Programme 5: Financial Accounting and Reporting

Subprogramme		Output	Output performance Measure/service delivery indicator	Actual performance against target	
				Target	Actual
Financial Reporting for National Accounts	Monthly statement of actual revenue and expenditure for the National Revenue Fund	Timely publishing of accurate reports	Within 30 days of month end	100% success rate	
	Specimen formats for consolidated annual financial statements and conduct implementation sessions	Completed formats for annual consolidated financial statements that comply with government prescripts	31 March 2006 for 2005/06 31 March 2007 for 2006/07	100% success rate and templates for 2007/08 also issued for national and provincial governments	
	Consolidated annual financial statements for national government	Accurate and timely audited consolidated annual financial statements for national government.	30 October 2006 (as per PFMA)	100% success rate	
Financial Management Improvement	Annual financial statements for the RDP Fund	Audited and published annual financial statements for the RDP Fund	31 October 2006	100% success rate	
	Accounting policies and practices in support of the framework for the transition from cash to accrual base of accounting	Accounting policies and practices in line with approved standards and adhering to local and international best practice  Financial management policies to promote sound management, reflecting international and local best practice	100% alignment to approved standards effective dates	100% alignment	

**Measurable objective:** To achieve accountability to the general public by promoting transparency and effective management of revenue, expenditure, assets and liabilities in the public sector.



Subprogramme	Output	Output performance Measure/service delivery indicator	Actual performance against target	
			Target	Actual
	Internal audit and risk management frameworks for national and provincial departments	Percentage compliance with the frameworks	100% compliance by March 2007	100% alignment with prescripts
	Public Sector Audit Committee Forum	Public Sector Audit Committee Forum established Review effectiveness of forum and report to director-general on refinements	31 March 2007	Delayed due to the redeployment of staff to Home Affairs investigation



## Programme 6

### PROVINCIAL & LOCAL GOVERNMENT TRANSFERS

**Purpose:** *Provincial and Local Government Transfers* designs, manages and monitors three conditional grants to the provincial and local spheres of government.

**Measurable objective:** This programme has two principal objectives –

- a) To enhance the pace and quality of provincial infrastructure investment and maintenance of assets.
- b) To promote financial management reforms in municipalities, and restructure and modernise service delivery in large-budget municipalities.

This programme includes three conditional grants:

- The *provincial infrastructure grant* supplements the provinces' infrastructure budgets, and assists in accelerating the building and maintenance of social and economic infrastructure such as hospitals, clinics, schools and provincial roads.
- The *local government financial management grant* provides for the transfer and monitoring of funds for local government financial management reforms and the implementation of the Municipal Finance Management Act (MFMA).
- The *local government restructuring grant* provides for the transfer and monitoring of funds to local government to assist in restructuring initiatives for modernising service delivery, institutional and financial management in the larger municipalities.

#### Service Delivery Objectives and Indicators

##### Recent outputs

##### Provincial infrastructure grant

The *provincial infrastructure grant* serves as a catalyst for accelerating public infrastructure investment at the provincial level. The grant was allocated R4,1 billion in 2006/07. In some cases, instalments of the grant to some provinces had to be delayed owing to non-compliance with the requirements. However, the total allocated amount, including R747 million withheld in 2005/06, was ultimately transferred to provinces, reflecting an overall improvement in performance in infrastructure delivery.

The rapid rise in the allocation of the *provincial infrastructure grant* has contributed to high growth in provincial capital budgets. Total provincial capital expenditure amounted to R15,6 billion in 2006/07, a growth of 22,2 per cent. Underspending was less than 3 per cent. Increased spending indicates that the Infrastructure Delivery Improvement Programme (IDIP) is beginning to yield results.



### **Infrastructure Delivery Improvement Programme**

Following the pilot phase, the programme was rolled out in the Departments of Education and Public Works in 2006/07. The IDIP has supported the departments in improving infrastructure planning, aligning project planning with budgets, and clarifying roles and responsibilities. This has contributed to improved working relationships between the two departments. An assessment and design analysis was carried out when the programme was rolled out. This analysis will inform the nature of support to be given to the Department of Health over the 2007/08 medium-term expenditure framework (MTEF).

To implement the IDIP, government is recruiting and placing technical assistants in departments to support the institutionalisation of good practices in the management of infrastructure delivery. The IDIP is expected to influence four key performance areas:

- The development of appropriate capacity for infrastructure planning and delivery management (people, skills and systems)
- Infrastructure plans that indicate needs, supplies, backlogs and project priorities
- Contracts or service-level agreements that provide clear measures of performance of implementing agents - including the Department of Public Works and contractors
- Improvement in the quality of information reported on infrastructure projects.

In the review period, 19 full-time technical assistants were hired and deployed to 18 departments across the provinces. Their effect on delivery was evident in education, where underspending of capital allocations has dropped to 2,7 per cent (R434 million), down from 6 per cent (R844 million) in 2005/06.

### **Local government financial management grant**

The *local government financial management grant* provides for the transfer and monitoring of funds for local government financial management reforms and the phased implementation of the MFMA. Growing awareness and implementation of the MFMA continued, with the transfer of resources to high- and medium-capacity municipalities to help them finalise plans and implement key areas of the act. The programme also provides for the gearing of international support, with technical advisors being placed in selected municipalities. In the 2006 MTEF R600 million was allocated to this programme.

The review of internal processes, delegations, implementation plans, changing of past practices, raising awareness among councillors and officials, budget reforms, and community consultation have been the focal points for the implementation of the MFMA in the high- and medium-capacity municipalities. However, much work is still required to ensure that these financial and non-financial reforms are made part of daily municipal activities.

During 2006/07 a level 6 qualification in municipal finance management was registered and draft competency level regulations for skills development in financial management were published. Municipalities have also used the grant to sustain the internship



programme by employing 469 graduates from previously disadvantaged backgrounds. To support the internship programme the National Treasury has introduced training for mentors. The National Treasury will accelerate the capacity-building programme through this grant, developing further training material, guidelines and manuals, hosting mentorship workshops and issuing regulations on the required competencies of financial and other officials.

### **Local government restructuring grant**

Metropolitan and large municipalities have a significant impact on the regional and national economy, and need to modernise the manner in which they deliver services, implement poverty alleviation programmes and promote growth. The demand-driven *local government restructuring grant* provides resources to selected municipalities based on their own restructuring plans. The grant continues until 2008 and will then be phased out. The review period saw closer monitoring of the grant outcomes and finalisation of the programme in some municipalities. No new applications were received.

Seven municipalities were part of the multi-year programme: Buffalo City, Emfuleni and Mangaung completed their participation in 2006/07, and Cape Town, eThekweni, Tshwane and Nelson Mandela will continue over the medium term. Funds were withheld from the Cape Town, Tshwane, and Nelson Mandela municipalities due to partial compliance with the Division of Revenue Act (2006), poor reporting and slow spending.



## SERVICE DELIVERY ACHIEVEMENT

### Programme 6: Provincial & Local Government Transfers

**Measurable objective:** Provincial and Local Government Transfers designs, manages and monitors three conditional grants to the provincial and local spheres of government.

Subprogramme	Output	Output performance Measure/service delivery indicator	Actual performance against target	
			Target	Actual
Provincial infrastructure grant to Provinces	Monitoring provincial infrastructure development	Transfers in compliance with conditions	Transfers made in accordance with the Division of Revenue Act	Total of R3,7 billion transferred to provinces. Provinces also received R741 million that rolled over from 2005.
		Reporting on compliance, transfers and spending	Quarterly reporting	Provinces reported quarterly, with poor quality and late submissions leading to delays in transfer Spending patterns show improvement on 2005/06. Provinces spent 98% of their budget in 2006/07. Spending increased from R13 billion in 2005/06 to R15,6 billion in 2006/07, showing a growth of 22,2%.
Local government financial management grant	Monitoring of municipal financial management reforms and restructuring	Improvement of infrastructure delivery management systems	IDIP rollout in education, public works, roads and health	Planning for infrastructure improved, with most provinces initiating procurement processes for 2007/08 in January 07
		Transfers made according to conditions	Infrastructure plans finalised and submitted to implementing agents by 30 November 2006	Reviewing and streamlining procurement processes in public works began
		Regular reporting per grant	Transfers made by 31 March in compliance with the Division of Revenue Act	All transferred in compliance with conditions and the Division of Revenue Act
			Quarterly reporting as per stated criteria and conditions	All quarterly reports evaluated against conditions





Subprogramme	Output	Output performance Measure/service delivery indicator	Actual performance against target	
			Target	Actual
Local government restructuring grant		Number of pilot municipalities in which financial management programmes/reforms are being implemented in terms of MFMA	Supporting nine provincial treasuries and assisting fifty high capacity municipalities, which include six metropolitan municipalities to implement MFMA	Three workshops held to build capacity with provincial treasuries and five roving advisors appointed (Limpopo, North West, Free State, Mpumalanga, Eastern Cape) 22 advisors supporting 25 municipalities across the country
	Funding assistance to restructure and modernise service delivery in large-budget municipalities	Number of approved applications and setting of conditions	Managing and overseeing compliance with conditions of grant by successful municipalities	Quarterly evaluation of grant conditions resulted in withholding of R180 million due to non-compliance. Remaining funds will only be transferred upon full compliance with grant conditions.



## Programme 7

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

**Purpose:** The *Civil and Military Pensions, Contributions to Funds and Other Benefits* provides for pension and post-retirement medical-benefit obligations to former employees of state departments and bodies, and for disability benefits to former members of the statutory and non-statutory forces.

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

There are two subprogrammes:

- *Civil Pensions and Contributions to Funds* provides for the payment of benefits out of pension and other funds to the beneficiaries of various public-sector bodies in terms of relevant statutes, collective-bargaining agreements and other commitments. The subprogramme also provides for the payment of special pensions to persons who have made sacrifices or served the public interest in the establishment of a democratic constitutional order.
- *Military Pensions and Other Benefits* provides for the payment of military pension benefits and medical claims arising from treatment for accepted pensionable disabilities and medical assistive devices, including specialised procedures. The unit's main objective is to pay the correct pension (gratuities and/or annuities) and medical expense benefits to the correct beneficiaries timeously. The benefits are paid in terms of the Military Pensions Act (1976) to persons disabled in the course of military service. The medical officer makes assessments based on information presented by the specialist (relevant consulting doctor) or reviews assessments where the disability was aggravated as a result of military service.

## Service Delivery Objectives and Indicators

### Recent outputs

During the review period, a process was initiated to restore good governance and delivery by appointing officials to critical positions in this programme.

*Civil Pensions and Contributions to Funds* includes the payment of post-retirement government contributions to medical schemes in respect of civil pensioners, surviving spouses, dependants and pensioners as provided for in the service conditions of public servants. It includes payment of government medical contributions to pensioners and widows of the former Development Boards and the National Film Board. It also includes recipients afforded a benefit in terms of a special government concession.

During 2006/07 the administration continued its effort to verify the members' roll of eligible beneficiaries. It also strengthened administrative processes to improve the reconciliation of claims received from medical schemes. However, staff shortages in the



Medical Benefit Administration Section have resulted in processing backlogs.

The payment of special pensions to persons who have made sacrifices or served the public interest in the establishment of a democratic constitutional order also forms part of the subprogramme. This includes members of any armed or military force not established by or under any law, and which was under the authority and control of, or associated with, and promoted the objectives of political organisations or dependants of such persons in terms of the Special Pensions Act (69 of 1996). The act gives effect to Section 189 of the Interim Constitution regarding the prescription of rules for determining persons who are entitled to receive special pensions and to provide for the establishment of structures to implement the act - that is, the Special Pensions Board and the Special Pensions Review Board.

During the review period *Military Pensions and Other Benefits* has:

- Conducted a national communication campaign publishing the Special Pensions amendments of 2005 and forming community-based partnerships
- Instituted a comprehensive anti-fraud and data cleansing campaign in cooperation with the Special Investigation Unit
- Implemented administration systems for the new benefits introduced in the Special Pensions Amendments (2005).

*Military Pensions and Other Benefits* implemented the following initiatives:

- Medical treatment is provided through the South African National Defence Force (SANDF) at military hospitals and sickbays around the country. Although the service is of great value to military pensioners, internal deficiencies with the provision of medical treatment detrimentally affect service delivery. The present procedures and processes are to be investigated in an effort to address deficiencies.
- The transfer of medical treatment has been completed at military bases in parts of the country that were of critical concern. The SANDF structure, however, limits the possible services rendered to pensioners, which resulted in delays in the transfer process.

Due to staff constraints, the National Treasury was informed that formal medical boards could no longer be arranged through military hospitals by the SANDF.

As an interim arrangement and to ensure proper control and management of the above process, Military Pensions has arranged for the services of SOMA Initiative, the appointed Health Risk Manager of the National Treasury, to form medical boards in respect of new claims review cases on an ad hoc basis.



## SERVICE DELIVERY ACHIEVEMENT

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

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

Subprogramme	Output	Output performance Measure/service delivery indicator	Actual performance against target	
			Target	Actual
Civil Pensions and Contribution to Funds	Payment of pension benefits and contributions to funds (including special pensions)	Beneficiaries to be paid monthly	Payment to be made on the first working day of each month	Payment was made on the first working day of each month
	Payment of contributions to medical aid schemes	Members to be paid monthly	Payment to be made by the end of the month following the month in which the expenses were incurred	Payment was made by the end of the month following the month in which the expenses were incurred
	Payment of risk and administration fees to the Political Office Bearers' Pension Fund	Payment of risk and administration fees for members on a monthly basis	Payment to be made by the seventh working day of each month	Payment was made by the seventh working day of each month
	Payment of the pre-1992 membership fees	Medihelp to be paid monthly	Payment to be made by the seventh working day of each month	Payment was made to Medihelp by the seventh working day of each month
Military Pensions and Other Benefits	Payment of military pension benefits	Beneficiaries to be paid monthly	Payment to be made on the first working day of each month	Payment was made on the first working day of each month
	Payment to service providers for medical expenses	Claims paid to service providers on a monthly basis	Payment of claims on receipt from service providers	Claims were paid on receipt



## Programme 8

### FISCAL TRANSFERS

**Purpose:** *Fiscal Transfers* makes funds available to public authorities and other institutions in terms of legal provisions governing the financial relations between government and the particular authority or institution, including international development bodies of which South Africa is a member.

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

*Domestic transfers* are made to:

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

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

- The World Bank group
- The African Development Bank (ADB)
- Member states of the Common Monetary Area – Lesotho, Namibia and Swaziland
- The Commonwealth Fund for Technical Cooperation
- The Vaccination Fund, in line with an agreement with the Global Alliance for Vaccines and Immunisation.

### Service Delivery Objectives and Indicators

#### Recent outputs

Contributions to the *World Bank group* – South Africa participates in replenishing the World Bank group's International Development Association (IDA), which is the development facility for low-income countries. South Africa made the third instalment of R27,7 million to the IDA in January 2006. In addition, in 2006/07 a contribution of R121,7 million will be made to fund South Africa's obligation to support the write-off of debt to highly indebted poor countries in terms of the multilateral debt relief initiative. Although this represents a small portion of the US\$20 billion of debt owed by highly



indebted poor countries to be written off over the next 20 years, it signals South Africa's commitment to assisting low-income countries to meet the Millennium Development Goals.

Transfers to the *African Development Bank* are used to increase South Africa's shareholding in the ADB and to contribute to African Development Fund (ADF) resources. The latter is the development assistance envelope that the ADB allocates to low-income African countries to alleviate poverty, and to foster economic growth and development.

South Africa has been contributing to ADF replenishments since 1998 – most recently in December 2004. South Africa agreed to contribute a total of R38 million to be paid in three equal annual instalments beginning in 2005/06 and ending in 2008/09. In addition R51,6 million was transferred to the ADF in March 2006, as a strong statement of South Africa's commitment to this initiative, as a single upfront payment for the full 50-year period during which the debt will be written off.

South Africa acquired a further 0,4 per cent shareholding in the ADB, bringing its total shareholding from 4 per cent to 4,5 per cent during the financial year. Payments for the purchase of these shares are staggered over 8-10 years. The final payment in terms of the shares that have been acquired to date is due in March 2015.

The *Common Monetary Area* is made up of South Africa, Lesotho, Namibia and Swaziland. Its purpose is to implement a common monetary policy. South Africa compensates the other countries for rands circulating in their territories as legal tender in terms of Article 6 of the Multilateral Monetary Agreement. The compensation is based on the understanding that South Africa, as issuing country, benefits from this through seigniorage collection. In 2006/07, R245 million was transferred for this purpose.

*Commonwealth Fund for Technical Cooperation* (CFTC) resources are used to further the Commonwealth Secretariat's goals and programmes, which are closely aligned to the Millennium Development Goals. The primary objective of the fund is to assist developing member countries to acquire the knowledge and institutional capacity needed to address their development priorities. Public sector development is a central theme within fund-sponsored activities. The CFTC provides funding to mostly technical advisors, and funding or scholarships for workshops, seminars, study tours and study programmes. South Africa contributed £200 000 to the CFTC in 2005/06, £217,220, in 2006/07 and £236,470 for this financial year. An increase of 6 per cent per annum in real terms was approved by the Minister for the next three financial years starting from 2006/07.

This year the CFTC provided support for the first African Policy Seminar on Aid Effectiveness that was held back to back with the G20 meeting in March 2007. This Seminar was a critical step in preparations by a wide range of partners countries for the next High Level Forum on Aid Effectiveness in Ghana 2008.

South Africa acceded to the *International Financial Facility for Immunisation* (IFFIm) in early 2007, and the first payment of R7,218 million was made in March 2007. This binding pledge to provide the IFFIm with US\$1 million for the next 20 years enables the IFFIm to frontload the provision of development resources in areas of critical concern.



The IFFIm's financial resources are made available to the *Global Alliance for Vaccinations and Immunisation* in support of healthcare, particularly the provision of vaccines in order to reduce the number of vaccine-preventable deaths among children under the age of five.

### Transfer payments

Name of institution	R'000
Development Bank of Southern Africa [Siyenza Manje]	258,308
South African Revenue Services	4,874,591
Financial and Fiscal Commission	21,705
Secret Services	2,223,086
Financial Intelligence Centre	-
Common Monetary Area Compensation	282,755
African Development Bank and African Development Fund	104,939
World Bank Group and IDA	121,760
Commonwealth Fund for Tech Co-op	2,858
Global Alliance for Vaccines and Immunisation	7,219
<b>Total:</b>	<b>7,897,221</b>



**REPORT OF THE AUDIT COMMITTEE  
for the year ended 31 March 2007**





## NATIONAL TREASURY VOTE 8

# REPORT OF THE AUDIT COMMITTEE for the year ended 31 March 2007

### Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2007.

### Audit Committee Members and Attendance

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

Audit Committee Meetings 2007	
Name of member	Number* of meetings attended
Mr Ignatius Schoole (Chairperson)	4 of 4
Prof. Carolina Koomhof	3 of 4
Ms. Joyce Matlala	4 of 4
Ms. Matsotso Vuso	3 of 4

\*Includes one (1) special meeting.

### Audit Committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 38(1)(a) of the PFMA and Treasury Regulation 3.1.13. Furthermore the Audit Committee has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

### The effectiveness of internal control

The Audit Committee is of the opinion, based on the information and explanations given by management, the internal auditors, and discussions with the independent external auditor on the result of its audit, that the internal accounting controls are operating to ensure that the financial records may be relied upon for preparing the annual financial statements, and accountability for assets and liabilities is maintained.

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



## NATIONAL TREASURY VOTE 8

### REPORT OF THE AUDIT COMMITTEE for the year ended 31 March 2007

#### Evaluation of Financial Statements

The Audit Committee has evaluated the annual financial statements of the National Treasury for the year ended 31 March 2007 and, based on the information provided to the Audit Committee, concurs and accepts the Auditor-General's conclusions on the annual financial statements, and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

**Ignatius Sehoole**

**Chairperson: Audit Committee**

**Date: 03 September 2007**

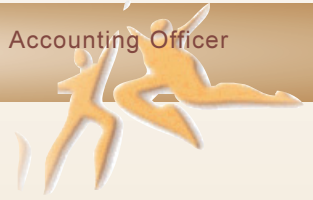


**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 March 2007**



## CONTENTS

Report of the Accounting Officer.....	79
Report of the Auditor-General.....	94
Accounting Policies.....	99
Appropriation Statement .....	109
Notes to the Appropriation Statement.....	119
Statement of Financial Performance.....	122
Statement of Financial Position .....	123
Statement of Changes in Net Assets .....	124
Cash Flow Statement.....	125
Notes to the Annual Financial Statements.....	126
Disclosure Notes to the Annual Financial Statements.....	133
Annexures.....	137



## NATIONAL TREASURY VOTE 8

# REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2007

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

## 1. General review of the state of financial affairs

### 1.1 Strategic overview and key policy developments

National Treasury's strategic direction is informed by five external strategic focus areas namely promoting sustainable economic growth and work opportunities, reducing poverty, ensuring good governance and accountability, promoting optimal allocation and utilisation of financial resources in all spheres of government, and maintaining macroeconomic stability.

Flowing from the above, National Treasury identified several key strategic activities to be undertaken during the period under review. These strategic activities are as follows:

- Macroeconomic policies and fiscal reform;
- Intergovernmental fiscal relations;
- Financial management reforms;
- Development of appropriate tax policies;
- Managing public sector debt and government assets;
- Enhancement of the budget process;
- International financial relations; and
- Social Security and Retirement Funding reform.

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

### 1.2 Annual appropriation and vote structure

The total appropriation for National Treasury for the year ending 31 March 2007 amounted to **R16,7 billion** (2005/06 R14,2 billion). Programmes 1 to 5 constitute National Treasury's operational budget which amounted to **R860,4 million** (2005/06 R657,3 million). The operational budget comprised **R255,2 million** (2005/06: R210,5 million) for compensation of employees, **R584 million** (2005/06: R424,8 million) for goods and services and **R21,2 million** (2005/06: R22 million) for the acquisition of capital assets.



## NATIONAL TREASURY VOTE 8

### REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2007

The remaining budget of **R15,8 billion** (2005/06 R13,5 billion) falls under programmes 6, 7 and 8 and included transfers to provinces, municipalities, departmental agencies, foreign institutions, payments of post retirement benefits for a specific category of former employees and members of liberation movements.

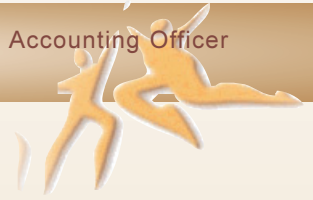
#### 1.3 Programme structure

National Treasury's Vote comprises eight programmes: *Administration, Economic Planning and Budget Management, Asset and Liability Management, Financial Management and Systems, Financial Accounting and Reporting, Provincial and Local Government Transfers, Civil and Military Pensions, Contributions to Funds and Other Benefits and Fiscal Transfers.*

*Administration* provides strategic management and administrative support to National Treasury, giving managerial leadership to the work of the Department. The Administration programme comprises the Minister, Deputy Minister, Management, Corporate Services and Property Management subprogrammes.

The total appropriation for this Programme amounted to **R173,4 million** (2005/06: R129,7 million) which included the shifting of R1 million from Capital Assets: Software and Other Intangible Assets to Machinery and Equipment to provide funds for an integrated document management system. Shifting of R1 million from Compensation of Employees to Goods and Services due to the re-classification of expenditure. In addition to the above, R141 000 was shifted to cover the shortfall for external bursaries caused by additional expenditure for accommodation and meals for bursars. Expenditure for Administration totalled **R161,6 million** (2005/06: R121,3 million).

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



## NATIONAL TREASURY VOTE 8

### REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2007

The total adjusted appropriation for this Programme amounted to **R232,4 million** (2005/06: R181,4 million). Funds to the value of R870 000 were shifted from Goods and Services to Capital Assets mainly due to the purchase of computer hardware for the G20 Project. Current expenditure incurred totalled **R193,9 million** (2005/06: R159,1 million) and comprised compensation of employees **R102,8 million** (2005/06: R89,9 million) and goods and services **R91,1 million** (2005/06: R69,2 million). Transfers to departmental agencies, corporations, universities and other institutions effected during the period under review amounted to **R10,1 million** (2005/06: R12,9 million).

*Asset and Liability Management* provides management of government's financial asset and liability portfolio in a manner that ensures prudent cash management, asset restructuring, financial management and optimal management of government's domestic and foreign debt portfolios. There are five subprogrammes: Management, Asset Management, Liability Management, Financial Operations and Strategy and Risk Management.

The total appropriation amounted to **R59,2 million** (2005/06: R30,8 million). Expenditure incurred by Asset and Liability Management amounted to **R41,3 million** (2005/06: R30,2 million) and consists of compensation of employees **R26 million** (2005/06: R21,9 million), goods and services **R14,5 million** (2005/06: R7,4 million) and payments for capital expenditure **R704 000** (2005/06: R841 000).

*Financial Management and Systems* 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 (1 of 1999) and related capacity-building initiatives. This Programme consists of four subprogrammes: Management, Supply Chain Management, PFMA Implementation and Coordination, and Financial Systems.

The total adjusted appropriation for this Programme amounted to **R363,3 million** (2005/06: R296,3 million). Virement of R560 000 was applied between the items Capital Assets: Machinery and Equipment and Capital Assets: Software and Other Intangible Assets due to higher than expected expenditure in software requirements. The total expenditure incurred amounted to **R196,4 million** (2005/06: R239,2 million).



## NATIONAL TREASURY VOTE 8

### REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2007

*Financial Accounting and Reporting* seeks to achieve accountability to the general public by promoting transparency and effectiveness in the delivery of public services, especially in the management of revenue, expenditure, assets and liabilities. It sets new and improves existing accounting policies and practices to ensure compliance with Generally Recognised Accounting Practices (GRAP), prepares consolidated financial statements and improves the efficiency of financial reporting in the public service.

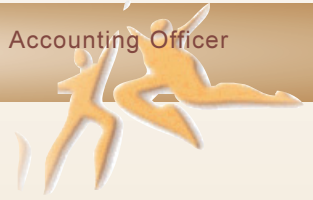
The Programme consists of six subprogrammes: Financial Reporting for National Accounts, Financial Management Improvement, Investment of Public Monies, Service Charges (Commercial Banks), Audit Statutory Bodies and Contingent Liabilities: Reinsurance Liabilities.

The total appropriation for this Programme amounted to **R75,6 million** (2005/06: R58 million) and consisted of an operational budget of **R44,6 million** (2005/06: R38,9 million) and transfers of **R31 million** (2005/06: R19,1 million). The total expenditure incurred by Financial Accounting and Reporting amounted to **R65,8 million** (2005/06: R48 million), an increase of R17,8 million.

In addition, this Programme is responsible for transfer payments to the Auditor-General in terms of the Public Audit Act (25 of 2004) whereby National Treasury is obliged to pay audit costs in respect of the auditing of statutory bodies for any financial year concerned where such costs exceeds one per cent of the total expenditure of such bodies. Expenditure concerning the transfer of audit costs decreased from R13,6 million (2005/06) to R11,9 million (2006/07). This decrease is attributable to less claims being submitted for reimbursement by the Auditor-General.

*Provincial and Local Government Transfers* manages conditional grants to the provincial and local spheres of government. Conditional grants transferred directly to provinces and municipalities from National Treasury's Vote, amounted to **R4,9 billion** (2005/06: R3,7 billion) and **R513,7 million** (2005/06: R453,7 million) respectively. Grants transferred during the 2006/07 financial year included the newly introduced Neighbourhood Development Partnership Grant amounting to R50 million. More information on these transfers is provided in annexures 1A, 1B, 1C, 1D and 1E.





## NATIONAL TREASURY VOTE 8

### REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2007

These transfers exclude the equitable share grants to provinces and municipalities, and also exclude conditional grants to provincial and local government made by other national departments.

*Civil and Military Pensions, Contributions to Funds and Other Benefits* provides for pension and post-retirement medical benefit obligations to retired employees of state departments and bodies. The final appropriation for this Programme amounted to **R2,2 billion** (2005/06: R2,1 billion). Expenditure for the period under review amounted to **R2,1 billion** (2005/06: R2 billion) which comprised current expenditure of **R1,3 billion** (2005/06: R1,2 billion) and injury on duty, special and other miscellaneous pension payments of **R795,9 million** (2005/06: R728,3 million). A saving / underspending of R140,4 million was recorded against this Programme.

*Fiscal Transfers* make funds available to public entities and agencies reporting to the Minister of Finance, and other institutions, in terms of national legislation, as well as to foreign institutions and governments (including the international development institutions) in terms of international agreements. This Programme comprises domestic and foreign transfers.

*Domestic transfers* are made to the South African Revenue Service, Financial Intelligence Centre and the Financial and Fiscal Commission for the fulfilment of their statutory obligations, and to the Development Bank of Southern Africa for specified government programmes. In addition, funds are paid to augment the Secret Services Account. Domestic transfers accounted for 93 per cent of the total transfers allocated to the Fiscal Transfer Programme and amounted to **R7,4 billion** (2005/06: R6,6 billion), of which the largest transfers went to the South African Revenue Service and Secret Services totalling **R7,1 billion** (2005/06: R6,6 billion).

*Foreign transfer* payments have been provided for:

- The World Bank Group;
- The African Development Bank (AfDB);
- Common monetary area compensation to Lesotho, Namibia and Swaziland;
- The Commonwealth Fund for Technical Co-operation; and
- Global Alliance for Vaccines and Immunisation.



## NATIONAL TREASURY VOTE 8

### REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2007

The total foreign transfers made by National Treasury amounted to **R519,5 million** (2005/06: R368,6 million) of which the transfer to Lesotho, Namibia and Swaziland makes up the largest portion of foreign transfers totalling **R282,8 million** (2005/06: R244,7 million). Note that foreign transfers exclude the larger South African Customs Union interim payments, which are deducted directly from the National Revenue Fund.

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

#### 1.4 Departmental revenue

Departmental revenue received during the reporting period amounted to **R4,7 billion** (2005/06: R5,2 billion) and consisted of sales of goods and services R36,2 million, fines, penalties and forfeits R365 million, interest and dividends of R4,3 billion, sales of capital assets R309 000, and other recoveries amounting to R37,3 million. For more details on departmental revenue, please refer to Note 2 of the Notes to the Financial Statements.

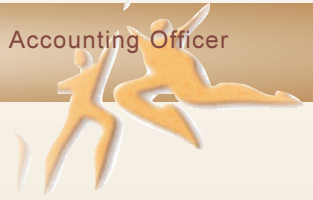
#### 2. Utilisation of donor funds

Local and foreign assistance received in cash during the year amounted to **R5,5 million** (2005/06: R11 million) relating to various projects. Expenditure incurred amounted to **R7,8 million** (2005/06: R10,5 million).

Furthermore, National Treasury transferred funds to external spending agencies amounting to **R26,1 million** (2005/06: R20,8 million) on behalf of the Reconstruction and Development Fund. These amounts are not reflected in the Statement of Financial Performance due to National Treasury only acting as a conduit for those funds.

#### 3. Events after the reporting date

Payments to the value of **R66,1 million** (2005/06 R77,7 million) were processed during April and May 2007, which relate to the 2006/07 financial year. These payments were not included in the financial statements for the 2006/07 financial year, which were prepared on the modified cash basis of accounting. Refer to Note 21.



## NATIONAL TREASURY VOTE 8

### REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2007

#### 4. Services rendered by the department

Most of the work of National Treasury is of a fiscal and financial policy nature, servicing organs of the State in all three spheres of government and foreign multilateral and national institutions. National Treasury is not a service delivery department and does not render any services in the public domain on a recoverable basis.

#### 5. Capacity constraints

A major challenge for National Treasury has been the filling of vacancies and attracting of appropriate skills. The Department has developed a plan to reduce its vacancy rate and is developing a Talent Management Strategy to improve its performance in attracting and retaining talent within the Public Service framework.

#### 6. Trading and Public entities

##### 6.1 Trading entity

###### **Project Development Facility**

The Project Development Facility (PDF) is a single-function trading entity in National Treasury's Public Private Partnership Unit. Its role is to pay for services provided by consultants (transaction advisors) on contract to a department or public entity for a Public Private Partnership. Upon conclusion of the Public Private Partnership's transactions, the funds are recovered from the successful private party bidder.

##### 6.2 Public entities and business enterprises reporting to the Minister of Finance

The Minister of Finance is responsible for several entities. These entities are as follows:

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

The Development Bank of Southern Africa is governed by the Development Bank of Southern Africa Act (13 of 1997). The Development Bank of Southern Africa is a development finance institution wholly owned by the



## NATIONAL TREASURY VOTE 8

### REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2007

South African Government. The Bank operates as a development finance institution, to contribute to development through mobilising and providing finance and expertise and by establishing partnerships, to develop infrastructure to improve the quality of life of the people of Africa.

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

The South African Revenue Service (SARS) is mandated by legislation to collect revenues that are due, ensure maximum compliance with legislation, and provide a customs service to maximise revenue collection, protect the borders and facilitate trade.

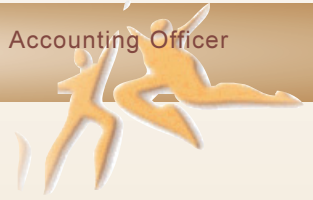
#### **Financial Services Board (Schedule 3A: National public entity)**

The Financial Services Board is a statutory body in terms of the Financial Services Board Act (97 of 1990). It regulates the activities of non-banking financial services and acts in an advisory capacity to the Minister of Finance. Another function of the board is to promote programmes and initiatives by financial institutions and bodies representing the financial services industry to inform and educate users and potential users of financial products and services. The Board is financed by the financial services industry, with no contribution from Government.

The Board supervises those institutions and services in terms of 13 acts of parliament. Functions include regulatory control over long- and short-term insurance, retirement funds, friendly societies, capital markets, financial advisory and intermediate services, insider trading and collective investment schemes 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 and supervising compliance with money-laundering control measures in the Financial Intelligence Centre Act.

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

The Financial Intelligence Centre (FIC) was established in terms of the Financial Intelligence Centre Act (38 of 2001) and operates as a separate state agency. The core mandate of the FIC is to process, analyse and interpret information disclosed to it by accountable institutions in the private sector. The FIC analyses the information and thereafter makes referrals to law enforcement authorities, intelligence services and SARS for investigation and prosecution if necessary.



## NATIONAL TREASURY VOTE 8

### REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2007

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

The Accounting Standards Board (ASB) is mainly responsible for setting the accounting standards of Generally Recognised Accounting Practice (GRAP) in government.

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

The mandate of the Independent Regulatory Board for Auditors (IRBA) is to protect the public who rely on the services of registered auditors and support registered auditors who carry out their duties competently, fearlessly and in good faith.

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

#### **SASRIA Limited (Schedule 3B: National government business enterprise)**

SASRIA Limited was established in terms of the Conversion of SASRIA Act (134 of 1998) and is a short-term insurance company that provides cover for damages caused by politically malicious acts, riots, strikes and public disorders.

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

The Public Investment Corporation (PIC) is a corporate body governed in terms of the Public Investment Corporation Act (23 of 2004). The PIC invests funds on behalf of the South African public sector. There are currently 40 entities or clients whose funds are managed by the PIC. The largest of these, is the Government Employees Pension Fund (GEPF). The PIC also manages a number of properties, which provide office, retail, industrial and other rental space.

## **7. Organisations to whom transfer payments have been made**

Funds to public entities and other institutions in terms of various legal provisions governing financial relations between Government and those



## NATIONAL TREASURY VOTE 8

### REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2007

institutions are made available on the *Fiscal Transfers* Programme. Kindly refer to annexure 1F.

In addition to the *Fiscal Transfer* Programme, funds for the Project Development Facility and the Accounting Standards Board have been provided for under Programme 2 and Programme 5 respectively.

#### **8. Corporate governance arrangements**

##### **8.1 Internal audit function**

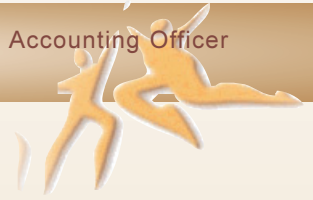
As reported previously, National Treasury adopted a medium term internal audit strategy whereby the internal audit approach will be shifted from a fully outsourced internal audit function (IAF) to an in-house function, currently co-sourced through a professional service provider. Since the establishment, all permanent vacancies within the Chief Directorate: Internal Audit have been filled. However, the newly appointed Director resigned after a month and processes to fill this vacancy had been initiated. Due to the IAF's organisational structure not being fully developed, much of the work as outlined by the Annual Audit Plan is preformed by the service provider.

As part of the Service Level Agreement, the service provider is responsible to ensure proper skills transfer during each audit assignment. The Chief Director: Internal Audit continuously monitors progress concerning the aforementioned skills transfer. Audits commenced in July 2006 after the approval of the contract for the service provider. The IAF successfully conducted 61 per cent of the Annual Audit Plan during the period under review and reported its findings to the Audit Committee.

##### **8.2 Audit Committee**

The Audit Committee (AC) operates within written terms of reference and met four times during the year. Although the performance of the AC is the responsibility of the Accounting Officer, the AC undertook a self-assessment during March 2007. The results will be discussed during the next AC meeting in due course.

In addition, the Committee assessed the performance of the IAF and the Chairperson together with the Accounting Officer reviewed the performance of the Chief Director: Internal Audit.



## NATIONAL TREASURY VOTE 8

### REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2007

#### 8.3 Risk management

In an effort to ensure proper functioning of the Department's risk management systems within all levels and activities of National Treasury, National Treasury initiated a process to review such mechanisms. Some of the key activities that have been earmarked for enhancement are as follows:

- Revisiting the structure of the Risk Management Committee (RMC);
- Revisiting the current Terms of Reference;
- Defining and documenting the roles and responsibilities of all stakeholders;
- Conducting a comprehensive risk assessment within all activities of National Treasury in order to update the Risk Register; and
- Revisiting the Department's Risk Strategy and Fraud Prevention Plan.

The Chairperson of the Risk Management Committee was appointed on 23 March 2006 and resigned on 14 August 2006 as a result of relocating to Canada. Advertisements for this portfolio have been placed in the local newspapers and it is envisaged that the position will be filled in due course.

#### 8.4 Internal policy review

A need was identified to establish a Governance Review Committee comprising of senior representatives from all divisions. The mandate is to involve and to get buy-in from all stakeholders concerned prior to implementing governance documents (mainly policies) prior to submitting them to the Accounting Officer for final approval.

Terms of Reference dealing with the memberships, responsibility and authority of the Committee has been approved by the Accounting Officer.

#### 8.5 Other governance matters

As governance systems continuously evolve, National Treasury's policies, prescripts and related business processes are reviewed regularly to ensure compliance with statutory requirements and best practice. Other governance structures that have been complied with or have been addressed are:

- Developed, documented and implemented business processes for, amongst others, the following business activities:
  - Financial management



## NATIONAL TREASURY VOTE 8

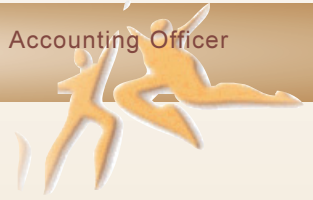
### REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2007

- Human resources
- Facilities management
- Security management
- Information technology
- Developed and implemented appropriate supply chain management systems to replace the departmental procurement procedures;
- Implemented revised transversal systems control prescripts to regulate access;
- Systems are in place to ensure:
  - The effective, efficient, economical and transparent use of the departmental resources;
  - Proper management, administration, safeguarding and maintenance of the Department's assets and liabilities;
- Complied with all tax, levy, duty, pension and audit commitments as required by the relevant statutes and regulations;
- Settled contractual obligations and paid outstanding amounts owing, including intergovernmental claims, within the prescribed or agreed period, except where discrepancies have been identified or circumstances beyond reasonable control have prevented the timely processing and finalisation of such payments;
- Complied with the provision of the Division of Revenue Act (2 of 2006), prior to transferring funds to provincial or local governments and ensured that all funds transferred to provinces and municipalities were paid to their primary bank accounts;
- Obtained written assurances from all entities confirming that those entities have implemented effective, efficient and transparent financial management and internal control systems prior to funds being transferred to those entities;
- Submitted all required reports to the relevant authorities; and
- Financial delegations have been reviewed and amended according to the organisational structure.

#### 9. **Asset management**

In addition to the normal day-to-day administration and management of National Treasury's Asset Register, the Department's Asset Management Unit identified and undertook several key initiatives to improve on the overall asset





## NATIONAL TREASURY VOTE 8

### REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2007

management environment of the Department. These activities are as follows:

- Corrected asset records;
- Disposed of computer equipment as prescribed by Treasury Regulation 16A.7.7;
- Verified and accounted for all departmental assets under ownership control of the Department;
- Asset management policies and procedures have been reviewed and enhanced and will be implemented in due course; and
- Developed an asset management strategy to further enhance asset management activities in the Department.

The following activities have been identified and are included in the aforementioned strategy, which will be executed during the 2007/08 financial year:

- Enhancing governance mechanisms as they pertain to asset management;
- Sourcing asset management solutions to enhance asset management activities;
- Defining and documenting roles and responsibilities of all stakeholders;
- Revisiting and enhancing the current service level agreement between the Department and Corporate Services Division;
- Developing and implementing acquisition and maintenance plans to ensure compliance with the applicable norms and standards; and
- Reorganising the Asset Management Unit's human resources to properly execute the various asset management activities.

## 10. New activities

### 10.1 Social Security and Retirement Reform

The process of social security reform was announced by the President in his State of the Nation Address on 9 February 2007. The President indicated that the Minister of Finance would provide further details on a contributory earnings-related social security arrangement, informed by the principle of social solidarity. Chapter 6 of the 2007 *Budget Review* provides an outline of the proposed social security reforms, and an overview of the present social assistance grant programmes and social security funds. These reforms are aimed at directly attacking poverty by reducing income vulnerability while



## NATIONAL TREASURY VOTE 8

### REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2007

also supporting employment creation.

#### **10.2 G20 Secretariat**

National Treasury will be playing a significant role when South Africa will be hosting the G20 summit meeting in November 2007 during which the finance ministers, central governors and their deputies will be engaging in reforms.

#### **10.3 Investment Climate Facility**

An initiative aimed at improving the investment climate in African countries through financing targeted projects in countries that have applied for the African Peer Review Mechanism Process.

#### **10.4 Development Bank of Southern Africa (Siyenza Manje)**

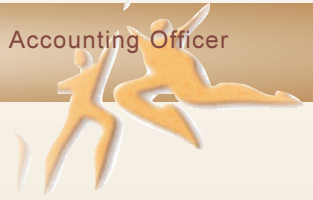
Siyenza Manje is a government initiative that compliments the existing capacity building initiatives such as Municipal Financial Management Technical Assistance Programme. It provides hands on support to municipalities by deploying professionals in specific fields such as engineering, town planning, finance and others. The Programme is aimed at ensuring sustainable municipalities by strengthening their capacity to deliver basic municipal services. It focuses on refining best practices and tools for enhancing municipal infrastructure delivery in alignment with the reforms set down in the Municipal Finance Management Act and the Local Government Strategic Agenda.

#### **10.5 Programme restructuring**

The main divisions within the Vote were increased and activities under some of those main divisions were regrouped to enable improved management of those activities.

#### **11. Performance information**

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



## NATIONAL TREASURY VOTE 8

### REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2007

#### 12. SCOPA resolutions

There were no new SCOPA resolutions relating to National Treasury from the 2006/07 financial year.

#### 13. Acknowledgements

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

#### Approval

The financial statements set out on pages 99 to 193 have been approved by the Accounting Officer.

**LESETJA KGANYAGO**  
**DIRECTOR-GENERAL**  
**DATE: 31 MAY 2007**



A U D I T O R - G E N E R A L

# REPORT OF THE AUDITOR-GENERAL

on the  
Financial Statements and  
Performance Information of the  
National Treasury  
for  
the year ended 31 March 2007



Published by Authority



## REPORT OF THE AUDITOR-GENERAL

### TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF VOTE 8 - NATIONAL TREASURY for the year ended 31 March 2007

#### REPORT ON THE FINANCIAL STATEMENTS

##### INTRODUCTION

1. I have audited the accompanying financial statements of the National Treasury which comprise the statement of financial position as at 31 March 2007, appropriation statement, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 99 to 177.

##### RESPONSIBILITY OF THE ACCOUNTING OFFICER FOR THE FINANCIAL STATEMENTS

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

This responsibility includes:

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

##### RESPONSIBILITY OF THE AUDITOR-GENERAL

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 647 of 2007*, issued in *Government Gazette No. 29919* of 25 May 2007. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.



## **REPORT OF THE AUDITOR-GENERAL**

### **TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF VOTE 8 - NATIONAL TREASURY (CONTINUED) for the year ended 31 March 2007**

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
6. An audit also includes evaluating the:
  - appropriateness of accounting policies used
  - reasonableness of accounting estimates made by management
  - overall presentation of the financial statements.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **BASIS OF ACCOUNTING**

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

#### **OPINION**

8. In my opinion the financial statements present fairly, in all material respects, the financial position of the National Treasury as at 31 March 2007 and its financial performance and cash flows for the year then ended, in accordance with the modified cash basis of accounting determined by the National Treasury as set out in accounting policy note 1.1 to the financial statements and in the manner required by the PFMA.

#### **OTHER MATTERS**

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

9. General controls in the information technology environment



## REPORT OF THE AUDITOR-GENERAL

### TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF VOTE 8 - NATIONAL TREASURY (CONTINUED) for the year ended 31 March 2007

The following significant weaknesses were identified:

- Although informal information technology (IT) security processes and procedures were followed, formally approved policies and procedures were not available to provide clear governance regarding IT operations.
- The IT services provided by third parties were not all monitored to ensure consistent delivery of agreed upon services.
- The environmental controls in place at one of the information processing facilities were inadequate to protect staff and equipment in the event of a disaster.
- The segregation of duties between the IT operations and security functions was inadequate, which could result in inappropriate activities not being detected.

#### 10. Delay in finalisation of audit

Due to the national public sector strike action during June 2007, I had to delay the finalisation of affected departments. As a result, my consistency review process of the audit reports could only be conducted subsequent to 31 July 2007, the consequence of which was a delay in the finalisation of the audit of this department for the 2006/07 financial year.

#### 11. Special Pensions Board

In terms of section 7 of the Special Pensions Act, 1996 (Act No. 69 of 1996) the Special Pensions Board determines who qualifies for benefits and what benefits they qualify for. However, in terms of section 9 of the said act, the National Treasury is responsible for payment of benefits to beneficiaries who qualify in terms of the said act. These payments amounted to R282 402 000 during the period under review (2006: R251 232 000).

The operating expenditure of the Special Pensions Board was accounted for in the annual financial statements of both the National Treasury and the Special Pensions Board. The special pension benefits were only accounted for in the annual financial statements of the National Treasury.

### OTHER REPORTING RESPONSIBILITIES

Reporting on performance information



## REPORT OF THE AUDITOR-GENERAL

### TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF VOTE 8 - NATIONAL TREASURY for the year ended 31 March 2007

12. I have audited the performance information as set out on pages 14 to 73.

#### RESPONSIBILITIES OF THE ACCOUNTING OFFICER

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

#### RESPONSIBILITY OF THE AUDITOR-GENERAL

14. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with *General Notice 646 of 2007*, issued in *Government Gazette No. 29919* of 25 May 2007.
15. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
16. I believe that the evidence I have obtained is sufficient and appropriate to report that there have been no significant findings identified as a result of my audit.

#### APPRECIATION

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

**DEL Zondo for Auditor-General**  
**Pretoria**  
**31 August 2007**



A U D I T O R - G E N E R A L





## NATIONAL TREASURY VOTE 8

### ACCOUNTING POLICIES for the year ended 31 March 2007

The financial statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the financial statements and to comply with the statutory requirements of the Public Finance Management Act (1 of 1999) (as amended by Act 29 of 1999), the Treasury Regulations issued in terms of the Act, as well as the Division of Revenue Act (2 of 2006).

#### 1. Presentation of the financial statements

##### 1.1 Basis of preparation

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

##### 1.2 Presentation currency

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

##### 1.3 Rounding

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

##### 1.4 Comparative figures

Prior period comparative information has been presented in the current year's financial statements. Where necessary figures included in the prior period financial statements have been reclassified to ensure that the format in which the information is presented is consistent with the format of the current year's financial statements.

##### 1.5 Comparative figures - Appropriation Statement

A comparison between actual amounts and final appropriation per major



## NATIONAL TREASURY VOTE 8

### ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2007

classification of expenditure is included in the Appropriation Statement.

## **2. Revenue**

### **2.1 Appropriated funds**

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

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

Unexpended appropriated funds are surrendered to the National Revenue Fund, unless approval has been given by National Treasury to rollover the funds to the subsequent financial year. These approved rollover funds form part of retained funds in the financial statements. Amounts owing to the National Revenue Fund at the end of the financial year are recognised in the Statement of Financial Position.

### **2.2 Departmental revenue**

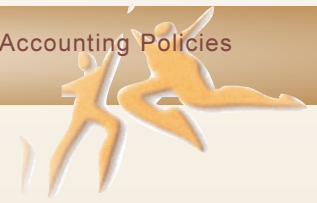
All departmental revenue is paid into the National Revenue Fund when received, unless otherwise stated. Amounts owing to the National Revenue Fund at the end of the financial year are recognised in the Statement of Financial Position. Amounts receivable at the reporting date are disclosed in the disclosure notes to the financial statements.

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

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

#### **2.2.2 Fines, penalties and forfeits**

Fines, penalties and forfeits are compulsory unrequited amounts, which were imposed by a court or quasi-judicial body and collected by the Department.



## NATIONAL TREASURY VOTE 8

### ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2007

Revenue arising from fines, penalties and forfeits is recognised in the Statement of Financial Performance when the cash is received.

#### 2.2.3 Interest and dividends

Interest and dividends are recognised in the Statement of Financial Performance when the cash is received.

#### 2.2.4 Sale of capital assets

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

#### 2.2.5 Financial transactions in assets and liabilities

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

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

#### 2.2.6 Gifts, donations and sponsorships (transfers received)

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

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

### 2.3 Local and foreign aid assistance

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

All in kind local and foreign aid assistance are disclosed at fair value in the



## NATIONAL TREASURY VOTE 8

### ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2007

annexures to the financial statements.

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

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

### **3. Expenditure**

#### **3.1 Compensation of employees**

Salaries comprise payments to employees. Salaries are recognised as an expense in the Statement of Financial Performance when the payment is effected on the system. Capitalised compensation forms part of the Capital expenditure in the Statement of Financial Performance.

All other payments are classified as current expense.

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

Short-term employee benefits comprise leave entitlements (including capped leave), thirteenth cheques and performance bonuses. The cost of short-term employee benefits is expensed as salaries and wages in the Statement of Financial Performance when the payment is effected on the system.

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

#### **3.3 Long-term employee benefits**

##### **3.3.1 Termination benefits**

Termination benefits such as severance packages are recognised as an expense in the Statement of Financial Performance as a transfer (to households) when the payment is effected on the system.



## NATIONAL TREASURY VOTE 8

### ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2007

#### 3.3.2 Post-employment retirement benefits

The Department provides retirement benefits (pension benefits) for certain of its employees through a defined benefit plan for government employees. These benefits are funded by both employer and employee contributions. Employer contributions to the fund are expensed when the payment to the fund is effected on the system. 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.

The Department provides medical benefits for qualifying employees. Employer contributions to the medical funds are expensed when the payment to the fund is effected on the system.

#### 3.4 Goods and services

Payments made for goods and / or services are recognised as an expense in the Statement of Financial Performance when the payment is effected on the system. The expense is classified as capital if the goods and services were used for a capital project or an asset of R5 000 or more is purchased. All assets costing less than R5 000 will also be reflected under goods and services.

#### 3.5 Financial transactions in assets and liabilities

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

Forex losses are recognised on payment of funds.

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

#### 3.6 Unauthorised expenditure

When discovered, unauthorised expenditure is recognised as an asset in the Statement of Financial Position until such time as the expenditure either is



## NATIONAL TREASURY VOTE 8

### ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2007

approved by the relevant authority, recovered from the responsible person or written off as irrecoverable in the Statement of Financial Performance.

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

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

Fruitless and wasteful expenditure is recognised as an asset in the Statement of Financial Position until such time as the expenditure is recovered from the responsible person or written off as irrecoverable in the Statement of Financial Performance.

#### **3.8 Irregular expenditure**

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

#### **3.9 Transfers and subsidies**

Transfers and subsidies are recognised as an expense when the payment is effected on the system.

#### **3.10 Capital expenditure**

Payments made to acquire capital assets are recognised as an expense in the Statement of Financial Performance when the payment is effected on the system.

### **4. Assets**

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

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



## NATIONAL TREASURY VOTE 8

### ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2007

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand, deposits held, other short-term highly liquid investments and bank overdrafts.

#### 4.2 Prepayments and advances

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

#### 4.3 Receivables

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

Revenue receivable not yet collected is included in the disclosure notes. Amounts that are potentially irrecoverable are included in the disclosure notes.

#### 4.4 Investments

Capitalised investments are shown at cost in the Statement of Financial Position. Any cash flows such as dividends received or proceeds from the sale of the investment are recognised in the Statement of Financial Performance when the cash is received.

Investments are tested for an impairment loss whenever events or changes in circumstances indicate that the investment may be impaired. Any impairment loss is included in disclosure note 27.

#### 4.5 Loans

Loans are recognised in the Statement of Financial Position at the nominal amount when cash is paid to the beneficiary. Loan balances are reduced when cash repayments are received from the beneficiary. Amounts that are potentially irrecoverable are included in disclosure note 27.

#### 4.6 Inventory

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



## NATIONAL TREASURY VOTE 8

### ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2007

#### 4.7 Capital assets

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

Disclosure notes 28 and 29 reflect the total movement in the asset register for the current financial year.

#### 5. Liabilities

##### 5.1 Payables

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

##### 5.2 Lease commitments

Lease commitments represent amounts owing from the reporting date to the end of the lease contract. These commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure notes.

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

##### 5.3 Accruals

Accruals represent goods and / or services that have been received, but where no invoice has been received from the supplier at the reporting date, or where an invoice has been received but final authorisation for payment has not been effected on the system.

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





## NATIONAL TREASURY VOTE 8

### ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2007

#### 5.4 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Department; or

A contingent liability is a present obligation that arises from past events but is not recognised because:

- It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
- The amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are included in the disclosure notes.

#### 5.5 Commitments

Commitments represent goods and / or services that have been approved and / or contracted, but where no delivery has taken place at the reporting date.

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

#### 6. Net assets

##### 6.1 Capitalisation reserve

The capitalisation reserve comprises of financial assets and / or liabilities originating in a prior reporting period and are recognised in the Statement of Financial Position. Amounts are transferred to the National Revenue Fund on disposal, repayment or recovery of such amounts.

##### 6.2 Recoverable revenue

Amounts are recognised as recoverable revenue when a payment made in a previous financial year becomes recoverable from a debtor in the current financial year.



## NATIONAL TREASURY VOTE 8

---

### ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2007

#### 7. Related party transactions

Related parties are departments that control or significantly influence entities in making financial and operating decisions. Specific information with regards to related party transactions is included in the disclosure notes.

#### 8. Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Department.

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

**NATIONAL TREASURY VOTE 8**  
**APPROPRIATION STATEMENT**  
for the year ended 31 March 2007

Programme	Appropriation per programme 2006/07						2005/06		
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>1. Administration</b>									
Current expenditure	163,172	(141)	-	163,031	156,670	6,361	96.1	115,938	109,428
Transfers and subsidies	703	141	-	844	836	8	99.1	406	318
Capital expenditure	9,517	-	-	9,517	4,133	5,384	43.4	13,317	11,535
<b>2. Economic Planning and Budget Management</b>									
Current expenditure	226,138	(870)	(8,149)	217,119	193,877	23,242	89.3	162,235	159,140
Transfers and subsidies	11,598	-	-	11,598	10,092	1,506	87.0	17,094	12,888
Capital expenditure	2,801	870	-	3,671	3,501	170	95.4	2,020	1,933
<b>3. Asset and Liability Management</b>									
Current expenditure	58,025	-	-	58,025	40,544	17,481	69.9	29,656	29,255
Transfers and subsidies	24	-	-	24	24	-	100.0	67	66
Capital expenditure	1,106	-	-	1,106	704	402	63.7	1,120	841
<b>4. Financial Management and Systems</b>									
Current expenditure	359,756	-	-	359,756	194,363	165,393	54.0	290,555	236,335
Transfers and subsidies	32	-	-	32	29	3	90.6	94	87
Capital expenditure	3,526	-	-	3,526	1,986	1,540	56.3	3,527	2,759
<b>5. Financial Accounting and Reporting</b>									
Current expenditure	41,560	(251)	-	41,309	36,954	4,355	89.5	36,912	29,129
Transfers and subsidies	30,759	251	-	31,010	27,761	3,249	89.5	19,089	18,376
Capital expenditure	3,325	-	-	3,325	1,070	2,255	32.2	1,989	465
<b>6. Provincial and Local Government Transfers</b>									
Transfers and subsidies	5,677,155	-	-	5,677,155	5,497,155	180,000	96.8	4,279,513	3,437,853
<b>7. Civil and Military Pensions, Contributions to Funds and Other Benefits</b>									
Current expenditure	1,356,226	-	-	1,356,226	1,252,815	103,411	92.4	1,334,050	1,282,609
Transfers and subsidies	832,859	-	-	832,859	795,888	36,971	95.6	746,755	728,265
<b>8. Fiscal Payments</b>									
Transfers and subsidies	7,951,299	-	8,149	7,959,448	7,897,221	62,227	99.2	7,118,458	6,996,189
<b>Total annual appropriation per programme</b>	<b>16,729,581</b>	-	-	<b>16,729,581</b>	<b>16,115,623</b>	<b>613,958</b>	<b>96.3</b>	<b>14,172,795</b>	<b>13,057,471</b>
<b>Reconciliation with Statement of Financial Performance</b>									
<b>Add:</b>									
Prior year unauthorised expenditure approved with funding				167					
Departmental revenue received				4,720,125				5,170,026	
Local and foreign aid assistance received				5,471				11,032	
<b>Actual amounts per Statements of Financial Performance (Total revenue)</b>				<b>21,455,344</b>				<b>19,353,853</b>	
<b>Add:</b>									
Local and foreign aid assistance				7,838					10,503
Prior year unauthorised expenditure approved				167					-
<b>Actual amounts per Statements of Financial Performance (Total expenditure)</b>				<b>16,123,628</b>				<b>13,067,974</b>	

**NATIONAL TREASURY VOTE 8**  
**APPROPRIATION STATEMENT (CONTINUED)**  
for the year ended 31 March 2007

Economic classification	Appropriation per economic classification						2005/06		
	Adjusted appropriation R'000	Shifting of funds R'000	Virement R'000	Final appropriation R'000	Actual expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final appropriation R'000	Actual expenditure R'000
<b>Current expenditure</b>									
Compensation of employees	1,564,213	(1,000)	-	1,563,213	1,453,360	109,853	93.0	1,526,348	1,456,217
Goods and services	640,664	(262)	(8,149)	632,253	415,549	216,704	65.7	442,998	381,644
Financial transactions in assets and liabilities	-	-	-	-	6,314	(6,314)	-	-	8,035
<b>Transfers and subsidies</b>									
Provinces and municipalities	5,677,371	1	-	5,677,372	5,497,360	180,012	96.8	4,280,156	3,438,462
Departmental agencies	7,187,744	-	-	7,187,744	7,153,082	34,662	99.5	6,652,842	6,652,130
Universities	5,000	-	-	5,000	3,500	1,500	70.0	5,000	814
Foreign governments and international organisations	544,501	-	8,149	552,650	521,219	31,431	94.3	443,896	371,235
Public corporations and private enterprises	258,832	-	-	258,832	258,831	1	100.0	55,825	5,824
Non-profit institutions	62	-	-	62	-	62	-	58	58
Households	830,919	391	-	831,310	795,014	36,296	95.6	743,699	725,519
<b>Capital expenditure</b>									
Machinery and equipment	15,906	1,290	-	17,196	11,394	5,802	66.3	20,460	16,482
Software and other intangible assets	4,369	(420)	-	3,949	-	3,949	-	1,513	1,051
<b>Total annual appropriation per economic classification</b>	<b>16,729,581</b>	-	-	<b>16,729,581</b>	<b>16,115,623</b>	<b>613,958</b>	<b>96.3</b>	<b>14,172,795</b>	<b>13,057,471</b>

NATIONAL TREASURY VOTE 8

**APPROPRIATION STATEMENT - DETAIL PER PROGRAMME 1: ADMINISTRATION**  
for the year ended 31 March 2007

Programme per subprogramme	2006/07						2005/06		
	Adjusted appropriation R'000	Shifting of funds R'000	Virement R'000	Final appropriation R'000	Actual expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final appropriation R'000	Actual expenditure R'000
<b>1.1 Minister</b>	887	-	-	887	883	4	99.5	837	833
Current expenditure									
<b>1.2 Deputy Minister</b>	721	-	-	721	718	3	99.6	680	677
Current expenditure									
<b>1.3 Management</b>	37,432	(1,002)	-	36,430	34,736	1,694	95.3	22,472	19,632
Current expenditure	39	-	-	39	37	2	94.9	61	57
Transfers and subsidies	353	(43)	-	310	265	45	85.5	1,518	1,454
Capital expenditure									
<b>1.4 Corporate Services</b>	87,794	(2,332)	-	85,462	84,089	1,373	98.4	91,949	88,286
Current expenditure	637	141	-	778	772	6	99.2	345	261
Transfers and subsidies	6,012	1,050	-	7,062	3,110	3,952	44.0	11,799	10,081
Capital expenditure									
<b>1.5 Property Management</b>	36,338	3,193	-	39,531	36,244	3,287	91.7	-	-
Current expenditure	27	-	-	27	-	-	100.0	-	-
Transfers and subsidies	3,152	(1,007)	-	2,145	758	1,387	35.3	-	-
Capital expenditure									
<b>Total appropriation per programme</b>	<b>173,392</b>	<b>-</b>	<b>-</b>	<b>173,392</b>	<b>161,639</b>	<b>11,753</b>	<b>93.2</b>	<b>129,661</b>	<b>121,281</b>

Economic classification	2006/07						2005/06		
	Adjusted appropriation R'000	Shifting of funds R'000	Virement R'000	Final appropriation R'000	Actual expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final appropriation R'000	Actual expenditure R'000
<b>Current expenditure</b>	58,037	(1,000)	-	57,037	51,960	5,077	91.1	47,816	42,171
Compensation of employees	105,135	859	-	105,994	102,084	3,910	96.3	68,122	67,030
Goods and services	-	-	-	-	2,626	(2,626)	-	-	227
Financial transactions in assets and liabilities									
<b>Transfers and subsidies</b>	45	-	-	45	43	2	95.6	134	130
Provinces and municipalities	210	-	-	210	206	4	98.1	165	164
Departmental agencies	24	-	-	24	23	1	95.8	25	24
Public corporations and private enterprises	424	141	-	565	564	1	99.8	82	-
Households									
<b>Capital expenditure</b>	5,537	1,000	-	6,537	4,133	2,404	63.2	12,336	10,632
Machinery and equipment	3,980	(1,000)	-	2,980	-	2,980	-	981	903
Software and other intangible assets									
<b>Total appropriation per economic classification</b>	<b>173,392</b>	<b>-</b>	<b>-</b>	<b>173,392</b>	<b>161,639</b>	<b>11,753</b>	<b>93.2</b>	<b>129,661</b>	<b>121,281</b>

NATIONAL TREASURY VOTE 8

APPROPRIATION STATEMENT - DETAIL PER PROGRAMME 2: ECONOMIC PLANNING AND BUDGET MANAGEMENT  
for the year ended 31 March 2007

Programme per subprogramme	2006/07					2005/06				
	Adjusted appropriation R'000	Shifting of funds R'000	Virement R'000	Final appropriation R'000	Actual expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final appropriation R'000	Actual expenditure R'000	
<b>2.1 Public Finance</b>										
Current expenditure	38,414	1,217	-	39,631	37,413	2,218	94.4	33,357	33,032	
Transfers and subsidies	526	(2)	-	524	524	-	100.0	5,583	1,390	
Capital expenditure	735	(37)	-	698	677	21	97.0	323	300	
<b>2.2 Budget Coordination</b>										
Current expenditure	54,680	(1,290)	-	53,390	44,034	9,356	82.5	38,592	37,841	
Transfers and subsidies	6,026	1	-	6,027	6,024	3	100.0	6,072	6,066	
Capital expenditure	742	362	-	1,104	1,022	82	92.6	789	753	
<b>2.3 Intergovernmental Relations</b>										
Current expenditure	63,650	(952)	(7,171)	55,527	48,240	7,287	86.9	43,793	42,282	
Transfers and subsidies	19	1	-	20	18	2	90.0	60	57	
Capital expenditure	534	78	-	612	580	32	94.8	259	242	
<b>2.4 Economic Policy and International Financial Relations</b>										
Current expenditure	69,394	155	(978)	68,571	64,190	4,381	93.6	46,493	45,985	
Transfers and subsidies	5,027	-	-	5,027	3,526	1,501	70.1	5,379	5,375	
Capital expenditure	790	467	-	1,257	1,222	35	97.2	649	638	
<b>Total appropriation per programme</b>	<b>240,537</b>	<b>-</b>	<b>(8,149)</b>	<b>232,388</b>	<b>207,470</b>	<b>24,918</b>	<b>89.3</b>	<b>181,349</b>	<b>173,961</b>	
<b>Economic classification</b>										
<b>Current expenditure</b>										
Compensation of employees	111,192	-	-	111,192	102,841	8,351	92.5	91,827	89,905	
Goods and services	114,946	(870)	(8,149)	105,927	91,021	14,906	85.9	70,408	69,225	
Financial transactions in assets and liabilities	-	-	-	-	15	(15)	-	-	10	
<b>Transfers and subsidies</b>										
Provinces and municipalities	98	-	-	98	92	6	93.9	294	274	
Departmental agencies	6,000	-	-	6,000	6,000	-	100.0	6,000	6,000	
Universities	5,000	-	-	5,000	3,500	1,500	70.0	5,000	814	
Public corporations and private enterprises	500	-	-	500	500	-	100.0	5,800	5,800	
<b>Capital expenditure</b>										
Machinery and equipment	2,745	850	-	3,595	3,501	94	97.4	1,946	1,898	
Software and other intangible assets	56	20	-	76	-	76	-	74	35	
<b>Total appropriation per economic classification</b>	<b>240,537</b>	<b>-</b>	<b>(8,149)</b>	<b>232,388</b>	<b>207,470</b>	<b>24,918</b>	<b>89.3</b>	<b>181,349</b>	<b>173,961</b>	

NATIONAL TREASURY VOTE 8

APPROPRIATION STATEMENT - DETAIL PER PROGRAMME 3: ASSET AND LIABILITY MANAGEMENT

for the year ended 31 March 2007

Programme per subprogramme	2006/07						2005/06			
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure	
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000
<b>3.1 Management</b>	21,154	-	-	21,154	11,167	9,987	52.8	4,023	3,926	
Current expenditure	2	-	-	2	2	-	100.0	3	3	
Transfers and subsidies	100	25	-	125	124	1	99.2	49	32	
<b>3.2 Asset Management</b>	12,923	254	-	13,177	8,639	4,538	65.6	6,011	6,002	
Current expenditure	5	-	-	5	5	-	100.0	15	15	
Transfers and subsidies	10,598	(311)	-	10,287	9,068	1,219	88.2	7,731	7,701	
<b>3.3 Liability Management</b>	7	-	-	7	7	-	100.0	18	18	
Current expenditure	6	-	-	6	6	-	100.0	236	228	
Transfers and subsidies	7,769	57	-	7,826	7,300	526	93.3	6,738	6,588	
<b>3.4 Financial Operations</b>	6	(33)	-	967	567	400	58.6	815	566	
Current expenditure	5,581	-	-	5,581	4,370	1,211	78.3	5,153	5,038	
Transfers and subsidies	4	8	-	8	7	1	100.0	20	12	
Capital expenditure	-	-	-	-	-	-	87.5	15	15	
<b>Total appropriation per programme</b>	<b>59,155</b>	<b>-</b>	<b>-</b>	<b>59,155</b>	<b>41,272</b>	<b>17,883</b>	<b>69.8</b>	<b>30,843</b>	<b>30,162</b>	
<b>Economic classification</b>	<b>2006/07</b>						<b>2005/06</b>			
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure	
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	
<b>Current expenditure</b>	28,167	-	-	28,167	26,025	2,142	92.4	22,186	21,865	
Compensation of employees	29,858	-	-	29,858	14,518	15,340	48.6	7,470	7,389	
Goods and services	-	-	-	-	1	(1)	-	-	1	
Financial transactions in assets and liabilities	-	-	-	-	-	-	-	-	-	
<b>Transfers and subsidies</b>	24	-	-	24	24	-	100.0	67	66	
Provinces and municipalities	1,106	-	-	1,106	704	402	63.7	1,100	826	
<b>Capital expenditure</b>	-	-	-	-	-	-	-	20	15	
Machinery and equipment	-	-	-	-	-	-	-	-	-	
Software and other intangible assets	-	-	-	-	-	-	-	-	-	
<b>Total appropriation per economic classification</b>	<b>59,155</b>	<b>-</b>	<b>-</b>	<b>59,155</b>	<b>41,272</b>	<b>17,883</b>	<b>69.8</b>	<b>30,843</b>	<b>30,162</b>	

NATIONAL TREASURY VOTE 8

APPROPRIATION STATEMENT - DETAIL PER PROGRAMME 4: FINANCIAL MANAGEMENT AND SYSTEMS

for the year ended 31 March 2007

Programme per subprogramme	2006/07						2005/06		
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>4.1 Management</b>	1,531	(4)	-	1,527	1,341	186	87.8	1,262	1,069
Current expenditure	1	-	-	1	1	-	100.0	3	3
Transfers and subsidies	22	(22)	-	-	-	-	-	45	44
Capital expenditure	37,064	(28)	-	37,036	19,949	17,087	53.9	34,104	27,361
Current expenditure	16	-	-	16	15	1	93.8	43	41
Transfers and subsidies	478	161	-	639	345	294	54.0	632	378
Capital expenditure	12,112	32	-	12,144	5,535	6,609	45.6	14,326	13,319
Current expenditure	2	-	-	2	2	-	100.0	6	6
Transfers and subsidies	66	3	-	69	69	-	100.0	15	-
Capital expenditure	309,049	-	-	309,049	167,538	141,511	54.2	240,863	194,586
Current expenditure	13	-	-	13	11	2	84.6	42	37
Transfers and subsidies	2,960	(142)	-	2,818	1,572	1,246	55.8	2,835	2,337
Capital expenditure	363,314	-	-	363,314	196,378	166,936	54.1	294,176	239,181
<b>Total appropriation per programme</b>									
	363,314	-	-	363,314	196,378	166,936	54.1	294,176	239,181
Economic classification	2006/07						2005/06		
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current expenditure</b>	38,533	-	-	38,533	30,772	7,761	79.9	31,200	28,141
Compensation of employees	321,223	-	-	321,223	163,590	157,633	50.9	259,355	208,185
Goods and services	-	-	-	-	1	(1)	-	-	9
Financial transactions in assets and liabilities	-	-	-	-	-	-	-	-	-
<b>Transfers and subsidies</b>	32	-	-	32	29	3	90.6	94	87
Provinces and municipalities	3,193	(560)	-	2,633	1,986	647	75.4	3,089	2,661
Capital expenditure	333	560	-	893	-	893	-	438	98
Machinery and equipment	363,314	-	-	363,314	196,378	166,936	54.1	294,176	239,181
Software and other intangible assets									
<b>Total appropriation per economic classification</b>									
	363,314	-	-	363,314	196,378	166,936	54.1	294,176	239,181



NATIONAL TREASURY VOTE 8

APPROPRIATION STATEMENT - DETAIL PER PROGRAMME 5: FINANCIAL ACCOUNTING AND REPORTING

for the year ended 31 March 2007

Programme per subprogramme	2006/07					2005/06			
	Adjusted appropriation R'000	Shifting of funds R'000	Virement R'000	Final appropriation R'000	Actual expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final appropriation R'000	Actual expenditure R'000
<b>5.1 Financial Reporting for National Accounts</b>									
Current expenditure	29,976	1,269	-	31,245	30,206	1,039	96.7	27,965	23,092
Transfers and subsidies	15,653	251	-	15,904	15,903	1	100.0	4,774	4,773
Capital expenditure	1,948	-	-	1,948	720	1,228	37.0	1,814	437
<b>5.2 Financial Management Improvement</b>									
Current expenditure	11,418	(1,520)	-	9,898	6,686	3,212	67.5	8,790	6,020
Transfers and subsidies	4	-	-	4	4	-	100.0	13	12
Capital expenditure	1,377	-	-	1,377	350	1,027	25.4	175	28
<b>5.3 Investment of Public Monies</b>									
Transfers and subsidies	1	-	-	1	-	1	-	-	-
<b>5.4 Service Charges</b>									
Current expenditure	166	-	-	166	62	104	37.3	157	17
<b>5.5 Audit Statutory Bodies</b>									
Transfers and subsidies	15,100	-	-	15,100	11,854	3,246	78.5	14,302	13,591
<b>5.6 Contingent Liabilities</b>									
Transfers and subsidies	1	-	-	1	-	1	-	-	-
<b>Total appropriation per programme</b>	<b>75,644</b>	-	-	<b>75,644</b>	<b>65,785</b>	<b>9,859</b>	<b>87.0</b>	<b>57,990</b>	<b>47,970</b>

Economic classification	2006/07					2005/06			
	Adjusted appropriation R'000	Shifting of funds R'000	Virement R'000	Final appropriation R'000	Actual expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final appropriation R'000	Actual expenditure R'000
<b>Current expenditure</b>									
Compensation of employees	20,284	-	-	20,284	19,299	985	95.1	17,495	17,353
Goods and services	21,276	(251)	-	21,025	17,654	3,371	84.0	19,417	11,776
Financial transactions in assets and liabilities	-	-	-	-	1	(1)	-	-	-
<b>Transfers and subsidies</b>									
Provinces and municipalities	17	1	-	18	17	1	94.4	54	52
Departmental agencies	30,742	-	-	30,742	27,494	3,248	89.4	19,035	18,324
Households	-	250	-	250	250	-	100.0	-	-
<b>Capital expenditure</b>									
Machinery and equipment	3,325	-	-	3,325	1,070	2,255	32.2	1,989	465
<b>Total appropriation per economic classification</b>	<b>75,644</b>	-	-	<b>75,644</b>	<b>65,785</b>	<b>9,859</b>	<b>87.0</b>	<b>57,990</b>	<b>47,970</b>

NATIONAL TREASURY VOTE 8

**APPROPRIATION STATEMENT - DETAIL PER PROGRAMME 6: PROVINCIAL AND LOCAL GOVERNMENT TRANSFERS**  
for the year ended 31 March 2007

Programme per subprogramme	2006/07						2005/06		
	Adjusted appropriation R'000	Shifting of funds R'000	Virement R'000	Final appropriation R'000	Actual expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final appropriation R'000	Actual expenditure R'000
<b>6.1 Conditional grants to provinces</b> Transfers and subsidies	4,983,498	-	-	4,983,498	4,983,498	-	100.0	3,730,773	2,984,113
<b>6.2 Conditional grants to municipalities</b> Transfers and subsidies	643,657	-	-	643,657	463,657	180,000	72.0	548,740	453,740
<b>6.3 Neighbourhood development partnership grant</b> Transfers and subsidies	50,000	-	-	50,000	50,000	-	100.0	-	-
<b>Total appropriation per programme</b>	<b>5,677,155</b>	<b>-</b>	<b>-</b>	<b>5,677,155</b>	<b>5,497,155</b>	<b>180,000</b>	<b>96.8</b>	<b>4,279,513</b>	<b>3,437,853</b>
Economic classification	2006/07						2005/06		
	Adjusted appropriation R'000	Shifting of funds R'000	Virement R'000	Final appropriation R'000	Actual expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final appropriation R'000	Actual expenditure R'000
<b>Transfers and subsidies</b> Provinces and municipalities	5,677,155	-	-	5,677,155	5,497,155	180,000	96.8	4,279,513	3,437,853
<b>Total appropriation per programme</b>	<b>5,677,155</b>	<b>-</b>	<b>-</b>	<b>5,677,155</b>	<b>5,497,155</b>	<b>180,000</b>	<b>96.8</b>	<b>4,279,513</b>	<b>3,437,853</b>

## NATIONAL TREASURY VOTE 8

### APPROPRIATION STATEMENT - DETAIL PER PROGRAMME 7: CIVIL AND MILITARY PENSIONS, CONTRIBUTIONS TO FUNDS AND OTHER BENEFITS for the year ended 31 March 2007

Programme per subprogramme	2006/07						2005/06			
	Adjusted appropriation R'000	Shifting of funds R'000	Virement R'000	Final appropriation R'000	Actual expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final appropriation R'000	Actual expenditure R'000	
<b>7.1 Civil Pensions and Contributions to Funds</b>										
Current expenditure	1,354,088	(330)	-	1,353,758	1,250,318	103,440	92.4	1,331,413	1,279,795	
Transfers and subsidies	679,783	-	-	679,783	651,356	28,427	95.8	599,161	581,098	
<b>7.2 Military Pensions and Other Benefits</b>										
Current expenditure	2,138	330	-	2,468	2,497	(29)	101.2	2,637	2,814	
Transfers and subsidies	153,076	-	-	153,076	144,532	8,544	94.4	147,594	147,167	
<b>Total appropriation per programme</b>	<b>2,189,085</b>	<b>-</b>	<b>-</b>	<b>2,189,085</b>	<b>2,048,703</b>	<b>140,382</b>	<b>93.6</b>	<b>2,080,805</b>	<b>2,010,874</b>	
<b>Economic classification</b>										
<b>Current expenditure</b>										
Compensation of employees <sup>1</sup>	1,308,000	-	-	1,308,000	1,222,463	85,537	93.5	1,315,824	1,256,782	
Goods and services	48,226	-	-	48,226	26,682	21,544	55.3	18,226	18,039	
Financial transactions in assets and liabilities	-	-	-	-	3,670	(3,670)	-	-	7,788	
<b>Transfers and subsidies</b>										
Foreign governments and international organisations	2,302	-	-	2,302	1,688	614	73.3	3,080	2,688	
Non-profit institutions	62	-	-	62	-	62	-	58	58	
Households <sup>2</sup>	830,495	-	-	830,495	794,200	36,295	95.6	743,617	725,519	
<b>Total appropriation per economic classification</b>	<b>2,189,085</b>	<b>-</b>	<b>-</b>	<b>2,189,085</b>	<b>2,048,703</b>	<b>140,382</b>	<b>93.6</b>	<b>2,080,805</b>	<b>2,010,874</b>	

<sup>1</sup> Relates to post retirement benefits

<sup>2</sup> Transfers to households comprise special pensions (R282.4 million), injury on duty (R294.3 million) and other miscellaneous transfers (R217.5 million)

NATIONAL TREASURY VOTE 8

APPROPRIATION STATEMENT - DETAIL PER PROGRAMME 8: FISCAL TRANSFERS

for the year ended 31 March 2007

Programme per subprogramme	2006/07					2005/06				
	Adjusted appropriation R'000	Shifting of funds R'000	Virement R'000	Final appropriation R'000	Actual expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final appropriation R'000	Actual expenditure R'000	
<b>8.1 Common Monetary Area (CMA) Compensation</b>										
Transfers and subsidies	311,804	-	-	311,804	282,755	29,049	90.7	276,500	244,669	
<b>8.2 Development Bank of Southern Africa (APEX Fund)</b>										
Transfers and subsidies	258,308	-	-	258,308	258,308	-	100.0	50,000	-	
<b>8.3 World Bank Group</b>										
Transfers and subsidies	121,798	-	750	122,548	121,760	788	99.4	-	-	
<b>8.4 African Development Bank</b>										
Transfers and subsidies	98,597	-	7,171	105,768	104,939	829	99.2	154,316	121,569	
<b>8.5 South African Revenue Service</b>										
Transfers and subsidies	4,874,591	-	-	4,874,591	4,874,591	-	100.0	4,254,302	4,254,302	
<b>8.6 Financial and Fiscal Commission</b>										
Transfers and subsidies	21,705	-	-	21,705	21,705	-	100.0	19,660	19,660	
<b>8.7 Secret Services</b>										
Transfers and subsidies	2,223,086	-	-	2,223,086	2,223,086	-	100.0	2,330,063	2,330,063	
<b>8.8 Financial Intelligence Centre</b>										
Transfers and subsidies	31,410	-	-	31,410	-	31,410	-	23,617	23,617	
<b>8.9 Commonwealth Fund for Technical Cooperation</b>										
Transfers and subsidies	3,000	-	-	3,000	2,858	142	95.3	3,000	2,309	
<b>8.10 Global Alliance for Vaccines and Immunisation</b>										
Transfers and subsidies	7,000	-	228	7,228	7,219	9	99.9	7,000	-	
<b>Total appropriation per programme</b>	<b>7,951,299</b>	<b>-</b>	<b>8,149</b>	<b>7,959,448</b>	<b>7,897,221</b>	<b>62,227</b>	<b>99.2</b>	<b>7,118,458</b>	<b>6,996,189</b>	

Economic classification	2006/07					2005/06				
	Adjusted appropriation R'000	Shifting of funds R'000	Virement R'000	Final appropriation R'000	Actual expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final appropriation R'000	Actual expenditure R'000	
<b>Transfers and subsidies</b>										
Departmental agencies	7,150,792	-	-	7,150,792	7,119,382	31,410	99.6	6,627,642	6,627,642	
Foreign governments and international organisations	542,199	-	8,149	550,348	519,531	30,817	94.4	440,816	368,547	
Public corporations and private enterprises	258,308	-	-	258,308	258,308	-	100.0	50,000	-	
<b>Total appropriation per economic classification</b>	<b>7,951,299</b>	<b>-</b>	<b>8,149</b>	<b>7,959,448</b>	<b>7,897,221</b>	<b>62,227</b>	<b>99.2</b>	<b>7,118,458</b>	<b>6,996,189</b>	

## NATIONAL TREASURY VOTE 8

# NOTES TO THE APPROPRIATION STATEMENT

for the year ended 31 March 2007

**1. Detail of specifically and exclusively appropriated amounts voted (after Virement):**

Detail of these transactions can be viewed in Note 1 - Annual appropriation to the financial statements.

**2. Detail on financial transactions in assets and liabilities**

Detail of these transactions per programme can be viewed in Note 6 - Financial transactions in assets and liabilities to the financial statements.

**3. Detail of transfers and subsidies as per the Appropriation Act (after Virement):**

Detail of these transactions can be viewed in Note 7 - Transfers and subsidies and annexures 1A to K to the financial statements

**4. Explanations per programme of variances from amounts Voted (after Virement):**

Per programme	Final appropriation R'000	Actual expenditure R'000	Variance R'000	Variance as a % of final appropriation		Explanations of variances
					%	
Programme 1 : Administration	173,392	161,639	11,753	6.80		Underspending is due to lower charges for municipal services by the Department of Public Works, review of acquisition of the security system, delayed acquisition of the Internal Audit System and vacancies, especially for the talent management pool.
Programme 2 : Economic Planning and Budget Management	232,388	207,470	24,918	10.70		Underspending is due to the delayed appointment and payment of consultants for the Infrastructure Delivery Improvement Programme (IDIP), delayed payment of consultants for SCOA training and vacancies.
Programme 3 : Asset and Liability Management	59,155	41,272	17,883	30.20		Underspending is mainly due to the delayed appointment of a service provider for the development of the Back Office system, delayed implementation of the Development Finance Institutions (DFIs) and vacancies.
Programme 4 : Financial Management and Systems	363,314	196,378	166,936	45.90		Underspending / saving is due to effective management of contracts for the maintenance and upgrade of the transversal systems, delays experienced with implementation of the second phase of the Integrated Financial Management System (IFMS), vacancies and delays in the roll out of training regarding financial management.
Programme 5 : Financial Accounting and Reporting	75,644	65,785	9,859	13.00		Underspending / saving is due to lesser transfer payment to the Auditor-General, lesser travelling than anticipated and reconsideration of acquisition of the Risk Management System.
<b>Subtotal carried forward*</b>	<b>903,893</b>	<b>672,544</b>	<b>231,349</b>			

\* Includes transfer payments

NATIONAL TREASURY VOTE 8

NOTES TO THE APPROPRIATION STATEMENT (CONTINUED)  
for the year ended 31 March 2007

Explanations per programme of variances from amounts Voted (after Virement) (continued):

Per programme	Final appropriation R'000	Actual expenditure R'000	Variance R'000	Variance as a % of final appropriation		Explanations of variances
				R'000	%	
Subtotal brought forward	903,893	672,544	231,349			
Programme 6 : Provincial and Local Government Transfers	5,677,155	5,497,155	180,000	3.20		Funds withheld due to non-compliance with reporting requirements as outlined in the Division of Revenue Act by the following municipalities: City of Cape Town, City of Tshwane, and Nelson Mandela Bay.
Programme 7 : Civil and Military Pensions, Contributions to Funds and Other Benefits	2,189,085	2,048,703	140,382	6.40		Underspending / saving is due to the regularisation of the Pre-1992 medical benefits, lesser awards than anticipated in respect of claims regarding injury on duty, special pensions and a backlog of administrative expenditure and claims that have not been processed.
Programme 8 : Fiscal Transfers	7,959,448	7,897,221	62,227	0.80		Saving is due to withholding of the transfer to the Financial Intelligence Centre as a result of approved surpluses, lower transfer payments to the Common Monetary Area Compensation and the Commonwealth Fund for the Technical Cooperation as well as the African Development Bank due to the prevailing exchange rate or lower than budgeted expenditure.
<b>Total per programme</b>	<b>16,729,581</b>	<b>16,115,623</b>	<b>613,958</b>			



## NATIONAL TREASURY VOTE 8

### NOTES TO THE APPROPRIATION STATEMENT (CONTINUED) for the year ended 31 March 2007

#### Variances per economic classification

Economic classification	Final appropriation R'000	Actual expenditure R'000	Variance R'000
<b>Current expenditure</b>	<b>2,195,466</b>	<b>1,875,223</b>	<b>320,243</b>
Compensation of employees	1,564,213	1,453,360	110,853
Goods and services	631,253	415,549	215,704
Financial transactions in assets and liabilities	-	6,314	(6,314)
<b>Transfers and subsidies</b>	<b>14,512,970</b>	<b>14,229,006</b>	<b>283,964</b>
Provinces and municipalities	5,677,372	5,497,360	180,012
Departmental agencies	7,187,744	7,153,082	34,662
Universities	5,000	3,500	1,500
Public corporations and private enterprises	258,832	258,831	1
Foreign governments and international organisations	552,650	521,219	31,431
Non-profit institutions	62	-	62
Households	831,310	795,014	36,296
<b>Capital expenditure</b>	<b>21,145</b>	<b>11,394</b>	<b>9,751</b>
Machinery and equipment	17,196	11,394	5,802
Software and other intangible assets	3,949	-	3,949
<b>Total per economic classification</b>	<b>16,729,581</b>	<b>16,115,623</b>	<b>613,958</b>



**NATIONAL TREASURY VOTE 8**

**STATEMENT OF FINANCIAL PERFORMANCE**

**for the year ended 31 March 2007**

	<i>Note</i>	2006/07 R'000	2005/06 R'000
<b>REVENUE</b>			
Annual appropriation	1	16,729,581	14,172,795
Unauthorised expenditure approved	9	167	-
Departmental revenue	2	4,720,125	5,170,026
Local and foreign aid assistance	3	5,471	11,032
<b>TOTAL REVENUE</b>		<b>21,455,344</b>	<b>19,353,853</b>
<b>EXPENDITURE</b>			
<b>Current expenditure</b>			
Compensation of employees	4	1,453,360	1,456,217
Goods and services	5	415,549	381,644
Financial transactions in assets and liabilities	6	6,314	8,035
Local and foreign aid assistance	3	7,749	10,425
Unauthorised expenditure approved	9	167	-
<b>Total current expenditure</b>		<b>1,883,139</b>	<b>1,856,321</b>
<b>Transfers and subsidies</b>			
Provinces and municipalities		5,497,360	3,438,462
Departmental agencies		7,153,082	6,652,130
Universities		3,500	814
Public corporations and private enterprises		258,831	5,824
Foreign governments and international organisations		521,219	371,235
Non-profit institutions		-	58
Households		795,014	725,519
<b>Total transfers and subsidies</b>	7	<b>14,229,006</b>	<b>11,194,042</b>
<b>Capital expenditure</b>			
Machinery and equipment	8	11,394	16,482
Software and other intangible assets	8	-	1,051
Local and foreign aid assistance		89	78
<b>Total capital expenditure</b>		<b>11,483</b>	<b>17,611</b>
<b>TOTAL EXPENDITURE</b>		<b>16,123,628</b>	<b>13,067,974</b>
<b>SURPLUS FOR THE YEAR</b>		<b>5,331,716</b>	<b>6,285,879</b>
<b>Reconciliation of surplus for the year</b>			
Voted funds	14	613,958	1,115,324
Departmental revenue	15	4,720,125	5,170,026
Local and foreign aid assistance		(2,367)	529
<b>SURPLUS FOR THE YEAR</b>		<b>5,331,716</b>	<b>6,285,879</b>





## NATIONAL TREASURY VOTE 8

### STATEMENT OF FINANCIAL POSITION as at 31 March 2007

	Note	2006/07 R'000	2005/06 R'000
<b>ASSETS</b>			
<b>Current assets</b>		<b>576,598</b>	<b>1,254,101</b>
Unauthorised expenditure	9	-	167
Cash and cash equivalents	10	558,462	1,226,534
Prepayments and advances	11	437	443
Receivables	12	16,703	26,957
Local and foreign aid assistance receivable	3	996	-
<b>Non current assets</b>		<b>200,001</b>	<b>200,001</b>
Investments	13	200,001	200,001
<b>TOTAL ASSETS</b>		<b>776,599</b>	<b>1,454,102</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>576,557</b>	<b>1,254,088</b>
Voted funds to be surrendered to the National Revenue Fund	14	561,204	1,115,324
Departmental revenue to be surrendered to the National Revenue Fund	15	7,895	104,167
Payables	16	6,811	32,579
Local and foreign aid assistance unutilised	3	647	2,018
<b>TOTAL LIABILITIES</b>		<b>576,557</b>	<b>1,254,088</b>
<b>NET ASSETS</b>		<b>200,042</b>	<b>200,014</b>
<b>Represented by:</b>			
Capitalisation reserve		200,001	200,001
Recoverable revenue		41	13
<b>TOTAL NET ASSETS</b>		<b>200,042</b>	<b>200,014</b>

## NATIONAL TREASURY VOTE 8

## STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2007

	2006/07 R'000	2005/06 R'000
<b>Capitalisation reserves</b>		
Opening balance	200,001	200,000
Other movements	-	1
<b>Closing balance capitalisation reserve</b>	<u>200,001</u>	<u>200,001</u>
<b>Recoverable revenue</b>		
Opening balance	13	7
Transfers	28	6
Debts recovered (included in departmental revenue)	(90)	(56)
Debts raised	118	62
<b>Closing balance recoverable revenue</b>	<u>41</u>	<u>13</u>
<b>TOTAL NET ASSETS</b>	<u><u>200,042</u></u>	<u><u>200,014</u></u>



## NATIONAL TREASURY VOTE 8

### CASH FLOW STATEMENT for the year ended 31 March 2007

	Note	2006/07 R'000	2005/06 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts		21,385,982	19,346,424
Annual appropriated funds received	1	16,676,827	14,172,795
Appropriation for unauthorised expenditure received	9	167	-
Departmental revenue received		4,703,517	5,162,597
Local and foreign aid assistance received	3	5,471	11,032
Net (increase) / decrease in working capital		(15,341)	7,566
Surrendered to National Revenue Fund		(5,931,721)	(5,629,300)
Current expenditure		(1,882,972)	(1,856,321)
Unauthorised expenditure (current expenditure)	9	(167)	-
Transfers and subsidies		(14,229,006)	(11,194,042)
<b>Net cash flow available from operating activities</b>	17	<b>(673,225)</b>	<b>674,327</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(11,483)	(17,611)
Proceeds from sale of capital assets	2	309	-
Increase in investments		-	(1)
<b>Net cash flows from investing activities</b>		<b>(11,174)</b>	<b>(17,612)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends received		16,299	7,429
Increase in net assets		28	7
<b>Net cash flows from financing activities</b>		<b>16,327</b>	<b>7,436</b>
Net (decrease) / increase in cash and cash equivalents		(668,072)	664,151
Cash and cash equivalents at the beginning of the year		1,226,534	562,383
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	18	<b>558,462</b>	<b>1,226,534</b>


**NATIONAL TREASURY VOTE 8**
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 March 2007**

1. Annual appropriation	Final appropriation	Actual funds received	Funds not requested	Appropriation received 2005/06
Programme description	R'000	R'000	R'000	R'000
Administration	173,392	173,392	-	129,661
Economic Planning and Budget Management	232,388	232,388	-	181,349
Asset and Liability Management	59,155	59,155	-	30,843
Financial Management and Systems	363,314	310,560	52,754	294,176
Financial Accounting and Reporting	75,644	75,644	-	57,990
Provincial and Local Government Transfers	5,677,155	5,677,155	-	4,279,513
Civil and Military Pensions, Contributions to Funds and Other Benefits	2,189,085	2,189,085	-	2,080,805
Fiscal Transfers	7,959,448	7,959,448	-	7,118,458
<b>Total appropriation</b>	<b>16,729,581</b>	<b>16,676,827</b>	<b>52,754</b>	<b>14,172,795</b>

*National Treasury received and transferred all of the equitable share allocations to provinces which amounted to R150,8 billion (2005/06 R134,7 billion)*

2. Departmental revenue to be surrendered to revenue fund	Note	2006/07 R'000	2005/06 R'000
Sales of goods and services other than capital assets	2.1	36,274	51,130
Fines, penalties and forfeits		365,000	2,650,000
Interest and dividends	2.2	4,281,186	2,428,979
Sales of capital assets	2.3	309	-
Financial transactions in assets and liabilities	2.4	37,356	39,917
<b>Total departmental revenue collected</b>		<b>4,720,125</b>	<b>5,170,026</b>
<b>2.1 Sales of goods and services other than capital assets</b>			
Sales of goods and services produced by the department		36,274	51,125
Sales by market establishment		174	-
Administrative fees		36,100	50,915
Other sales		-	210
Sales of scrap, waste and other used current goods		-	5
<b>Total sales of goods and services other than capital assets</b>		<b>36,274</b>	<b>51,130</b>
<b>2.2 Interest and dividends</b>			
Interest		4,264,887	2,421,550
Dividends		16,299	7,429
<b>Total interest and dividends</b>		<b>4,281,186</b>	<b>2,428,979</b>
<b>2.3 Sales of capital assets</b>			
Other capital assets		309	-
<b>Total capital assets</b>		<b>309</b>	<b>-</b>
<b>2.4 Financial transactions in assets and liabilities</b>			
<b>Nature of recovery</b>			
Receivables		37,336	39,333
Other receipts including recoverable revenue		20	584
<b>Total financial transactions in assets and liabilities</b>		<b>37,356</b>	<b>39,917</b>



## NATIONAL TREASURY VOTE 8

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2007

	2006/07 R'000	2005/06 R'000
<b>3. Local and foreign aid assistance</b>		
<b>3.1 Foreign assistance received in cash from RDP</b>		
Opening balance	1,996	1,467
Revenue	5,471	11,032
Expenditure	7,838	10,503
Current	7,749	10,425
Capital	89	78
<b>Closing balance</b>	<b>(371)</b>	<b>1,996</b>
<b>3.2 Local assistance received in cash: Other</b>		
Opening balance	22	22
<b>Closing balance</b>	<b>22</b>	<b>22</b>
<b>Total assistance</b>		
Opening balance	2,018	1,489
Revenue	5,471	11,032
Expenditure	7,838	10,503
Current	7,749	10,425
Capital	89	78
<b>Closing balance</b>	<b>(349)</b>	<b>2,018</b>
<b>Analysis of balance</b>		
Local and foreign aid receivable	(996)	-
Local and foreign aid unutilised	647	2,018
<b>Closing balance</b>	<b>(349)</b>	<b>2,018</b>
<b>4. Compensation of employees</b>		
<b>4.1 Salaries, allowances and other awards</b>		
Basic salary	147,166	129,305
Performance award	14,964	12,435
Service based	6	3
Compensative / circumstantial	11,782	9,846
Other non-pensionable allowances	34,203	27,052
<b>Total salaries, allowances and other awards</b>	<b>208,121</b>	<b>178,641</b>
Average number of employees (Refer to 4.1 and 4.2.1)	730	697
<b>4.2 Social contributions</b>		
<b>4.2.1 Employer contributions</b>		
Pension	16,934	14,958
Medical	5,820	5,814
UIF	-	1
Bargaining council	22	21
<b>Total employer contributions</b>	<b>22,776</b>	<b>20,794</b>


**NATIONAL TREASURY VOTE 8**
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
**for the year ended 31 March 2007**

		2006/07	2005/06
	<i>Note</i>	R'000	R'000
<b>4.2.2 Post retirement benefits</b>			
Medical		1,222,463	1,256,782
<b>Total post retirement benefits</b>		<b>1,222,463</b>	<b>1,256,782</b>
<b>Total compensation of employees</b>		<b>1,453,360</b>	<b>1,456,217</b>
Average number of pensioners (Refer to 4.2.2)		68 396	64 662
<b>5. Goods and services</b>			
Advertising		3,279	3,597
Attendance fees (including registration fees)		23	20
Bank charges and card fees		180	114
Bursaries (employees)		777	948
Communication		5,635	8,013
Computer services		168,562	195,793
Consultants, contractors and special services		112,080	77,449
Courier and delivery services		143	222
Drivers' licences and permits		3	-
Entertainment		2,360	2,049
External audit fees	5.1	9,467	6,358
Equipment less than R5000		3,406	7,069
Firearm handling fees		-	1
Inventory	5.2	14,402	15,722
Legal fees		11,049	3,375
Maintenance, repairs and running costs		2,823	3,126
Medical services		25	18
Operating leases		18,303	1,688
Owned leasehold property expenditure		4,978	29
Personnel agency fees		7,441	6,461
Photographic services		12	15
Plant flowers and other decorations		196	309
Printing and publications		225	63
Professional bodies and membership fees		719	668
Protective, special clothing and uniforms		3	-
Resettlement costs		669	357
Subscriptions		2,502	1,204
Translations and transcriptions		27	52
Training and staff development		9,328	16,535
Travel and subsistence	5.3	26,401	23,020
Venues and facilities		10,531	7,369
<b>Total goods and services</b>		<b>415,549</b>	<b>381,644</b>
<b>5.1 External audit fees</b>			
Regulatory audits		7,760	5,247
Performance audits		1,575	-
Other audits		132	1,111
<b>Total external audit fees</b>		<b>9,467</b>	<b>6,358</b>



## NATIONAL TREASURY VOTE 8

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2007

		2006/07	2005/06
		R'000	R'000
<b>5.2</b>	<b>Inventory</b>		
		<i>Note</i>	
	Domestic consumables	662	648
	Food and food supplies	354	345
	Fuel, oil and gas	146	107
	Other consumables	32	81
	Parts and other maintenance material	765	2,179
	Restoration and fittings	53	56
	Stationery and printing	12,390	12,306
	<b>Total inventory</b>	<b>14,402</b>	<b>15,722</b>
<b>5.3</b>	<b>Travel and subsistence</b>		
	Local	15,297	13,367
	Foreign	11,104	9,653
	<b>Total travel and subsistence</b>	<b>26,401</b>	<b>23,020</b>
<b>6.</b>	<b>Financial transactions in assets and liabilities</b>		
	Other material losses written off	2,644	247
	Debts written off	3,670	7,788
	<b>Total financial transactions in assets and liabilities</b>	<b>6,314</b>	<b>8,035</b>
<b>6.1</b>	<b>Other material losses written off</b>		
	Accident damages (departmental vehicles)	-	203
	Accident damages (hired vehicles)	10	19
	State guarantees	2,445	-
	Miscellaneous	189	25
	<b>Total other material losses written off</b>	<b>2,644</b>	<b>247</b>
<b>6.2</b>	<b>Debts written off</b>		
	Civil and military pensions (bad debts)	3,670	7,788
	<b>Total debts written off</b>	<b>3,670</b>	<b>7,788</b>
<b>7.</b>	<b>Transfers and subsidies</b>		
	Provinces and municipalities	5,497,360	3,438,462
	Conditional grants (infrastructure) paid to provinces	4,983,498	2,984,113
	Conditional grants (financial management) paid to municipalities	145,250	132,500
	Conditional grants (restructuring) paid to municipalities	265,000	255,000
	In kind conditional grants to municipalities	103,407	66,240
	Unconditional grants (regional council levy) paid to municipalities	205	609
	Departmental agencies	7,153,082	6,652,130
	Universities	3,500	814
	Public corporations and private enterprises	258,831	5,824
	Foreign governments and international organisations	521,219	371,235
	Non-profit institutions	-	58
	Households	795,014	725,519
	<b>Total transfers and subsidies</b>	<b>14,229,006</b>	<b>11,194,042</b>


**NATIONAL TREASURY VOTE 8**
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
**for the year ended 31 March 2007**

				2006/07	2005/06
				R'000	R'000
<b>8. Capital expenditure</b>					
Machinery and equipment		<i>Note 28</i>		11,394	16,482
Software and other intangible assets		<i>Note 29</i>		-	1,051
<b>Total capital expenditure</b>				<b>11,394</b>	<b>17,533</b>
<b>9. Unauthorised expenditure</b>					
Opening balance				167	167
Current expenditure approved by Parliament (with funding) - Finance Act (2 of 2007)				(167)	-
<b>Unauthorised expenditure awaiting approval</b>				<b>-</b>	<b>167</b>
<b>10. Cash and cash equivalents</b>					
Consolidated Paymaster General Account				552,578	1,196,898
Cash on hand				21	7
Cash with commercial banks				5,863	29,629
<b>Total cash and cash equivalents</b>				<b>558,462</b>	<b>1,226,534</b>
<b>11. Prepayments and advances</b>					
Travel and subsistence				201	185
Prepayments				236	73
Advances paid to other entities				-	185
<b>Total prepayments and advances</b>				<b>437</b>	<b>443</b>
<b>12. Receivables</b>					
				<b>Less than</b>	<b>One to</b>
				<b>one year</b>	<b>three years</b>
				<b>Older than</b>	<b>three years</b>
<b>Description</b>	<i>Note</i>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>Total</b>
		<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>Total</b>
Households and non-profit institutions	<i>12.1</i>	1,290	6,788	2,511	10,589
Staff debtors	<i>12.2</i>	130	65	128	323
Other debtors	<i>12.3</i>	441	3	193	637
Intergovernmental receivables	<i>Annex 4</i>	1,020	3,486	648	5,154
<b>Total receivables</b>		<b>2,881</b>	<b>10,342</b>	<b>3,480</b>	<b>16,703</b>
<b>12.1 Households and non-profit institutions</b>					
Civil and military pensions debt				795	2,012
Civil and military pensions disallowance				7,945	11,696
Special pensions disallowance				1,849	1,671
<b>Total households and non-profit institutions</b>				<b>10,589</b>	<b>15,379</b>
<b>12.2 Staff debtors</b>					
Departmental debt				254	257
Other staff debt				69	44
<b>Total staff debtors</b>				<b>323</b>	<b>301</b>
<b>12.3 Other debtors</b>					
Theft and losses				418	363
Value added tax (SARS)				219	232
<b>Total other debtors</b>				<b>637</b>	<b>595</b>





## NATIONAL TREASURY VOTE 8

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2007

		2006/07	2005/06		
		R'000	R'000		
<b>13. Investments (non current shares)</b>	<i>Note</i>				
Development Bank of South Africa	<i>Annex 2A &amp; 2B</i>	200,000	200,000		
Public Investment Corporation Limited		1	1		
SASRIA Limited <sup>3</sup>		-	-		
<b>Total investments</b>		<b>200,001</b>	<b>200,001</b>		
<sup>3</sup> Total shareholding in SASRIA Limited amounts to R1. Kindly refer to Annexure 2A for more details.					
<b>Analysis of investments</b>					
Opening balance		200,001	200,000		
Non-cash movements		-	1		
<b>Closing balance investments</b>		<b>200,001</b>	<b>200,001</b>		
<b>14. Voted funds to be surrendered to the National Revenue Fund</b>					
Opening balance		1,115,324	532,012		
Transfer from Statement of Financial Performance		613,958	1,115,324		
Voted funds not requested	<i>14.1</i>	(52,754)	-		
Paid during the year		(1,115,324)	(532,012)		
<b>Closing balance voted funds to be surrendered</b>		<b>561,204</b>	<b>1,115,324</b>		
<b>14.1 Voted funds not requested</b>					
Funds not to be requested		(52,754)	-		
<b>Total voted funds not requested</b>		<b>(52,754)</b>	<b>-</b>		
<b>15. Departmental revenue to be surrendered to the National Revenue Fund</b>					
Opening balance		104,167	31,429		
Transfer from Statement of Financial Performance		4,720,125	5,170,026		
Paid during the year		(4,816,397)	(5,097,288)		
<b>Closing balance departmental revenue to be surrendered</b>		<b>7,895</b>	<b>104,167</b>		
<b>16. Payables</b>					
<b>Description</b>	<i>Note</i>	<b>30 Days</b>	<b>30 + Days</b>	<b>Total</b>	<b>Total</b>
Amounts owing to other entities	<i>Annex 5</i>	-	-	-	19,855
Advances received	<i>16.1</i>	7	-	7	2,404
Clearing accounts	<i>16.2</i>	52	-	52	67
Other payables	<i>16.3</i>	233	6,519	6,752	10,253
<b>Total payables</b>		<b>292</b>	<b>6,519</b>	<b>6,811</b>	<b>32,579</b>
<b>16.1 Advances received</b>					
Licensing (SafetyNet)				-	2,404
Pensions Administration				7	-
<b>Total advances received</b>				<b>7</b>	<b>2,404</b>
<b>16.2 Clearing accounts</b>					
Income tax				-	29
Receivable interest				36	38
Salary recalls				16	-
<b>Total clearing accounts</b>				<b>52</b>	<b>67</b>

## NATIONAL TREASURY VOTE 8

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2007

	2006/07 R'000	2005/06 R'000
<b>16.3 Other payables</b>		
Recoverable revenue civil and military pensions	5,778	9,506
Recoverable revenue special services	879	711
Other	95	36
<b>Total other payables</b>	<b>6,752</b>	<b>10,253</b>
<b>17. Net cash flow available from operating activities</b>		
Net surplus as per Statement of Financial Performance	5,331,716	6,285,879
Add back non cash / cash movements not deemed operating activities	(6,004,941)	(5,611,552)
Decrease in receivables	10,254	41,871
Decrease / (increase) in prepayments and advances	6	(4)
Decrease in other current assets	(829)	-
Decrease in payables	(25,768)	(34,301)
Proceeds from sale of capital assets	(309)	-
Capital expenditure	11,483	17,611
Surrender to National Revenue Fund	(5,931,721)	(5,629,300)
Voted funds not requested	(52,754)	-
Other non cash items	(15,303)	(7,429)
<b>Net cash flow generated by operating activities</b>	<b>(673,225)</b>	<b>674,327</b>
<b>18. Reconciliation of cash and cash equivalents for cash flow purposes</b>		
Consolidated Paymaster General Account	552,578	1,196,898
Cash on hand	21	7
Cash with commercial banks	5,863	29,629
<b>Total reconciliation of cash and cash equivalents</b>	<b>558,462</b>	<b>1,226,534</b>



## NATIONAL TREASURY VOTE 8

# DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2007

			2006/07	2005/06	
		Note	R'000	R'000	
<b>19.</b>	<b>Contingent liabilities</b>				
	<b>Liable to</b>	<b>Nature</b>			
	Motor vehicle guarantees	Employees	Annex 3A 661	-	
	Housing loan guarantees	Employees	Annex 3A 518	854	
	Other guarantees		Annex 3A 13,189,087	16,206,151	
	Local guarantees	Financial institutions	920,533	4,538,045	
	Local guaranteed interest	Financial institutions	90,957	79,898	
	Foreign guarantees	Financial institutions	12,094,226	11,518,850	
	Foreign guaranteed interest	Financial institutions	83,371	69,358	
	Claims against the Department	Tender related claims	Annex 3B 1,727	670	
	Other	Various	Annex 3B 44,248	1,020,238	
	<b>Total contingent liabilities</b>		<b>13,236,241</b>	<b>17,227,913</b>	
<b>20.</b>	<b>Commitments (approved and contracted)</b>				
	Current expenditure		1,342	539	
	Capital expenditure		98	689	
	<b>Total commitments</b>		<b>1,440</b>	<b>1,228</b>	
<b>21.</b>	<b>Accruals</b>				
	<b>Listed by economic classification</b>	<b>30+ Days</b>	<b>30 Days</b>	<b>Total</b>	<b>Total</b>
	Compensation of employees	-	19,785	19,785	23,515
	Goods and services	2,353	24,390	26,743	21,618
	Transfers and subsidies	-	19,543	19,543	32,141
	Machinery and equipment	-	-	-	388
	<b>Total accruals per economic classification</b>	<b>2,353</b>	<b>63,718</b>	<b>66,071</b>	<b>77,662</b>
	<b>Listed by programme level</b>				
	Administration		3,844	2,218	
	Economic Planning and Budget Management		8,977	1,742	
	Asset and Liability Management		353	328	
	Financial Management and Systems		11,175	15,539	
	Financial Accounting and Reporting		1,234	680	
	Civil and Military Pensions, Contributions to Funds and Other Benefits		40,488	57,155	
	<b>Total accruals per programme</b>		<b>66,071</b>	<b>77,662</b>	
<b>22.</b>	<b>Employee benefits</b>				
	Leave entitlement		4,976	4,043	
	Thirteenth cheque		4,866	4,456	
	Performance awards		18,131	13,733	
	Capped leave commitments		12,889	12,680	
	<b>Total employee benefits</b>		<b>40,862</b>	<b>34,912</b>	


**NATIONAL TREASURY VOTE 8**
**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
(CONTINUED)  
for the year ended 31 March 2007**

		2006/07 R'000	2005/06 R'000
<b>23. Lease commitments (operating)</b>	<b>Machinery and equipment</b>	<b>Total</b>	<b>Total</b>
Not later than 1 year	271	271	788
Later than 1 year and not later than 5 years	1,089	1,089	478
<b>Total present value of operating lease liabilities</b>	<b>1,360</b>	<b>1,360</b>	<b>1,266</b>
<b>24. Receivables for departmental revenue</b>			
Interest and dividends		348,559	79,153
Financial transactions in assets and liabilities		4,364	2,086
<b>Total receivables for departmental revenue</b>		<b>352,923</b>	<b>81,239</b>
<b>25. Irregular expenditure</b>			
<b>25.1 Reconciliation of irregular expenditure</b>			
Opening balance		176	176
<b>Total irregular expenditure awaiting condonement</b>		<b>176</b>	<b>176</b>
<b>Analysis</b>			
Prior years		176	176
<b>Total analysis</b>		<b>176</b>	<b>176</b>
<b>25.2 Irregular expenditure</b>			
<b>Incident</b>	<b>Disciplinary steps taken / criminal proceedings</b>		
Payment to WEFA	None - awaiting condonement	41	
Payment to Deloitte & Touché	None - awaiting condonement	36	
Payment to New Africa	None - awaiting condonement	99	
<b>Total irregular expenditure</b>		<b>176</b>	
<b>26. Key management personnel</b>	<b>Number of Individuals</b>		
Political office bearers	2	1,950	1,879
Officials		37,524	28,805
Level 15 to 16	15	10,303	6,215
Level 14	51	27,221	22,590
<b>Total key management personnel</b>		<b>39,474</b>	<b>30,684</b>
<b>27. Provisions</b>	<i>Note</i>		
Potential irrecoverable debts	27.1	1,508	8,346
Other provisions	27.2	512,391	194,937
<b>Total provisions and write offs</b>		<b>513,899</b>	<b>203,283</b>
<b>27.1 Potential irrecoverable debts</b>			
Households and non-profit institutions		1,134	5,600
Staff debtors		89	139
Other debtors		285	40
Claims recoverable		-	2,567
<b>Total potential irrecoverable debts</b>		<b>1,508</b>	<b>8,346</b>



## NATIONAL TREASURY VOTE 8

# DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2007

	2006/07 R'000	2005/06 R'000
<b>27.2 Other provisions</b>		
Special pensions	479,194	39,108
Military pensions	62	923
Injury on duty	33,135	79,305
Departmental revenue (refund erroneous receipts)	-	75,601
<b>Total other provisions</b>	<b>512,391</b>	<b>194,937</b>

### 28. Tangible capital assets - machinery and equipment

#### 28.1 Movement in tangible capital assets per asset register for the year ended 31 March 2007

Description	Opening balance	Current year adjustments to prior year balances	Additions	Disposals	Closing balance
	Cost R'000	Cost R'000	Cost R'000	Cost R'000	Cost R'000
Transport assets	3,329	(554)	-	791	1,984
Computer equipment	32,386	(128)	9,656	-	41,914
Furniture and office equipment	32,614	(373)	701	16	32,926
Other machinery and equipment	4,082	128	1,037	-	5,247
<b>Total tangible capital asset movements</b>	<b>72,411</b>	<b>(927)</b>	<b>11,394</b>	<b>807</b>	<b>82,071</b>

#### 28.2 Additions to tangible capital assets per asset register for the year ended 31 March 2007

Description	Cash	Non-cash	Received current, not paid	Total
	Cost R'000	Fair Value R'000	Cost R'000	Cost R'000
Computer equipment	9,656	-	-	9,656
Furniture and office equipment	701	-	-	701
Other machinery and equipment	1,037	-	-	1,037
<b>Total tangible capital asset additions</b>	<b>11,394</b>	<b>-</b>	<b>-</b>	<b>11,394</b>

#### 28.3 Disposals of tangible capital assets per asset register for the year ended 31 March 2007

Description	Sold (cash)	Non-cash	Total cost	Cash received actual
	Cost R'000	Fair Value R'000	Cost R'000	Cost R'000
Transport assets	791	-	791	309
Furniture and office equipment	-	16	16	-
<b>Total tangible capital asset disposals</b>	<b>791</b>	<b>16</b>	<b>807</b>	<b>309</b>

## NATIONAL TREASURY VOTE 8

### DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2007

#### 28.4 Movement in tangible capital assets per asset register for the year ended 31 March 2006

Description	Opening balance	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000
Transport assets	2,140	1,189	-	3,329
Computer equipment	24,072	8,314	-	32,386
Furniture and office equipment	27,211	5,403	-	32,614
Other machinery and equipment	2,506	1,576	-	4,082
<b>Total tangible capital asset movements</b>	<b>55,929</b>	<b>16,482</b>	<b>-</b>	<b>72,411</b>

#### 29. Intangible capital assets – software and other intangible assets

##### 29.1 Movement in intangible capital assets per asset register for the year ended 31 March 2007

Description	Opening balance	Current year adjustments to prior year balances	Closing balance
	Cost R'000	Cost R'000	Cost R'000
Computer software	1,219	(1,219)	-
<b>Total intangible capital asset movements</b>	<b>1,219</b>	<b>(1,219)</b>	<b>-</b>

##### 29.2 Movement in intangible capital assets per asset register for the year ended 31 March 2006

Description	Opening balance	Additions	Closing balance
	R'000	R'000	R'000
Computer software	168	1,051	1,219
<b>Total intangible capital asset movements</b>	<b>168</b>	<b>1,051</b>	<b>1,219</b>

**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2007

**ANNEXURE 1A**  
**STATEMENT OF CONDITIONAL GRANTS (INFRASTRUCTURE) PAID TO PROVINCES**

Province	Grant allocation			Transfer		2005/06 Division of Revenue Act R'000
	Division of Revenue Act R'000	Roll overs <sup>4</sup> R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	
Eastern Cape	742,057	-	-	742,057	742,057	675,330
Free State	242,678	51,365	-	294,043	294,043	220,921
Gauteng	407,745	277,333	-	685,078	685,078	369,777
KwaZulu-Natal	870,486	-	-	870,486	870,486	787,803
Limpopo	729,464	218,882	-	948,346	948,346	660,898
Mpumalanga	316,596	37,106	-	353,702	353,702	285,533
Northern Cape	201,733	41,974	-	243,707	243,707	180,529
North West <sup>5</sup>	354,373	55,000	15,081	424,454	424,454	321,135
Western Cape <sup>6</sup>	252,987	65,000	103,638	421,625	421,625	228,847
<b>Total conditional grants to provinces</b>	<b>4,118,119</b>	<b>746,660</b>	<b>118,719</b>	<b>4,983,498</b>	<b>4,983,498</b>	<b>3,730,773</b>

<sup>4</sup> Roll overs from the 2005/06 financial year (funds not transferred during 2005/06 in terms of Section 34 of the Division of Revenue Act, 2005 (1 of 2005)) and re-allocation of roll overs from the 2005/06 financial year between provinces

<sup>5</sup> Use of funds in emergency situations in terms of Section 16 of the PFMA for flood disasters in the Bophirima District, North West

<sup>6</sup> Unforeseeable and unavoidable expenditure allocated to Western Cape for the rehabilitating infrastructure following flood damage

**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2007

**ANNEXURE 1B**  
**STATEMENT OF CONDITIONAL GRANTS (FINANCIAL MANAGEMENT) PAID TO MUNICIPALITIES**

Municipality	Grant allocation			Transfer		Spent		2005/06 Division of Revenue Act R'000		
	Division of Revenue Act R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	% of available funds transferred %	Amount received by municipality R'000		Amount spent by municipality R'000	% of available funds spent by municipality %
IKai! Garib	500	-	-	500	500	100.0	500	110	22.0	250
IYkheis	500	-	-	500	500	100.0	500	45	9.0	250
//Khara Hais	500	-	-	500	500	100.0	500	10	2.0	-
Abaqulusi	500	-	-	500	500	100.0	500	95	19.0	-
Aganang	500	-	-	500	500	100.0	500	263	52.6	250
Albert Luthuli	500	-	-	500	500	100.0	500	11	2.2	250
Alfred Nzo	500	-	-	500	500	100.0	500	80	16.0	1,000
Amahlati	500	-	-	500	500	100.0	500	130	26.0	-
Amajuba	500	-	-	500	500	100.0	500	500	100.0	250
Amatole	500	-	-	500	500	100.0	500	500	100.0	1,500
Ba-Phalaborwa	500	-	-	500	500	100.0	500	216	43.2	-
Baviaans	500	-	-	500	500	100.0	500	125	25.0	250
Beaufort West	500	-	-	500	500	100.0	500	487	97.4	-
Bela Bela	500	-	-	500	500	100.0	500	500	100.0	-
Bergvliet	500	-	-	500	500	100.0	500	-	-	-
Bitou	500	-	-	500	500	100.0	500	23	4.6	-
Blouberg	500	-	-	500	500	100.0	500	21	4.2	250
Blue Crane Route	500	-	-	500	500	100.0	500	252	50.4	250
<b>Subtotal carried forward</b>	<b>9,000</b>	<b>-</b>	<b>-</b>	<b>9,000</b>	<b>9,000</b>		<b>9,000</b>	<b>3,368</b>		<b>4,500</b>



**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2007

**ANNEXURE 1B**  
**STATEMENT OF CONDITIONAL GRANTS (FINANCIAL MANAGEMENT) PAID TO MUNICIPALITIES (CONTINUED)**

Municipality	Grant allocation			Transfer		Spent			2005/06 Division of Revenue Act R'000	
	Division of Revenue Act R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	% of available funds transferred R'000	Amount received by municipality R'000	Amount spent by municipality R'000		% of available funds spent by municipality R'000
Subtotal brought forward	9,000	-	-	9,000	9,000	-	9,000	3,368	-	4,500
Bohlabela	-	-	-	-	-	-	-	-	-	250
Bojanala Platinum	500	-	-	500	500	100.0	500	226	45.2	-
Bophirima	500	-	-	500	500	100.0	500	310	62.0	-
Breede Rivier Winelands	500	-	-	500	500	100.0	500	229	45.8	-
Breede Valley	500	-	-	500	500	100.0	500	203	40.6	-
Buffalo City	500	-	-	500	500	100.0	500	500	100.0	2,500
Bushbuckridge	500	-	-	500	500	100.0	500	-	-	-
Cacadu	500	-	-	500	500	100.0	500	500	100.0	1,000
Camdeboo	500	-	-	500	500	100.0	500	53	10.6	250
Cape Agulhas	500	-	-	500	500	100.0	500	22	4.4	-
Cape Town	500	-	-	500	500	100.0	500	500	100.0	4,000
Cape Winelands	1,000	-	-	1,000	1,000	100.0	1,000	511	51.1	2,000
Capricorn	500	-	-	500	500	100.0	500	500	100.0	1,000
Cederberg	500	-	-	500	500	100.0	500	207	41.4	250
Central (DC38)	500	-	-	500	500	100.0	500	106	21.2	-
Central (DC5) (Central Karoo)	500	-	-	500	500	100.0	500	282	56.4	250
Chris Hani	500	-	-	500	500	100.0	500	437	87.4	1,000
Dannhauser	500	-	-	500	500	100.0	500	49	9.8	250
<b>Subtotal carried forward</b>	<b>18,000</b>	<b>-</b>	<b>-</b>	<b>18,000</b>	<b>18,000</b>		<b>18,000</b>	<b>8,003</b>		<b>17,250</b>

**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2007

**ANNEXURE 1B**  
**STATEMENT OF CONDITIONAL GRANTS (FINANCIAL MANAGEMENT) PAID TO MUNICIPALITIES (CONTINUED)**

Municipality	Grant allocation			Transfer		Spent			2005/06	
	Division of Revenue Act R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	% of available funds transferred R'000	Amount received by municipality R'000	Amount spent by municipality R'000	% of available funds spent by municipality R'000	Division of Revenue Act R'000
Subtotal brought forward	18,000	-	-	18,000	18,000		18,000	8,003		17,250
Delmas	500	-	-	500	500	100.0	500	28	5.6	-
Dihlabeng	500	-	-	500	500	100.0	500	252	50.4	-
Dikgatlong	500	-	-	500	500	100.0	500	211	42.2	250
Dipaleseng	500	-	-	500	500	100.0	500	23	4.6	250
Ditsobotla	500	-	-	500	500	100.0	500	-	-	-
Dr. JS Moroka	500	-	-	500	500	100.0	500	188	37.6	250
Drakenstein	500	-	-	500	500	100.0	500	-	-	2,000
Eden	750	-	-	750	750	100.0	750	750	100.0	1,500
Edumbe	500	-	-	500	500	100.0	500	42	8.4	250
Ehlanzeni	500	-	-	500	500	100.0	500	-	-	2,000
Ekurhuleni Metro	500	-	-	500	500	100.0	500	383	76.6	3,000
Elundini	500	-	-	500	500	100.0	500	-	-	250
Emakhazeni	500	-	-	500	500	100.0	500	288	57.6	250
Emalahleni (Eastern Cape)	500	-	-	500	500	100.0	500	-	-	250
Emalahleni (Mpumalanga)	500	-	-	500	500	100.0	500	270	54.0	2,000
Ermfuleni	500	-	-	500	500	100.0	500	191	38.2	1,000
Ermambithi/Ladysmith	500	-	-	500	500	100.0	500	61	12.2	1,000
Emthanjeni	500	-	-	500	500	100.0	500	-	-	-
<b>Subtotal carried forward</b>	<b>27,250</b>	<b>-</b>	<b>-</b>	<b>27,250</b>	<b>27,250</b>		<b>27,250</b>	<b>10,690</b>		<b>31,500</b>

**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2007

**ANNEXURE 1B**  
**STATEMENT OF CONDITIONAL GRANTS (FINANCIAL MANAGEMENT) PAID TO MUNICIPALITIES (CONTINUED)**

Municipality	Grant allocation			Transfer		Spent			2005/06 Division of Revenue Act R'000	
	Division of Revenue Act R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	% of available funds transferred R'000	Amount received by municipality R'000	Amount spent by municipality R'000		% of available funds spent by municipality R'000
Subtotal brought forward	27,250	-	-	27,250	27,250		27,250	10,690		31,500
Endodakusuka	500	-	-	500	500	100.0	500	266	53.2	-
Endumeni	500	-	-	500	500	100.0	500	500	100.0	-
Engcobo	500	-	-	500	500	100.0	500	-	-	250
Ethekwini	500	-	-	500	500	100.0	500	500	100.0	3,500
Ezingolweni	500	-	-	500	500	100.0	500	-	-	250
Fetakgomo	500	-	-	500	500	100.0	500	65	13.0	250
Fezile Dabi	500	-	-	500	500	100.0	500	500	100.0	-
Frances Baard	500	-	-	500	500	100.0	500	500	100.0	2,000
Gamagara	500	-	-	500	500	100.0	500	-	-	250
Gariep	500	-	-	500	500	100.0	500	-	-	250
Ga-Segonyana	500	-	-	500	500	100.0	500	317	63.4	-
George	500	-	-	500	500	100.0	500	305	61.0	1,000
Gert Sibande	500	-	-	500	500	100.0	500	500	100.0	1,500
Giyani	500	-	-	500	500	100.0	500	268	53.6	250
Govan Mbeki	500	-	-	500	500	100.0	500	500	100.0	2,000
Great Kei	500	-	-	500	500	100.0	500	-	-	250
<b>Subtotal carried forward</b>	<b>35,250</b>	<b>-</b>	<b>-</b>	<b>35,250</b>	<b>35,250</b>		<b>35,250</b>	<b>14,911</b>		<b>43,250</b>

**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2007

**ANNEXURE 1B**  
**STATEMENT OF CONDITIONAL GRANTS (FINANCIAL MANAGEMENT) PAID TO MUNICIPALITIES (CONTINUED)**

Municipality	Grant allocation			Transfer		Spent			2005/06 Division of Revenue Act R'000	
	Division of Revenue Act R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	% of available funds transferred R'000	Amount received by municipality R'000	Amount spent by municipality R'000		% of available funds spent by municipality R'000
Subtotal brought forward	35,250	-	-	35,250	35,250	100.0	35,250	14,911	43,250	
Groblersdal	500	-	-	500	500	100.0	500	138	27.6	
Hantam	500	-	-	500	500	100.0	500	19	3.8	
Hessequa	500	-	-	500	500	100.0	500	-	-	
Hibiscus Coast	500	-	-	500	500	100.0	500	225	45.0	
Hiabisa	500	-	-	500	500	100.0	500	-	-	
Ikwezi	500	-	-	500	500	100.0	500	417	83.4	
Ilembe	500	-	-	500	500	100.0	500	163	32.6	
Imbabazane	500	-	-	500	500	100.0	500	102	20.4	
Impendle	500	-	-	500	500	100.0	500	-	-	
Indaka	500	-	-	500	500	100.0	500	115	23.0	
Ingwe	500	-	-	500	500	100.0	500	-	-	
Inkwanca	500	-	-	500	500	100.0	500	93	18.6	
Intsika Yethu	500	-	-	500	500	100.0	500	1	0.2	
Inxuba Yethemba	500	-	-	500	500	100.0	500	28	5.6	
Johannesburg	500	-	-	500	500	100.0	500	500	100.0	
Jozini	500	-	-	500	500	100.0	500	-	-	
<b>Subtotal carried forward</b>	<b>43,250</b>	<b>-</b>	<b>-</b>	<b>43,250</b>	<b>43,250</b>	<b>100.0</b>	<b>43,250</b>	<b>16,712</b>	<b>48,500</b>	

**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2007

**ANNEXURE 1B**  
**STATEMENT OF CONDITIONAL GRANTS (FINANCIAL MANAGEMENT) PAID TO MUNICIPALITIES (CONTINUED)**

Municipality	Grant allocation			Transfer		Spent			2005/06 Division of Revenue Act R'000	
	Division of Revenue Act R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	% of available funds transferred R'000	Amount received by municipality R'000	Amount spent by municipality R'000		% of available funds spent by municipality R'000
Subtotal brought forward	43,250	-	-	43,250	43,250		43,250	16,712		48,500
Kagisano	500	-	-	500	500	100.0	500	147	29.4	250
Kamiesberg	500	-	-	500	500	100.0	500	315	63.0	250
Kannaland	500	-	-	500	500	100.0	500	-	-	250
Kareeberg	500	-	-	500	500	100.0	500	15	3.0	250
Karoo	500	-	-	500	500	100.0	500	-	-	1,000
Karoo Hoogland	500	-	-	500	500	100.0	500	80	16.0	250
Kgalagadi	500	-	-	500	500	100.0	500	378	75.6	1,000
Kgatelopele	500	-	-	500	500	100.0	500	-	-	250
Kgetlengrivier	500	-	-	500	500	100.0	500	500	100.0	250
Khai-Ma	500	-	-	500	500	100.0	500	296	59.2	250
King Sabata Dalindyebo	500	-	-	500	500	100.0	500	500	100.0	1,000
Klerksdorp	500	-	-	500	500	100.0	500	500	100.0	1,000
Knysna	500	-	-	500	500	100.0	500	396	79.2	1,000
Kokstad	500	-	-	500	500	100.0	500	232	46.4	-
Kopanong	500	-	-	500	500	100.0	500	500	100.0	1,000
Kouga	500	-	-	500	500	100.0	500	67	13.4	-
<b>Subtotal carried forward</b>	<b>51,250</b>	<b>-</b>	<b>-</b>	<b>51,250</b>	<b>51,250</b>		<b>51,250</b>	<b>20,638</b>		<b>56,500</b>

**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2007

**ANNEXURE 1B**  
**STATEMENT OF CONDITIONAL GRANTS (FINANCIAL MANAGEMENT) PAID TO MUNICIPALITIES (CONTINUED)**

Municipality	Grant allocation			Transfer		Spent			2005/06 Division of Revenue Act R'000	
	Division of Revenue Act R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	% of available funds transferred R'000	Amount received by municipality R'000	Amount spent by municipality R'000		% of available funds spent by municipality R'000
Subtotal brought forward	51,250	-	-	51,250	51,250	100.0	51,250	20,638	100.0	56,500
Koukamma	500	-	-	500	500	100.0	500	500	100.0	250
Kungwini	500	-	-	500	500	100.0	500	284	56.8	-
Kwa Sani	500	-	-	500	500	100.0	500	61	12.2	250
KwaDukuza	500	-	-	500	500	100.0	500	145	29.0	-
Laiingsburg	500	-	-	500	500	100.0	500	211	42.2	250
Lejweleputswa	500	-	-	500	500	100.0	500	500	100.0	1,000
Lekwa	500	-	-	500	500	100.0	500	26	5.2	-
Lekwa-Teemane	500	-	-	500	500	100.0	500	31	6.2	-
Lepelle-Nkumpi	500	-	-	500	500	100.0	500	-	-	250
Lephalale	500	-	-	500	500	100.0	500	308	61.6	-
Lesedi	500	-	-	500	500	100.0	500	229	45.8	-
Letaba	500	-	-	500	500	100.0	500	305	61.0	250
Letsemeng	500	-	-	500	500	100.0	500	289	57.8	250
Lukhariji	750	-	-	750	750	100.0	750	231	30.8	-
Madibeng	500	-	-	500	500	100.0	500	384	76.8	-
Mafikeng	500	-	-	500	500	100.0	500	500	100.0	1,500
<b>Subtotal carried forward</b>	<b>59,500</b>	<b>-</b>	<b>-</b>	<b>59,500</b>	<b>59,500</b>		<b>59,500</b>	<b>24,642</b>		<b>60,500</b>

**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2007

**ANNEXURE 1B**  
**STATEMENT OF CONDITIONAL GRANTS (FINANCIAL MANAGEMENT) PAID TO MUNICIPALITIES (CONTINUED)**

Municipality	Grant allocation			Transfer		Spent			2005/06 Division of Revenue Act R'000	
	Division of Revenue Act R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	% of available funds transferred R'000	Amount received by municipality R'000	Amount spent by municipality R'000		% of available funds spent by municipality R'000
Subtotal brought forward	59,500	-	-	59,500	59,500		59,500	24,642		60,500
Mafube	500	-	-	500	500	100.0	500	20	4.0	250
Magareng	500	-	-	500	500	100.0	500	-	-	250
Makana	750	-	-	750	750	100.0	750	-	-	-
Makhado	500	-	-	500	500	100.0	500	497	99.4	1,000
Makhudutamaga	500	-	-	500	500	100.0	500	-	-	250
Maletswai	500	-	-	500	500	100.0	500	35	7.0	250
Maluti-A-Phofung	500	-	-	500	500	100.0	500	500	100.0	2,000
Mamusa	500	-	-	500	500	100.0	500	296	59.2	250
Mangaung	500	-	-	500	500	100.0	500	500	100.0	2,000
Mantsopa	500	-	-	500	500	100.0	500	108	21.6	250
Maphumulo	500	-	-	500	500	100.0	500	-	-	250
Maquassi Hill	500	-	-	500	500	100.0	500	140	28.0	-
Marble Hill	500	-	-	500	500	100.0	500	173	34.6	250
Maruleng	500	-	-	500	500	100.0	500	-	-	250
Masilonyana	750	-	-	750	750	100.0	750	40	5.3	-
Matatiele	500	-	-	500	500	100.0	500	171	34.2	250
<b>Subtotal carried forward</b>	<b>68,000</b>	<b>-</b>	<b>-</b>	<b>68,000</b>	<b>68,000</b>		<b>68,000</b>	<b>27,122</b>		<b>68,000</b>

**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2007

**ANNEXURE 1B**  
**STATEMENT OF CONDITIONAL GRANTS (FINANCIAL MANAGEMENT) PAID TO MUNICIPALITIES (CONTINUED)**

Municipality	Grant allocation			Transfer		Spent			2005/06 Division of Revenue Act R'000	
	Division of Revenue Act R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	% of available funds transferred R'000	Amount received by municipality R'000	Amount spent by municipality R'000		% of available funds spent by municipality R'000
Subtotal brought forward	68,000	-	-	68,000	68,000		68,000	27,122		68,000
Matjhabeng	500	-	-	500	500	100.0	500	500	100.0	2,500
Matzikama	500	-	-	500	500	100.0	500	199	39.8	-
Mbhashe	500	-	-	500	500	100.0	500	6	1.2	250
Mbizana	500	-	-	500	500	100.0	500	152	30.4	250
Mbombela	500	-	-	500	500	100.0	500	500	100.0	2,500
Mbonambi	500	-	-	500	500	100.0	500	239	47.8	250
Merafong City	500	-	-	500	500	100.0	500	363	72.6	-
Metsimaholo	500	-	-	500	500	100.0	500	428	85.6	2,000
Metsweding	500	-	-	500	500	100.0	500	189	37.8	250
Mhlontlo	500	-	-	500	500	100.0	500	-	-	250
Midvaal	500	-	-	500	500	100.0	500	257	51.4	-
Mier	500	-	-	500	500	100.0	500	-	-	250
Mkhambathini	500	-	-	500	500	100.0	500	149	29.8	250
Mkhondo	500	-	-	500	500	100.0	500	20	4.0	-
Minquma	500	-	-	500	500	100.0	500	-	-	-
Modimolle	500	-	-	500	500	100.0	500	21	4.2	250
<b>Subtotal carried forward</b>	<b>76,000</b>	<b>-</b>	<b>-</b>	<b>76,000</b>	<b>76,000</b>		<b>76,000</b>	<b>30,145</b>		<b>77,000</b>



**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2007

**ANNEXURE 1B**  
**STATEMENT OF CONDITIONAL GRANTS (FINANCIAL MANAGEMENT) PAID TO MUNICIPALITIES (CONTINUED)**

Municipality	Grant allocation			Transfer		Spent			2005/06 Division of Revenue Act R'000	
	Division of Revenue Act R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	% of available funds transferred R'000	Amount received by municipality R'000	Amount spent by municipality R'000		% of available funds spent by municipality R'000
Subtotal brought forward	76,000	-	-	76,000	76,000		76,000	30,145		77,000
Mogalakwena	500	-	-	500	500	100.0	500	487	97.4	-
Mogale City	500	-	-	500	500	100.0	500	229	45.8	-
Mohokare	500	-	-	500	500	100.0	500	-	-	250
Molemole	500	-	-	500	500	100.0	500	372	74.4	250
Molopo	500	-	-	500	500	100.0	500	-	-	250
Mooi Mpotfana	500	-	-	500	500	100.0	500	-	-	250
Mookgopong	500	-	-	500	500	100.0	500	107	21.4	250
Mopani	500	-	-	500	500	100.0	500	133	26.6	250
Mochaka	500	-	-	500	500	100.0	500	289	57.8	-
Moretele	500	-	-	500	500	100.0	500	-	-	250
Moses Kotane	500	-	-	500	500	100.0	500	436	87.2	-
Moshaweng	500	-	-	500	500	100.0	500	104	20.8	250
Mossel Bay	500	-	-	500	500	100.0	500	136	27.2	-
Motheo	750	-	-	750	750	100.0	750	742	98.9	-
Misinga	500	-	-	500	500	100.0	500	-	-	250
Msukaligwa	500	-	-	500	500	100.0	500	150	30.0	-
<b>Subtotal carried forward</b>	<b>84,250</b>	<b>-</b>	<b>-</b>	<b>84,250</b>	<b>84,250</b>		<b>84,250</b>	<b>33,330</b>		<b>79,250</b>

**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2007

**ANNEXURE 1B**  
**STATEMENT OF CONDITIONAL GRANTS (FINANCIAL MANAGEMENT) PAID TO MUNICIPALITIES (CONTINUED)**

Municipality	Grant allocation			Transfer		Spent			2005/06 Division of Revenue Act R'000	
	Division of Revenue Act R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	% of available funds transferred R'000	Amount received by municipality R'000	Amount spent by municipality R'000		% of available funds spent by municipality R'000
Subtotal brought forward	84,250	-	-	84,250	84,250	100.0	84,250	33,330	100.0	79,250
Msunduzi	500	-	-	500	500	100.0	500	500	100.0	2,500
Mthonjaneni	500	-	-	500	500	100.0	500	227	45.4	250
Mtubatuba	500	-	-	500	500	100.0	500	-	-	250
Musina	500	-	-	500	500	100.0	500	500	100.0	250
Mutale	500	-	-	500	500	100.0	500	24	4.8	250
Nala	750	-	-	750	750	100.0	750	244	32.5	-
Naledi (FS171)	500	-	-	500	500	100.0	500	225	45.0	250
Naledi (NW392)	500	-	-	500	500	100.0	500	274	54.8	-
Nama Khoi	500	-	-	500	500	100.0	500	173	34.6	-
Namakwa	500	-	-	500	500	100.0	500	437	87.4	1,000
Ndlambe	500	-	-	500	500	100.0	500	235	47.0	-
Ndwedwe	500	-	-	500	500	100.0	500	82	16.4	250
Nelson Mandela Bay	1,000	-	-	1,000	1,000	100.0	1,000	676	67.6	3,500
Newcastle	500	-	-	500	500	100.0	500	359	71.8	1,000
Ngqushwa	500	-	-	500	500	100.0	500	252	50.4	250
Ngwathe	500	-	-	500	500	100.0	500	-	-	-
<b>Subtotal carried forward</b>	<b>93,000</b>	<b>-</b>	<b>-</b>	<b>93,000</b>	<b>93,000</b>	<b>100.0</b>	<b>93,000</b>	<b>37,538</b>	<b>-</b>	<b>89,000</b>

**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2007

**ANNEXURE 1B**  
**STATEMENT OF CONDITIONAL GRANTS (FINANCIAL MANAGEMENT) PAID TO MUNICIPALITIES (CONTINUED)**

Municipality	Grant allocation			Transfer		Spent			2005/06 Division of Revenue Act R'000	
	Division of Revenue Act R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	% of available funds transferred R'000	Amount received by municipality R'000	Amount spent by municipality R'000		% of available funds spent by municipality R'000
Subtotal brought forward	93,000	-	-	93,000	93,000	100.0	93,000	37,538	100.0	89,000
Nkandla	500	-	-	500	500	100.0	500	500	100.0	250
Nkangala	500	-	-	500	500	100.0	500	228	45.6	-
Nketoana	750	-	-	750	750	100.0	750	14	1.9	-
Nkomazi	500	-	-	500	500	100.0	500	184	36.8	-
Nkonkobe	750	-	-	750	750	100.0	750	-	-	-
Nokeng Tsa Taamane	500	-	-	500	500	100.0	500	76	15.2	250
Nongoma	500	-	-	500	500	100.0	500	487	97.4	250
Nquthu	500	-	-	500	500	100.0	500	234	46.8	250
Niabankulu	500	-	-	500	500	100.0	500	-	-	250
Niambanana	500	-	-	500	500	100.0	500	217	43.4	250
Nxuba	500	-	-	500	500	100.0	500	260	52.0	250
Niyandeni	500	-	-	500	500	100.0	500	-	-	250
O.R. Tambo	500	-	-	500	500	100.0	500	500	100.0	2,500
Okhahlamba	500	-	-	500	500	100.0	500	-	-	250
Oudtshoorn	500	-	-	500	500	100.0	500	48	9.6	-
Overberg	500	-	-	500	500	100.0	500	500	100.0	1,500
<b>Subtotal carried forward</b>	<b>101,500</b>	<b>-</b>	<b>-</b>	<b>101,500</b>	<b>101,500</b>		<b>101,500</b>	<b>40,786</b>		<b>95,250</b>

**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2007

**ANNEXURE 1B**  
**STATEMENT OF CONDITIONAL GRANTS (FINANCIAL MANAGEMENT) PAID TO MUNICIPALITIES (CONTINUED)**

Municipality	Grant allocation			Transfer		Spent			2005/06 Division of Revenue Act	
	Division of Revenue Act	Roll overs	Adjustments	Total available	Actual transfer	% of available funds transferred	Amount received by municipality	Amount spent by municipality		% of available funds spent by municipality
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Subtotal brought forward	101,500	-	-	101,500	101,500		101,500	40,786		95,250
Overstrand	500	-	-	500	500	100.0	500	-	-	1,500
Phokwane	500	-	-	500	500	100.0	500	-	-	-
Phumelela	500	-	-	500	500	100.0	500	-	-	250
Polokwane	500	-	-	500	500	100.0	500	500	100.0	2,500
Pixleykasame (Seme)	500	-	-	500	500	100.0	500	88	17.6	-
Port St John	500	-	-	500	500	100.0	500	-	-	250
Potchefstroom	500	-	-	500	500	100.0	500	344	68.8	1,000
Prince Albert	500	-	-	500	500	100.0	500	178	35.6	250
Gaukeni	500	-	-	500	500	100.0	500	-	-	250
Ramotshere Moiloa (Zeerust)	500	-	-	500	500	100.0	500	-	-	-
Randfontein	500	-	-	500	500	100.0	500	278	55.6	1,000
Ratlou	500	-	-	500	500	100.0	500	23	4.6	250
Renosterberg	500	-	-	500	500	100.0	500	-	-	250
Richmond	500	-	-	500	500	100.0	500	88	17.6	250
Richtersveld	500	-	-	500	500	100.0	500	6	1.2	250
Rustenburg	500	-	-	500	500	100.0	500	500	100.0	1,000
<b>Subtotal carried forward</b>	<b>109,500</b>	<b>-</b>	<b>-</b>	<b>109,500</b>	<b>109,500</b>		<b>109,500</b>	<b>42,791</b>		<b>104,250</b>

**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2007

**ANNEXURE 1B**  
**STATEMENT OF CONDITIONAL GRANTS (FINANCIAL MANAGEMENT) PAID TO MUNICIPALITIES (CONTINUED)**

Municipality	Grant allocation			Transfer		Spent			2005/06 Division of Revenue Act R'000	
	Division of Revenue Act R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	% of available funds transferred R'000	Amount received by municipality R'000	Amount spent by municipality R'000		% of available funds spent by municipality R'000
Subtotal brought forward	109,500	-	-	109,500	109,500		109,500	42,791		104,250
Sakhisizwe	500	-	-	500	500	100.0	500	-	-	250
Saldanha Bay	500	-	-	500	500	100.0	500	120	24.0	-
Sedibeng	500	-	-	500	500	100.0	500	283	56.6	-
Sekhukhune	1,000	-	-	1,000	1,000	100.0	1,000	229	22.9	-
Senqu	500	-	-	500	500	100.0	500	-	-	250
Setsoto	500	-	-	500	500	100.0	500	226	45.2	-
Sisonke	500	-	-	500	500	100.0	500	310	62.0	250
Siyancuma	500	-	-	500	500	100.0	500	-	-	250
Siyanda	500	-	-	500	500	100.0	500	319	63.8	1,000
Siyathemba	500	-	-	500	500	100.0	500	117	23.4	250
Sol Plaatje	500	-	-	500	500	100.0	500	342	68.4	2,500
Southern District	500	-	-	500	500	100.0	500	497	99.4	1,500
Stellenbosch	500	-	-	500	500	100.0	500	302	60.4	1,000
Steve Tshwete	500	-	-	500	500	100.0	500	499	99.8	1,000
Sunday's River Valley	500	-	-	500	500	100.0	500	500	100.0	250
Swartland	500	-	-	500	500	100.0	500	131	26.2	500
<b>Subtotal carried forward</b>	<b>118,000</b>	<b>-</b>	<b>-</b>	<b>118,000</b>	<b>118,000</b>		<b>118,000</b>	<b>46,666</b>		<b>113,250</b>

**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2007

**ANNEXURE 1B**  
**STATEMENT OF CONDITIONAL GRANTS (FINANCIAL MANAGEMENT) PAID TO MUNICIPALITIES (CONTINUED)**

Municipality	Grant allocation			Transfer		Spent		2005/06 Division of Revenue Act R'000	
	Division of Revenue Act R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	% of available funds transferred R'000	Amount received by municipality R'000		Amount spent by municipality R'000
Subtotal brought forward	118,000	-	-	118,000	118,000	100.0	118,000	46,666	113,250
Swellendam	500	-	-	500	500	100.0	500	108	250
Taung	500	-	-	500	500	100.0	500	125	250
Thaba Chweu	500	-	-	500	500	100.0	500	-	-
Thabazimbi	500	-	-	500	500	100.0	500	-	500
Thabo Mofutsanyana	750	-	-	750	750	100.0	750	416	-
The Big 5 False Bay	500	-	-	500	500	100.0	500	-	250
Theewaterskloof	500	-	-	500	500	100.0	500	-	-
Thembelihle	500	-	-	500	500	100.0	500	-	250
Thembisile	500	-	-	500	500	100.0	500	-	-
Thulamela	500	-	-	500	500	100.0	500	500	2,000
Tokologo	500	-	-	500	500	100.0	500	-	250
Tsantsabane	500	-	-	500	500	100.0	500	101	250
Tshwane	500	-	-	500	500	100.0	500	500	3,000
Tsolwana	500	-	-	500	500	100.0	500	5	250
Tswaing	500	-	-	500	500	100.0	500	138	250
Tswelopele	500	-	-	500	500	100.0	500	113	250
<b>Subtotal carried forward</b>	<b>126,250</b>	<b>-</b>	<b>-</b>	<b>126,250</b>	<b>126,250</b>	<b>100.0</b>	<b>126,250</b>	<b>48,672</b>	<b>121,000</b>

**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2007

**ANNEXURE 1B**  
**STATEMENT OF CONDITIONAL GRANTS (FINANCIAL MANAGEMENT) PAID TO MUNICIPALITIES (CONTINUED)**

Municipality	Grant allocation			Transfer		Spent			2005/06 Division of Revenue Act R'000	
	Division of Revenue Act R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	% of available funds transferred R'000	Amount received by municipality R'000	Amount spent by municipality R'000		% of available funds spent by municipality R'000
Subtotal brought forward	126,250	-	-	126,250	126,250		126,250	48,672		121,000
Tubatse	500	-	-	500	500	100.0	500	275	55.0	250
Tzaneen	500	-	-	500	500	100.0	500	500	100.0	1,000
Ubuhlebezwe (Ubuhle)	500	-	-	500	500	100.0	500	11	2.2	250
Ubuntu	500	-	-	500	500	100.0	500	249	49.8	1,000
Ugu	500	-	-	500	500	100.0	500	138	27.6	-
Ukhahlamba	500	-	-	500	500	100.0	500	-	-	1,000
Ulundi	500	-	-	500	500	100.0	500	156	31.2	-
Umdoni	500	-	-	500	500	100.0	500	92	18.4	-
Umgungundlovu	500	-	-	500	500	100.0	500	500	100.0	1,000
Umhlabuyalinga	500	-	-	500	500	100.0	500	-	-	250
Umhlatuze	500	-	-	500	500	100.0	500	326	65.2	1,000
Umjindi	500	-	-	500	500	100.0	500	500	100.0	-
Umkhanyakude	500	-	-	500	500	100.0	500	445	89.0	-
Umlalazi	500	-	-	500	500	100.0	500	7	1.4	-
Umgweni	500	-	-	500	500	100.0	500	203	40.6	-
Umslwathi	500	-	-	500	500	100.0	500	-	-	250
<b>Subtotal carried forward</b>	<b>134,250</b>	<b>-</b>	<b>-</b>	<b>134,250</b>	<b>134,250</b>		<b>134,250</b>	<b>52,074</b>		<b>127,000</b>

**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2007

**ANNEXURE 1B**  
**STATEMENT OF CONDITIONAL GRANTS (FINANCIAL MANAGEMENT) PAID TO MUNICIPALITIES (CONTINUED)**

Municipality	Grant allocation			Transfer		Spent			2005/06 Division of Revenue Act	
	Division of Revenue Act	Roll overs	Adjustments	Total available	Actual transfer	% of available funds transferred	Amount received by municipality	Amount spent by municipality		% of available funds spent by municipality
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Subtotal brought forward	134,250	-	-	134,250	134,250	100.0	134,250	52,074	-	127,000
Umsobomvu	500	-	-	500	500	100.0	500	-	-	250
Umtshezi	500	-	-	500	500	100.0	500	-	-	-
Umuziwabantu	500	-	-	500	500	100.0	500	149	29.8	250
Umvoti	500	-	-	500	500	100.0	500	-	-	250
Umzimkulu	500	-	-	500	500	100.0	500	158	31.6	250
Umzimvubu	500	-	-	500	500	100.0	500	-	-	250
Umzinyathi	500	-	-	500	500	100.0	500	-	-	-
Umzumbi	500	-	-	500	500	100.0	500	-	-	250
Uphongolo	500	-	-	500	500	100.0	500	-	-	250
Uthukela	500	-	-	500	500	100.0	500	-	-	250
Uthungulu	500	-	-	500	500	100.0	500	400	80.0	-
Utrecht	500	-	-	500	500	100.0	500	162	32.4	250
Ventersdorp	500	-	-	500	500	100.0	500	274	54.8	250
Vhembe	500	-	-	500	500	100.0	500	-	-	-
Vulamehlo	500	-	-	500	500	100.0	500	72	14.4	250
Waterberg	500	-	-	500	500	100.0	500	340	68.0	-
<b>Subtotal carried forward</b>	<b>142,250</b>	<b>-</b>	<b>-</b>	<b>142,250</b>	<b>142,250</b>		<b>142,250</b>	<b>53,629</b>		<b>129,750</b>



**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2007

**ANNEXURE 1B**  
**STATEMENT OF CONDITIONAL GRANTS (FINANCIAL MANAGEMENT) PAID TO MUNICIPALITIES (CONTINUED)**

Municipality	Grant allocation			Transfer		Spent			2005/06 Division of Revenue Act R'000	
	Division of Revenue Act R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	% of available funds transferred R'000	Amount received by municipality R'000	Amount spent by municipality R'000		% of available funds spent by municipality R'000
Subtotal brought forward	142,250	-	-	142,250	142,250	100.0	142,250	53,629	41.8	129,750
West Coast	500	-	-	500	500	100.0	500	209	36.4	1,000
West Rand	500	-	-	500	500	100.0	500	182	14.8	-
Westonaria	500	-	-	500	500	100.0	500	74	85.2	-
Witzenberg	500	-	-	500	500	100.0	500	426	25.0	250
Xhariep	500	-	-	500	500	100.0	500	125	100.0	1,500
Zululand	500	-	-	500	500	100.0	500	500		
<b>Total conditional grants to municipalities</b>	<b>145,250</b>	<b>-</b>	<b>-</b>	<b>145,250</b>	<b>145,250</b>		<b>145,250</b>	<b>55,145</b>		<b>132,500</b>

- Transfers were made in three tranches during the financial year with the last transfer being in March 2007 due to non compliance in earlier months with Division of Revenue Act reporting requirements. Funds were transferred later than anticipated
- Reasons for slow spending also include projects being funded by the grant straddling more than one financial year, eg internship programme
- Planned commitments go beyond the national financial year and partly conclude during June, close of the municipal financial year

## NATIONAL TREASURY VOTE 8

## ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2007

ANNEXURE 1C  
STATEMENT OF CONDITIONAL GRANTS (RESTRUCTURING) PAID TO MUNICIPALITIES

Municipality	Grant allocation			Transfer		Spent		2005/06 Division of Revenue Act R'000	
	Division of Revenue Act R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	% of available funds transferred %	Amount received by municipality R'000		Amount spent by municipality R'000
Buffalo City	35,000	-	-	35,000	35,000	100.0	35,000	17,632	50.4
Cape Town*	75,000	30,000	-	105,000	25,000	23.8	25,000	10,063	40.3
Ermfuleni	35,000	35,000	-	70,000	70,000	100.0	70,000	31,675	45.3
Ethekwini	75,000	-	-	75,000	75,000	100.0	75,000	21,461	28.6
Johannesburg	-	-	-	-	-	-	-	-	-
Mangaung	-	10,000	-	10,000	10,000	100.0	10,000	7,813	78.1
Nelson Mandela Bay	55,000	20,000	-	75,000	25,000	33.3	25,000	17,415	69.7
Tshwane	75,000	-	-	75,000	25,000	33.3	25,000	9,000	36.0
<b>Total conditional grants to municipalities</b>	<b>350,000</b>	<b>95,000</b>	<b>-</b>	<b>445,000</b>	<b>265,000</b>		<b>265,000</b>	<b>115,059</b>	

\* Funds withheld due to non-compliance with reporting requirements as outlined in the Division of Revenue Act

**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2007

**ANNEXURE 1D**  
**STATEMENT OF IN KIND CONDITIONAL GRANTS TO MUNICIPALITIES**

Institution	Grant allocation			Transfer		2005/06 Division of Revenue Act R'000
	Division of Revenue Act R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	
Financial Management Grant (DBSA)	53,407	-	-	53,407	53,407	100.0
Neighbourhood Development Partnership	50,000	-	-	50,000	50,000	100.0
<b>Total in kind conditional grants to institutions</b>	<b>103,407</b>	<b>-</b>	<b>-</b>	<b>103,407</b>	<b>103,407</b>	<b>66,240</b>

**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2007

**ANNEXURE 1E**  
**STATEMENT OF UNCONDITIONAL GRANTS AND TRANSFERS TO MUNICIPALITIES**

Municipality	Grant allocation				Transfer		2005/06 Total available R'000
	Amount R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	% of available funds transferred %	
Tshwane regional council levy	217	-	-	217	205	94.5	643
<b>Total unconditional grants and transfers to municipalities</b>	<b>217</b>	<b>-</b>	<b>-</b>	<b>217</b>	<b>205</b>		<b>643</b>

## NATIONAL TREASURY VOTE 8

## ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2007

 ANNEXURE 1F  
 STATEMENT OF TRANSFERS TO DEPARTMENTAL AGENCIES

Departmental agency	Transfer allocation			Transfer		2005/06 Final Appropriation Act R'000	
	Adjusted Appropriation Act R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000		% of available funds transferred %
Accounting Standards Board	4,759	-	-	4,759	4,759	100.0	4,733
Audit Statutory Bodies	15,100	-	-	15,100	11,854	78.5	14,302
Financial and Fiscal Commission	21,705	-	-	21,705	21,705	100.0	19,660
Financial Intelligence Centre	31,410	-	-	31,410	-	-	23,617
Project Development Facility	6,000	-	-	6,000	6,000	100.0	6,000
Secret Services	2,223,086	-	-	2,223,086	2,223,086	100.0	2,330,063
Sectoral Education and Training (SETA)	210	-	-	210	206	98.1	165
South African Revenue Service	4,874,591	-	-	4,874,591	4,874,591	100.0	4,254,302
Independent Regulatory Board for Auditors (IRBA)	10,881	-	-	10,881	10,881	100.0	-
<b>Total transfers to departmental agencies</b>	<b>7,187,742</b>	<b>-</b>	<b>-</b>	<b>7,187,742</b>	<b>7,153,082</b>	<b>100.0</b>	<b>6,652,842</b>

## NATIONAL TREASURY VOTE 8

## ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2007

ANNEXURE 1G  
STATEMENT OF TRANSFERS TO UNIVERSITIES

University	Transfer allocation			Transfer		2005/06 Appropriation Act R'000	
	Adjusted Appropriation Act R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000		Amount not transferred R'000
University of Cape Town <sup>7</sup>	5,000	-	-	5,000	3,500	1,500	70.0
<b>Total transfers to universities</b>	<b>5,000</b>	<b>-</b>	<b>-</b>	<b>5,000</b>	<b>3,500</b>	<b>1,500</b>	<b>5,000</b>

<sup>7</sup> This is a grant to Economic Research South Africa (ERSA) to fund local economic research at South African universities and research institutions. The University of Cape Town administers this grant on behalf of ERSA

**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2007

**ANNEXURE 1H**

**STATEMENT OF TRANSFERS TO PUBLIC CORPORATIONS AND PRIVATE ENTERPRISES**

	Transfer allocation				Transfer		2005/06 Appropriation Act R'000
	Adjusted Appropriation Act	Roll overs	Adjustments	Total available	Actual transfer	% of available funds transferred	
	R'000	R'000	R'000	R'000	R'000	%	
<b>Public corporations / Private enterprises</b>							
Development Bank of Southern Africa	258,308	-	-	258,308	258,308	100.0	50,000
Centre for Development and Enterprise Insurance (Departmental vehicles)	500	-	-	500	500	100.0	5,800
	24	-	-	24	23	95.8	25
<b>Total transfers to public corporations and private enterprises</b>	<b>258,832</b>	<b>-</b>	<b>-</b>	<b>258,832</b>	<b>258,831</b>		<b>55,825</b>

**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2007

**ANNEXURE 11**  
**STATEMENT OF TRANSFERS TO FOREIGN GOVERNMENTS AND INTERNATIONAL ORGANISATIONS**

	Transfer allocation			Expenditure		2005/06 Appropriation Act R'000	
	Adjusted Appropriation Act R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000		% of Available funds transferred %
<b>Foreign governments / international organisations</b>							
African Development Bank <sup>8</sup>	98,597	-	7,171	105,768	104,939	154,316	
Commonwealth Fund for Technical Cooperation	3,000	-	-	3,000	2,858	3,000	
Lesotho, Namibia and Swaziland	311,804	-	-	311,804	282,755	276,500	
United Kingdom Tax	2,302	-	-	2,302	1,688	3,080	
World Bank <sup>9</sup>	121,798	-	750	122,548	121,760	-	
Global Alliance for Vaccines and Immunisation <sup>10</sup>	7,000	-	228	7,228	7,219	7,000	
<b>Total transfers to foreign governments and international organisations</b>	<b>544,501</b>	<b>-</b>	<b>8,149</b>	<b>552,650</b>	<b>521,219</b>	<b>443,896</b>	

<sup>8</sup> The transfer of R105 million to the African Development Bank consists of R63 million as an instalment for South Africa's share subscription. South Africa currently has a 4.5 per cent shareholding in the African Development Bank, and has a policy of acquiring shares to increase its shareholding up to a maximum of 6% over 8 to 10 years. R11 million was for the 3rd instalment of ADF-X. South Africa is a donor to the African Development Fund, which is the African Development Bank's concessional lending / grant window. Replenishments to the Fund are paid in instalments over a 3 year period. Amounts of R3.5 million and R27 million were transferred as South Africa's contributions towards debt arrears clearance for the Central African Republic and Liberia respectively

<sup>9</sup> The amount of R121,7 million was paid to compensate the International Development Association (IDA) for the loss of reflows to IDA that resulted from the debt write-off of the Multilateral Debt Relief Initiative (MDRI)

<sup>10</sup> South Africa has committed to contribute US\$ 1 million per year for 20 years, to the International Finance Facility for Immunisation (IFFIM) through GAVI. The first contribution of R7.2 million was paid in March 2007



**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2007

**ANNEXURE 1J**  
**STATEMENT OF TRANSFERS TO NON-PROFIT INSTITUTION**

	Transfer allocation				Expenditure		2005/06 Appropriation Act R'000
	Adjusted Appropriation Act	Roll overs	Adjustments	Total available	Actual transfer	% of available funds transferred	
	R'000	R'000	R'000	R'000	R'000	%	
<b>Non-profit institution</b>							
SA Legion	62	-	-	62	-	-	58
<b>Total transfers to non-profit organisations</b>	<b>62</b>	<b>-</b>	<b>-</b>	<b>62</b>	<b>-</b>	<b>-</b>	<b>58</b>



**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
 for the year ended 31 March 2007

**ANNEXURE 1K**  
**STATEMENT OF TRANSFERS TO HOUSEHOLDS**

Households	Transfer allocation			Expenditure		2005/06 Appropriation Act R'000	
	Adjusted Appropriation Act R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000		% of available funds transferred %
Old age grant	808,535	-	(524)	808,011	778,078	96.3	
Medical aid ex-service men	20,960	-	524	21,484	16,122	75.0	
Severance packages	-	-	-	-	-	-	
Social benefits	24	-	-	24	23	95.8	
Social assistance	400	-	391	791	791	100.0	
<b>Total transfers to households</b>	<b>829,919</b>	<b>-</b>	<b>391</b>	<b>830,310</b>	<b>795,014</b>		
						<b>743,699</b>	

**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2007

**ANNEXURE 1L**  
**STATEMENT OF LOCAL AND FOREIGN AID ASSISTANCE RECEIVED**

Name of donor	Purpose	Opening balance R'000	Revenue R'000	Expenditure R'000	Closing balance R'000
<b>Local aid received in cash</b>		22	-	-	22
Department of Health	Promotion of departmental HIV and aids awareness programmes				
<b>Total local aid received in cash</b>		<b>22</b>	<b>-</b>	<b>-</b>	<b>22</b>
<b>Foreign aid received in cash</b>					
European Union - International Development Cooperation Support Programme	Strengthening Government's capacity in coordinating and managing donor assistance to South Africa, in line with South Africa's development priorities	534	2,520	3,045	9
Japan - Japan Development Corporation Information System	To establish and operationalise a management information system for development assistance to South Africa	62	240	229	73
European Union - Technical Assistance Unit	TAU is a support facility within National Treasury that provides technical and management support to programmes and projects in government institutions through the application of relevant expertise and knowledge management to improve the quality of spend in the public sector	696	1,900	3,592	(996)
Swedish International Development Agency (SIDA) - Collaborative African Budget Reform Initiative	Financing of the Annual Budget Reform Seminar	573	-	344	229
Ireland - Collaborative African Budget Reform Initiative	Financing of the Annual Budget Reform Seminar	131	-	-	131
European Union - European Programme for Reconstruction and Development Support Facility (EPRD)	Provides the necessary funds and organisational infrastructure to accelerate the realisation of projects and programmes via the contracting of expertise for the rapid execution of high quality programme preparation, research, studies, audit, monitoring and evaluation relating to all aspects of the EPRD (covering both Government and non-government organisations) and its linkages to the Trade and Development Cooperation Agreement and Cotonou Agreement	-	811	628	183
<b>Total foreign aid assistance received in cash</b>		<b>1,996</b>	<b>5,471</b>	<b>7,838</b>	<b>(371)</b>
<b>Total local and foreign aid assistance received in cash</b>		<b>2,018</b>	<b>5,471</b>	<b>7,838</b>	<b>(349)</b>

**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2007

**ANNEXURE 1L****STATEMENT OF LOCAL AND FOREIGN AID ASSISTANCE RECEIVED (CONTINUED)**

Name of donor	Purpose	2006/07	2005/06
		R'000	R'000
<b>Foreign aid received in kind</b>			
Department for International Development (DFID)	Support for the implementation of Municipal Finance Management Act (MFMA)	3,519	1,000
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	Technical Advisor to support the implementation of Municipal Finance Management Act (MFMA)	3,355	4,100
United Nations Development Programme (UNDP) (Sustainable Human Development Facility)	Technical Assistance to the International Development Cooperation Support Programme (IDC)	720	720
Public Private Partnership Infrastructure Advisory Facility	Funding of Municipal Guidelines Consultants	2,839	
United States Agency for International Development	Support for the implementation of Municipal Finance Management Act (MFMA)	-	2,000
United States Agency for International Development	Rural land studies	1,262	-
United States Agency for International Development	Primary school nutrition survey	988	-
United States Agency for International Development	Black economic empowerment review	130	-
United States Agency for International Development	Housing tax Incentives	185	-
United States Agency for International Development	Computable General Equilibrium (CGE) Model workshop with University of Cape Town	113	-
United States Agency for International Development	Strengthening the impact of Pro Poor policy (SIPP) reference panel	78	-
United States Agency for International Development	Labour markets, vulnerability and social protection (PLAAS)	525	-
United States Agency for International Development	Economic advisors (Flatters)	365	-
United States Agency for International Development (Chemonic)	Funding to the Public Private Partnership Unit within National Treasury	-	3,258
United States Agency for International Development (MESP1)	Study aid for students completing identified fields in economics	-	215
United States Agency for International Development (MESP2)	Study aid for students completing identified fields in economics	-	1,005
United States Agency for International Development (MFRG)	Technical expertise to assist in the development of new data systems, monitoring and evaluating procedures, and educational material	-	2,561
United States Agency for International Development and DFID	Evaluation of the impact of various welfare programs to initiate a baseline study of the primary school feeding scheme; and to project future expenditure on social grants	-	4,814
United States Agency for International Development	Research	300	-
United States Agency for International Development (US Treasury)	Temporary placement of US Treasury officials at National Treasury to support efforts to formulate and coordinate growth-promoting economic policies	-	1,600
United States Agency for International Development (UWC)	Support to think tanks involved in economic and policy research and Training Research Unit at University of Cape Town	-	147
<b>Total local and foreign aid assistance received in kind</b>		<b>14,379</b>	<b>21,420</b>

**NATIONAL TREASURY VOTE 8**

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2007

**ANNEXURE 1M**

**STATEMENT OF GIFTS GRANTED FOR THE YEAR ENDED 31 MARCH 2007**

Nature of gifts	2006/07	2005/06
	R'000	R'000
Corporate gifts granted to employees and others (in kind)	36	12
<b>Total gifts granted</b>	<b>36</b>	<b>12</b>



**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2007

**ANNEXURE 2A**  
**STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO ENTITIES AS AT 31 MARCH 2007**

Name of entity	State entity's PFMA schedule type (state year end if not 31 March)	% Held 06/07	% Held 05/06	Number of shares held		Cost of investment		Net asset value of investment		Profit / (Loss) for the year		Losses guaranteed
				2006/07	2005/06	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06	
Accounting Standards Board	Schedule 3A	-	-	-	-	-	-	-	-	95	190	No
Development Bank of Southern Africa	Schedule 2	100.0	100.0	20,000	20,000	200,000	200,000	14,205,771	13,218,656	1,027,853	928,382	No
Financial Intelligence Centre	Schedule 3A	-	-	-	-	-	-	-	-	(35,374)	(3,898)	No
Financial Services Board	Schedule 3A	-	-	-	-	-	-	-	-	43,849	31,545	No
Independent Regulatory Board for Auditors	Schedule 3A	-	-	-	-	-	-	-	-	3,525	(1,516)	No
Public Investment Corporation Limited	Schedule 3B	100.0	100.0	100	100	-	-	111,001	93,785	14,220	(8,138)	No
South African Revenue Service	Schedule 3A	-	-	-	-	-	-	-	-	197,736	(430,855)	No
SASRIA Limited	Schedule 3B (31 December)	100.0	100.0	1	1	-	-	1,800,000	1,610,000	250,000	150,000	Yes
Social Responsibility Investment Portfolio <sup>11</sup>	Not applicable	-	-	-	-	-	-	2,185,537	1,694,137	-	-	No
<b>Total investments</b>						<b>200,000</b>	<b>200,000</b>	<b>18,302,309</b>	<b>16,616,578</b>	<b>1,501,904</b>	<b>665,710</b>	

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

<sup>11</sup> The value of the investments at the end of February 2007 as per the agreement signed with Government amounted to R844,8 million

## NATIONAL TREASURY VOTE 8

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)  
for the year ended 31 March 2007ANNEXURE 2B  
STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO ENTITIES AS AT 31 MARCH 2007 (CONTINUED)

Name of entity	Nature of business	Cost of investment		Net asset value of investment		Amounts owing to entities		Amounts owing by entities	
		R'000 2006/07	2005/06	R'000 2006/07	2005/06	R'000 2006/07	2005/06	R'000 2006/07	2005/06
Accounting Standards Board	Determine standards of generally recognised accounting practice	-	-	-	-	-	-	-	-
Development Bank of Southern Africa	Promote, facilitate and by funding mobilise socio-economic development in Southern Africa, while promoting efficiency, fairness, transparency and responsibility	200,000	200,000	14,205,771	13,218,656	-	-	-	-
Financial Intelligence Centre	To assist in the identification of the proceeds of unlawful activities and the combating of money laundering activities	-	-	-	-	-	-	-	-
Financial Services Board	Supervise compliance with laws regulating financial institutions and the matters connected therewith	-	-	-	-	-	-	-	-
Policy Board for Financial Services and Regulations	Advise the Minister on policy matters relating to financial services and financial regulation	-	-	-	-	-	-	-	-
Independent Regulatory Board for Auditors	Registration of public accountants and auditors, and for the regulation of the training of public accountants and auditors	-	-	-	-	-	-	-	-
Public Investment Corporation Limited	Invests funds on behalf of the South African public sector	-	-	111,001	93,785	-	-	-	-
South African Revenue Service	Efficient and effective collection of Revenue	-	-	-	-	-	-	-	-
<b>Subtotal carried forward</b>		<b>200,000</b>	<b>200,000</b>	<b>14,316,772</b>	<b>13,312,441</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2007

**ANNEXURE 2B**  
**STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO ENTITIES AS AT 31 MARCH 2007 (CONTINUED)**

Name of entity	Nature of business	Cost of investment		Net asset value of investment		Amounts owing to entities		Amounts owing by entities	
		R'000	2005/06	2006/07	2005/06	2006/07	2005/06	2006/07	R'000
Subtotal brought forward		200,000	200,000	14,316,772	13,312,441	-	-	-	-
SASRIA Limited	Short-term insurance	-	-	1,800,000	1,610,000	-	-	-	-
Social Responsibility Investment Portfolio <sup>12</sup>	To facilitate black economic empowerment transactions and redress the inequalities of the past	-	-	2,185,537	1,694,137	-	-	-	-
Special Pensions Board	Review application for benefits in terms of the Special Pensions Act	-	-	-	-	-	-	-	-
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 matters referred to the Advisory Committee by the Minister	-	-	-	-	-	-	-	-
<b>Total investments</b>		<b>200,000</b>	<b>200,000</b>	<b>18,302,309</b>	<b>16,616,578</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

<sup>12</sup> The value of the investments at the end of February 2001 as per the agreement signed with Government amounted to R844,8 million



## NATIONAL TREASURY VOTE 8

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)  
for the year ended 31 March 2007ANNEXURE 3A  
STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2007 - LOCAL

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2006	Guarantees draw downs during the year	Guarantees repayments / cancelled / reduced / released during the year	Currency revaluations	Closing balance 31 March 2007	Guaranteed interest for year ended 31 March 2007
		R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Vehicles</b>								
Standard Bank Vehicle Finance	Employees	749	-	749	88	-	661	-
<b>Total vehicle guarantees</b>		<b>749</b>	<b>-</b>	<b>749</b>	<b>88</b>	<b>-</b>	<b>661</b>	<b>-</b>
<b>Housing</b>								
ABSA	Employee housing	181	181	-	65	-	116	-
First National Bank	Employee housing	190	190	-	94	-	96	-
Nedbank	Employee housing	244	244	2	97	-	149	-
Old Mutual	Employee housing	85	85	-	-	-	85	-
Standard Bank	Employee housing	154	154	-	82	-	72	-
<b>Total housing guarantees</b>		<b>854</b>	<b>854</b>	<b>2</b>	<b>338</b>	<b>-</b>	<b>518</b>	<b>-</b>
<b>Other local guarantees</b>								
Development Bank of Southern Africa	Former Regional Authorities (former Ciskei)	114,406	25,271	-	2,522	-	22,749	24,938
Development Bank of Southern Africa	Former Regional Authorities (former Transkei)	139,459	10,167	-	4,419	-	5,748	352
Development Bank of Southern Africa	Former Regional Authorities (former Kwazulu)	226,676	765	-	380	-	385	25
<b>Subtotal carried forward</b>		<b>480,541</b>	<b>36,203</b>	<b>-</b>	<b>7,321</b>	<b>-</b>	<b>28,882</b>	<b>25,315</b>

## NATIONAL TREASURY VOTE 8

## ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2007

ANNEXURE 3A  
STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2007 - LOCAL (CONTINUED)

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2006	Guarantees draw downs during the year	Guarantees repayments / cancelled / reduced / released during the year	Currency revaluations	Closing balance 31 March 2007	Guaranteed interest for year ended 31 March 2007
		R'000	R'000	R'000	R'000	R'000	R'000	R'000
Subtotal brought forward		480,541	36,203	-	7,321	-	28,882	25,315
Development Bank of Southern Africa	Former Regional Authorities (former Kangwane)	61,176	5,096	-	639	-	4,457	431
Development Bank of Southern Africa	Former Regional Authorities (former Kwandebele)	55,989	16,610	-	-	-	16,610	3,668
Development Bank of Southern Africa	Former Regional Authorities (former Bophuthatswana)	288,349	101,467	-	4,453	-	97,014	60,526
Development Bank of Southern Africa	Former Regional Authorities (former Venda)	98,526	22,729	-	12,314	-	10,415	1,017
South African Reserve Bank	Saambou Bank Ltd	7,872,262	4,355,941	-	3,592,786	-	763,155	-
<b>Total other local guarantees</b>		<b>8,856,843</b>	<b>4,538,046</b>	<b>-</b>	<b>3,617,513</b>	<b>-</b>	<b>920,533</b>	<b>90,957</b>

## NATIONAL TREASURY VOTE 8

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)  
for the year ended 31 March 2007ANNEXURE 3A  
STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2007 - FOREIGN

Guarantor institution	Guarantee in respect of		Original guaranteed capital amount	Opening balance 1 April 2006	Guarantees draw downs during the year	Guarantees repayments / cancelled/ reduced/ released during the year	Currency revaluations	Closing balance 31 March 2007	Guaranteed interest for year ended 31 March 2007
	R'000	R'000							
Development Bank of Southern Africa	Chiao Tung Bank Co. Ltd.		59,240	30,661	-	4,617	5,411	31,455	47
Development Bank of Southern Africa	Agence Francaise de Developpement		67,820	96,930	-	10,000	26,489	113,419	1,653
Development Bank of Southern Africa	Agence Francaise de Developpement		101,730	14,319	-	14,500	181	-	-
Development Bank of Southern Africa	Kreditanstalt fur Wiederaufbau		284,343	219,691	-	-	63,078	282,769	1,410
Development Bank of Southern Africa	African Development Bank		500,000	355,201	-	61,900	-	293,301	4,013
Development Bank of Southern Africa	African Development Bank		509,250	282,328	-	49,545	47,305	280,088	2,612
Development Bank of Southern Africa	Nordic Investment Bank		72,750	43,435	-	7,006	7,221	43,650	375
Development Bank of Southern Africa	Nordic Investment Bank		72,750	40,150	-	8,322	6,687	38,515	572
Development Bank of Southern Africa	Nordic Investment Bank		72,750	47,450	-	8,322	7,946	47,074	700
Development Bank of Southern Africa	Kreditanstalt fur Wiederaufbau		133,517	103,581	-	-	29,740	133,321	665
Development Bank of Southern Africa	European Investment Bank		200,000	200,000	-	-	-	200,000	16,246
Development Bank of Southern Africa	European Investment Bank		100,000	100,000	-	-	-	100,000	11,904
Development Bank of Southern Africa	European Investment Bank		100,000	100,000	-	-	-	100,000	1,479
Development Bank of Southern Africa	European Investment Bank		116,320	90,192	-	10,765	15,743	95,170	233
Development Bank of Southern Africa	European Investment Bank		363,750	279,370	-	41,667	48,899	286,602	717
Development Bank of Southern Africa	European Investment Bank		50,000	50,000	-	-	-	50,000	4,843
Development Bank of Southern Africa	Kreditanstalt fur Wiederaufbau		123,627	93,928	-	-	26,969	120,897	603
Development Bank of Southern Africa	Eurobonds		8,500,000	8,500,000	-	-	-	8,500,000	10,726
<b>Subtotal carried forward</b>			<b>11,427,847</b>	<b>10,647,236</b>	<b>-</b>	<b>216,644</b>	<b>285,669</b>	<b>10,716,261</b>	<b>58,798</b>

## NATIONAL TREASURY VOTE 8

## ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2007

ANNEXURE 3A  
STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2007 - FOREIGN (CONTINUED)

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2006	Guarantees draw downs during the year	Guarantees repayments / cancelled/ reduced/ released during the year	Currency revaluations	Closing balance 31 March 2007	Guaranteed interest for year ended 31 March 2007
		R'000	R'000	R'000	R'000	R'000	R'000	R'000
Subtotal brought forward		11,427,847	10,647,236	-	216,644	285,669	10,716,261	58,798
Development Bank of Southern Africa	European Investment Bank	582,000	387,429	-	-	66,809	454,238	13,705
Development Bank of Southern Africa	Agence Francaise de Developpement	165,875	64,437	-	40,648	31,503	55,292	1,342
Development Bank of Southern Africa	Kreditanstalt fur Wiederaufbau	140,935	109,496	-	-	31,439	140,935	703
Development Bank of Southern Africa	African Development Bank	727,500	310,250	350,540	-	66,710	727,500	8,823
Development Bank of Southern Africa	Kreditanstalt fur Wiederaufbau	121,240	-	-	-	-	-	-
<b>Total foreign guarantees</b>		<b>13,165,397</b>	<b>11,518,848</b>	<b>350,540</b>	<b>257,292</b>	<b>482,130</b>	<b>12,094,226</b>	<b>83,371</b>
<b>Total financial guarantees</b>		<b>22,023,843</b>	<b>16,057,748</b>	<b>351,291</b>	<b>3,875,231</b>	<b>482,130</b>	<b>13,015,938</b>	<b>174,328</b>

**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2007

**ANNEXURE 3B**  
**STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2007**

Nature of liability	Opening Balance 1 April 2006 R'000	Liabilities incurred during the year R'000	Liabilities cancelled during the year R'000	Liabilities recoverable R'000	Closing Balance 31 March 2007 R'000
<b>Claims against the Department<sup>13</sup></b>					
Tender related claims	670	-	-	-	670
Labour dispute	-	1,057	-	-	1,057
<b>Total claims against the Department</b>	<b>670</b>	<b>1,057</b>	<b>-</b>	<b>-</b>	<b>1,727</b>
<b>Other</b>					
Reinsurance Cover (SASRIA)	1,000,000	-	1,000,000	-	-
Outstanding life certificates	20,238	24,010	-	-	44,248
<b>Total other liabilities</b>	<b>1,020,238</b>	<b>24,010</b>	<b>1,000,000</b>	<b>-</b>	<b>44,248</b>
<b>Total contingent liabilities</b>	<b>1,020,908</b>	<b>25,067</b>	<b>1,000,000</b>	<b>-</b>	<b>45,975</b>

<sup>13</sup> A contingent liability exists that cannot be measured with sufficient reliability. This obligation relates to alleged discrimination against surviving spouses of persons who retired or whose services terminated on or before 30 June 1992

**NATIONAL TREASURY VOTE 8**  
**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2007

**ANNEXURE 4**  
**INTER-GOVERNMENT RECEIVABLES**

Government entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31 March 2007 R'000	31 March 2006 R'000	31 March 2007 R'000	31 March 2006 R'000	31 March 2007 R'000	31 March 2006 R'000
National departments	34	54	1,000	2,060	1,034	2,114
Eastern Cape	35	566	1	1	36	567
Free State	-	162	-	-	-	162
Gauteng	355	398	22	-	377	398
KwaZulu-Natal	963	963	-	-	963	963
Limpopo	-	3,336	-	-	-	3,336
Mpumalanga	58	-	-	-	58	-
Northern Cape	155	158	-	-	155	158
Western Cape	480	1,025	-	-	480	1,025
Foreign Governments	-	-	2,051	1,959	2,051	1,959
<b>Total intergovernmental receivables</b>	<b>2,080</b>	<b>6,662</b>	<b>3,074</b>	<b>4,020</b>	<b>5,154</b>	<b>10,682</b>

## NATIONAL TREASURY VOTE 8

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)  
for the year ended 31 March 2007ANNEXURE 5  
INTER-DEPARTMENTAL PAYABLES

Government entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31 March 2007 R'000	31 March 2006 R'000	31 March 2007 R'000	31 March 2006 R'000	31 March 2007 R'000	31 March 2006 R'000
Department of Transport	-	19,855	-	-	-	19,855
<b>Total intergovernmental payables</b>	<b>-</b>	<b>19,855</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,855</b>



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

---

**Annual Financial Statements  
for the year ended 31 March 2007**



NATIONAL  
TREASURY

PPP

unit

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





## CONTENTS

Report of the Auditor-General .....	180
Income Statement.....	183
Balance Sheet .....	184
Statement of Changes in Equity.....	185
Cash Flow Statement.....	186
Accounting Policies .....	187
Notes to the Annual Financial Statements .....	189



## REPORT OF THE AUDITOR-GENERAL

### TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE PROJECT DEVELOPMENT FACILITY for the year ended 31 March 2007

#### REPORT ON THE FINANCIAL STATEMENTS

#### INTRODUCTION

1. I have audited the accompanying financial statements of the Project Development Facility which comprise the balance sheet as at 31 March 2007, income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 183 to 193.

#### RESPONSIBILITY OF THE ACCOUNTING OFFICER FOR THE FINANCIAL STATEMENTS

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Statements of Generally Accepted Accounting Practice (SA Statements of GAAP) and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA).

This responsibility includes:

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

#### RESPONSIBILITY OF THE AUDITOR-GENERAL

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 647 of 2007*, issued in *Government Gazette No. 29919* of 25 May 2007. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.



## REPORT OF THE AUDITOR-GENERAL

### TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE PROJECT DEVELOPMENT FACILITY (CONTINUED) for the year ended 31 March 2007

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
6. An audit also includes evaluating the:
  - appropriateness of accounting policies used
  - reasonableness of accounting estimates made by management
  - overall presentation of the financial statements.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### OPINION

8. In my opinion the financial statements present fairly, in all material respects, the financial position of the Project Development Facility as at 31 March 2007 and its financial performance and cash flows for the year then ended, in accordance with the SA Statements of GAAP and in a manner required by the PFMA.

#### OTHER MATTERS

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

9. Delay in finalisation of audit

Due to the national public sector strike action during June 2007 I had to delay the finalisation of affected departments. As a result, my consistency review process of the audit reports could only be conducted subsequent to 31 July 2007, the consequence of which was a delay in the finalisation of the audit of this department for the 2006/07 financial year.



## REPORT OF THE AUDITOR-GENERAL

### TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE PROJECT DEVELOPMENT FACILITY (CONTINUED) for the year ended 31 March 2007

#### APPRECIATION

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

**WP Strauss for Auditor-General**

**Pretoria**

**31 August 2007**



**A U D I T O R - G E N E R A L**

**PROJECT DEVELOPMENT FACILITY (PDF)****INCOME STATEMENT**  
for the year ended 31 March 2007

	Notes	2007	2006
		R	R
		<hr/>	<hr/>
Revenue	1	61 262 544	6 000 000
Operating expenses		<u>(3 607 225)</u>	<u>(4 987 193)</u>
Profit from operations	1	57 655 319	1 012 807
Net finance income	2	<u>2 433 055</u>	<u>610 576</u>
<b>Net profit for the year</b>		<b><u>60 088 374</u></b>	<b><u>1 623 383</u></b>



## PROJECT DEVELOPMENT FACILITY (PDF)

**BALANCE SHEET**  
as at 31 March 2007

	Notes	2007	2006
		R	R
<b>ASSETS</b>			
<b>Current assets</b>		72 117 617	12 703 279
Trade and other receivables	3	2 385 180	56 384
Cash and cash equivalents	4	69 732 437	12 646 895
<b>Total assets</b>		<b>72 117 617</b>	<b>12 703 279</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Reserves</b>			
Accumulated profit		72 071 095	11 982 721
<b>Current liabilities</b>			
Trade and other payables	5	46 522	720 558
<b>Total equity and liabilities</b>		<b>72 117 617</b>	<b>12 703 279</b>

**PROJECT DEVELOPMENT FACILITY (PDF)****STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 March 2007

	<b>Accumulated profit</b>
	<b>R</b>
Balance at 1 April 2005	10 359 338
Net profit for the year	1 623 383
Balance at 1 April 2006	<u>11 982 721</u>
Net profit for the year	60 088 374
<b>Balance at 31 March 2007</b>	<b><u>72 071 095</u></b>



## PROJECT DEVELOPMENT FACILITY (PDF)

### CASH FLOW STATEMENT for the year ended 31 March 2007

	Notes	2007	2006
		R	R
		<hr/>	<hr/>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from government		59 302 544	6 000 000
Cash paid to transactions advisors		(4 281 261)	(4 267 715)
Cash generated from operations	6	<hr/> 55 021 283	<hr/> 1 732 285
Net finance income received	7	2 064 259	604 957
		<hr/>	<hr/>
Net cash from operating activities		<b>57 085 542</b>	<b>2 337 242</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		57 085 542	2 337 242
Cash and cash equivalents at beginning of the year		<hr/> 12 646 895	<hr/> 10 309 653
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b><hr/>69 732 437</b>	<b><hr/>12 646 895</b>





## PROJECT DEVELOPMENT FACILITY (PDF)

### ACCOUNTING POLICIES for the year ended 31 March 2007

The Annual Financial Statements have been prepared in accordance with Statements of Generally Accepted Accounting Practice and the Public Finance Management Act, Act 1 of 1999 as amended.

The following are the principal accounting policies of the entity which are, in all material respects, consistent with those applied in the previous year, except as otherwise indicated:

#### 1. Basis for preparation

The financial statements have been prepared on the historical cost basis. No modifications were made for measurement of financial instruments to fair value.

#### 2. Currency

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

#### 3. Revenue recognition

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

3.2 Other income relates to fees charged upon financial close of a PPP in terms of Treasury Regulation 16 and is accounted for as it accrues.

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

#### 4. Financial instruments

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

##### 4.1 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise deposits held with banks.



## PROJECT DEVELOPMENT FACILITY (PDF)

### ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2007

#### 5. Provisions

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

#### 6. Public-sector practices and policies

##### 6.1 Inter-relationship with other government entities

The entity operates as a trading entity of the National Treasury, within the South African Government environment. In line with prevailing government practices the entity is not obliged to pay for certain expenditure such as office space and utilisation of moveable assets.

##### 6.2 Public Finance Management Act reporting requirements

###### Section 40(3)(b)

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



## PROJECT DEVELOPMENT FACILITY (PDF)

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2007

	2007	2006
	R	R
<b>1. Profit from operations</b>		
Profit from operations is arrived after taking the following into account:		
Revenue from:		
- Government grants received	56 000 000	6 000 000
- Other income	5 262 544	-
	<u>61 262 544</u>	<u>6 000 000</u>
Expenditure for:		
- Financial management services	398 749	273 600
- Bank charges	10 593	10 166
- PPP transaction advisor fees	3 197 883	4 703 427
	<u>3 197 883</u>	<u>4 703 427</u>
Operating profit	<u>57 655 319</u>	<u>1 012 807</u>
<b>2. Net finance income</b>		
Interest received – cash and bank deposits	<u>2 433 055</u>	<u>610 576</u>
<b>3. Trade and other receivables</b>		
Trade accounts receivable	1 960 000	-
Accrued interest	425 180	56 384
	<u>2 385 180</u>	<u>56 384</u>
<b>4. Cash and cash equivalents</b>		
Bank balance – current account	19 732 437	12 646 895
Bank balance – neighbourhood development fund	50 000 000	-
	<u>69 732 437</u>	<u>12 646 895</u>
<b>5. Trade and other payables</b>		
Trade accounts payable	45 600	719 692
Accrued expenses	922	866
	<u>46 522</u>	<u>720 558</u>



**PROJECT DEVELOPMENT FACILITY (PDF)**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2007

	2007	2006
	R	R
	<hr/>	<hr/>
<b>6. Reconciliation of net profit for the year to cash generated from operations</b>		
<b>Net profit for the year</b>	<b>60 088 374</b>	<b>1 623 383</b>
Net finance income	(2 433 055)	(610 576)
Operating cash flows before working capital changes	57 655 319	1 012 807
Working capital changes:	(2 634 036)	719 478
- Increase / (Decrease) in trade and other payables and provisions	(2 634 036)	719 478
<b>Cash generated from operations</b>	<b>55 021 283</b>	<b>1 732 285</b>
<b>7. Net finance income received</b>		
Accrued net finance income at beginning of year	56 384	50 765
Net finance income received per income statement	2 433 055	610 576
Accrued net finance income at the end of the year	(425 180)	(56 384)
Net finance income received	2 064 259	604 957



## PROJECT DEVELOPMENT FACILITY (PDF)

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2007

#### 8. Contingent liabilities

The accumulated profit of R 70 111 095 is retained for the funding of Transaction Advisor costs associated with establishment of selected PPP projects approved for funding during the course of the Project Development Facility's normal course of operations. Funding is disbursed upon the successful achievement of predefined milestones and Treasury Approvals. The Project Development Facility has applied to National Treasury to retain the accumulated profit. Movement on PPP projects identified for funding during the period:

	2007	Additional Funds 2007	Amount Disbursed 2007	2006
	R	R	R	R
Free State New Build Hospitals	1 861 912		-	1 861 912
Vukuzakhe Plant Depot	1 081 011		-	1 081 011
Eastern Cape Pharmaceuticals Settlers and Port Alfred Hospitals	1 458 939	1 900 000	1 699 740	1 258 679
Western Cape Rehabilitation Centre	-		704 128	704 128
Western Cape Swellendam Hospital	280 725			280 725
South African Military Health Services	-	68 400	68 400	-
<b>Total</b>	<b>5 005 026</b>	<b>1 968 400</b>	<b>2 472 268</b>	<b>5 508 894</b>

1. Funding of these projects has been withdrawn and formal delisting is pending.

2. New projects



**PROJECT DEVELOPMENT FACILITY (PDF)**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
**for the year ended 31 March 2007**

During the year under review the Project Development Facility also inherited a number of projects from the Municipal Infrastructure Investment Unit (MIIU).

	2007	Additional Funds 2007	Amount Disbursed 2007	2006
	R	R	R	R
City of Cape Town – Water and Sanitation	750 000		-	-
KwaDukuza Municipality – Solid Waste and Roads and Parks	-		725 615	-
Local Municipality of Madibeng – Water and Sanitation	500 000		-	-
City of Cape Town - Landfill	377 544		-	-
<b>Total</b>	<b>1 627 544</b>		<b>725 615</b>	<b>-</b>

1. Funding of this project has been withdrawn and formal delisting is pending.

Commitments arising from future funding of the above identified projects will be financed from the current accumulated profit of R 72 071 095 as well as future government grants.



## PROJECT DEVELOPMENT FACILITY (PDF)

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2007

	2007	2006
	R	R
	_____	_____
<b>9. Commitments</b>		
<b>Operating commitments</b>		
Payable within the next 12 months:		
- Contractual commitments	114 000	68 400
Payable between 2 and 5 years:		
- Contractual commitments	-	-

The Project Development Facility has issued a letter of extension to PricewaterhouseCoopers Inc. to continue their current duties pending a decision on award of the contract for continued outsourced financial management of the Project Development Facility.

#### 10. Taxation

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

#### 11. Events after the reporting date

There were no events after balance sheet date that might have a material effect on the fair presentation of the financial statements as at 31 March 2007.

#### 12. Related party transactions

The Project Development Facility received grants from the following related parties:

National Treasury	56 000 000	6 000 000
City of Cape Town	377 544	-
	<u>56 377 544</u>	<u>6 000 000</u>



# **HUMAN RESOURCES MANAGEMENT STATISTICAL REPORT**





## HUMAN RESOURCES MANAGEMENT STATISTICAL REPORT

### 1. SERVICE DELIVERY

#### Organisational environment

The National Treasury has adopted a competency framework to ensure that the department recruits, develops and retains staff with the appropriate skills to enable the National Treasury to deliver on its mandate. The framework, which was developed in consultation with divisions, covers technical and behavioural competencies. The competency framework will be integrated into the department's talent management strategy, which will require alignment of job descriptions and recruitment processes.

#### Service delivery environment

The National Treasury service delivery environment is supported by our mission and objectives, which aim to promote economic development, good governance, social progress and rising living standards. Our policies are aimed at advancing economic growth, broad-based empowerment and the elimination of poverty. Key factors that play a prominent role in our service delivery environment are reported on below.

The National Treasury is implementing a dual career model to create clear career paths for technical specialists and professional managers. In this regard, we have started consultations with the Department of Public Service and Administration through the senior management service review process to examine remuneration and rewards.

#### Fiscal, budget and accounting reforms

Since the introduction of a three-year medium-term expenditure framework, considerable progress has been made in stabilising expenditure planning, and improving the links between policy and spending plans.

Continuing budget and fiscal reforms are aimed at ensuring optimal resource allocation, promoting sustainable growth and development, and reducing poverty. The National Treasury is developing monitoring and reporting systems to increase transparency and accountability, thereby improving service delivery.

A financial management priority is to develop public-sector accounting policies to improve the quality, accuracy and usefulness of government's financial statements. The National Treasury has continued its process of migrating to Generally Recognised Accounting Practice standards in terms of section 216 of the Constitution.

#### Macroeconomic policies

Government's macroeconomic policies are aimed at meeting the challenges of South Africa's social and economic development in an increasingly interdependent global environment. This includes deepening South Africa's financial markets,



gradually liberalising exchange controls, improving oversight of the financial sector, improving consumer protection, and combating money laundering and the financing of terrorism.

The National Treasury is actively engaged in the development of the southern African region through cooperation with Southern African Development Community countries on issues such as taxation, investment and regional economic integration. This work feeds into the New Partnership for Africa's Development. In the domestic economy, macroeconomic policy and regulations are aimed at increasing the efficiency of domestic markets, and at reforms that bridge the gap between the formal and informal sectors of the economy.

### **Intergovernmental fiscal relations**

Building a solid system of intergovernmental financial and fiscal relations is important for service delivery and efficient government spending. A major area of progress has been the National Treasury's relationship with provincial and local government. New frameworks for allocating grants to provinces and municipalities provide sharper definitions of the purpose and intended outputs for each grant. In combination with improved reporting on provincial and local government budgets and expenditure, this increases transparency and will lead to further improvements in service delivery.

One focus over the medium term will be to use infrastructure delivery to work in support of other government objectives. Priorities here include the upgrading of sporting facilities and transport infrastructure associated with the 2010 FIFA World Cup, and facilitating employment through labour-intensive projects. Initiatives will also focus on institutionalising good practice in infrastructure planning, supply chain management (procurement) and delivery of infrastructure.

At the local government level, the priority is to reinforce budget reform and financial management. Building on the solid legal foundation of the Municipal Finance Management Act (MFMA), municipalities will receive targeted support to improve their financial management capacity and to strengthen the link between policy, planning and budgets. These reforms are being implemented in high- and medium-capacity municipalities. This will ensure even greater transparency in resource allocation and reporting, improving accountability and service delivery.

### **Implementing the PFMA and MFMA**

Successful implementation of the Public Finance Management Act (PFMA) since 2000 has laid a solid foundation for the rollout of the MFMA. The implementation of the MFMA, which seeks to introduce financial management reforms at local government level, began in July 2004 and continues to register sound progress.

Both the PFMA and the MFMA are key elements in transforming public-sector



financial management. In a strategy developed in consultation with the National Treasury, the South African Management Development Institute is providing large-scale financial management training to improve the capacity of public sector finance practitioners. The National Treasury is also implementing Phase II of the integrated financial management system, which will eventually replace all existing transversal systems. This project is aimed at improving government's financial management and human resource management systems.

### **Appropriate tax policies**

In formulating tax policy, there is a need to align the generally accepted principles of a good tax system with government's current macroeconomic and fiscal policy objectives. In designing tax policy, cooperation between the South African Revenue Service (SARS) and the National Treasury is of utmost importance, as is daily interaction with the corporate sector and the general taxpaying public.

Since 1994, consistent tax policy and administrative practices have been initiated, aiming to broaden the tax base by improving tax administration and eliminating ineffective tax incentives. This has led to electronic filing and payments, a capital gains tax, residence-based (as opposed to source-based) taxation, and a risk-management approach to compliance. Expert committees composed of staff from the National Treasury and SARS draft tax legislation with a clear focus on efficient and internationally competitive taxation strategies. Anti-avoidance provisions are included during the drafting to make sure that there is better compliance.

### **Managing public-sector debt**

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

### **International financial relations**

The National Treasury continues to engage actively with multilateral institutions, including the International Monetary Fund, the World Bank, the Group of 20 (which South Africa is chairing in 2007) and the United Nations. Over the period ahead priority issues will include development policies for African economies and increasing the level of aid flows.



## 2. EXPENDITURE

Departments budget in terms of clearly defined programmes. The following tables summarise final audited expenditure by programme (Table 2.1) and by salary band (Table 2.2), and include the amounts spent on personnel costs.

**Table 2.1 - Personnel costs by programme, 2006/07**

Programme	Total expenditure (R'000)	Personnel expenditure (R'000)	Training expenditure (R'000)	Professional and special services (R'000)	Personnel cost as a percent of total expenditure	Average personnel cost per employee (R'000)
<b>Programme 1</b> Administration	161,639	50,010	2,893	22,020	30,9%	246
<b>Programme 2</b> Economic Planning and Budget Management	207,470	102,841	1,747	52,168	49,6%	358
<b>Programme 3</b> Asset and Liability Management	41,272	26,025	503	6,232	63,1%	317
<b>Programme 4</b> Financial Management and Systems	196,378	30,772	3,970	222	15,7%	265
<b>Programme 5</b> Financial Accounting and Reporting	65,785	19,299	215	4,756	29,3%	306
<b>Programme 6</b> Provincial and Local Government Transfers	5,497,155	0	0	0	0	0
<b>Programme 7</b> Civil and Military Pensions, Contributions to Funds and Other Benefits	2,048,703	0	0	26,682	0	0
<b>Programme 8</b> Fiscal Transfers	7,897,221	0	0	0	0	0
Statutory	0	0	0	0	0	0
<b>Total</b>	<b>16,115,623</b>	<b>228,947</b>	<b>9,328</b>	<b>112,080</b>		



**Table 2.2 - Personnel costs by salary band, 2006/07**

Salary band	Personnel expenditure (R'000)	% of total personnel cost	Average personnel cost per employee (R'000)
Lower skilled (Levels 1-2)	75	0	75
Skilled (Levels 3-5)	4,481	2%	89
Highly skilled production (Levels 6-8)	28,611	12,5%	134
Highly skilled supervision (Levels 9-12)	91,672	40%	315
Senior management (Levels 13-16)	104,108	45,5%	539
<b>Total</b>	<b>228,947</b>	<b>100%</b>	<b>305</b>

The following tables provide a summary per programme (Table 2.3) and salary band (Table 2.4), of expenditure incurred as a result of salaries, overtime, homeowners allowance and medical assistance. In each case, the table provides an indication of the percentage of the personnel budget that was used for these items.

**Table 2.3 - Salaries, overtime, homeowners allowances and medical assistance by programme, 2006/07**

Programme	Salaries		Overtime		Homeowners allowance		Medical assistance	
	Amount (R'000)	Salaries as a % of personnel cost	Amount (R'000)	Overtime as a % of personnel cost	Amount (R'000)	HOA as a % of personnel cost	Amount (R'000)	Medical assistance as a % of personnel cost
Programme 1	33,538	67,1%	128	0,3%	435	0,9%	1,435	2,9%
Programme 2	63,870	62,1%	12	0	1103	1,1%	2,364	2,3%
Programme 3	16,505	63,4%	0	0	241	0,9%	692	2,7%
Programme 4	20,348	66,1%	0	0	154	0,5%	940	3,1%
Programme 5	11,703	60,6%	0	0	208	1,1%	329	1,7%
<b>Total</b>	<b>145,964</b>		<b>140</b>		<b>2,141</b>		<b>5,760</b>	



**Table 2.4 - Salaries, overtime, homeowners allowances and medical assistance by salary bands, 2006/07**

Salary band	Salaries		Overtime		Homeowners allowance		Medical assistance	
	Amount (R'000)	Salaries as a % of personnel cost	Amount (R'000)	Overtime as a % of personnel cost	Amount (R'000)	HOA as a % of personnel cost	Amount (R'000)	Medical assistance as a % of personnel cost
Lower skilled (Levels 1-2)	44	58,7%	0	0	3	4%	11	14,7%
Skilled (Levels 3-5)	3,119	69,6%	4	0,1%	70	1,3%	191	4,3%
Highly skilled production (Levels 6-8)	21,424	74,9%	65	0,2%	310	1%	1,219	4,3%
Highly skilled supervision (Levels 9-12)	62,227	67,9%	71	0,1%	439	0,4%	2,414	2,6%
Senior management (Levels 13-16)	59,150	56,8%	0	0	1319	0,4%	1,925	1,8%
<b>Total</b>	<b>145,964</b>		<b>140</b>		<b>2,141</b>		<b>5760</b>	

### 3. EMPLOYMENT AND VACANCIES

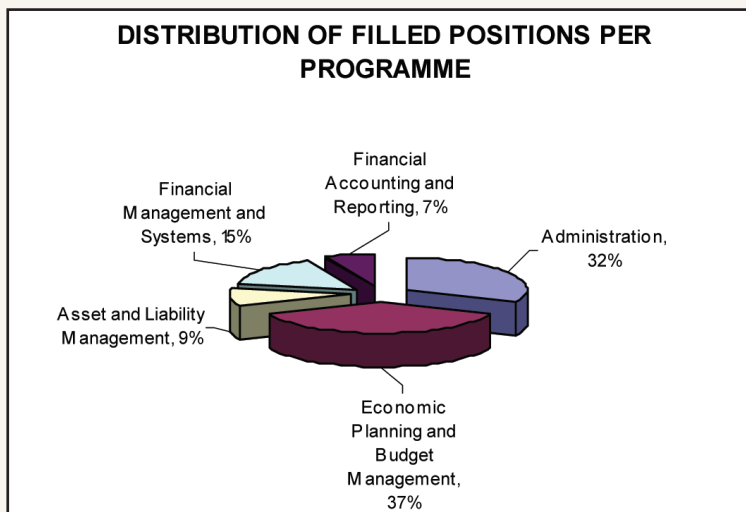
The following tables summarise the number of posts on the establishment, the number of employees, the vacancy rate, and whether there are any staff that are additional to the establishment. This information is presented in terms of three key variables: - programme (Table 3.1), salary band (Table 3.2) and, in both tables, the vacancy rate, which reflects the percentage of posts that are not filled.

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

**Table 3.1 - Employment and vacancies by programme, 31 March 2007**

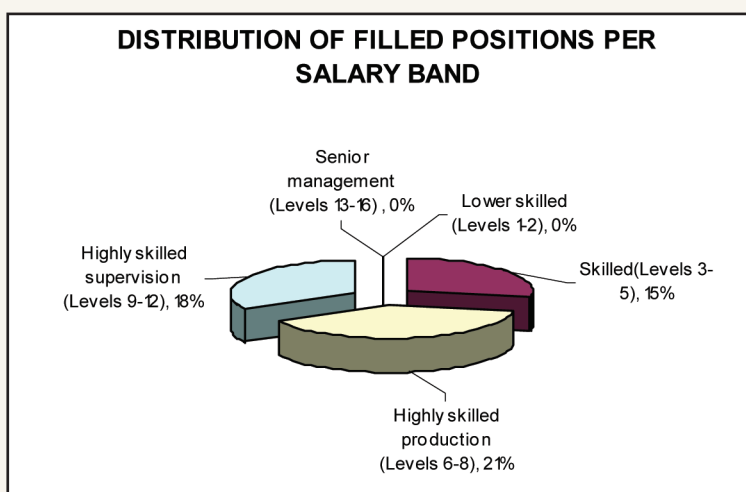
Programme	Number of posts	Number of posts filled	Vacancy Rate %	Number of posts filled additional to the establishment
Programme 1	280	230*	15%	12 (5 excess)
Programme 2	327	253	13%	33
Programme 3	83	77	4%	3
Programme 4	136	99	27%	6 (6 excess)
Programme 5	58	51	7%	3
<b>Total</b>	<b>884*</b>	<b>710*</b>	<b>14%</b>	<b>57 (11 excess)</b>

\*Note: This total includes the Minister and the Deputy Minister  
Excess employees not included with the determination of the vacancy rate



**Table 3.2 - Employment and vacancies by salary band, 31 March 2007**

Salary band	Number of posts	Number of posts filled	Vacancy rate %	Number of posts filled additional to the establishment
Lower skilled (Levels 1-2)	0	0	0%	1 (1 excess)
Skilled (Levels 3-5)	55	47	15%	1 (1 excess)
Highly skilled production (Levels 6-8)	251	197	21%	9 (8 excess)
Highly skilled supervision (Levels 9-12)	387	308	18%	11
Senior management (Levels 13-16)	191	158*	0%	35 (1 excess)
<b>Total</b>	<b>884</b>	<b>710*</b>	<b>14%</b>	<b>57 (11 excess)</b>



\*Note: Critical occupations for the National Treasury have not been finalised. However, the following areas are being considered: economists, supply chain consultants, chartered accountants and tax specialists.



#### 4. JOB EVALUATION

The Public Service Regulations (1999) introduced job evaluation as a way of ensuring that work of equal value is remunerated equally. Within a nationally determined framework, an executing authority may evaluate or re-evaluate any job in an organisation. In terms of the regulations all vacancies on salary levels 9 and higher must be evaluated before they are filled. In addition, the Minister for Public Service and Administration decided that all Senior Management Service jobs must be evaluated before 31 December 2002.

Table 4.1 summarises the number of jobs that were evaluated during the year under review. The table also provides statistics on the number of posts that were upgraded or downgraded.

**Table 4.1 - Job evaluation, 1 April 2006 to 31 March 2007**

Salary band	Number of posts	Number of jobs evaluated	% of posts evaluated by salary band	Posts upgraded		Posts downgraded	
				Number	% of posts evaluated	Number	% of posts evaluated
Lower skilled (Levels 1-2)	0	0	0%	0	0%	0	0%
Skilled (Levels 3-5)	55	1	2%	5	4%	0	0%
Highly skilled production (Levels 6-8)	251	14	6%	34	30%	0	0%
Highly skilled supervision (Levels 9-12)	387	77	20%	0	0%	0	0%
Senior Management Service Band A	140	18	13%	0	0%	0	0%
Senior Management Service Band B	38	3	8%	0	0%	0	0%
Senior Management Service Band C	10	0	0%	0	0%	0	0%
Senior Management Service Band D	3	0	0%	0	0%	0	0%
<b>Total</b>	<b>884</b>	<b>113</b>	<b>13%</b>	<b>39</b>	<b>35%</b>	<b>0</b>	<b>0%</b>

Table 4.2 provides a summary of the number of employees whose salary positions were upgraded because their posts were upgraded. The number of employees might differ from the number of posts upgraded, since not all employees are automatically absorbed into the new posts and some of the posts upgraded could also be vacant.

**Table 4.2 - Profile of employees whose salary positions were upgraded due to their posts being upgraded, 1 April 2006 to 31 March 2007**

Beneficiaries	African	Asian	Coloured	White	Total
Female	6	0	0	9	15
Male	0	0	0	0	0
Total	6	0	0	9	15
Employees with a disability					0





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

**Table 4.3 - Employees whose salary level exceeds the grade determined by job evaluation, 1 April 2006 to 31 March 2007 (in terms of PSR 1.V.C.3)**

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
DDG	3	15	Between 15 and 16	Retention
Chief director	2	14	15	Retention
	6	14	Between 14 and 15	Retention
Director	1	13	14	Retention
	7	13	Between 13 and 14	Retention
Deputy director	1	11	13	Retention
	4	11	12	Retention
Assistant director	1	10	11	Retention
	1	9	10	Retention
Admin officer	2	8	9	Retention
Total Number of employees whose salaries exceeded the level determined by job evaluation in 2006/07				<b>28</b>
Percentage of total employment				<b>3,7%</b>

Table 4.4 summarises the beneficiaries of the above in terms of race, gender and disability.

**Table 4.4 - Profile of employees whose salary level exceed the grade determined by job evaluation, 1 April 2006 to 31 March 2007 (in terms of PSR 1.V.C.3)**

Beneficiaries	African	Asian	Coloured	White	Total
Female	4	0	0	2	<b>6</b>
Male	3	3	1	15	<b>22</b>
<b>Total</b>	<b>7</b>	<b>3</b>	<b>1</b>	<b>17</b>	<b>28</b>

**Employees with a disability: 0**

## 5. EMPLOYMENT CHANGES

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

Turnover rates provide an indication of trends in the employment profile of the department. The following table (5.1) provides a summary of turnover rates by salary band.



**Table 5.1 - Annual turnover rates by salary band for the period 1 April 2006 to 31 March 2007**

Salary Band	Number of employees per band as on 31 March 2006	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate %
Lower skilled (Levels 1-2)	1	0	0	0%
Skilled (Levels 3-5)	54	4	5	9%
Highly skilled production (Levels 6-8)	201	75	58	29%
Highly skilled supervision (Levels 9-12)	284	78	49	17%
Senior Management Service Band A	118	35	23	19%
Senior Management Service Band B	39	5	6	15%
Senior Management Service Band C	10	2	1	10%
Senior Management Service Band D	3	0	0	0%
<b>Total</b>	<b>710</b>	<b>199</b>	<b>142</b>	<b>20%</b>

Table 5.2 identifies the major reasons why staff left the department.

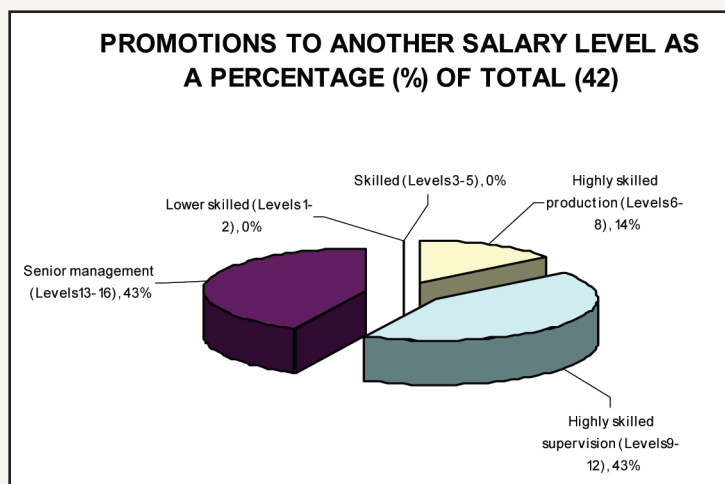
**Table 5.2 - Reasons why staff are leaving the department**

Termination type	Number	% of total
Death	2	1%
Resignation	86	60%
Expiry of contract	20	14%
Dismissal – operational changes	0	0%
Dismissal – misconduct	1	1%
Dismissal – inefficiency	0	0%
Discharged due to ill-health	1	1%
Retirement	1	1%
Transfers to other public service departments	31	22%
Other	0	0%
<b>Total</b>	<b>142</b>	<b>100%</b>
Total number of employees who left as a % of the total employment		<b>19%</b>



**Table 5.3 - Promotions by salary band**

Salary band	Employees 31 March 2006	Promotions to another salary level	Salary band 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)	1	0	0%	0	0%
Skilled (Levels 3-5)	54	0	0%	42	78%
Highly skilled production (Levels 6-8)	201	6	3%	105	52%
Highly skilled supervision (Levels 9-12)	284	18	6%	101	36%
Senior management (Levels 13-16)	170	18	11%	88	52%
<b>Total</b>	<b>710</b>	<b>42</b>	<b>6%</b>	<b>336</b>	<b>47%</b>



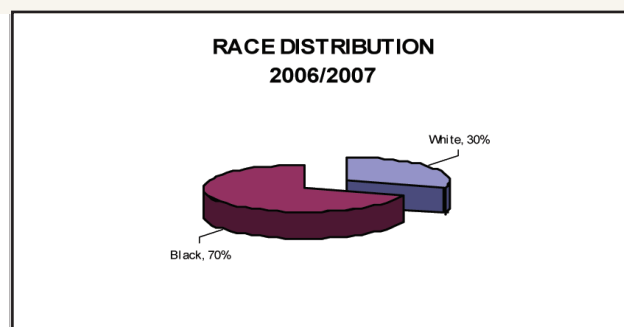
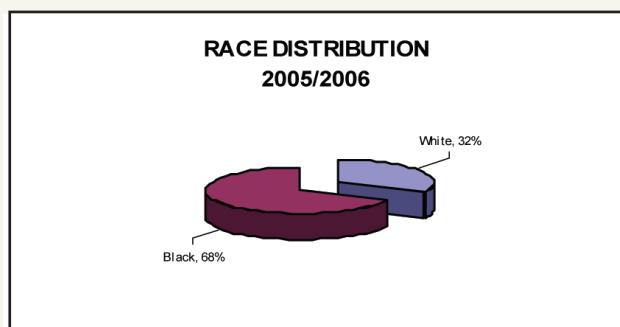


## 6. EMPLOYMENT EQUITY

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

**Table 6.1 - Total number of employees (including employees with disabilities) in each of the following occupational categories as of 31 March 2007**

Occupational categories (SASCO)	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	46	16	16	38	14	6	11	26	173
Professionals	91	11	14	52	95	10	15	66	354
Technicians and associate professionals	0	0	0	0	0	0	0	0	0
Clerks	26	4	3	4	92	11	8	41	189
Service and sales workers	10	1	2	0	9	1	1	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	6	0	0	0	0	0	0	0	6
Elementary occupations	7	2	0	0	12	0	0	0	21
<b>Total</b>	<b>186</b>	<b>34</b>	<b>35</b>	<b>94</b>	<b>222</b>	<b>28</b>	<b>35</b>	<b>133</b>	<b>767</b>
<b>Employees with disabilities</b>	1	0	0	2	0	0	0	2	5

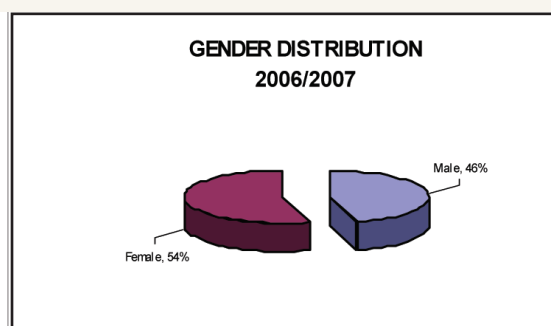
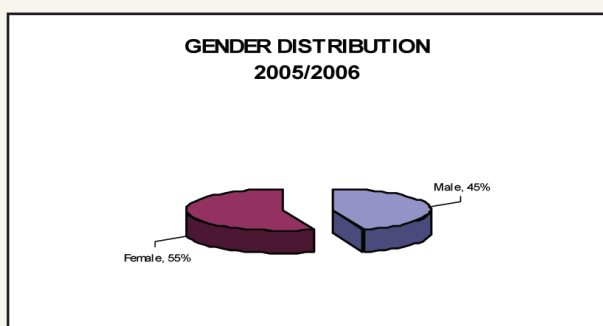




**Table 6.2 - Total number of employees in each of the following occupational bands as of 31 March 2007**

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	*14	*8	7	19	4	2	3	4	61
Senior management	37	11	9	23	14	5	7	26	132
Professionally qualified and experienced specialists and mid-management	79	9	16	44	85	7	18	61	319
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	39	5	2	7	95	12	7	39	206
Semi-skilled and discretionary decision making	21	3	0	1	21	1	0	1	48
Unskilled and defined decision making	0	0	0	0	1	0	0	0	1
<b>Total</b>	<b>190</b>	<b>36</b>	<b>34</b>	<b>94</b>	<b>220</b>	<b>27</b>	<b>35</b>	<b>131</b>	<b>767</b>

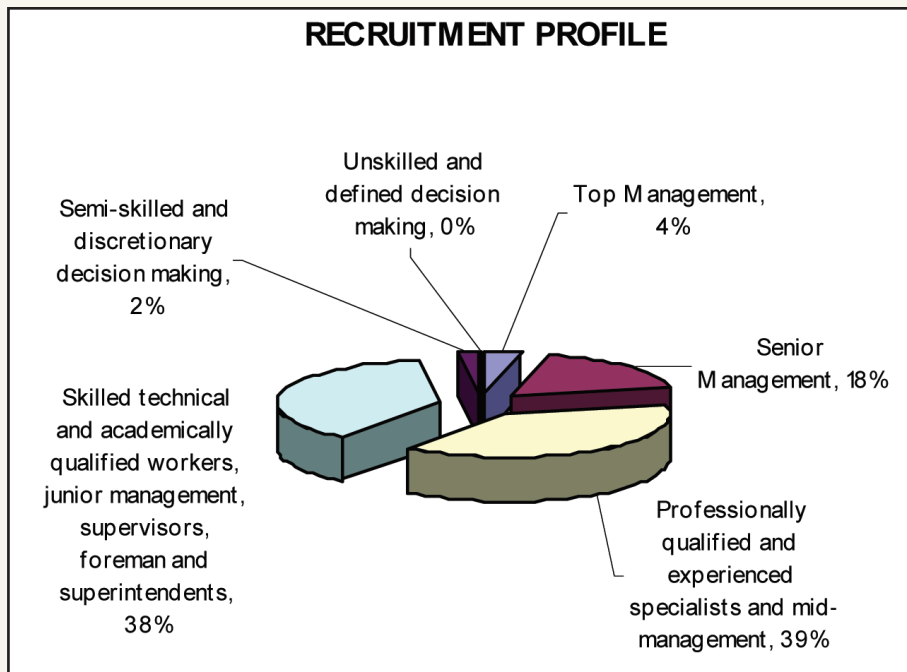
Note: This total includes the Minister and the Deputy Minister





**Table 6.3 - Recruitment for the period 1 April 2006 to 31 March 2007**

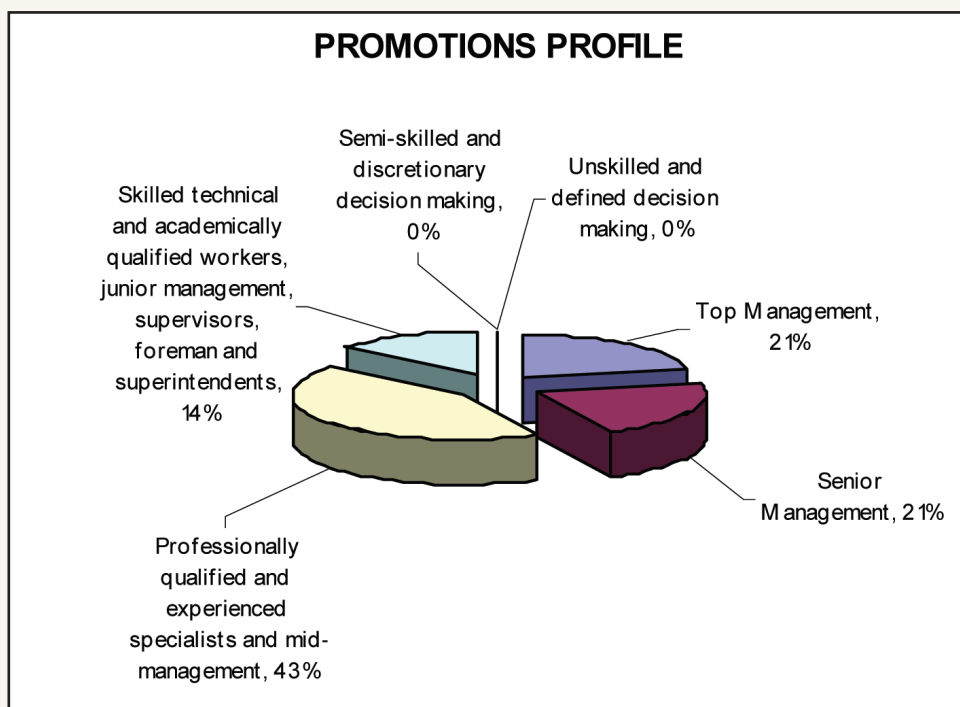
Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	0	0	1	2	0	0	0	4	7
Senior management	17	4	3	1	2	2	2	4	35
Professionally qualified and experienced specialists and mid-management	30	2	6	5	22	2	9	2	78
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	22	0	3	2	41	2	1	4	75
Semi-skilled and discretionary decision making	4	0	0	0	0	0	0	0	4
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>73</b>	<b>6</b>	<b>13</b>	<b>10</b>	<b>65</b>	<b>6</b>	<b>12</b>	<b>14</b>	<b>199</b>





**Table 6.4 - Promotions for the period 1 April 2006 to 31 March 2007**

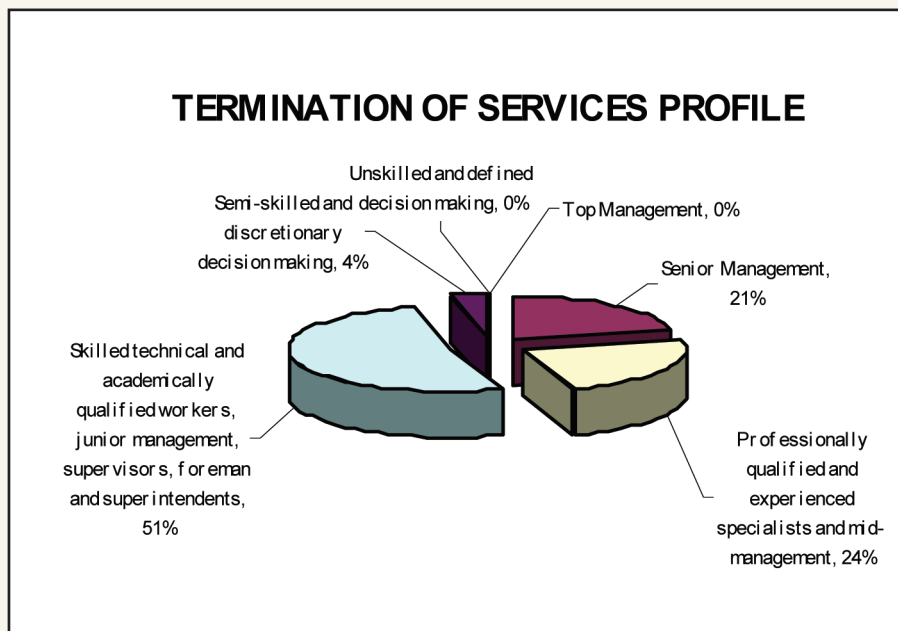
Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	3	1	3	0	1	0	0	1	9
Senior management	2	2	0	1	0	0	1	3	9
Professionally qualified and experienced specialists and mid-management	2	3	2	0	3	0	2	6	18
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	0	0	0	0	5	1	0	0	6
Semi-skilled and discretionary decision making	0	0	0	0	0	0	0	0	0
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>7</b>	<b>6</b>	<b>5</b>	<b>1</b>	<b>9</b>	<b>1</b>	<b>3</b>	<b>10</b>	<b>42</b>





**Table 6.5 - Terminations for the period 1 April 2006 to 31 March 2007**

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	0	0	0	0	0	0	0	0	0
Senior management	8	2	3	4	6	2	1	4	30
Professionally qualified and experienced specialists and mid-management	13	1	3	3	10	0	2	2	34
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	24	0	1	5	32	2	4	5	73
Semi-skilled and discretionary decision making	3	0	0	0	2	0	0	0	5
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>48</b>	<b>3</b>	<b>7</b>	<b>12</b>	<b>50</b>	<b>4</b>	<b>7</b>	<b>11</b>	<b>142</b>



**Table 6.6 - Disciplinary action for the period 1 April 2006 to 31 March 2007**

Disciplinary action	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Disciplinary action	1	0	0	3	3	0	0	1	8



**Table 6.7 - Skills development for the period 1 April 2006 to 31 March 2007**

Occupational categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	17	6	11	19	12	8	5	12	<b>90</b>
Professionals	29	9	6	10	20	5	2	15	<b>96</b>
Technicians and associate professionals	25	10	9	12	30	8	9	18	<b>121</b>
Clerks	24	1	1	1	45	15	11	3	<b>101</b>
Service and sales workers	19	5	4	1	21	9	4	5	<b>68</b>
Skilled agriculture and fishery workers	0	0	0	0	0	0	0	0	<b>0</b>
Craft and related trades workers	0	0	0	0	0	0	0	0	<b>0</b>
Plant and machine operators and assemblers	11	4	0	4	9	1	0	1	<b>30</b>
Elementary occupations	5	2	0	0	6	2	0	0	<b>15</b>
<b>Total</b>	<b>130</b>	<b>37</b>	<b>31</b>	<b>47</b>	<b>143</b>	<b>48</b>	<b>31</b>	<b>54</b>	<b>521</b>

## 7. PERFORMANCE REWARDS

To encourage good performance, the department has granted the following performance rewards during the year under review. The information is presented in terms of race, gender, and disability (Table 7.1), salary band (table 7.2) and critical occupation (Table 7.3).

**Table 7.1 - Performance rewards by race, gender, and disability, 1 April 2006 to 31 March 2007**

	Beneficiary profile			Cost	
	Number of beneficiaries	Total number of employees in group	% of total within group	Cost (R'000)	Average cost per employee
African	<b>241</b>	<b>371</b>	<b>65%</b>	<b>5,832</b>	<b>24</b>
Male	102	167	61%	2,779	27
Female	139	204	68%	3,053	22
Asian	<b>41</b>	<b>53</b>	<b>77%</b>	<b>1,496</b>	<b>36</b>
Male	24	30	80%	991	41
Female	17	23	74%	505	30
Coloured	<b>46</b>	<b>59</b>	<b>78%</b>	<b>1,423</b>	<b>31</b>
Male	24	32	75%	880	37
Female	22	27	81%	543	25
White	<b>181</b>	<b>227</b>	<b>80%</b>	<b>6,199</b>	<b>34</b>
Male	68	92	74%	2,799	42
Female	113	135	84%	3,400	30
<b>Total</b>	<b>509</b>	<b>710</b>	<b>72%</b>	<b>14,950</b>	<b>29</b>



**Table 7.2 - Performance rewards by salary band for personnel below Senior Management Service, 1 April 2006 to 31 March 2007**

Salary band	Beneficiary profile			Cost		
	Number of beneficiaries	Number of employees	% of total within salary bands	Total cost (R'000)	Average cost per employee	Total cost as a % of the total personnel expenditure
Lower skilled (Levels 1-2)	1	1	100%	8	8	0,04
Skilled (Levels 3-5)	46	54	85%	381	7	0,19
Highly skilled production (Levels 6-8)	119	201	59%	1,986	10	1,00
Highly skilled supervision (Levels 9-12)	211	284	74%	6,792	24	3,41
<b>Total</b>	<b>377</b>	<b>540</b>	<b>70%</b>	<b>9,167</b>	<b>17</b>	<b>4,60</b>

**Table 7.3 - Performance-related rewards (cash bonus), by salary band, for Senior Management Service**

Salary band	Beneficiary profile			Total cost (R'000)	Average cost per employee	Total cost as a % of the total personnel expenditure
	Number of beneficiaries	Number of employees	% of total within band			
Band A	74	118	63%	2,959	40	1,48%
Band B	49	39	126%	1,987	41	1,00%
Band C	9	10	90%	494	55	0,25%
Band D	0	3	0%	0	0	0%
<b>Total</b>	<b>132</b>	<b>170</b>	<b>78%</b>	<b>5,392</b>	<b>41</b>	<b>2,70%</b>

## 8. FOREIGN WORKERS

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

**Table 8.1 - Foreign workers, 1 April 2006 to 31 March 2007, by salary band**

Salary band	1 April 2006		31 March 2007		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)	5	36%	9	50%	4	100%
Senior management (Levels 13-16)	9	64%	9	50%	0	0%
<b>Total</b>	<b>14</b>	<b>100%</b>	<b>18</b>	<b>100%</b>	<b>4</b>	<b>100%</b>



**Table 8.2 - Foreign workers, 1 April 2006 to 31 March 2007, by major occupation**

Major Occupation	1 April 2006		31 March 2007		Change	
	Number	% of total	Number	% of total	Number	% change
Deputy director-general	2	14%	2	11%	0	0%
Chief director	3	21%	2	11%	-1	-25%
Director	4	29%	5	28%	1	25%
Deputy director	4	29%	8	44%	4	100%
Operational	1	7%	1	6%	0	0%
<b>Total</b>	<b>14</b>	<b>100%</b>	<b>18</b>	<b>100%</b>	<b>4</b>	<b>100%</b>

## 9. LEAVE UTILISATION, 1 JANUARY 2006 TO 31 DECEMBER 2006

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

**Table 9.1 - Sick leave, 1 January 2006 to 31 December 2006**

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)	16	100%	1	0,2%	16	3
Skilled (Levels 3-5)	193	89%	34	6,1%	6	44
Highly skilled production (Levels 6-8)	900	77%	159	28,8%	6	361
Highly skilled supervision (Levels 9-12)	1437	82%	238	43,0%	6	1,367
Senior management (Levels 13-16)	537	79%	121	21,9%	4	1,073
<b>Total</b>	<b>3083</b>	<b>80%</b>	<b>553</b>	<b>100%</b>	<b>6</b>	<b>2,848</b>

**Table 9.2 - Disability leave (temporary and permanent), 1 January 2006 to 31 December 2006**

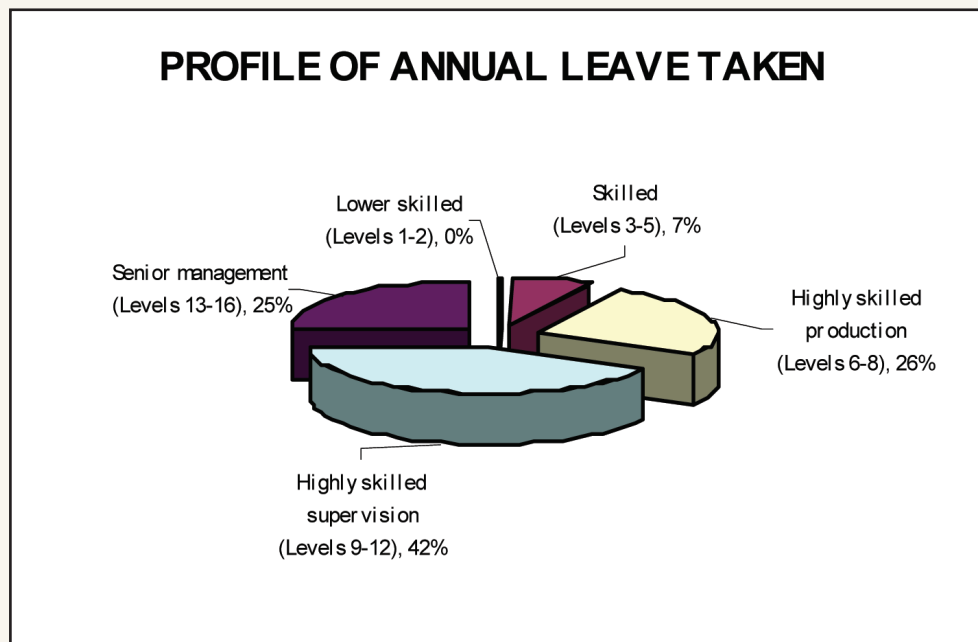
Salary band	Total days taken	% days with medical certification	Number of Employees using disability leave	% of total employees using disability leave	Average days per employee	Estimated cost (R'000)
Lower skilled (Levels 1-2)	9	100%	1	16,70%	9	2
Skilled (Levels 3-5)	35	100%	5	41,70%	7	16
Highly skilled production (Levels 6-8)	43	100%	2	16,70%	22	30
Highly skilled supervision (Levels 9-12)	161	100%	3	25%	54	334
Senior management (Levels 13-16)	0	0%	0	0%	0	0
<b>Total</b>	<b>248</b>	<b>100%</b>	<b>11</b>	<b>100%</b>	<b>23</b>	<b>382</b>



Table 9.3 summarises the use of annual leave. The wage agreement concluded with trade unions in the Public Service Coordinating Bargaining Council in 2000 requires that annual leave be managed to prevent high levels of accrued leave being paid at the time of termination of service.

**Table 9.3 - Annual leave, 1 January 2006 to 31 December 2006**

Salary band	Total days taken	Average per employee
Lower skilled (Levels 1-2)	38	38
Skilled (Levels 3-5)	1046	20
Highly skilled production (Levels 6-8)	3,823	30
Highly skilled supervision (Levels 9-12)	6,168	29
Senior management (Levels 13-16)	3,627	33
<b>Total</b>	<b>14,702</b>	<b>18</b>



**Table 9.4 - Capped leave, 1 January 2006 to 31 December 2006**

Salary band	Total days of capped leave taken	Average number of days taken per employee	Average capped leave per employee as at 31 December 2006
Lower skilled (Levels 1-2)	12	12	28
Skilled (Levels 3-5)	11	3	36
Highly skilled production (Levels 6-8)	57	5	20
Highly skilled supervision (Levels 9-12)	108	4	37
Senior management (Levels 13-16)	38	5	75
<b>Total</b>	<b>226</b>	<b>4</b>	<b>42</b>



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

**Table 9.5 - Leave payouts for the period 1 April 2006 to 31 March 2007**

Reason	Total amount (R'000)	Number of employees	Average payment per employee
Leave payout for 2006/07 due to non-use of leave for the previous cycle	0	0	0
Capped leave payouts on termination of service for 2006/07	45	3	15,000
Current leave payout on termination of service for 2006/07	421	77	5,468
<b>Total</b>	<b>466</b>	<b>80</b>	<b>5,825</b>

## 10. HIV AND AIDS & HEALTH PROMOTION PROGRAMMES

**Table 10.1 - Steps taken to reduce the risk of occupational exposure**

Units/categories of employees identified to be at high risk of contracting HIV and related diseases (if any)	Key steps taken to reduce the risk
None	N/A

**Table 10.2 - Details of HIV and Aids and health promotion 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		Chief Director: Performance and Development
2. Does the department have a dedicated unit or has it designated specific staff members to promote the health and wellbeing 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		Yes, with one internal Human Resources Specialist: Employee Wellness Programme (EWP), supported by an external employee wellness service provider



## Details of HIV and Aids and health promotion programmes (Continued)

Question	Yes	No	Details, if yes
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		<ul style="list-style-type: none"> <li>• Provide confidential counselling</li> <li>• Assess and refer employees for intervention</li> <li>• Follow-up EAP services</li> <li>• Consult with Line</li> <li>• Provide training and awareness programmes</li> <li>• Conduct needs assessment and Knowledge, Attitude, Behavior and Practical (KABP) study</li> <li>• Integrate EWP with other functions</li> <li>• Marketing of EWP</li> <li>• Implement EWP and HIV and Aids strategies</li> </ul>
4. Has the department established (a) committee(s) as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholder(s) that they represent.	X		<p>This is composed of internal members</p> <ul style="list-style-type: none"> <li>• Rezah Atcha (Public Finance)</li> <li>• Sheridan Pillay (DG's Office)</li> <li>• Thabile Khame (Specialist Functions)</li> <li>• Dalu Majeke (Corporate Services)</li> <li>• Rakgadi Motseto (Intergovernmental Relations)</li> <li>• Mari Georgina Chauke (Corporate Services)</li> <li>• Marius Klue (Accountant-General)</li> <li>• Zain Khan (Office of the Chief Operating Officer)</li> <li>• Betty Malope (Corporate Services)</li> <li>• Innocentia Machaba (Specialist Functions)</li> </ul>
5. Has the department reviewed its employment policies and practices to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices so reviewed.	X		<p>To date we have the HIV and Aids policy which gives a solid platform for ensuring non-discriminatory practices against HIV-positive employees</p>



### Details of HIV and Aids and health promotion programmes (Continued)

Question	Yes	No	Details, if yes
6. Has the department introduced measures to protect HIV-positive employees or those perceived to be HIV positive from discrimination? If so, list the key elements of these measures.		X	We have not had any voluntary disclosures. Given that Voluntary Counselling and Testing (VCT) was conducted as recently as December 2006, the full extent of HIV-positive employees is not yet known.  The required protocol, as per report from NetCare, will be implemented, managed and monitored during the 2007/08 financial year
7. Does the department encourage its employees to undergo VCT? If so, list the results that you have you achieved.	X		We conducted VCT in 2006 as part of the world Aids celebrations. 138 people were tested.
8. Has the department developed measures/indicators to monitor and evaluate the impact of its health promotion programme? If so, list these measures/indicators.		X	The approach has not been as broad-based as we would like. We have conducted one Behaviour Risk Management audit for the whole of the National Treasury in the past two years.

## 11. LABOUR RELATIONS

The following collective agreements were entered into with trade unions within the department.

**Table 11.1 - Collective agreements, 1 April 2006 to 31 March 2007**

Subject matter	Date
N/A	

If there were no agreements, then use the following table:

Total collective agreements	None
-----------------------------	------

The following table summarises the outcome of disciplinary hearings conducted within the department for the year under review.

**Table 11.2 - Misconduct and disciplinary hearings finalised, 1 April 2006 to 31 March 2007**

Outcomes of disciplinary hearings	Number	% of total
Correctional counselling	2	25%
Verbal warning	0	0%
Written warning	3	38%
Final written warning	2	25%
Suspended without pay	0	0%
Fine	0	0%
Demotion	0	0%
Dismissal	1	13%
Not guilty	0	0%
Case withdrawn	0	0%
<b>Total</b>	<b>8</b>	<b>100%</b>



**Table 11.3 - Types of misconduct addressed at disciplinary hearings**

Type of misconduct	Number	% of total
Misrepresentation	1	11%
Sexual harassment	1	11%
Gross misconduct (negligence, disrespectful behaviour)	6	67%
Poor performance	1	11%
<b>Total</b>	<b>9</b>	<b>100%</b>

**Table 11.4 - Grievances lodged for the period 1 April 2006 to 31 March 2007**

	Number	% of total
Number of grievances resolved	11	79%
Number of grievances not resolved	3	21%
Total number of grievances lodged	<b>14</b>	<b>100%</b>

**Table 11.5 - Disputes lodged with councils for the period 1 April 2006 to 31 March 2007**

	Number	% of total
Number of disputes upheld	1	100%
Number of disputes dismissed	0	0%
Total number of disputes lodged	<b>1</b>	<b>100%</b>

**Table 11.6 - Strike actions for the period 1 April 2006 to 31 March 2007**

<i>Total number of person working days lost</i>	
Total cost (R'000) of working days lost	<b>None</b>
Amount (R'000) recovered as a result of no work no pay	<b>None</b>

**Table 11.7 - Precautionary suspensions for the period 1 April 2006 to 31 March 2007**

Number of people suspended	<b>None</b>
Number of people whose suspension exceeded 30 days	<b>None</b>
Average number of days suspended	<b>0</b>
Cost (R'000) of suspensions	<b>0</b>



## 12. SKILLS DEVELOPMENT

This section highlights the efforts of the department with regard to skills development.

**Table 12.1 - Training needs identified 1 April 2006 to 31 March 2007**

Occupational categories	Gender	Number of employees as at 1 April 2006	Training needs identified at start of reporting period			
			Learnerships	Skills programmes and other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	52	0	17	4	21
	Male	108	0	37	12	49
Professionals	Female	194	0	25	13	38
	Male	160	0	23	13	36
Technicians and associate professionals	Female	0	0	35	12	47
	Male	0	0	27	17	44
Clerks	Female	118	0	26	10	36
	Male	31	0	5	1	6
Service and sales workers	Female	12	0	11	4	15
	Male	7	0	10	3	13
Skilled agriculture and fishery workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Craft and related trades workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Plant and machine operators and assemblers	Female	0	0	5	3	8
	Male	6	0	7	2	9
Elementary occupations	Female	13	0	4	1	5
	Male	9	0	3	0	3
Sub total	Female	389	0	123	47	170
	Male	321	0	112	48	160
<b>Total</b>		<b>710</b>	<b>0</b>	<b>235</b>	<b>95</b>	<b>330</b>



**Table 12.2 - Training provided 1 April 2006 to 31 March 2007**

Occupational categories	Gender	Number of employees as at 1 April 2006	Training provided within the reporting period			
			Learnerships	Skills programmes and other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	52	0	25	12	37
	Male	108	0	35	18	53
Professionals	Female	194	0	30	12	42
	Male	160	0	42	12	54
Technicians and associate professionals	Female	0	0	47	18	65
	Male	0	0	39	17	56
Clerks	Female	118	42	30	2	74
	Male	31	18	6	3	27
Service and sales workers	Female	12	0	30	7	37
	Male	7	0	24	5	29
Skilled agriculture and fishery workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Craft and related trades workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Plant and machine operators and assemblers	Female	0	0	9	2	11
	Male	6	0	15	4	19
Elementary occupations	Female	13	0	5	3	8
	Male	9	0	7	0	7
Sub total	Female	389	42	176	56	274
	Male	321	18	168	59	245
<b>Total</b>		<b>710</b>	<b>60</b>	<b>344</b>	<b>115</b>	<b>519</b>

### 13. INJURY ON DUTY

The following tables provide basic information on injury on duty.

**Table 13.1 - Injury on duty, 1 April 2006 to 31 March 2007**

Nature of injury on duty	Number	% of total
Required basic medical attention only	1	100%
Temporary total disablement	0	0%
Permanent disablement	0	0%
Fatal	0	0%
<b>Total</b>	<b>1</b>	<b>100%</b>



## 14. UTILISATION OF CONSULTANTS

**Table 14.1 - Report on consultant appointments using appropriated funds**

Project Title	Total number of consultants that worked on the project	Duration: Work days	Contract value in Rand
Procurement of consultants to assist the GCIS with the development of provincial Business Plans for the establishment and Rollout of MPCCS.	4	90	R458,456.40
Consultants to review the Development Finance Institutions.	8	365	R7,987,740.38
An assignment to perform a practical application of the accounting Guideline for PPS on four closed Projects.	4	120	R547,200.00
Carrying out of a case study based on three closed PPP Projects.	6	117	R570,000.00
Assisting as project coordinator in ALM.	1	365	R650,000.00
Assistance in guiding and supporting the National and Provincial Sector Departments in preparing their conditional grants business.	1	199	R207,936.00
Conducting a situational analysis of the existing and identified multi-purpose Community centres (MPCC) and develop a MPCC Business plan for the second generation MPCCs.	1	90	R394,700.00
Operational support to the NDPG Unit.	1	70	R120,000.00
Conducting a diagnostic study of the Eastern Cape Fleet Management PPP Contract.	1	180	R500,000.00
Case Study: Transfer of functions between government departments.	1	90	R157,920.00
Provision of advisory services to strengthen National Treasury's Technical Assistance Unit (TAU) with a focus on the Governance and Administration cluster.	1	365	R3,993,608.19
Provision advisory services to strengthen National Treasury's Technical Assistance Unit (TAU) with focus on the Economic Investment and Employment cluster.	1	365	R4,076,042.77
Consultant to deliver inputs into NT's research project with Harvard.	1	39	R97,500.00
Assistance in guiding and supporting the National and Provincial Sector Departments in preparing their Conditional Grants Business Plans for 2007/08.	1	52	R270,316.80



## Report on consultant appointments using appropriated funds (Continued)

Project Title	Total number of consultants that worked on the project	Duration: Work days	Contract value in Rand
Provision of Project Management services to TAU's International Relations and Security cluster.	1	365	R576,000.00
Conduct a diagnostic study and develop a business case for the EC Department of Local Government, Housing and Traditional Affairs and Municipal Support Unit within the Department.	1	20	R174,224.00
Technical and strategic support towards the implementation of the NDP Grant.	1	22	R418,400.00
Technical assistance for strategic enhancement of National Treasury operations.	1	365	R2,253,096.00
Technical assistance to support the Department of Education (DoE) on the Schools Infrastructure Support Programme (SISP).	1	26	R45,800.00
To support SAPS SPCWC EC in the evaluation of works tenders in accordance with the European Union Practical Guide.	1	60	R135,880.00
Technical Assistance to support the Department of Education with the procurement of tender evaluation committees on the schools infrastructure support programme.	1	60	R1,722,936.35
Assist the GCIS with the development of provincial business plans for the establishment and roll-out of MPCCs in accordance with the national MPCC business plan 2006-2014.	1	180	R458,156.40
Advice on specific reporting reforms and business processes.	1	365	R345,600.00
To assist with infrastructure related projects and policy.	1	30	R125,000.00
Review the aspects of the draft dedicated bank bill 2004.	1	60	R190,169.10
Review the 1999 World Bank country assistance strategy and to assist in drafting the new World Bank country partnership strategy.	1	90	R264,000.00



## Report on consultant appointments using appropriated funds (Continued)

Project Title	Total number of consultants that worked on the project	Duration: Work days	Contract value in Rand
PN097 SAPS DNA Laboratory, Procurement Support (EC Funded Programme)	1	10 x months	R472 416.00
PN097 SAPS DNA Laboratory Implementation Support & Capacity Building PN134 FIC: Systems Integration Support	1	12 x months	R1 281 728.00
PN195 DoE School Infrastructure Support Programme / EU Procurement Support	1	2 x months	R1 827 275.99
PN184 DoH Social Housing Support Programme 4 <sup>th</sup> Annual Work Plan / EU Procurement Support	1	5 x months	R442 534.73
PN101 NT Infrastructure Delivery Improvement Programme Implementation Support PN209 NT TAU: Programme / Project Management Framework Development	1	11 x months	R662 000.00
PN194 Masibambane III Phase II Procurement Management Support	1	4 x months	R305 244.12
PN226 DTI Diagnostic Agency Management	1	1 x month	R78 800.00
PN147 DHLGTA Eastern Cape: Diagnostic & Business Case for a municipal support unit	1	2 x months	R174 224.00
PN197 NT PPP Contract Management Support: Department of Transport, Fleet Management	1	5 x months	R500 000.00
PN193 NT Fiscal Data System Development & Support	1	38 x months	R2 445 984.00
PN198 NT: Implementation of Neighbourhood Development Programme Grant Fund	1	11 x months	R1 067 753.70
PN201 DEAT: Coastal Management Support / Management Capacity Building	1	5 x months	R494 847.06
PN214 NT: Strategic Enhancement and Organisational Development	1	28 x months	R2 253 096.00
PN202 City of Johannesburg: Strategy Development Support	1	6 x months	R632 471.04
PN114 Conditional Grants for Department of Agriculture	1	228 x days	R301 314.60



## Report on consultant appointments using appropriated funds (Continued)

Project Title	Total number of consultants that worked on the project	Duration: Work days	Contract value in Rand
PN114 Conditional Grants for Department of Housing	1	52 x days	R270 316.80
PN218 DoH NGO Unit systems development focussing on HIV / AIDS (CIDA Funded programme)	1	3 x months	R179 691.00
PN118 NT Function Shift Case Studies	1	4 x months	R174 824.00
PN221 NT Social Security Reform Conceptualisation / Project Management Support	1	10 x months	R3 346 215.18
PN213 NT TAU Results Based Management	1	15 x days	R104 225.70
PN118 NT TAU Gestalt Methodology Development	1	12 x months	R456 000.00
PN209 NT Programme and Project Management Landscape Study	1	5 x months	R329 244.80
PN213 NT TAU Work Study Review	2	38 x days	R199 300.00
PN213 NT TAU Procurement Support	1	5 x months	R372 980.76
PN213 NT TAU Business Processing	2	10 x days	R290 348.00
PN135 DoA Free State: Community Projects Fund Support Programme	1	11 x months	R547 200.00
PN114 NT Conditional Grants Business Plan Framework Development	1	7 x months	R110 808.00
PN168 NT Function Shift Case Study	1	40 x days	R180 028.00
PN189 GCIS Multi Purpose Community Centres Establishment / Business plan development	1	7 x months	R458 156.40
PN213 NT TAU: Results Based Management & Institutional Development	1	37 x days	R941 239.71
NT: TAU Principal Technical Advisor for Governance & Administration Cluster	1	230 x days	R4 345 414.58
NT: TAU Principal Technical Advisor for Economic Investment & Employment Cluster	1	690 x days	R4 435 099.91
NT: TAU Principal Technical Advisor for Crime Protection & Justice Cluster	1	690 x days	R4 379 110.04
NT: TAU Principal Technical Advisor for Social Services Cluster and Methodology, Tools & Applications (internal & external)	1	576 x days	R3 641 655.02
NT: TAU Principal Technical Advisor for International Peace & Security Cluster	1	690 x days	R4 304 904.02



## Report on consultant appointments using appropriated funds (Continued)

Project Title	Total number of consultants that worked on the project	Duration: Work days	Contract value in Rand
Appointment of a consultant to manage and strategically advise on the DoE Head Office, DFA Head Office, DME IPP, Free State Schools, W/Cape Schools, NHFC Rental Housing, GPG Precinct projects, including providing input at Foundation Training courses and PPP Presentations on Financial Analysis aspects of PPPs, as required. (K Breytenbach)	3	264	R950 400.00
Technical Assistance on Gautrain rapid Link – Financial Advisory Services (Sagitta)	1	60	R229 176.99
Event Management for DoH Limpopo conference – November 2006 (Network SA)	1	40	R96 472.50
Treatment of Contingent Liabilities Policy for PPPs – October 2006 (T Irwin, Worldbank)	1	30	R403 000.00 (US\$62 000.00 / \$1=R6.5)
Legal Advice Service on Dept of Justice MMT PPP Project – October 2006 (Levinsohn Assoc)	1	30	R174 010.00
Personnel Assessments Tests / pre-employment for E Jacomina and S Maganedisa – (Omnivor PDS)	3	2	R 5700.00
Case Study on Humansdorp Hospital Free State Health – Investec	3	60	R111 150.00
Case Study for Albert Luthuli, Pelonomi and Humansdorp closed PPP projects - Wits Business School	1	90	R570 000.00
Literature Review – Readiness of Municipalities for PPPs (Luke Pro Consulting)	1	10	R22 000.00
Case Study for DoL – Phase 2,3,4 deliverables (KPMG)	3	90	R479 999.99
Editing of Governance PDF document (C Garson Assoc)	1	30	R12 800.00
Editing of DoL IT PPP Case Study (C Garson)	1	45	R25 600.00
Legal Support Advisor for IPP + DME PPP projects (Bowman Gillfillan)	3	27	R188 075.18



**Table 14.2 - 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
Procurement of consultants to assist the GCIS with the development of provincial Business Plans for the establishment and Rollout of MPCCs.	66,7	66,7	0
Consultants to review the Development Finance Institutions.	51	51	4
An assignment to perform a practical application of the accounting Guideline for PPS on four closed Projects.	17	17	3
Assisting as project coordinator in ALM.	20,35	20,35	1
Assistance in guiding and supporting the National and Provincial Sector Departments in preparing their conditional grants business.	100	100	1
Conducting a situational analysis of the existing and identified multi-purpose community centres (MPCC) and develop a MPCC business plan for the second generation MPCCs.	66,7	66,7	1
Conducting a diagnostic study of the Eastern Cape Fleet Management PPP Contract.	66,7	66,7	0
Provision of advisory services to strengthen National Treasury's Technical Assistance Unit (TAU) with a focus on the Governance and Administration cluster.	100	100	1
Assistance in guiding and supporting the national and Provincial Sector Departments in preparing their Conditional Grants Business Plans for 2007/08.	50	50	0
Provision of Project Management services to TAU's International Relations and Security cluster.	100	100	1
Conduct a diagnostic study and develop a business case for the EC Department of Local Government, Housing and Traditional Affairs and Municipal Support Unit within the Department.	50	50	0
Technical and strategic support towards the implementation of the NDP Grant.	66,7	66,7	0





### Analysis of consultant appointments using appropriated funds, in terms of historically disadvantaged individuals (HDIs) (Continued)

Project Title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of Consultants from HDI groups that work on the project
Technical assistance for strategic enhancement of National Treasury operations.	100%	100%	1
Technical Assistance to support the Department of Education with the procurement of tender evaluation committees on the schools infrastructure support programme.	18,67%	18,67%	0
Assist the GCIS with the development of provincial business plans for the establishment and roll-out of MPCCs in accordance with the National MPCC Business plan 2006-2014	66,7%	1%	0
Advice on specific reporting reforms and business processes.	100%	100%	1
Review the aspects of the draft dedicated bank bill 2004	54%	54%	0
Technical assistance to support the Department of Education (DoE) on the schools Infrastructure Support Programme (SISP).	50%	50%	1
Omnikor Pre-employment Tests	26%	50%	3
Case Study on Health PPP Projects Investec	25%	10%	3
Literature Review – Municipal PPPs – Luke Pro	100%	100%	1
Case Study for DoL PPP - KPMG	13%	18%	3
Legal Panel Advisor for PPPs – Bowman Gillfillan	17%	66%	3



**Table 14.3 - Report on consultant appointments using donor funds**

Project Title	Total Number of consultants that worked on the project	Duration: Work days	Donor and Contract value in Rand
IDCSP	3 (Long-term contracts)	657	844 852.98 (EU Funds)
SHD	1 Technical Assistant	219	1 364 000.00 (UNDP Funds)
Total number of projects	Total individual consultants	Total duration: Work days	Total contract value in Rand
2	4	876	2 200 852.98

Project Title	Total number of consultants that worked on the project	Duration: Work days	Contract value in Rand
PN167 NT Conceptualisation Support on Municipal Infrastructure Development and Management Improvement Programme	1	2 x months	R56 400.00
PN175 NPA Human Trafficking Programme Annual Work Plan Development (EC Funded Programme)	1	3 x months	R36 000.00
PN170 NEMA PPP: Review of Act & Targeted Training	1	1 x month	R24 000.00
PN191 SAPS Sudan Programme Management Support	1	1 x months	R38 150.00
PN191 NT TAU: Training, Business and System Analysis for SAPS Support	1	3 x days	R6 250.00
PN118 NT Function Shift: Case Studies	1	2 x months	R63 240.00
PN134 FICCITS: Systems Integration	1	2 x months	R41 860.00
PN194 DWAF Masibambane: Procurement Management Support	1	1 x month	R41 982.00
PN166 DPLG Urban Renewal Programme EC	1	4 x months	R46 100.00
PN190 NT Local Economic Development Limpopo	1	2 x months	R45 500.00
PN195 DoE School Infrastructure Support Programme: Quality Assurance on Works / Supplies	1	1 x month	R45 800.00
PN103 NT Financial Management Improvement Programme III (EC Funded Programme) Support on Interim Work Plan	1	4 x months	R67 500.00
PN118 NT TAU Projects Support	1	3 x months	R45 800.00
PN199 NT Neighbourhood Development Partnership Grant Management Support	1	1 x month	R44 800.00



### Report on consultant appointments using donor funds (Continued)

Project Title	Total number of consultants that worked on the project	Duration: Work days	Contract value in Rand
PN118 NT TAU Local Economic Development Training	1	3 x months	R42 160.00
PN195 DoE School Infrastructure Support Programme (Procurement Management Support)	1	3 x months	R66 024.00
PN171 DoSD Victim Empowerment Programme & Development Co-operation Information System Support	1	4 x months	R54 000.00
<b>Total number of projects</b>	<b>Total individual consultants</b>	<b>Total duration: Work days</b>	<b>Total contract value in Rand</b>
17	17		R765 566.00

Project Title	Total Number of consultants that worked on the project	Duration: Work days	Donor and Contract value in Rand
PPP Infrastructure Advisory Facility (PPIAF) – Funding of Municipal Guidelines Consultants: James Aiello Stuart Gibson Jim Dorman Lynn Hewlett Ross Kriel L R Group	6	25 25 25 25 10 25	+/-R2 600 000.00 (US\$400,000.00 / R6.5 - \$1)
<b>Total number of projects</b>	<b>Total individual consultants</b>	<b>Total duration: Work days</b>	<b>Total contract value in Rand</b>
1	6	135	+/-R2 600 000.00

**Table 14.4 - Analysis of consultant appointments using donor funds, in terms of historically disadvantaged individuals (HDIs)**

Project Title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of Consultants from HDI groups that work on the project
Nil	Nil	Nil	Nil



## ANNEXURES

### Annexure 1: Abbreviations

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



HDI	Historically Disadvantaged Individual
HEDCOM	Heads of Education Departments Committee
HIPC	Highly Indebted Poor Countries
HSRC	Human Sciences Research Council
IAS	International Accounting Standards
IDC	International Development Cooperation
IFAC	International Federation of Accountants
IFMS	Integrated Financial Management Systems
IJS	Integrated Justice Sector
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
IOSCO	International Organisation of Securities Commissions
IPFA	Institute for Public Finance and Auditing
IPSAS	International Public Sector Accounting Standards
ISDA	International Swaps and Derivatives Association
LRAD	Land Reform for Agricultural Development
MFI	Micro-Finance Intermediaries
MFMA	Municipal Financial Management Act
MFMTAP	Municipal Finance Management Technical Assistance Project
MOU	Memorandum of Understanding
MSP	Master Systems Plan
MTEF	Medium-Term Expenditure Framework
NCOP	National Council of Provinces
NEDLAC	National Economic Development and Labour Council
NEPAD	New Partnership for Africa's Development
NIA	National Intelligence Agency
NOFP	Net Open Forward Position
NPA	National Ports Authority
OAG	Office of the Auditor-General
PIC	Public Investment Commissioners
PFAI	Provident Fund for Associated Institutions
PFMA	Public Finance Management Act
PPP	Public-Private Partnerships
PPPFA	Preferential Procurement Policy Framework Act
RDP	Reconstruction and Development Programme
RISDP	Regional Indicative Strategic Development Plan
RMF	Risk Management Framework
SACU	Southern African Customs Union
SADC	Southern African Development Community
SAFCOL	SA Forestry Company Limited
SAPS	South African Police Services



SAPO	South African Post Office
SARB	South African Reserve Bank
SARS	South African Revenue Service
SASRIA	South African Special Risks Insurance Association
SCM	Supply Chain Management
SCOA	Standard Chart of Accounts
SETA	Sector Education and Training Authority
SITA	State Information Technology Agency
SCOPA	Standing Committee on Public Accounts
SMMEs	Small, Medium and Micro-Enterprises
SOEs	State-owned Enterprises
STRIPS	Separate Trading of Registered Interest and Principal Securities
WTO	World Trade Organisation



## **Annexure 2: Institutions associated with the National Treasury**

The National Treasury works closely with a number of public institutions. It has operational and institutional independence and, in some instances, constitutionally guaranteed autonomy. It produces its own annual reports.

### **Accounting Standards Board**

Section 87 of the Public Finance Management Act (1 of 1999)

### **Coin Liabilities**

SA Reserve Bank subsidiary

### **Corporation for Public Deposits**

Corporation for Public Deposits Act (46 of 1984)

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

Development Bank of Southern Africa Act (13 of 1997)

### **Financial and Fiscal Commission**

Financial and Fiscal Commission Act (99 of 1997)

### **Financial Services Board**

Financial Services Board Act (97 of 1990)

*The following report to it:*

*Pension Fund*

*Financial Markets Advisory Board*

*Pension Funds Advisory Board*

### **Financial Intelligence Centre**

Financial Intelligence Centre Act (38 of 2001)

### **Independent Development Trust**

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

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

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

### **Public Investment Corporation**

Public Investment Corporation Act, 2004 (23 of 2004)

### **Registrar of Banks**

*Reports to SA Reserve Bank*

### **SA Banknote Company**

SA Reserve Bank subsidiary

### **SA Mint Company**

SA Reserve Bank subsidiary

### **South African Reserve Bank**

SA Reserve Bank Act (90 of 1989)

### **South African Revenue Service**

SA Revenue Service Act (34 of 1997)

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

- Special Pensions Board**
- Special Pensions Advisory Board**
- State Tender Board**
- Statistical Council**
- Statistics Act (66 of 1976)
- Tax Advisory Committee**