

National Treasury



Annual Report



national treasury

Department:
national treasury
REPUBLIC OF SOUTH AFRICA

National Treasury



Annual Report

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**Editorial, coordination, design
and layout:** NT Communications

Printing and binding:
Shereno Printers

ISBN: 978-0-621-40988-8
RP: 168/2012

This report is also available on www.treasury.gov.za



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Annual Report

Mr P Gordhan
Minister of Finance

I have the honour of submitting
the Annual Report of the National Treasury
for the period 1 April 2011 to 31 March 2012.

L Fuzile
Director-General



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National Treasury



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Mission statement

VISION

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

We aspire to excellence in the quality of our analysis, 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 among the three spheres of government.

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

VALUES

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

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

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

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



Pravin Gordhan
Minister of Finance



Nhlanhla Nene
Deputy Minister of Finance



Lungisa Fuzile
Director-General

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



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

1

Stadi Mngomezulu
Head
Corporate Services

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

2

Andrew Donaldson
Head
Public Finance

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

3

Freeman Nomvalo
Head
Office of the Accountant-General

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

4

Matthew Simmonds
Head
Budget Office

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

5

Fundi Tshazibana
Head
Economic Policy

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

6

Mmakgoshi Phetla-Lekhethe
Head
International & Regional Economic Policy

- African Economic Integration
- International Finance & Development

7

Ismail Momoniat
Head
Tax & Financial Sector Policy

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

8

Kenneth Brown
Head
Intergovernmental Relations

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

9

Thuto Shomang
Head
Asset & Liability Management

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

10

Coen Kruger
Head
Specialist Functions

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

National Treasury



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Legislative mandate and legislation enacted

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

PARLIAMENTARY SERVICES

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

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

During the period under review the PSO coordinated work processes between policy makers and public representatives. Information continued to flow between the Ministry through Cabinet to Parliament and vice versa. Other clients of this office include but are not limited to:

- Members of Parliament
- Parliamentary committees
- Parliamentary administrative Staff
- Civil society institutions
- Members of the public.

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

1. **Division of Revenue Act, (Act No. 6 of 2011)**
 - Bill enacted: Division of Revenue Bill [B 4 – 2011]
 - English text signed by the President. Assented to 27 April 2011
 - Published in Government Gazette No. 34258, dated 28 April 2011
2. **Appropriation Act, (Act No. 11 of 2011)**
 - Bill enacted: Appropriation Bill [B 3 – 2011]
 - English text signed by the President. Assented to 13 July 2011
 - Published in Government Gazette No. 34461, dated 14 July 2011
3. **Government Employees Pension Law Amendment Act, (Act No. 19 of 2011)**
 - Bill enacted: Government Employees Pension Law Amendment Bill [B 15 – 2011]
 - English text signed by the President. Assented to 12 December 2011
 - Published in Government Gazette No. 34864, dated 14 December 2011
4. **Division of Revenue Amendment Act, (Act No. 20 of 2011)**
 - Bill enacted: Division of Revenue Amendment Bill [B 17 – 2011]
 - English text signed by the President. Assented to 5 December 2011
 - Published in Government Gazette No. 34833, dated 7 December 2011
5. **Adjustments Appropriation Act, (Act No. 23 of 2011)**
 - Bill enacted: Adjustments Appropriation Bill [B 18 – 2011]
 - English text signed by the President. Assented to 12 December 2011
 - Published in Government Gazette No. 34866, dated 14 December 2011
6. **Taxation Laws Amendment Act, (Act No. 24 of 2011)**
 - Bill enacted: Taxation Laws Amendment Bill [B 19 – 2011]
 - English text signed by the President. Assented to 28 December 2011
 - Published in Government Gazette No. 34927, dated 10 January 2012
7. **Taxation Second Amendment Act, (Act No. 25 of 2011)**
 - Bill enacted: Taxation Second Amendment Bill [B 20 – 2011]
 - English text signed by the President. Assented to 12 December 2011
 - Published in Government Gazette No. 34867, dated 14 December 2011
8. **Additional Adjustments Appropriation Act, (2011/12 Financial Year) (Act No. 1 of 2012)**
 - Bill enacted: Additional Adjustments Appropriation Bill (2011/2012 Financial Year) [B 6 – 2012]
 - English text signed by the President. Assented to 24 March 2012
 - Published in Government Gazette No. 35184, dated 26 March 2012
9. **Finance Act, (Act No. 2 of 2012)**
 - Bill enacted: Finance Bill [B 5 – 2012]
 - English text signed by the President. Assented to 27 March 2012
 - Published in Government Gazette No. 35185, dated 27 March 2012

The Ministry



Fuad Cassim
**Economic Advisor to the
Minister of Finance**



Nhlanhla Nene
Deputy Minister of Finance



Pravin Gordhan
Minister of Finance

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

South Africa continues to have the most transparent budget when surveyed against 94 other countries including the most powerful economies in the world. The National Treasury continued to improve the quality of information presented in the Budget – the 2012 Budget included more detailed service delivery information. This will ensure better accountability by those entrusted with managing public funds.

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

A healthy fiscal position has enabled government to maintain social and economic spending programmes despite the decline in revenue during the 2009 recession. Yet more effective levers of change are required to accelerate development.

INTERNATIONAL VISITS UNDERTAKEN BY THE MINISTER OF FINANCE, PRAVIN GORDHAN, DURING THE 2011/12 FINANCIAL YEAR:

Date	Country	Reason
2011		
14 - 18 April 2011	Washington D.C., USA	International Monetary Fund (IMF)/World Bank Spring Meetings
23 - 28 May 2011	Paris, France Deauville, France	Organisation for Economic Co-operation and Development (OECD) Ministerial Council Meetings G8 Summit
8 - 9 June 2011	London, UK	9th Session of the UK-SA Bilateral (Accompany Deputy President)
9 - 10 June 2011	Lisbon, Portugal	African Development Bank (AFDB), Annual Meetings
21 - 26 September 2011	Washington D.C., USA	IMF/World Bank Annual Meetings
13 - 14 October 2011	Paris, France	G20 Meetings
17 - 19 October 2011	Madrid, Spain	Global Progress Conference
29 - 31 October 2011	Cairo, Egypt	Committee of 10 (C10)
1 - 5 November 2011	Cannes, France	G20 Summit
2012		
25 - 30 January 2012	Davos, Switzerland	World Economic Forum (WEF)
24 - 28 February 2012	Mexico City, Mexico	G 20 Summit
25 - 26 March 2012	Addis Ababa, Ethiopia	Joint Annual Meeting of African Union (AU) Commission
27 - 29 March 2012	New Delhi, India	Brics Summit

INTERNATIONAL VISITS UNDERTAKEN BY THE DEPUTY MINISTER OF FINANCE, NHLANHLA NENE, DURING THE 2011/12 FINANCIAL YEAR:

Date	Country	Meeting
2011		
31 March to 1 April 2011	London, UK	2nd Commonwealth Secretariat Stakeholders Conference on Debt Management
13 - 15 April 2011	Sanya Hainan Island, China	The BRICS Summit
26 - 28 May 2011	Rio de Janeiro, Brazil	High Level Seminar on Managing Capital Flows in Emerging Markets
7 - 10 June 2011	Lisbon, Republic of Portugal	African Development Bank Annual Ministerial Meeting
24 June 2011	Windhoek, Namibia	23rd Southern African Customs Union (SACU) Council Meeting
2 - 5 August 2011	Kinshasa, Democratic Republic of Congo	The African Caucus Meeting
26 August to 1 September 2011	Beijing, Peoples Republic of China	The Workshop on International Development Aid and Capacity Building
8 September 2011	Mauritius	The 11th Eastern and Southern Africa Anti Money Laundering Group (ESAAMLG)
16 September 2011	Maseru, Lesotho	The 24th SACU Council Meeting
21 - 25 September 2011	Washington, D.C., USA	IMF/World Bank Meetings
27 - 30 September 2011	Beijing, China	State visit with Deputy President Motlanthe
29 November to 1 December 2011	Busan, South Korea	The Fourth High-Level Forum on Aid Effectiveness Meeting

Public entities reporting to the minister



Public entities reporting to the Minister

Amongst others, eight entities report to the Minister of Finance through governance arrangements that allow them autonomy but at the same time enable them to align their strategies with government policy. Three of these entities – the South African Revenue Service (SARS), the Accounting Standards Board (ASB), and the Financial Intelligence Centre (FIC) receive transfers from the National Treasury. The remaining five — the Development Bank of Southern Africa (DBSA), the Financial Services Board (FSB), the Public Investment Corporation (PIC) and the South African Special Risk Insurance Association (Sasria) and the Land and Agricultural Bank of South Africa, do not.

Each entity develops and reports separately on its strategic plan. The commentary below on the performance of each of the eight entities is included to reflect on the broad approach of each entity and how its work relates to the National Treasury's strategic goals.

SOUTH AFRICAN REVENUE SERVICE

(Schedule 3A: National public entity)

The mandate of SARS is to collect tax revenue and administer all national taxes, duties and levies; collect revenue that may be imposed under any other legislation (as agreed to by SARS and an organ of state or institution); prevent import and export of goods illegally; and facilitate legitimate trade.

Highlights of SARS's performance for 2011/12 include the following:

- Customs revenue collection increased from R109 billion in 2010/11 to R136.0 billion in 2011/12, exceeding the target of R134.4 billion
- Revenue collection reached R606.7 billion, exceeding the target of R604.4 billion
- Number of taxpayers using electronic filing, declaration and payment submissions increased to 94 per cent, exceeding the target of 80 per cent
- Cash recovered from debtors increased to R14.7 billion, exceeding the target of R11 billion
- Percentage of personal income tax filing compliance increased to 83.16 per cent.

SARS will continue to focus on their four strategic outcomes over the next three years, including increased Customs compliance, increased tax compliance, increased ease and fairness of doing business with SARS and increased cost effectiveness, internal efficiency and institutional respectability. SARS will also continue with its modernisation strategy, in which core processes and systems are streamlined and routine tasks automated.

ACCOUNTING STANDARDS BOARD

(Schedule 3A: National public entity)

The ASB sets the generally recognised accounting practice (GRAP) standards which promote transparency in and effective management of revenue, expenditure, assets and liabilities across all three spheres of government. Highlights of the ASB's performance in 2011/12 include:

- Development of GRAP standard on the accounting treatment of related parties
- Responded to issues flowing from the Board's initiatives to simplify GRAP standards
- Twice reviewed GRAP standards, taking into account experiences with the implementation of existing standards as well as changes in applicable global accounting standards
- Cooperated with the International Public-sector Accounting Standards Board on the development of the International Public-sector Accounting Standards (IPSAS)
- Facilitated exposure in South Africa of the proposed IPSAS
- Developed accounting and reporting guidelines and undertook research on financial reporting.

The following exposure drafts will be published:

- Transfer of functions
- Entity combinations
- Mergers
- Related party disclosures
- Segment reporting

- Public-sector-specific financial instruments
- Principal/agency reporting
- Implications of IFRS for small and medium enterprises.

Issued directives for:

- Financial instruments
- Employee benefits
- Parliament and legislatures.

FINANCIAL INTELLIGENCE CENTRE

(Schedule 3A: National public entity)

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

Key focus areas for the FIC include: legal and policy (responsible for the administration of the FIC Act, engagement with international organisations and providing strategic policy advice); compliance and prevention (responsible for oversight of the FIC Act and guidance to accountable and reporting institutions, supervisory bodies and others regarding their obligations); monitoring and analysis (receives and conducts analysis of financial transaction data and shares relevant analysis with law enforcement authorities, intelligence agencies and SARS where necessary, for further Follow-up); information and communication technology (provides information technology infrastructure and business system support).

The FIC's achievements during 2011/12 included:

- 33 per cent increase (2010/11 to 2011/12) in the use of intelligence products by law enforcement, investigating and intelligence agencies, and by other relevant stakeholders in the criminal justice system. There were 1 741 financial intelligence products generated for use by law enforcement agencies, domestically and abroad (2010/11: 1 304).
- 194 compliance inspections were conducted by

the FIC and a further 26 inspections jointly with supervisory bodies on sectors including trust companies, gambling institutions, Krugerrand dealers, motor vehicle dealers and estate agents.

- 48 compliance awareness sessions held and four notices issued to boost registration of financial service providers, estate agents and attorneys.
- Hosted study group visits from Botswana, Lesotho and Angola.
- Co-chaired the Financial Action Task Force working group that revised and developed new global standards on anti-money laundering and counter-terrorism financing.
- Published booklet on anti-money laundering and counter-terrorism financing legislation.
- Business Continuity Management plan developed to ensure continued operations of the FIC with minimum disruption in case of a disaster or interruptions.

THE DEVELOPMENT BANK OF SOUTHERN AFRICA

(Schedule 2: Major public entity)

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

Government and the DBSA have agreed that the Bank will work to improve infrastructure delivery, operations and maintenance, with spinoffs for local employment and capacity development. The Bank is also encouraged to champion a model that involves co-financing of infrastructure projects by the private sector. Government is also exploring ways to reduce the DBSA's exposure when lending to municipalities that are credit risks, a move which is expected to accelerate municipal infrastructure programmes.

Progress and activities in 2011/12 included:

- Net interest income increase by 3.3 per cent to R1.70 billion and recorded operating income of R1.23 billion.
- Total assets increase by 10.4 per cent from R 47.4 billion at 31 March 2011 to R52.3 billion with total loan and equity disbursement amounting to R8.1 billion.
- Municipal Infrastructure Grant/Capital Expenditure unlocked amounted to R7.2 billion (2011/12 target: R8 billion).
- Through the Vulindlela Academy, 19 000 (2011/12 target: 12 000) external learners were trained in the fields of planning, finance, management and leadership.

FINANCIAL SERVICES BOARD

(Schedule 3A: National public entity)

The FSB supervises and regulates non-banking financial services and ensures that regulated entities comply with the relevant legislation, thereby protecting the investing community and financial services customers. The FSB promotes and maintains a sound financial investment environment in South Africa by ensuring that regulated entities comply with capital adequacy requirements and are financially sound. Through various advisory committees of industry experts, the FSB also provides advice on industry matters to the Minister of Finance.

Progress and activities in 2011/12 included:

- Revenue collected from companies increased from R371.3 million in 2011/12 to R420.4 million in 2011/12
- Number of financial advisory and intermediary industries supervised decreased to 10 790 as compared to the previous year (2011: 11 868)
- Number of retirement funds and friendly societies supervised increased to 8 891 as compared to the previous year (2011: 10 032)
- Number of insurance companies supervised decreased to 193 as compared to the previous year

(2011: 195)

- Number of collective investment management schemes decreased to 374 as compared to the previous year (2011: 409). The decrease is attributable to the drop in foreign collective investment schemes from 355 schemes to 320 schemes due to relatively small inflows into this sector.

SOUTH AFRICAN SPECIAL RISKS INSURANCE ASSOCIATION SOC LIMITED

(Schedule 3B: National government business enterprise)

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

Progress and activities in 2011/12 included:

- Increased gross written premium (GWP) income on existing products amounted to R1.046 million which is 1 per cent below budget
- Achieved GWP income on the new products (Sasria Wrap) amounted to R40.7 million, exceeding the target by 1.8 per cent
- Reduced reinsurance cost to 15.1 per cent of premium income (percentage of GWP)
- Achieved net investment income of R299.2 million, which is 1.6 per cent below budget
- Maintain management expense ratio of 7.8 per cent (percentage of gross written premium), which is 8.9 per cent below budget
- Increased capital reserve level to R3 882 billion, which is 2.3 per cent in excess of budget
- Improved customer service by reducing the claims turnaround time to less than 90 days from claim submission date for claims above R50 000 and reduced claims turnaround time for claims under R50 000 to 75 days from claim submission date
- Improved industry knowledge of Sasria products by conducting 49 industry product awareness training sessions

- Achieved the targets set for implementing certain elements of the Solvency Assessment and Management capital management regime of the FSB
- Made an annual contribution to South African Actuarial Development Project of R2.5 million towards the development of future actuaries.

PUBLIC INVESTMENT CORPORATION LIMITED

(Schedule 3B: National government business enterprise)

The PIC manages funds on behalf of a number of state-related institutions, the biggest of which is the Government Employees Pension Fund (GEPF). Other institutions are the Unemployment Insurance Fund, the Associated Institutions Pension Fund, the Compensation Commissioner: Pension Fund, the Compensation Fund and the Guardian's Fund.

- Revenue incurred on investing funds on behalf of clients increased to R446 million
- Operational expenses incurred on investing funds on behalf of clients amounted to R321 million below the target of R388 million
- Profit after tax incurred on investing funds on behalf of clients amounted to R87 million
- Asset under management on behalf of clients increased to R1.168 billion.

THE LAND AND AGRICULTURAL BANK OF SOUTH AFRICA

(Schedule 3B: National government business enterprise)

The Land Bank is refocusing to prioritise support for emerging farmers, and to increase South Africa's production of food and fibre. The Land Bank is working with the relevant national departments to implement a support programme for emerging farmers. In addition, the Land Bank initiated the following activities to be carried out in the next three financial years in order to ensure that the Bank achieves its stated objectives of

comprehensive rural development.

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

Progress and activities in 2011/12 included:

- Loan book growth for development funding increased to R752.2 million exceeding the target of R450 million
- Loan book growth for retail commercial banking increased to R4.52 billion exceeding the target of R4.05 billion
- Loan book growth for Business & Corporate Banking increased to R17.82 billion exceeding the target of R13.73 billion.

Minister's statement on policy and commitment



'National Treasury has played a central role in helping South Africa navigate this difficult global environment thus far, and in spite of the global risks, our domestic economy continues to recover and our public finances remain strong and robust'

Pravin Gordhan
Minister of Finance

In last year's annual report I wrote that the 2010/11 financial year had been the first year of recovery from the deep recession of 2009, but cautioned that the global environment remained uncertain. That has turned out to have been an understatement.

As I wrote this overview, the nascent global recovery was showing signs of further weakness and growth in the major emerging markets, which had been a glimmer of hope a year earlier, was weaker than forecast. In its World Economic Outlook update published in mid-July, the IMF revised its global growth forecast for 2012 downwards because of the ratcheting up of the financial market and sovereign stress in the periphery of the euro area. The IMF cautioned, however, that its revised forecasts were predicated on there being sufficient policy action to enable financial conditions in the periphery of the euro area to ease and that measures to boost growth in emerging economies will gain traction.

"The very recent, renewed deterioration of sovereign debt markets underscores that timely implementation of these measures, together with further progress on banking and fiscal union, must be a priority," the IMF said. "In the United States, avoiding a fiscal cliff, promptly raising the debt ceiling, and developing a medium-term fiscal plan are of the essence. In emerging economies, policymakers should be ready to cope with trade declines and the high volatility of capital flows."

In tough times, including the present and probably the next three to five years, our fiscal policy must be anchored on the principles of countercyclicality, sustainability and intergenerational fairness. We must also focus on value for money, shifting resources from consumption towards infrastructure investment, and support for economic competitiveness.

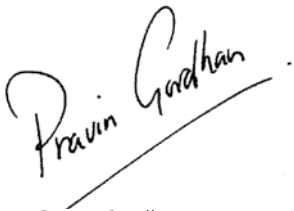
As we pointed out in the 2012 *Budget Review*, the growth in public spending over the past decade has not been matched by a commensurate improvement in service delivery outcomes. Government must therefore take steps to strengthen efficiency in public spending, to eliminate wastage, to improve the alignment between allocations and policy priorities, and to root out corruption.

Public-sector financial management failures, which have been a common feature of various reviews including those by the Auditor-General, need to be addressed more vigorously, mainly in the procurement of goods and services and in contract management. Where necessary, we must change regulations, especially to encourage greater transparency and public disclosure, and more rigorous tender procedures. Stringent oversight and better training programmes are needed. In state institutions and in the business sector, better value for money depends on honesty, transparency and fair rules.

Although times are tough, we have opportunities available to us. These include opportunities arising from the improved economic performance in most of the African continent and the shifting dynamics in the global economy, especially the rise of fellow BRICS (Brazil, Russia, India, China and South Africa) nations as major contributors to global economic growth.

New patterns in trade and finance, investment and technology, skills acquisition and distribution, business restructuring and global cooperation are transforming the international landscape. China, India and Brazil offer significant opportunities. Infrastructure, mining, finance and retail developments across Africa are helping to fuel an impressive growth trajectory in which South African firms can participate.

If we are to address the very significant geopolitical and economic challenges of our times, more of the same will not work. Competing in this dynamic global environment will require flexibility, innovation and greater social cohesion around key socio-economic objectives. It will also require greater progress in building capable developmental public institutions and a compelling environment for business investment.

A handwritten signature in black ink that reads "Pravin Gordhan". The signature is written in a cursive style and is positioned above a horizontal line.

Pravin Gordhan

Minister of Finance

Deputy Minister's overview



'These entities report to the Ministry of Finance through governance arrangements that allow them operational autonomy, but at the same time enable them to align their strategies with government policy. Each entity reports separately on its strategic plan'

Nhlamhla Nene
Deputy Minister of Finance

Deputy Minister's overview

The Ministry of Finance oversees amongst others eight institutions – the finance family – that play critical roles in our political economy. These are SARS, the ASB, the FIC, the DBSA, the FSB, the PIC, Sasria and the Land and Agricultural Bank of South Africa.

SARS makes it possible for government to fund its programmes, the FIC ensures the integrity of the country's financial system, the FSB regulates all financial institutions other than banks, and the Government Pension Administration Agency (GPAA) – the youngest member of the finance family – ensures that the men and women who dedicate their lives to serving their fellow citizens are well looked after. By providing insurance against damage caused during political riots, labour disputes, civil unrest, terrorism as well as losses in respect of mortgage loans, Sasria fills an important gap in the insurance market.

The PIC, on the other hand, has up to now ensured that the GEPF has had no need to call upon the state to dip into its pockets to meet its obligations as the guarantor of the retirement benefits of GEPF members. The Land Bank is refocusing to prioritise support for emerging farmers, and to increase South Africa's production of food and fibre.

The ASB sets the GRAP standards which promote transparency in and effective management of revenue, expenditure, assets and liabilities across all three spheres of government.

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

These entities report to the Ministry of Finance through governance arrangements that allow them operational autonomy, but at the same time enable them to align their strategies with government policy. Each entity reports separately on its strategic plan.

NHLANHLA NENE

Nhlanhla Nene

Deputy Minister of Finance

Accounting officer's overview



'Treasury continued to play its part in government's multilateral engagements. The past year was marked by efforts to ensure the implementation of key recommendations agreed to by G20 heads of state and intended to reform global economic governance principles'

Lungisa Fuzile
Director-General

Accounting officer's overview

The period covered by this annual report saw the National Treasury place greater emphasis on laying the building blocks for long-term fiscal planning, strengthening the regulatory framework for the financial sector, improving the capacity to analyse and forecast public service remuneration, and building the capacity to support government's infrastructure investment focus.

The focus on these building blocks arises out of the lessons drawn from the global financial and economic crisis which began in 2008 and whose impact continues to plague the economy today.

The crisis reminded the world of the dangers of excessive accumulation of debt, and how quickly debt can spiral out of control. National budgets in many developed countries are under pressure, and limited fiscal resources are confronted by rising demand for social services and the need for stimulus measures as economic growth weakens. Unsustainable social security arrangements, on the other hand, have created fiscal and financial instability – particularly in Europe.

Drawing from these lessons, South Africa decided to ground its fiscal framework in countercyclicality, long-term sustainability, and intergenerational fairness. This is meant to provide support to the economy in the medium-term, while building strong foundations for faster growth, sustainable development and employment growth to the benefit of all the people of South Africa.

Long-term fiscal sustainability depends in large part on the composition of government spending. Governments that spend too much on consumption, or too little on building and maintaining infrastructure, create stumbling blocks to sustained higher levels of economic growth. They also erode their own fiscal sustainability. Moreover, when a government borrows to finance non-capital spending, it takes on debt obligations that must be paid off years after the

funds have been spent, often for little long-term gain. As has been observed in Europe, countries spending disproportionately large amounts on consumption that is funded through debt risk losing their fiscal sovereignty. They ultimately have to undergo more painful fiscal adjustment imposed on them by external lenders.

If we are to achieve fiscal sustainability, we must get to grips with public-sector remuneration, which is the single largest component of the budget. To give effect to this, we created the public service remuneration analysis and forecasting unit, which began operating in October 2011. The unit will monitor compensation trends, but more importantly analyse the impact of government's compensation policy on the fiscus.

This and other measures aimed at improving our ability to undertake long-term fiscal planning will enable South Africa to improve social conditions in a sustainable manner, and strengthen its fiscal sovereignty in a turbulent global environment.

The failure by the global system of financial regulation to prevent the global financial crisis sparked a vigorous debate to determine what constitutes suitable oversight of international and national financial architecture, banking systems, equity and bond markets, and related institutions. In this regard, the National Treasury has begun implementing proposals to strengthen the financial regulatory system, as proposed in the document, *A Safer Financial Sector to Serve South Africa Better*, published in February 2011.

The increased focus by government on building and maintaining public infrastructure has required the National Treasury to also pay closer attention to this area. *The National Treasury's National Capital Projects* unit, which became fully functional during the year under review, hit the road running, carrying out substantive work on feasibility studies for major national infrastructure projects.

The National Treasury continued to contribute to the effort to improve the overall performance of government. The legal procedures for establishing the Government Technical Advisory Centre (GTAC) as a government component, by amending Schedules to the Public Service Act (1994, as amended by Act 30 of 2007) have been successfully completed. There is vigorous activity under way to complete the successful establishment of the newly conceived operation.

The National Treasury also continued to provide improved budget support and oversight to local government. Among the highlights for the year was the training of 10 055 councillors through 123 sessions across the country. This was the first large-scale awareness training conducted since the enactment of the MFMA in 2003. Follow-up workshops for mayors and members of mayoral committees for finance were held in 10 workshops between January and April 2012.

On funding, the revised gross borrowing requirement of R173 billion was successfully financed. Government raised US\$1.5 billion in the international capital market, R149 billion in the domestic capital market, and R5 billion from retail bond investors. Debt service costs declined from the projected 2.6 per cent of GDP to 2.5 per cent due to the strong levels of the rand, and interest rates that were lower than forecasted.

The National Treasury continued to play its part in government's multilateral engagements. The past year was marked by efforts to ensure the implementation of key recommendations agreed to by G20 heads of state and intended to reform global economic governance principles. These included the reform and adequate resourcing of the Bretton Woods Institutions; broader agreement on the production of global public goods with particular consideration of the global financial system and closer cooperation between member countries on the support of development in low-income countries, especially in Africa.

I would like to take this opportunity to thank the Minister and the Deputy Minister of Finance for their support and strategic direction during the year. I also wish to extend my appreciation to the National Treasury team for their continued commitment and dedication to public service.



Lungisa Fuzile
Director-General
National Treasury

National Treasury



Annual Report

Programme 1 Administration

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

Measurable objectives: Ensure effective leadership, management and administrative support to the National Treasury through the continuous refinement of organisational strategy and structure in compliance with appropriate legislation and alignment with best practice.

The programme is divided into four subprogrammes:

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

SERVICE DELIVERY OBJECTIVES AND INDICATORS

RECENT OUTPUTS

The *Minister* and *Deputy Minister* subprogrammes provided administrative support to the two political heads. The *Parliamentary Office* assisted the Minister and the two organisations under his executive authority (the National Treasury and SARS) with parliamentary responsibilities. The office also co-ordinated interaction between the Ministry and the relevant committees in Parliament.

The *Management* subprogramme provided strategic

direction and leadership to the National Treasury during the reporting period.

The *Communications* unit maintained a reliable media liaison service to the department and the Ministry. It continued to manage the editing, layout and design, and printing of key documents. Events managed in the period under review included the *Medium-term Budget Policy Statement (MTBPS)* in October and the annual Budget tabled in February. The unit was also responsible for marketing of the RSA Retail Savings Bond. Investments in these savings products stood at R4.6 billion by the end of March 2012, a decline of R600 million from the previous year. The unit also responded to a high volume of public queries on a range of issues relating to the work of the department.

During the year under review the *Legal Services* unit provided timely and high-quality legal services on a wide range of issues, including pricing of the US\$1.5 billion global bond issue, lodging of 18 disclosure documents with the US Securities Exchange Commission and national government's intervention in the Limpopo Province in terms of section 100 of the Constitution. On litigation, the unit successfully defended national government's exclusive competence to regulate financial management of public funds, the constitutionality of exchange control regulations and government's decision to award the contract for supply and delivery of female condoms.

The *Internal Audit* unit expanded its capacity and also contracted an external service provider to assist with implementation of a three-year audit plan, which was approved by the Audit Committee. A total of 38 audits planned for the 2011/12 annual audit plan were completed within the set timeframe while a further 10 ad-hoc audits were done at the request of management. All audits were performed in line with Institute of Internal Auditors' standards and Office of the Accountant-General's internal audit framework. Client satisfaction with these audits increased from 70 per cent (2010/11) to 75 per cent (2011/12).

The *Enterprise Risk and Security Management* Unit reviewed the department's enterprise risk management strategy against best practice. Implementation of the Strategy was devolved to operational levels, with management, the Risk Management and Audit Committees keeping a close watch. The culture and understanding of risk management has become more embedded throughout the department. The plan for the prevention of fraud was reviewed in line with the minimum anti-corruption capacity requirements. Corruption risks were identified and management has since implemented measures to mitigate these. Business continuity plans were approved and they continue to be reviewed to ensure the continuation of critical business functions in the event of business disruption. Two successful evacuation drills were conducted to test the readiness of the department during emergency situations. *Security management* successfully secured the Budget and MTBPS processes and continued to ensure the safety and security of employees, contractors and visitors to the department. The newly established vetting fieldwork section is striving to ensure that the department recruits and appoints personnel who meet the security clearance requirements commensurate with the nature of the National Treasury's work.

The *Corporate Services* subprogramme (*Human Resources, Financial Management, Information and Communication Technology, Facilities Management, and Strategic Projects & Support*) provided a range of innovative solutions to the department. *Corporate Services* focused on promoting good governance and efficient allocation of resources, and ensured a healthy and secure working environment.

The *Human Resources* unit improved adherence to performance management principles, which has led to the development of capability enhancement models. The unit continued to deliver its services through partnerships with business units, a model which also made possible the rollout of the talent management programme across the National Treasury

and improved the efficiency of Human Resources operations. The unit used its newly established skills database to reduce the vacancy rate and turnaround times for the recruitment process. This resulted in a vacancy rate of 9.5 per cent and a 43 per cent representation of females in Senior Management Services against the 50 per cent national target. The leadership development programme has been enhanced to focus on adaptive leadership and 68 per cent of directors and 85 per cent of chief directors have already attended the leadership programme. During the reporting period the internship programme continued to grow and focused on targeted attraction initiatives with academic institutions to close gaps on critical and scarce skills for the department. With regards to the wellness of staff the Siyaphila lifestyle programme which is now being used by 87.3 per cent of employees, contributed to the maintenance of a healthy environment within the National Treasury.

The *Financial Management* unit processed all transactions before 31 March 2012, enabling the National Treasury, once again, to become the first national department to close its financial books for the year. The supply chain management enhancement project, which was launched during the year, is expected to improve demand management and deliver cost savings. Turnaround times for tenders were maintained at an average of 60 days despite an increase in the number of bids awarded during the reporting period. The unit also managed the disposal of assets, which included the donation of some of these assets such as computer equipment and books to educational institutions in underprivileged communities. In addition, the unit submitted accurate bi-annual and annual tax reconciliations to the SARS six weeks before the closing date.

The *Facilities Management* unit continued to ensure adequate office space for the department and successfully implemented projects to improve the efficiency of services and reduce costs. These initiatives included efficient office space planning, a reduction in fleet vehicles and recycling.

The *Information and Communication Technology* unit obtained approval for an Information and communication technology steering committee and governance charter. A governance framework and high-level policies were reviewed and new policies, standards and procedures identified. A strategic information systems plan, a re-organisation of the unit's structure and a risk register have been completed. The enterprise architecture planning, which aligns business processes and technology, is in place and will allow for improved business enablement, cost savings, standardisation and reduced duplication. Numerous initiatives have been undertaken or completed to improve the solutions offered to business and to optimise the technology infrastructure.

The *Strategic Projects and Support* unit provided project management support and coaching to the department. The National Treasury's electronic registry is assisting National Archives to improve its storage capacity. The Paper Trail document tracking system is being used more frequently as a tool that operational staff can use to track the movement of documents throughout the organisation. A pilot study is under way to test the external accessibility and effectiveness of Paper Trail for users. The *Public Entity Oversight* unit is testing the effectiveness of the new approach to stakeholder engagement. This is taking place in four of the 16 entities and constitutional institutions that report to the Minister of Finance.

SERVICE DELIVERY ACHIEVEMENTS

Measurable objectives: Ensure effective leadership, management and administrative support to the National Treasury through the continuous refinement of organisational strategy and structure in compliance with appropriate legislation and alignment with best practice.				
Subprogramme	Output	Measure/Indicator	Actual performance against target	Actual
			Target	
Minister and Deputy Minister of Finance	Provide parliamentary service to the Ministry and its departments	Quality parliamentary service to the Minister, Deputy Minister and the Director-General	80% satisfaction – assessment system in place	Achieved
Management	Ensure that the department adheres to an integrated risk management system	Develop and implement a comprehensive enterprise-wide risk management strategy that promotes and upholds a culture of risk awareness within the department	Enterprise risk management strategy reviewed annually and any changes implemented	Enterprise risk management strategy for 2012/13 reviewed 1 consolidated risk report developed 7 operational risk assessments conducted
			Business continuity strategy tested and any changes implemented	Risk mitigation plans monitored for significant risks Risk management awareness created through communique, posters and commemoration of business continuity awareness week Business continuity management implementation continued with business impact analysis being conducted for critical functions
	Ensure a secure and enabling working environment for staff	Providing appropriate physical security for employees and assets	Improved electronic security system and management of outsourced security service provider	Electronic security system business case was refined based on inputs from stakeholders The current electronic security system remains relatively stable albeit with a number of challenges
		Securing the annual budget process	Secure MTBPS and Budget day	0 per cent information leaks during the Budget event Lock-ups at Cape Town and 40 Church Square secured successfully

SERVICE DELIVERY ACHIEVEMENTS

Measurable objectives: Ensure effective leadership, management and administrative support to the National Treasury through the continuous refinement of organisational strategy and structure in compliance with appropriate legislation and alignment with best practice.

Subprogramme	Output	Measure/Indicator	Actual performance against target	Actual
			Target	
	Provide effective and efficient internal audit services to the department	Develop and implement a risk-based annual and three-year audit plan in consultation with stakeholders	70% client satisfaction achieved on audit work conducted	100% completion of the 2011/12 internal audit plan Developed the 2012/13 - 2016/16 risk-based three-year rolling audit plan in consultation with the relevant stakeholders Client satisfaction on audit work conducted increased to 82% and 46% of all staff now have CIA/CCSA/CISA qualification All audit files for audits done in Q4 are in line with the Institute of Internal Auditors standards and Office of the Accountant-General framework 100% completion and submission of the quarterly internal audit progress reports to the Audit Committee A new co sourced service provider was appointed on 15 February 2012
Corporate Services	Efficient human resource function	Develop, implement and maintain an integrated, progressive and innovative human resource strategy	Efficiency increased to 70%	98% PERSAL transaction were correct. The remaining 2% include transactions disapproved, after self-verification was conducted Quality assurance was introduced after completion of all tasks to ensure full compliance with prescribed processes The successful launch of Siyaphila lifestyle programme has added value in supporting and creating a healthy environment in the National Treasury. The utilisation of the services has increased to 84%

SERVICE DELIVERY ACHIEVEMENTS

Measurable objectives: Ensure effective leadership, management and administrative support to the National Treasury through the continuous refinement of organisational strategy and structure in compliance with appropriate legislation and alignment with best practice.	
Subprogramme	Output
Measure/Indicator	Actual performance against target
	Target
	<p>Rollout of the talent management programme</p> <p>Electronic registry portal implemented and 20% of file plans completed. Begin training of users</p> <p>Implement an electronic registry where departmental information can be stored, managed and accessed electronically</p> <p>Ensure an integrated business solutions approach to improve knowledge management</p>
	<p>Review the effectiveness of the talent management programme</p> <p>Electronic registry portal implemented and 20% of file plans completed. Begin training of users</p> <p>Implement an electronic registry where departmental information can be stored, managed and accessed electronically</p> <p>Ensure an integrated business solutions approach to improve knowledge management</p>
	<p>35 interns recruited for the 2012/13 financial year</p> <p>Currently the vacancy rate is at 9.5% with a turnaround time of 20 weeks</p> <p>Senior management services female representation is still at 43% vs. 50% national target</p> <p>Staff turnover rate has increased to 12% this financial year compared to the 10% turnover this time in the previous year</p> <p>Leadership development programme has been the key achievement in this financial year. 68% of directors and 85% of chief directors have attended the leadership programme</p> <p>86% (68 of the 72) file plan folder structures implemented in the e-registry</p> <p>33 employees trained and 19 business units rendered operational</p>

SERVICE DELIVERY ACHIEVEMENTS

Measurable objectives: Ensure effective leadership, management and administrative support to the National Treasury through the continuous refinement of organisational strategy and structure in compliance with appropriate legislation and alignment with best practice.

Subprogramme	Output	Measure/Indicator	Actual performance against target	
			Target	Actual
	Strategically aligned information and communication technology (ICT) systems and services to support business objectives	Strategically aligned business solutions	Developed Corporate Services strategic information systems plan	Strategic information systems plan completed
			30% of the National Treasury business architecture defined	Executive sponsor appointment confirmed Proposal for the establishment of an ICT Governance Framework approved Enterprise architecture plan pending approval, following which the National Treasury business architecture development will proceed Technical reference model partially developed
		An effective ICT operational environment	Implemented service level management (SLM) and service level agreement (SLA)	Organisation review plan completed—scheduled to begin in 2nd week of April 2012
	Sound financial management and governance according to best practice		85% compliance to SLA	85% compliance to SLA achieved
		Progressive development of analytical reporting and enhancing of management accounting	Implement the in-year monitoring tool that will improve the turnaround reporting from 6 to 2 days, with emphasis on analysis of value for money	Monitored the department's budget, prepared and circulated monthly reports to budget managers within 2 days of closure. 90% progress made on review of the in-year monitoring tool. The tool has been revised and is undergoing a process of vigorous testing before implementation
			Report on the development, assessment and implementation of policies on a quarterly basis	2 Governance Review Committee meetings were held on 24 January and 30 March 2012. 8 policies were reviewed, 3 approved by the Governance Review Committee and 5 were referred for further consultation/amendments
		Financial governance compliance and sound control environment	Reduce by 65% the findings on compliance by Internal Audit and Auditor-General resulting in unqualified audit report	Reduced by 60% the findings on compliance by Internal Audit, the remaining 40% is being confirmed by Internal Audit for finalisation
			Ensure that all statutory reporting regulations and deadlines are met	31 March 2012 Submitted the interim annual financial statements by 31 January 2012 and met deadlines for monthly reports

National Treasury



Annual Report

Programme 2

Economic policy, tax, financial regulation and research

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

Measurable objectives: The programme advises on policies to promote growth, employment, and macroeconomic stability, including conducting macroeconomic and revenue forecasts for the annual budget and MTBPS, and the development of tax and financial sector policy.

There are six subprogrammes:

- *Management* advises on policies that will promote economic growth, employment, macroeconomic stability and regional integration.
- *Research* funds the department's economic research programmes and promotes the research capacity of academic researchers in the areas of economic growth, job creation, macroeconomic stability, taxation, financial sector development, regulations, retirement reform and poverty alleviation.
- *Financial Sector Policy* advises on financial sector policies in relation to the regulatory framework and supporting legislation. The current focus is on the modernisation of the financial regulatory framework in response to the global financial crisis and the facilitation of a stable financial sector, retirement reform, improved access to financial services and the transformation of the financial sector.
- *Tax Policy* drafts the annual tax legislation and provides advice, tax revenue analysis and revenue forecasting.
- *Economic Policy* provides macroeconomic and microeconomic analysis, policy advice, economic forecasts, regulatory assessments, and policy review for the annual budget and other government processes.
- *Cooperative Banking Development Agency* is responsible for the registration of deposit-taking cooperative, community and village banks. The agency also facilitates, promotes and funds education and training programmes aimed at the creation of an effective, efficient and sustainable financial cooperative sector.

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

- The South African Reserve Bank on the framework and conduct of macroeconomic policy, supervision and regulation of banking, and the management of exchange controls.
- The FSB on the regulation of non-banking financial services.
- The FIC on anti-money-laundering and the combating of financing of terrorism.
- The Cooperative Banks Development Agency (CBDA) which was established after the proclamation of the Cooperative Banks Act (40 of 2007) on 1 August 2008.
- Three standing committees on macroeconomics, financial regulation and financial markets which National Treasury's *Asset and Liability Management*, *Economic Policy* and *Tax, and Financial Sector Policy* divisions co-chair with the South African Reserve Bank. These committees also prepare recommendations for bilateral meetings between the Minister of Finance and the Governor of the Reserve Bank.

SERVICE DELIVERY OBJECTIVES AND INDICATORS

RECENT OUTPUTS

Research

The programme funds research on economic growth and development through two institutions, the Economic Research Southern Africa and the Centre for Research into Economics and Finance in Southern Africa at the London School of Economics. The programme has budgeted R10 million per year over the Medium-Term Expenditure Framework. During the review period, the programme provided ERSA with an additional R1 million in support of the World Economic History Conference, which was held in Stellenbosch, Western Cape, in July 2012.

Economic Policy

In addition to the research conducted by *Economic Policy*, the division also advised on growth-enhancing policies.

Areas of work included:

- Assessment of policies to achieve higher sustainable economic growth and job creation.
- Supporting South Africa's G20 inputs through briefings, speaking notes and the drafting of international communiqués, with respect to the G20 mutual assessment process and framework for strong, sustainable and balanced growth and commodity prices.
- Analysis of exchange rate trends, their impact on the economy, and the policy options for a more stable and competitive exchange rate.
- Analysis and monitoring of capital flows and capital account management issues, as well as global trends in capital flows and policy.
- Submission of papers evaluating the optimal level of foreign exchange reserves for the South African economy and the methodologies that can be used to calculate what the optimal level of reserves should be.
- Inputs to the *Economic and Employment* clusters on decent employment through inclusive growth and continued engagement on the discussion paper, *Confronting Youth Unemployment: Policy Options for South Africa*, which forms the basis for debate with social partners on the proposed youth employment incentive.
- Research into single-payer and multiple-payer National Health Insurance models.
- An outline of the drivers of household savings in South Africa and possible policy responses.
- Daily, weekly, monthly and quarterly monitoring and reporting on economic developments.

The division also engaged with a number of international organisations, including the IMF, World Bank, and the OECD.

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

The *Modelling and Forecasting* unit contributed to the budget framework, economic growth scenarios and analysis of the impact on the economy of commodity price shocks. It also provided long-term economic forecasts, which assisted the National Treasury's work on debt management. The unit continues to build capacity in tax analysis, climate change and energy modelling, as well as in Dynamic Stochastic General Equilibrium, a macroeconomic policy analysis tool. The methodology for calculating the structural budget balance continued to be improved upon.

Tax and Financial Sector Policy

Tax Policy conducted research and developed policy, which culminated in the revenue forecasts and tax proposals made in the 2012 Budget. A policy paper on incentivised savings vehicles has been completed and is currently being reviewed within the National Treasury before it is published for public comment. In addition, carbon tax proposals have been reviewed, taking into consideration all public comments received. Regulations to implement a new dividend tax to replace the secondary tax on companies were published in December 2011, for implementation on 01 April 2012. The Tax Laws Amendment Bill was promulgated on 10 January 2012, giving effect to the proposals made in the 2011 Budget. The unit also contributed to the publication, 2011 Tax Statistics, a joint project with SARS.

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

Africa better. The unit also finalised an important policy paper, *Strengthening retirement savings: An overview of proposals announced in the 2012 Budget*, which was released in May 2012.

The Financial Markets Bill and Credit Ratings Agencies Bill were released for comment in August 2011. The introduction of these bills gives effect to South Africa's commitments towards the principles adopted by the G20 and the Financial Stability Board. Public comments have been incorporated and the bills were introduced to Parliament in January 2012.

A code for the transformation of the financial sector was finalised and the public was able to comment on it until mid-April 2012.

SERVICE DELIVERY ACHIEVEMENTS

Measurable objectives: The programme advises on policies to promote growth, employment, and macroeconomic stability, including conducting macroeconomic and revenue forecasts for the annual Budget and MTBPS, and the development of tax and financial sector policy.

Subprogramme	Output	Measure/Indicator	Actual performance against target	
			Target	Actual
Research	Build economic research capacity in academic/research institutions, with the broad objective of promoting economic research relevant to South Africa	Number of papers published by research institutions	Publication of research papers or discussion documents on economic growth, development, job creation, various microeconomic studies, taxation policy etc. While most papers will be published by academics and researchers through the Economic Research of Southern Africa initiative and Centre for Research into Economics and Finance in Southern Africa, selected papers may be published by the department directly	65 working papers published by Economic Research of Southern Africa. 13 research papers and internal briefing notes completed by Centre for Research into Economics and Finance in Southern Africa Discussion paper on retirement saving completed for Budget Day 2012, to be released early in 2012/13
Financial Sector Policy	Financial stability	Stability of financial system including first-tier banks	Implementing proposals published in a February 2011 policy document, <i>A safer financial sector to serve South Africa better</i> to strengthen the financial regulatory system	Interagency committee comprising National Treasury, FSB and South African Reserve Bank has been formed. The committee is drafting a roadmap document, which clarifies technical components of the reforms
			Support financial regulatory agencies to ensure that they perform effectively in regulating the financial sector	Treasury and Reserve Bank are engaging on Basel 3 regulations, and will issue a draft by April 2012
	Financial surveillance policy	Publish a policy document with proposals on modernising the framework for inward and outward investment	Second draft to be released in 2012/3	
	Stable financial markets	Submit the Financial Markets Bill and the Credit Ratings Agencies Bill to Parliament in line with international commitments in G20 and the Financial Stability Board	Bills will be tabled in Parliament in April 2012	
		Protect integrity of the financial system in South Africa	Support the work of the FIC to ensure effective implementation of government-wide strategy on anti money laundering and combating the financing of terrorism	Ongoing objective

SERVICE DELIVERY ACHIEVEMENTS

Measurable objectives: The programme advises on policies to promote growth, employment, and macroeconomic stability, including conducting macroeconomic and revenue forecasts for the annual Budget and MTBPS, and the development of tax and financial sector policy.

Subprogramme	Output	Measure/Indicator	Actual performance against target	
			Target	Actual
Financial Sector Policy	Retirement reform	Final approved funds framework	Publication of approved funds framework paper and rules for retirement reform	Draft paper completed and will be released in conjunction with consolidated government paper on social security and retirement reform
			Formulate legislation on urgent and broad policy reforms for submission in 2012	Ongoing
	Financial sector transformation and access	Broadened and improved access with total percentage banked of at least 70%	Publish proposals to improve trustee performance and governance of pension funds	Internal discussion paper completed. To be released early in 2012/13
			Publish proposal on disclosure standards for retirement products	Ongoing
			Implementation of revised Regulation 28 of the Pension Fund Act	Revised Regulation 28 approved by Minister of Finance on 22 February 2011 and implemented on 01 January 2012
			Take forward finalisation of the financial sector code and include access targets	Draft code concluded and submitted to the Department of Trade and Industry for gazetting and public engagement. Comment period ends mid-April 2012
	Competition and entry into financial sector	Entry of smaller banks and non-banks, including dedicated and co-operative banks	Publish Dedicated Banks Bill	Dedicated Banks Bill to be introduced through the Mutual Banks Act, for which the bill has been drafted
			Support and monitor implementation of the Cooperative Banks Act	Ongoing objective
	Consumer protection in the financial services sector	Entry of mutual, cooperatives and other member-based organisations into insurance sector	Publish micro-insurance policy paper	Committees and working groups have commenced work on implementing policy paper "The South African Micro insurance Regulatory Framework" published on 28 July 2011
			Establish appropriate legislative framework for new market conduct regulator, including for retail banking	Undertaken as part of twin peaks implementation process
Promote implementation of banking enquiry recommendations			Progress meeting with banks scheduled for July 2012	
Finalise and implement consumer financial education policy			First meeting of the consumer financial education committee scheduled for 4 May 2012. Financial literacy baseline study completed and report being finalised	

SERVICE DELIVERY ACHIEVEMENTS

Measurable objectives: The programme advises on policies to promote growth, employment, and macroeconomic stability, including conducting macroeconomic and revenue forecasts for the annual Budget and MITBPS, and the development of tax and financial sector policy.		Actual performance against target		
Subprogramme	Output	Measure/Indicator	Target	Actual
Tax Policy	Tax proposals and revenue forecasts for the annual budget	Publication of tax policy proposals chapter in the annual <i>Budget Review</i>	Publication on Budget Day 2012	Published on Budget Day 2012
	Incentivised savings vehicles (for higher education and first-time home owners)	Concept proposal	Policy proposal for 2012 Budget – October 2011 Budget announcement 2012	Paper has been completed and is being circulated for comment internally in preparation for release
	Carbon tax proposal	Produce policy paper for Cabinet approval and submit proposal for Budget 2012	Policy paper for Cabinet approval – September 2011 Budget announcement in Budget 2012	Policy paper being finalised but will only be submitted in the new financial year
	Tax treatment of long-term insurers	Discussion paper on tax treatment of long-term insurers	Budget 2012 announcement of reform options to four funds approach	Work is in progress
	Conversion of the secondary tax on companies regime into the new dividend tax	Implementation of new dividend tax	Signing of revised tax treaty protocols	Tax treaty signed with Oman during the period under review
	Tax legislation and amendments	Taxation Laws Amendment Bill	Tabling by June 2011	Tax Laws Amendmend Bill promulgated on 10 January 2012
		Pilot project to rewrite the Income tax Act or parts thereof	Outline of the proposed rewrite of sections of the Income Tax Act dealing with employment income and depreciations allowances	Ongoing
		Quality policy memos and economic assessment of policy proposals with appropriate turnaround times	Institutional development of divisional capacity and quality benchmarking	Training courses for the division and other economic departments
		Improved benchmarking and coverage of issues	Various memoranda, briefings and reports submitted	Various memoranda, briefings and reports submitted
	Economic Policy	Economic policy analysis, research, assessment and advice covering trade, labour markets, industrial sectors, network infrastructure, development finance institutions and economic growth	Functioning microeconomic assessment	Policy analysis in support of the manufacturing competitiveness enhancement programme conducted; various memos, briefings and reports submitted

SERVICE DELIVERY ACHIEVEMENTS

**Programme 2
Economic policy, tax, financial regulation
and research**

Measurable objectives: The programme advises on policies to promote growth, employment, and macroeconomic stability, including conducting macroeconomic and revenue forecasts for the annual Budget and MTBPS, and the development of tax and financial sector policy.

Subprogramme	Output	Measure/Indicator	Actual performance against target	
			Target	Actual
	Maintenance and development of economic models	Well-specified and up-to-date economic models	Economic models that facilitate policy-making through sound economic analysis	Macroeconomic model updated with tax equations
	Macroeconomic forecasts	Quarterly economic forecasts and high-quality policy and scenario modelling	Staffing and capacity development for modelling and forecasting	Inputs into the <i>Budget Review</i> . Review of the modelling in the local business tax proposal. Inputs into the estimation of the structural budget balance
	Stable and competitive exchange rate	Economic policy analysis, research, assessment and advice into the real exchange rate	Develop proposals for assessing and addressing the competitiveness and volatility of the exchange rate and investigate and discuss appropriate instruments as may be necessary and appropriate from time to time	Paper on optimal level of reserves submitted to Financial Management System; workshop on reserves management framework hosted between the South African Reserve Bank and the National Treasury
	Strategy to increase private savings	Economic policy analysis, research, assessment and advice on private savings rate	Development of proposals	Two papers were submitted to the National Treasury savings working group on trends in savings and broad policy options

National Treasury



Annual Report

Programme 3

Public finance and budget management

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

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

- Prepare a national budget that gives effect to government's economic, fiscal, social and developmental goals under the umbrella of the outcomes approach.
- Produce and publish the national Budget – Publish the *Budget Review*, *Estimates of National Expenditure*, *MTBPS* and appropriation legislation containing relevant, accurate and clear financial information, and associated indicators of service delivery and performance.
- Contribute to public policy and programme development through support for planning, policy and programme analysis, budgeting and project management, including support for public finance reform in provinces and municipalities.
- Promote public and private investment in infrastructure and public services by providing technical support for capital expenditure planning and project analysis, advice on financing alternatives, support for municipal development, and financial assistance for neighbourhood development projects. These activities are complemented by Programme 8 activities (Technical and Management Support and Development Finance).
- Monitor and analyse public expenditure and service delivery. Support improved monitoring and analysis of public expenditure and service delivery, and the appropriate use of public and private financial resources for social and economic development and infrastructure investment.

RECENT OUTPUTS

BUDGET OFFICE

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

The *Fiscal Policy* unit compiles the fiscal framework and advises the Minister of Finance on policy options around the budget framework. It forecasts the major areas of government spending, and models medium-to long-term fiscal scenarios. The unit also researches fiscal policy, while monitoring global and domestic fiscal trends.

In 2011/12, the unit developed additional capacity for considering long-term fiscal planning issues. It produced a long-term report proposal that was announced in October 2011, and began the modelling process. The unit also monitored the global and domestic economic outlook to ensure an appropriate medium-term fiscal stance was adopted.

The *Expenditure Planning* unit manages the administration of the national budget process for the National Treasury. Budget allocation decisions must be taken to the Ministers' Committee on the Budget and ultimately be approved by Cabinet. The unit manages the in-year adjustments process in respect of the current financial year. The *Adjusted Estimates of National Expenditure* and the Adjustments Appropriation Bill are tabled together with the MTBPS. The unit is also responsible for the MTEF and the vertical division of revenue discussions culminating in the details in the *MTBPS* and the *Budget Review*. This MTEF budget decision-making process also results in the main Appropriation Bill and the publication of the *Estimates of National Expenditure*, both tabled on the day of the Budget. In 2012 a Finance Bill was also tabled, for parliamentary authorisation of unauthorised expenditure.

In line with the 2010 shift towards budgeting by function, rather than by department, to support the outcomes approach adopted by government, the 2012 Budget process focused on government's objectives whilst encouraging the more effective and efficient use of resources over the MTEF period. Comparison of allocations against service delivery trends, and assessment of spending proposals and trade-offs between different options, are carried out within function groups comprising departments and associated public entities.

Improving the efficiency of government by redirecting spending in order to change the composition of expenditure towards spending on capital investment was the central focus of the 2012 budget process. Budget reforms were aimed at the improvement of budgeting by programme, in particular the strengthening of linkages between expenditure and performance information at the budget programme level. In the *Estimates of National Expenditure*, information is provided on performance targets over a seven-year period as well as changes in these, as they relate to trends in planned expenditure.

The unit coordinated inputs from the Department of Performance Monitoring and Evaluation, which were used to improve the quality of performance information reported in the *Estimates of National Expenditure*, in keeping with delivery agreements signed by ministers. The unit issued guidelines for reporting on quarterly performance. It also coordinated the submission of quarterly performance reports to the National Treasury, in line with these guidelines. Analyses of strategic and annual performance plans were conducted in cooperation with the Department of Performance Monitoring and Evaluation and through bilateral discussions with institutions. Feedback was provided to institutions to improve the quality of information contained in these documents.

Guidance has been provided to the National Disaster Management Centre in the Department of Cooperative Governance and to sector departments on disaster funding processes for disaster occurrences, in accordance

with the new disaster funding grant mechanisms. The unit is supporting the National Disaster Management Centre to facilitate a new protocol for disaster management in South Africa.

The *Public Finance Statistics (PFS)* unit produces appropriately classified fiscal data and public finance statistics used in National Treasury publications. This supports fiscal transparency and accountability by providing the public with information on government revenue and expenditure outcomes. The data is also submitted to international organisations such as the IMF.

The unit published a consolidated government account in the 2012 Budget and implemented a new presentation format for this consolidated account, which provides for the publication of the current balance, provides separately for the capital account of government, includes a consolidated financing position and ensures closer alignment with the IMF Government Finance Statistics (GFS) presentation format. Coverage and quality of data continued to be improved by including all newly listed entities and by extension of the number of inter-entity transactions netted out of the aggregate numbers.

Functional budgeting was further entrenched in the 2012 Budget. The unit initiated a process of reviewing the functional classification of national and provincial departments and public entities, which was completed at a more detailed level to ensure consistency and compliance with the GFS. To further enhance data quality, the unit continued to improve existing databases, data collection processes, and models used for the reporting of data in the consolidated government account. Data functionalities were developed to ensure the rollout of data inputs to support functional budgeting, resulting in the preparation of the functional / economic classification cross tabulation. The unit also implemented a secondary functional classification aligned to departmental programmes and subprogrammes, used only for budgeting purposes, in addition to the GFS functional classification carried in the main database.

The Standard Chart of Accounts (SCOA) was reviewed with the aim of improving classification and eliminating inconsistencies in the system. The reviewed SCOA was implemented on 1 April 2012, after extensive consultation. Another round of SCOA training through Public Administration Leadership and Management Academy (PALAMA) was rolled out. Training material compliant with the new South African Qualifications Authority unit standards was developed and assistance provided with training the trainers and moderating exam papers.

The unit continued to support the training of government accountants in collaboration with the Office of the Accountant-General, and two trainees completed the training process with PFS during the financial year. As input into the preliminary end-of-year report of government financial information, the unit provided data and motivations for deviations related to the preliminary revenue and expenditure outcome as at 31 March 2012.

The *International Development Cooperation* (IDC) unit is responsible for coordinating, mobilising and managing official development assistance (ODA). The ODA policy framework has been revised and stakeholder consultation is in progress, to be presented for cabinet approval on finalisation. This framework will lead to better alignment of ODA with the budget, appropriate skills development, and better monitoring and reporting systems.

The IDC unit:

- Brought R2 billion development cooperation resources into the National Treasury budget allocation stream over three years in grants.
- Coordinated infrastructure grant support from the European Union (R1 billion) and loans from the German Development Bank (R2.5 billion over two years) and the French Development Bank (about R10 billion).
- Enhanced accountability on ODA received by departments through SCOA.
- Promoted compliance to global development principles by all stakeholders.
- Participated in the global ODA debate and provided input into the new global partnership framework established by the Busan Partnership agreement.

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

The IDC also sought to align ODA with priorities outlined in the budget. This included improved reporting on ODA in the 2012 *Estimates of National Expenditure* and the use of ODA information from government departments in planning for the MTEF.

The *Public Entities Governance* unit implements the recommendations of the public entities governance framework review. The unit continued to rollout the budgeting framework for all public entities. The unit assisted with preparing consolidated financial accounts, maintaining budget databases and administrative records of the general government sector, including public entities. The unit continued with efforts to enhance a coherent regulatory environment that promotes a consistent approach to governance, human resource management (including development of remuneration frameworks) and financial management in public entities. Support was provided to the Presidential Review Commission on State-Owned Entities. It also consulted with departments on budgets and various policy matters related to public entities. The unit provided analysis on the government wage bill and worked with other budget group units to ensure that wages and employment growth are effectively budgeted for.

A new *Public Service Remuneration Analysis and Forecasting* unit was established in the *Budget Office* in October 2011. Its purpose is to advise the Minister of Finance and support the National Treasury with information relating to government's remuneration policy and wage determinations. It generates accurate and timely insight into changes in government compensation and its trends. It contributes to the achievement of sustainable public finances and efficient pursuit of government's developmental objectives.

PUBLIC FINANCE

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

The *Administrative Services* unit oversees the finances and budgets of a number of central government departments and entities. Key areas of work in 2011/12 included:

- *The Presidency*: The unit assisted the Presidency with the revision of its budget programme structure and with the function shift of Brand South Africa from the Government Communication and Information System vote.
- *Department of Monitoring and Evaluation*: The unit assisted the department in its planning, budgeting and reporting in its first financial year, and in the shift of the Presidential Hotline from the Presidency.
- *Department of International Relations and Cooperation*: Assisted in the budgeting of the United Nations Framework Convention on Climate Change COP17 conference held in Durban.
- *Department of Home Affairs*: Helped the department rollout a movement control system to 14 additional ports of entry and planning for the remaining 24 ports to be done in 2012/13.
- *Statistics South Africa*: Assisted in budgeting and planning for household surveys and the 2011 national census. Assisted Statistics South Africa to identify head office accommodation; National Treasury approval was granted to obtain the new accommodation through a Public Private Partnerships agreement.
- *Department of Public Works*: Contributed to a rapid performance review, which informed the proposed turnaround strategy that the department has

embarked on, coordinated initiatives towards obtaining funding for the development of a one-stop border post policy for South Africa, participated in reviewing the performance of the incentive allocation for the infrastructure sector of the expanded public works programme and the development of an alternative funding model for the sector, and coordinated an interdepartmental initiative to verify and identify funding for pre-2008 outstanding arrears on the payment of municipal property rates.

- *Department for Women, Children and People with Disabilities*: Advised the department on baseline reprioritisation and affordable approaches for capacity-building plans to ensure expenditure remains within the allocated budget.

The *Justice and Protection Services* unit oversees planning, expenditure and service delivery by departments in this sector. Key achievements for 2011/12 include the following:

- *Department of Correctional Services*: Provided advice and support on the procurement of correctional centres using a Public Private Partnerships model; the appointment of a service provider to complement capacity to implement capital works projects; the awarding of contracts for a travel agent and internal audit service provider; the approval and clearance of unauthorised expenditure incurred in 2008/09; and the implementation of a new budget programme structure.
- *Department of Military Veterans*: Ensured that the department was established as a separate department; drafted a budget programme structure for the department; assisted with budgeting and the drafting of strategic and annual performance plans; oversight of the special arms procurement programme; and clearing of unauthorised expenditure incurred between 1996/97 and 2003/04.
- *Department of Justice and Constitutional Development*: In collaboration with the *Public Private Partnerships* unit, supported the Department of Justice and Constitutional Development on the acquisition and development of Constitutional Hill as a Justice

Precinct; and provided guidance and support to the newly established department of the Office of the Chief Justice.

- *Independent Complaints Directorate:* Provided advice and support with regard to the transformation of the Independent Complaints Directorate to the Independent Police Investigative Directorate and assisted in the formulation of the new programme structure and performance indicators, as well as drafting of strategic and annual performance plans.
- *Police:* Provided advice and support with regard to the establishment of the Civilian Secretariat for Police as a separate department.

The *Education and Related Departments* unit monitors and advises on several functions, largely implemented by provinces and public entities. During the year, the unit's efforts focused on improved monitoring of expenditure and service delivery, as well as reviews of current departmental policy and implementation approaches. Key areas of work in 2011/12 included:

- *Department of Basic Education:* Assistance and advice on the accelerated school infrastructure delivery programme; the reporting and use of the EPWP Kha Ri Gude incentive grant; and the Department of Basic Education's intervention in the Eastern Cape and Limpopo.
- *Department of Higher Education and Training:* Assistance and advice on the form and functions of the Public Service Sector Education and Training Authority; a new funding model for the training of artisans; assistance and advice on shifting responsibility for the adult education and training function and further education and training function to the national Department of Higher Education and Training; review of the funding of training for the health sciences professions, and reviewing the FET colleges funding norms.
- *Department of Arts and Culture:* Strengthening the management and oversight of capital works projects of entities under Arts and Culture; ongoing advice and support in addressing the delivery of library services; comments on the remodelling of the investing in

culture programme; discussions with the department, the CRL Rights Commission and the Pan South African Language Board on alignment of functions.

- *Department of Sport and Recreation:* Assistance and advice on the oversight and management of Boxing SA; on a model for the delivery of sport infrastructure; the finalisation of the sports plan for South Africa; and on the support and oversight of sports federations and entities.
- Provided advice and support in respect of: the exit and transfer plan of Department of Labour's Public Private Partnership for the supply of information technology services to the department; the professionalisation of the labour inspectorate and the filling of vacant posts, provided comments on the Labour Relations Amendment Bill, Basic Conditions of Employment Amendment Bill; Public Employment Services Bill and the Employment Equity Amendment Bill; participation on the Steering Committee for Transformation of the Sheltered Employment Factories.

The *Health and Social Development* Chief Directorate assisted with the development of the Green Paper on National Health Insurance (NHI) and put in place a new NHI conditional grant to support the district pilots. A discussion document on financing of NHI will be released in 2012/13. A report has been published on experience gained in financing new child vaccines (pneumococcal and rotavirus), and a chapter was published on health financing and spending in the Health Systems Trust's *Annual Health Review*. Evaluation and support was provided for introduction of improved HIV/AIDS interventions including earlier treatment (threshold of CD4 350), an improved mother-to-child prevention programme, a circumcision programme and others. Support was provided for an improved TB diagnostic tool (GeneXpert) for national rollout. A new conditional grant for nursing college upgrading and refinements to the health component in the equitable share formula were introduced.

A new projection model for social grants was developed. The unit researched and costed the extension of

social grants to official refugees, the possibility of universalising the old age grant and alternate options to foster care grant for orphans living with relatives. Further rollout of early child development services and a new programme of community support for children (Isibindi) was introduced. Assistance was provided to the Department of Social Development on a possible budget structure change for provinces. Oversight over sectoral performance monitoring was strengthened.

A higher old age grant for over 75s was implemented in the 2011 Budget. The unit assisted the South Africa Social Security Agency (SASSA) with renegotiating extensions of the social grant payment contracts at a reduced price, while developing a concept proposal for the new payment system. Improved financial monitoring tools were implemented, enabling the unit to track expenditure in line with the SASSA's accrual accounting systems. Increased support was provided to SASSA on monitoring spending and measures implemented to reduce the cumulative deficit. The unit contributed to broader policy work to develop a contributory social security system for South Africa with improved retirement, death and disability and unemployment benefits.

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

Activities over the past year included:

- *Department of Science and Technology:* Coordinated an economic competitiveness and support package for the science and technology functional group of R1.1 billion, together with general budget support for science and technology amounting to R143.5 million.
- *Environmental Affairs:* Worked with the DBSA to establish the R800 million National Green Fund of

SA. The Buyisa-e-Bag company was closed down and incorporated into the department, due to non-reporting over three years. Additional funding was provided for COP17 prior to the conference.

- *Tourism:* Provided additional funding for South African Tourism to grow African tourism; Advised on the coordination of national, provincial and local marketing to achieve cost reduction; and recommended measures to make EPWP projects more labour intensive.
- *Public Enterprises:* Assistance for a revised programme budget structure for the Department of Public Enterprises; and review of financial requirements of several State-Owned Enterprises.
- *Economic Development:* Facilitated and provided guidance in drafting a business plan for the merger between Khula Enterprise Finance; South African Micro-Apex Finance Fund and the Industrial Development Corporation (IDC) small business units; served on several interdepartmental committees and working groups; and provided support for recapitalisation for the Small Enterprise Finance Agency and the establishment of the R250 million IDC: Agro-Processing Competitiveness Fund.
- *Trade and Industry:* Support provided for introduction of the manufacturing competitiveness enhancement programme, the new special economic zones policy framework, economic assistance for Cuba and the regularisation of the Centurion Aerospace Village in terms of the Public Finance Management Act (1999) (PFMA). Legislation and proposals for support for cooperatives were reviewed, and guidance was provided on centres of excellence in support of industrial development.
- *Agriculture, Forestry and Fisheries:* Restructuring of conditional grants by merging the comprehensive agricultural support programme and Ilima/Letsema into a single conditional grant; support for agricultural research as part of the economic competitiveness support package; implementation of the curatorship model to assist 283 farmers who are in financial distress to service production and mortgage loans.

The *Urban Development and Infrastructure* unit provides public finance support to national departments and their associated public entities involved in infrastructure provision. Key areas of delivery included expenditure analysis, public finance management, policy and programme support and budget analysis to support investment in economic infrastructure and community amenities in the following sectors: transport, electricity, water and sanitation, telecommunications, municipal infrastructure and human settlements.

Progress was made in the following areas during the year:

- Programme support was provided to the Gauteng Freeway Improvement Project Steering Committee and the Passenger Rail Agency of South Africa rolling stock procurement programme. Contributions were made towards drafting of the Road Accident Benefit Scheme Bill and the rail policy process.
- Review of the funding approaches towards the fuel industry to support clearer fuels, biofuels and the strategic stocks policy of government. Support to the legislative framework required for the creation of the Nuclear Waste Management Fund. Programme support for the creation of the solar water geyser programme.
- Development of a performance framework for the new urban settlement development grant and evaluation of built environment performance plans submitted by cities. To facilitate better planning and spatial management, the unit supports the development of the cities support programme and the proposal for a housing tax incentives and a mortgage insurance scheme for the low-income housing market.
- The unit represented the National Treasury on the CommunityWorks Project Steering Committee of the Department of Cooperative Governance. Assisted in the design and implementation of the infrastructure skills programme aimed at strengthening local government.
- Support for the development of the national water investment framework and strengthening the water trading entity. Refocused acid mine drainage to

provide for a Public Private Partnership approach for creating sustainable models for solutions. Support to institutional arrangements for waste water treatment in Westonaria and for catchment management agencies.

- Support towards the digital terrestrial television programme and refocusing the broadband strategy.

The *National Capital Projects* unit became fully functional in 2011/12, and carried out substantive work on feasibility studies for major national infrastructure reports, and managing and participating in interdepartmental task teams on individual strategic projects. Almost all positions were filled, and additional expertise was outsourced for short-term assistance with projects in two sectors (transport and liquid fuels). A number of work streams were set up with other units across the national Treasury dealing with infrastructure, particularly in water, energy and transport.

Within the 2011/12 period, the update of a liquid fuels supply options study began, a review of solar energy sector completed, regular participation and support provided for the solar park project (focused on procuring a feasibility study), monitoring of the electricity sector undertaken, particularly the Eskom build programme; feasibility of projects in the water and transport reviewed; assessment of the feasibility of a regional hydro-electric dam project began. A project appraisal methodology for capital projects was developed to support consistency in ongoing assessments.

The *Project Management* unit for *Social Security and Retirement Reform* provided administrative support to the interdepartmental task team on social security and retirement reform. It manages and coordinates research, analysis and technical advice on social security and retirement reform on behalf of the Interministerial Committee (IMC), Interdepartmental Task Team, the National Treasury and the Minister of Finance.

During 2011/12 the unit assisted with the preparation of a consolidated government paper, coordinated the work of several interdepartmental subcommittees and research

projects, and advised the Interministerial Committee responsible for overseeing the reform of social security and retirement and NHI. The quarterly objectives were met and a draft discussion paper has served at two Cabinet Committee meetings.

INTERGOVERNMENTAL RELATIONS

The *Intergovernmental Relations (IGR)* division coordinates fiscal relations between the national, provincial and local spheres of government, an important function given that R430.8 billion or 52.9 per cent of non-interest expenditure in 2011/12 was allocated to provinces and municipalities. The bulk of this expenditure went to priority programmes such as education, health care and the provision of free basic services.

The division coordinates inputs to the division of revenue, the annual Division of Revenue Bill and the development of the framework for the management of conditional grants. The 2012 Division of Revenue Act was refined in a number of sections to enhance consultation with Parliament on amendments to items gazetted in terms of the act; to include specific provisions on infrastructure grants to provinces that improve transparency and reduce the likelihood of corruption; and to make the requirements for expanded public works programme grants less onerous. The presentation of the health component in the provincial equitable share formula was revised to improve transparency and facilitate improved understanding of the component. Funding for the institutional costs of poor municipalities was improved through changes to the special support for councillor remuneration and by adding funding for ward committee stipends. The life-span of the conditional grant for energy efficiency projects in municipalities was extended and a new grant to fund internships for technical skills in municipalities was created.

The division is also coordinating the city support programme for government. The objectives of the city support programme include promoting improved planning and management of the built

environment in cities and improved performance of the intergovernmental fiscal transfers. During the 2011/12 financial year, considerable work was undertaken on the conceptualisation and design of the programme. Extensive consultations were held with the cities, national departments, as well as civil society organisations and non-governmental organisations on the framework document developed for the programme.

Other activities that were undertaken for the programme include a workshop with cities and other stakeholders on the climate resilience and environmental sustainability component of the city support programme and finalising the design of this component of the programme. In addition, a technical workshop on this component was held at COP17, in Durban. The programme also facilitated a workshop held at Nelson Mandela Municipality with the aim of reflecting on the public transport strategies that have been adopted by all eight metropolitan cities. The National Treasury, Department of Transport, SALGA and City of eThekweni also participated in the Leaders in Urban Transport Planning held by the World Bank and Land Transport Authority in Singapore.

Supported by the World Bank Institute, the National Treasury, in partnership with SALGA and the University of Cape Town, designed and delivered a highly successful leadership in local government programme during March 2012 in Stellenbosch. It was attended by all eight metropolitan municipalities and included the political and administrative leadership from each of the cities. Participants focused on developing their own strategic spatial transformation programmes while being exposed to leading technical specialists in spatial planning conference and city management and a series of management leadership tools (results-based management, stakeholder coalition building and strategic communication). Participants were further exposed to dynamic global experience and speakers, including the former mayors of La Paz, Bogata and Kigali.

The division administers an internet-based training

programme on the essentials of budget formulation and analysis. 254 officials registered for the budget formulation programme and 167 completed the training. In addition, there were 133 officials registered for the budget analysis course. Only 54 officials successfully completing the training. The decline in the number of officials completing the course is due to late or non-submission of assignments by a number of registered students. A special two-day course in budget formulation was conducted with 16 training outside public practice students – these students are chartered accountant incumbents trained in the National Treasury as part of the youth development programme. The division continued to build financial management capacity through a number of interventions and provided guidelines, with continuous inputs from stakeholders, to ensure consistency in the manner in which budget information is consolidated. A leadership workshop for senior managers of the provincial treasuries was held to retain and direct focus on the financial management responsibilities of provinces in the context of the current challenging economic climate. In addition, four provincial quarterly reports were published in terms of section 32 of the PFMA.

During the reporting period, IGR increased its capacity to provide improved budget support and oversight to local government. For the 2011/12 local government financial year, 98 per cent or 272 of the 278 municipalities complied with the municipal budget and reporting regulations. In addition, the division conducted the fifth round of mid-year budget and performance assessment visits and the second round of the municipal budget and benchmarking exercise for the 17 non-delegated municipalities. These processes have also been replicated by some provincial treasuries. The funding compliance methodology was again successfully applied to all these municipalities' budgets with an independent assessment of the results undertaken by IGR and some provincial treasuries. Improvements were noted in the level of understanding demonstrated by municipalities on the application of the methodology and the requirements for

a funded municipal budget.

In support of the process to induct new councillors, IGR partnered with SALGA to train all 10 055 councillors through 123 sessions across the country. This was the first large-scale awareness training conducted since the enactment of the MFMA in 2003. Ten workshops for mayors and members of mayoral committees for finance were held during January to April 2012.

The division has ensured steady progress in developing the SCOA for local government. In the period under review, stakeholder consultation processes commenced with system vendors and municipalities with in-house financial systems. Mapping the chart of accounts for pilot municipalities is also well under way. Work on version 3 of the SCOA for local government has also commenced and will be completed during the following cycle. The 2011 *Local Government Budget and Expenditure Review* was completed and published on 14 September 2011. This review was written with a dual purpose – firstly, to provide a review of the broad performance of local government for the period 2006//07 to 2012/13 and secondly, to serve as an induction tool for new councillors. The review was widely circulated amongst all local government role-players and IGR held road shows in each province to communicate key observations emanating from the review.

All quarterly in-year expenditure reports for local government in terms of section 71 of the MFMA were published on time and made available on the National Treasury website. Notable progress was made in improving the coverage and quality of the in-year reports. An average of 275 municipalities reported in each quarter. A number of processes were implemented during the reporting period to improve the overall quality of in-year reporting. In addition, the state of municipal finances and over- and under-expenditure reports of local government has now become part of the information published by IGR.

SERVICE DELIVERY ACHIEVEMENTS

Measurable objectives: 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.		Actual performance against target	
Subprogramme	Output	Measure/Indicator	Target
Programme Management for Public Finance and Budget Management	Leadership and coordination of the programme	Timely completion of budget documents	Publication of October MTBPS and February Budget Review
		Effective coordination of the budget process	Budget framework consistent with government's fiscal policy guidelines and public expenditure priorities, with draft completed by end-September each year
Public Finance	Sectoral and departmental policy advice	Departmental correspondence, reports and publications	Division of revenue between national, provincial and local government aligned with budget framework and medium-term expenditure priorities, with draft completed by end-September each year
			Timely and relevant analysis and advice
			Processing of Cabinet memoranda and submissions and ministerial and departmental correspondence completed as required. Final quarter work largely focused on completion of the 2012 <i>Estimates of National Expenditure</i> chapters.
			Programme and sectoral reviews undertaken for medium-term expenditure committee and departmental publications

SERVICE DELIVERY ACHIEVEMENTS

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

Subprogramme	Output	Measure/Indicator	Actual performance against target	Actual
Public Finance	Expenditure analysis	Monthly and quarterly monitoring of expenditure; analysis of expenditure trends	Quarterly expenditure reports, completed within six weeks of end-of-quarter	YM reports analysed as required and fed into related processes including rollover requests and Budget Programme structure discussions. Final quarter work largely focused on completion of the 2012 <i>Estimates of National Expenditure</i> chapter inputs for <i>Budget Review</i>
	Medium-term expenditure recommendations	Inputs on departmental budget submissions to the medium-term expenditure committee	Phasing-in of consolidated departmental and agency estimates and expenditure reports Submission of preliminary recommendations to Medium-Term Expenditure Committee based on prior consultation with departments	Functional expenditure estimates consolidated and included in the ENE Inputs to Medium-Term Expenditure Committee made, Medium-Term Expenditure Framework recommendations finalised and end-of-year requests for virements and other adjustments completed. Inputs for 2012 <i>Estimates of National Expenditure</i> chapters and the 2012 <i>Budget Review</i> were provided during the final quarter
Social security and retirement reform (jointly with Financial Sector Policy - Programme 2)	Policy framework and implementation road-map	<i>Estimates of National Expenditure</i> chapters, with improved budget programme structures	Alignment of budget submissions and recommendations with improved programme structure	Improvements to <i>Estimates of National Expenditure</i> format and programme structure agreed amongst stakeholders, and inputs for <i>Budget Review</i> and other National Treasury publications were submitted
			Phasing-in of expenditure estimates and programme information for public entities as part of Medium-Term Expenditure Committee process	2012 <i>Estimates of National Expenditure</i> presented to Parliament, including summary chapters and detailed vote publications (website), including public entities
			Introduction of longer-term expenditure estimates for selected programmes and entities	2012 <i>Estimates of National Expenditure</i> prepared, including summary chapters and detailed vote publications (website) including public entities
			Development of policy framework for social security reform	Draft discussion paper has been submitted to the Cabinet Committee for Social Protection Community and Human Development for consideration

SERVICE DELIVERY ACHIEVEMENTS

Measurable objectives: 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.		Actual performance against target		
Subprogramme	Output	Measure/Indicator	Target	Actual
	Establishment of <i>Capital Projects</i> unit	Analysis and advisory reports	Evaluation of options for investment in liquid fuels supply capacity Review of solar park proposals	Preparation for fieldwork for updating liquid fuels study under way Solar park proposal reviewed; participated in procurement of feasibility study
			Pre-feasibility review of major projects in water and transport sectors	Major projects in hydroelectricity, gas and transport sectors reviewed
Budget Office	Annual budget framework and division of revenue	Integrity of national Budget framework	MTBPS in October of each year setting out the framework for the Budget, including the vertical division of revenue, which reflects government's priorities Annual <i>Budget Review</i> and MTEF published in February each year, following Ministers' Committee on the Budget and Cabinet approval	Monitoring and assessment of Eskom's large build programme completed The <i>MTBPS</i> was presented to Parliament on 25 October 2011 The National Budget was presented to Parliament on 22 February 2012 following Ministers' Committee on the Budget and Cabinet approval
	<i>Budget Review, Estimates of National Expenditure</i> , appropriation legislation and public finance statistics	Quality of budget documentation	Timely publication budget documentation, characterised by accuracy, extensive scope and quality of content. Improved quality of measurable objectives and selected performance indicators by departments and public entities in the <i>Estimates of National Expenditure</i> , aligned to government's outcomes approach	The <i>Budget Review, Estimates of National Expenditure</i> , Appropriation Bill and Division of Revenue Bill were tabled in Parliament on 22 February 2012. Coordinated inputs from Department of Performance Monitoring and Evaluation in budget documentation <i>Estimates of National Expenditure</i> for alignment to government's outcomes approach
	Expenditure planning and budget process management	Departmental and agency spending plans, and submissions to Ministers' Committee on the Budget	Improved budget process, providing coordinated information by government function, that allows for greater value-for-money assessment in the budget expenditure allocation process	The 2012 Budget process was characterised by decisions following a functional budgeting approach. This was envisaged to allow for enhanced value-for-money assessments during the budget allocation process
		Introduce improved guidelines on performance measurement and monitoring, for quarterly and annual reports	Improved emphasis and focus on cost-effective service delivery by departments and public entities individually, and collated by government function	Provided comprehensive analysis of performance measurements and reporting by departments and entities in line with improved guidelines emphasising cost effectiveness and enhanced performance management

SERVICE DELIVERY ACHIEVEMENTS

Subprogramme	Output	Measure/Indicator	Actual performance against target	Actual
			Target	
<p>Measurable objectives: The programme aims to promote growth, social development and poverty reduction through sound fiscal and financial policies, and the effective, efficient and appropriate allocation of public funds.</p>			<p>Refining the new disaster funding grant mechanism and other aspects of managing disaster response</p>	<p>Provided guidance to the National Disaster Management Centre and sector departments on disaster funding processes</p> <p>Coordinated discussions with the National Disaster Management Centre to facilitate a new protocol for disaster management in South Africa</p> <p>Provided comments on a number of National Disaster Management Centre documents such as: <i>Disaster framework, National Response Plan on Flooding Disaster and Response and Recovery Task Team Inputs</i></p> <p>Conducted an analysis of planning documents through a coordinated process with the Department of Performance Monitoring and Evaluation</p> <p>A further 6 entities interrelated transactions were identified, verified and netted out, further strengthening the quality of the consolidation. Produced the data for the publication of the <i>Estimates of National Expenditure and Budget Review</i>. Obtained appropriate data to compare revenue and expenditure as at 31 March 2012 with adjusted estimates</p> <p>The budget template was further enhanced by adding the field approximating the cash balances of entities. Refined and amended national and provincial IYM models and developed functionality via Vulindlela for departments to upload monthly spending numbers from the financial system in the reporting model</p>
	<p>Consolidated general government accounts for use in all publications of National Treasury</p>	<p>Public finance statistics presented according to function and economic classification, for consolidated general government</p>	<p>Improved quality and use of performance information for departments and public entities in budget decision making</p> <p>Extend the coverage of the consolidated account to include information on the consolidated accounts and borrowing of government, which was not published previously</p>	

SERVICE DELIVERY ACHIEVEMENTS

Measurable objectives: The programme aims to promote growth, social development and poverty reduction through sound fiscal and financial policies, and the effective, efficient and appropriate allocation of public funds.			
Subprogramme	Output	Measure/Indicator	Actual performance against target
			Target
			Actual
	Guidance to departments and entities on classification of revenue and expenditure	Issue classification circulars that are used by departments for transactional classification guidance	Presentations were made to national and provincial departments in order to introduce the SCOA reforms on 1 April 2012. SCOA Committee responded to 195 classification requests. Provided several departments with detailed presentations and reports regarding classification inconsistencies, also assisted with reclassification of transactions in these departments
	Rollout of a further phase of the training programme on the SCOA and submit the training programme for South African Qualifications Authority (SAQA) accreditation	Development of a project-driven database	A further 42 training sessions were conducted through PALAMA for which a moderation process was designed and implemented
Capital expenditure planning and evaluation	Improved quality of capital planning leading to more efficient budget allocations and capital expenditure	Changes to regulations (where necessary) and development of appraisal guidelines	Agreed to use the CIDB tender register as the basis for the spreadsheet-based database developed Regulations were drafted and approved by the Minister for the third quarter of the financial year Recognising that procurement of infrastructure assets is inherently complex and different from that of goods and services, work was initiated to extend the scope of the draft regulations to encompass procurement that is particular to the construction environment. This will ensure that regulations cover the whole project lifecycle from planning to procurement
Official Development Assistance (ODA) resources aligned to and mobilised for government policies and priorities	Alignment of ODA funding decisions with the budget process	Broadened focus to include economic and rural development, employment creation and public service delivery improvement	A community of practice meeting was held with all departments receiving sector budget support in order to promote better service delivery and learn from various best practices A further sector budget support workshop was held with the ODA coordinators and Chief Financial Officer's of the relevant departments to finalise the financial chapter on sector budget support which ultimately seeks to improve financial accounting of ODA within government Held a post-Busan event to discuss all developments relating to aid effectiveness and the stance that the South African government has on these issues. This event included both Development partners and ODA coordinators across government

SERVICE DELIVERY ACHIEVEMENTS

Subprogramme	Output	Measure/Indicator	Actual performance against target	Actual
<p>Measurable objectives: The programme aims to promote growth, social development and poverty reduction through sound fiscal and financial policies, and the effective, efficient and appropriate allocation of public funds.</p>				
			<p>Enhanced accountability for donor receipt/provincial treasuries through <i>Estimates of National Expenditure</i> reporting and transparent financial accounting</p>	<p>An annual consultation was held where the SAG together with the European Union Commission and member states discussed their roles and commitments to further development within South Africa</p> <p>Prepared and submitted the first payment file to the European Union for the release of the first tranche of general budget support</p> <p>Provided continuous input during the <i>Estimates of National Expenditure</i> process to ensure the information supplied by the national departments are verified with information received from the Development Partners and that all projects are captured and in-line with the information available to the International Development Cooperation</p>
	Deepen governance and accountability in public entities	Implement a governance and financial management monitoring and compliance system in public entities	<p>Institutional budgeting, reporting and change management processes</p>	<p>Initiated the change of the SCOA funding level in order to enhance the transparency of ODA at national and provincial levels</p> <p>Supported a task team from the Office of the Auditor-General on auditing of performance information and system of public entities</p> <p>Presented a report to the Ministers' Committee on the budget on surplus currently held in public entities. A presentation on executive and board remuneration in public entities was tabled to the Ministers' Committee on the Budget</p>
			<p>Review of financial, human resource and administrative delegations in public entities. Recommendations on appropriate levels of delegations to be submitted to Cabinet</p>	<p>Working as part of the team established by DPME on Management Performance Assessment Tool management performance assessments, and supported the Presidential Review Commission on State-Owned Enterprises in its work on reviewing public entities</p>
			<p>Set targets to improve appropriate SCM indicators for public entities by 2014</p>	<p>Supported the process to amend National Treasury Regulations and supply chain management guidelines</p>

SERVICE DELIVERY ACHIEVEMENTS

Measurable objectives: The programme aims to promote growth, social development and poverty reduction through sound fiscal and financial policies, and the effective, efficient and appropriate allocation of public funds.				
Subprogramme	Output	Measure/Indicator	Actual performance against target	
			Target Actual	
Intergovernmental Relations	Provincial and local government budget framework, in line with fiscal framework and policy objectives	Timely publication and quality of the Division of Revenue Bill and explanatory memorandum (Annexure W1)	<p>Provincial and local government budget frameworks by September each year</p> <p>Division of Revenue Bill tabled on budget day with no errors</p>	<p>Provincial and local government fiscal frameworks for 2012 MTEF tabled in Budget Council and Budget Forum on 6 October 2011. Preliminary allocation letters were sent to provinces on 15 November and 12 December 2011. Final allocation letters were sent to provinces on 5 February 2012</p> <p>Division of Revenue Bill was tabled on the 22nd of February 2012 in Parliament. Based on a submission by the Department of Cooperative Governance, the Standing Committee on Appropriations recommended that technical corrections be made to the municipal infrastructure grant allocations (4 municipalities) for the 2012 MTEF, which are contained as an annexure to the Bill</p>
	Review of equitable share formulas	Funding gaps in existing formulas addressed	<p>Education component of the provincial equitable share reviewed and funding gaps addressed</p> <p>Review available statistics and adapt local government equitable share formula to recommendations from the Intergovernmental Fiscal Relations Summit</p>	<p>Draft provincial equitable share formula (based on existing formula and proposed amendment to education component) allocations for the 2012 MTEF determined</p> <p>Established task team consisting of National Treasury, Department of Provincial and Local Government, SALGA and Financial and Fiscal Commission to discuss and agree to the proposed reforms to the local government equitable share formula for the 2012 MTEF</p> <p>Pre-Summit on Intergovernmental Functional and Fiscal System was held on 8 September 2011. The five thematic papers circulated to pre-summit attendees were discussed and problem statements for each agreed to</p>

SERVICE DELIVERY ACHIEVEMENTS

Subprogramme	Output	Measure/Indicator	Actual performance against target	
			Target	Actual
Measurable objectives: 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.				
	Review of Municipal Fiscal Powers and Functions Act Large cities support programme <ul style="list-style-type: none"> Improved planning and management of the built environment in large cities Improved performance of intergovernmental fiscal transfers 	Amendments to Act improve the ease of implementation of Act Number of cities and technical experts	Finalise amendments to the legislation Teams of technical experts deployed to 8 metropolitan cities to support cities in improving their plans and service delivery management systems	Process still to commence Teams of experts deployed to 8 large cities to improve plans and service delivery management systems Design of the green cities component of the City Support Programme finalised Second draft of the City Support Programme design framework completed, incorporating inputs from the consultation meetings with experts and national departments Leaders in local government programme for city mayors and senior management teams undertaken in collaboration with UCT, World Bank Institute and SALGA from 2-9 March 2012
	Effective implementation of the annual Division of Revenue Act and conditions stipulated for conditional grants <ul style="list-style-type: none"> Training on the requirements of the Division of Revenue Act Performance assessments for conditional grants programmes 	Number of workshops, courses and officials trained	7 division of revenue workshops 2 business planning training courses 400 officials trained 2 conditional grant programmes comprehensively assessed	6 workshops completed for 7 sectors (sports, arts and culture were combined) Completed Completed, 1 037 officials trained 7 conditional grant programmes comprehensively assessed

SERVICE DELIVERY ACHIEVEMENTS

Measurable objectives: The programme aims to promote growth, social development and poverty reduction through sound fiscal and financial policies, and the effective, efficient and appropriate allocation of public funds.			
Subprogramme	Output	Measure/Indicator	Actual performance against target
			Target
			Actual
	Building capacity in provincial treasuries	Hands-on support to provincial treasuries	<p>9 optimally functioning provincial treasuries</p> <ul style="list-style-type: none"> Several workshops and training sessions held, including: <ul style="list-style-type: none"> Budget formats workshop (all provinces) Planning and monitoring forum (all provinces) Training on planning and performance (Gauteng and North West) Training with South African Institute of Chartered Accountants (Eastern Cape, Western Cape, KwaZulu-Natal and National Treasury) Performance reporting Leadership workshop for management of provincial treasuries <p>Completed assessment of constraints in provincial treasuries</p> <p>Completed</p>
	Building budgetary capacity in provincial departments	Number training on budget formulation and budget analysis courses	<p>450 officials trained on budget formulation and budget analysis courses</p>
	Rollout municipal budget and reporting regulations	Number of municipalities complying with new formats	<p>Budgets of all 278¹ municipalities are in accordance with formats</p> <p>272 municipalities complied with the Municipal Budget Reporting Regulations formats (98% success rate)</p>
	Publication of municipal non-financial information	Annual publication of non-financial information with focus on quality and scope	<p>Preparation and background research work</p> <p>Research work is under way - Non financial information collected for the metros in preparation for January Cabinet Lekgotla purposes</p>
	Funding compliance methodology implemented in line with sections 17 and 18 of the MFMA	Number of municipalities using the methodology	<p>Apply to 17 non-delegated municipalities</p> <p>This task was achieved 100% in Q1 as part of the assessment of municipal budgets</p>
		Oversee application of the methodology to all other municipalities by provincial treasuries	<p>Only 3 provincial treasuries have attempted to apply the methodology to the assessment of 2011 Medium Term Revenue and Expenditure Framework budgets for delegated municipalities. Further training provided to all provincial treasuries in quarter 4 in preparation for tabling of budgets in quarter 1 of 2012</p>

¹ After the demarcation board's decision – effective 1 July 2011

SERVICE DELIVERY ACHIEVEMENTS

Measurable objectives: The programme aims to promote growth, social development and poverty reduction through sound fiscal and financial policies, and the effective, efficient and appropriate allocation of public funds.				
Subprogramme	Output	Measure/Indicator	Actual performance against target	
			Target	
			Actual	
	Mid-year budget and performance assessment in line with section 72 of the MFMA	Number of municipalities assessed and corresponding reports sent to the municipalities	<p>Apply to 17 non-delegated municipalities</p> <p>Oversee application of the methodology to all other municipalities by provincial treasuries</p>	<p>This task was achieved 100% in quarter 1 as part of the assessment of municipal budgets</p> <p>Only 3 provincial treasuries attempted to conduct benchmark engagements. However, all provincial treasuries managed to assess budgets for the delegated municipalities though the quality was not uniform. Further training provided to all provincial treasuries in quarter 4 in preparation for tabling of budgets in quarter 1 of 2012</p>
	Development of a SCOA for municipalities	Project progress against plan	<p>Piloting of chart with selected municipalities</p>	<p>Piloting delayed due to lack of funding and conclusion of the tender process which took place in quarter 2. Currently concluding version 3 of the chart, which will form the basis for further consultation in quarter 4</p>
	Municipal budget benchmarking engagement	Number of municipalities involved in the benchmarking exercise between April and June	<p>Apply to 17 non-delegated municipalities</p> <p>Oversee application of the methodology to all other municipalities by provincial treasuries</p>	<p>Achieved. Budgets of 17 non-delegated municipalities were benchmarked between April and May 2011. Reports finalised in quarter 2. Consolidated report for Minister prepared two months earlier than in previous year and converted into a Cabinet memorandum, which is presently being considered for submission</p> <p>Compliance assessment of 2011/12 budgets for non-delegated municipalities completed by provincial treasuries. Content assessment of budgets conducted by Western Cape provincial treasury and partly by the Gauteng provincial treasury</p> <p>Reports received from KwaZulu-Natal, Western Cape and Gauteng provincial treasuries in this regard. In the process of obtaining reports from other provincial treasuries</p>

SERVICE DELIVERY ACHIEVEMENTS

Measurable objectives: The programme aims to promote growth, social development and poverty reduction through sound fiscal and financial policies, and the effective, efficient and appropriate allocation of public funds.				
Subprogramme	Output	Measure/Indicator	Actual performance against target	
			Target	Actual
	Monitoring of conditional grants	Number of municipalities correctly verifying their conditional grants expenditure	Apply to all 278 municipalities Monitoring is an ongoing process and all unspent money has to be returned to the National Revenue Fund	For the 4th quarter of the municipal financial year, 258 municipalities verified their conditional grants, but only 167 signed off on the verification A total of R945 million was returned to the National Research Foundation after being off-set from the equitable share. This off-set was in relation to unspent conditional grants for the 2005/06 to 2008/09 financial years Formulated a new monthly reporting template for 2011/12 to enhance monitoring process
	<i>Provincial and Local Government Budget and Expenditure Reviews</i>	Publish The <i>Provincial and Local Government Budget Reviews</i> with focus on quality and scope	Publish <i>Provincial Government Budget and Expenditure Review</i> by end of September	<i>Provincial Budget and Expenditure Review</i> chapters edited and awaiting approval to release
	Publication of provincial and local government expenditure reports in terms of the PFMA (section 32), MFMA (section 71) and Division of Revenue Act (section 44(3))	Timely and accurate reports	Publish updated local government data in October Publish provincial quarterly reports a month after the end of the quarter Publish municipal reports 45 days after the end of each quarter	2012 MTERF budgets published on 30 November 2011. Substantial improvement in the number of budgets verified and reconciled (8 in 2011 to 112 in 2012) 3rd quarter of the 2011/12 financial year Section 32 report published on 30 January 2012. Press release issued on 29 February 2012 1st quarter MFMA section 71 performance results published 14 December 2011

SERVICE DELIVERY ACHIEVEMENTS

Subprogramme	Output	Measure/Indicator	Actual performance against target	Actual
		Coverage and reliability of municipal and provincial information	<p>Target</p> <p>Maintain coverage at 278 municipalities</p> <p>Improve reliability of data</p> <p>Maintain coverage of 120 departments in 9 provinces</p>	<p>Publication of 277 municipalities (99% success rate) that reported the 2nd quarter section 71 performance</p> <p>Reporting now includes a listing of loan instruments and the calculated collection rate per municipality</p> <p>Published state of local government finances report which was tabled in Parliament and is on the National Treasury website.</p> <p>Continuous rollout of the verification/sign off process for conditional grants and section 71 reports</p> <p>Continue to maintain coverage of 120 departments in 9 provinces</p>

Measurable objectives: 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.

National Treasury



Annual Report

Programme 4

Asset and liability management

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

Measurable objectives: Manage government's annual funding programme in a manner that ensures prudent cash management and an optimal portfolio of debt and other fiscal obligations. Promote and enforce prudent financial management of State-Owned Entities through financial analysis and oversight.

There are six subprogrammes:

- *Management* provides strategic guidance and direction to the overall programme, including management of the divisional budget.
- *State-Owned Entities Financial Management and Governance* promotes the optimal allocation and use of financial resources and sound corporate governance by State-Owned Enterprises.
- *Government Debt Management* provides for government's long-term funding needs, manages domestic and foreign debt, and contributes to the development of domestic capital and retail markets.
- *Financial Operations* provides for government's short-term funding needs, the prudent management of cash in all spheres of government, the efficient accounting for debt and investment transactions, the supply of reliable systems, and the provision of quality information.
- *Strategy and Risk Management* develops and maintains a risk management framework for the debt and contingent liability of the state.
- *Financial Investments* provides funding mainly for the recapitalisation of Eskom and the Land and Agricultural Development Bank of South Africa.

SERVICE DELIVERY OBJECTIVES AND INDICATORS

RECENT OUTPUTS

The *Asset & Liability Management* division financed government's gross borrowing requirement and maintained sufficient cash levels to meet government's daily requirements. It also provided support to the development finance institutions and State-Owned Enterprises through guarantees and capital injections to ensure that they were financially able to deliver on their development mandates.

The *State-Owned Entity Financial Management and Governance* monitored State-Owned Enterprises and development finance institutions, particularly in respect of progress made in relation to strategies agreed with State-Owned Enterprises whose debt had been guaranteed by government. The unit participated in work streams and cluster forums that contribute to an efficient, competitive and responsive economic infrastructure network, and led a work stream on financing, regulation, pricing and procurement.

Notable activities during the period under review included:

- An allocation to Denel of R116.3 million for government indemnity provided to Denel Aerostructures.
- Facilitating receipt of R3.5 billion in pre-delivery payments, re-imbursed by Airbus, for the cancelled A400m acquisition.
- Approving borrowing limits for the Umgeni Water and the Trans Caledon Tunnel Authority.

The unit also:

- Reviewed corporate plans and annual reports of the PIC, Sasria, DBSA and Land Bank and tabled them in Parliament through the Minister of Finance.
- Reviewed the corporate plans and annual financial statements of 42 State-Owned Enterprises and Development Finance Institutions. The reviews

focused on financial sustainability, governance issues (compliance to the PFMA and delivery against mandates and the King III Report on Corporate governance). The findings were shared with department and State-Owned Companies.

- Conducted follow-up reviews of 16 State-Owned Companies to ascertain their compliance with National Treasury best practice policies.
- Analysed remuneration trends of 22 State-Owned Companies against the State-Owned Entities Remuneration Guide and shared findings with shareholder departments.
- Reviewed applications for water tariff increases, taking into consideration their socio-economic impact and the financial sustainability of water boards. The outcomes were communicated to all water boards. In addition, presentations were made to the Department of Water Affairs, SALGA and the Parliamentary Portfolio Committee on Water and Environmental Affairs.
- Participated in the Department of Water Affairs' review of the water pricing strategy, establishment of an economic regulator, funding model for water infrastructure and institutional realignment.

The terms of reference for the Development Finance Institution Council have been completed. The objective of the Development Finance Institution Council will be to coordinate the mandates and lending activities of Development Finance Institutions and act as a node through which strategic guidance could be provided.

The DBSA and Land Bank, both of which report to the Minister of Finance, have been challenged to further extend their development impact. In this regard, the DBSA has been mandated to accelerate infrastructure development and funding, and the Land Bank to increase lending to emerging farmers and rural development initiatives. To deliver on these mandates, government financial support for both Development Finance Institutions will be required. The Land Bank was capitalised with R750 million in 2011/12 and recapitalisation of DBSA is under consideration.

The *Government Debt Management* unit successfully financed the gross borrowing requirement of R185.4 billion, originally budgeted at R176.1 billion. Government raised R12.6 billion (US\$1.5 billion) in the international capital markets and R154.1 billion in the domestic capital market. An amount of R5.1 billion was raised from retail bond investors.

Debt service costs reached the projected 2.6 per cent of GDP.

South Africa's bond market remains one of the most liquid in the world. To maintain this liquidity, issuance was spread across all maturities. The repo and scrip lending facilities amounting to R514 million were also provided to ensure the availability of scrip in the domestic market. To reduce refinancing risk, the floating rate note maturing 31 March 2012 was reduced by R7.5 billion to R270 million. Further, to manage the refinancing risk in the 2012/13 financial year, R10.4 billion of the R189 bonds (6.25 per cent; 2013) were exchanged for longer-dated bonds before the due date.

The *Financial Operations* unit ensured that government had sufficient funds available to meet its daily cash requirements and that surplus cash was optimally invested. Short-term investment and lending between the national government, provincial government and related State-Owned Companies within the Corporation of Public Deposits, saved up to 3.5 per cent on borrowing costs, being the difference between the repo rate and the prime rate.

During the review period, the division facilitated the purchase of US\$4.3 billion of foreign exchange reserves using cash and foreign currency swap transactions.

The unit complied with all the relevant reporting requirements of the PFMA and the IMF's "Special Data Dissemination Standards" on debt issuances, cash balances and other market information.

The development and user testing of the domestic debt module of the new back office system has been

completed and the system is ready for implementation. Final testing with the banking sector will take place before going live. The revamped retail bonds website and the new investor relations website were successfully implemented during 2011/12 and interfaces with the Commonwealth's public debt analytical tool, which will be piloted in South Africa, have been developed and tested.

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

Increased issuance of inflation-linked bonds due to market demand resulted in a composition of government's domestic debt portfolio of 63.6 per cent in fixed and 36.4 per cent in non-fixed rate instruments. Government's foreign debt exposure of 9.8 per cent of total gross debt remained well below the set risk benchmark of a maximum of 20-25 per cent as at 31 March 2012. Net debt provisions and contingent liabilities amounted to 46.2 per cent of GDP as at 31 March 2012.

The major credit rating agencies reviewed South Africa's rating and affirmed its investment grade rating. However, three rating agencies - Moody's, Standard & Poor's and Fitch - changed the outlook from stable to negative. Standard & Poor and Fitch's rating visit took place after the 2011 *MTBPS* presentation and Rating and Investment Information, Inc visited after the 2012 Budget presentation.

SERVICE DELIVERY ACHIEVEMENTS

Measurable objectives: Manage government's annual funding programme to ensure prudent cash management and an optimal portfolio of debt and other fiscal obligations. Promote and enforce prudent financial management of State-Owned Entities through financial analysis and oversight.			
Subprogramme	Output	Measure/Indicator	Actual performance against target
		Target	Actual
State-Owned Entity Financial Management and Governance	Strengthen financial oversight and monitoring economic performance of Development Finance Institutions	Reporting and resolving Development Finance Institution issues regarding cost effectiveness, development effectiveness and financial sustainability	Completed the review of the corporate plans for the DBSA and Land Bank and submitted to the Minister of Finance for approval and tabling in Parliament Reviews of annual reports of the Land Bank and DBSA completed and submitted to Minister of Finance Analysis of the Shareholder Compacts of the DBSA and Land Bank concluded and submitted to the Minister of Finance. Quarterly reports reviewed and analysed Briefed and advised Deputy Director-General, Director-General and Minister on various issues related to Development Finance Institutions Motivated for recapitalisation of the DBSA and Land Bank. Made specific recommendations related to borrowing requests from National Urban Reconstruction and Housing Agency and National Housing Finance Corporation and rationalisation of Khula Enterprise Processed all PFMA applications from the Development Finance Institutions. All applications were approved by the Minister Recommendations for the establishment of the Development Finance Institution Council and terms of reference for the council submitted to the Minister of Finance Monitoring and evaluation framework for Development Finance Institutions was completed and recommended for discussion by the Development Finance Institution Council
		Annually report on the review of corporate plans and financial statements to ensure financial sustainability and alignment with mandates Monitor and report on achievement of targets (shareholder compact) by the Land Bank and DBSA Provide advice and commentary on all Development Finance Institution-related matters Provide support to Development Finance Institutions in the implementation of mandates Analyse all Development Finance Institution-related applications Operationalise Development Finance Institution Council Facilitate the establishment of the monitoring and evaluation framework for Development Finance Institutions	

SERVICE DELIVERY ACHIEVEMENTS

Measurable objectives: Manage government's annual funding programme to ensure prudent cash management and an optimal portfolio of debt and other fiscal obligations. Promote and enforce prudent financial management of State-Owned Entities through financial analysis and oversight.			
Subprogramme	Output	Measure/Indicator	Actual performance against target
			Target
	Promote appropriate National Treasury management policies and practices in State-Owned Enterprises and major municipal treasuries (metros)	Adherence to National Treasury guidelines by 6 State-Owned Enterprises and 3 metros	Follow-up appraisal of previously reviewed State-Owned Enterprise treasuries and compile individual reports on progress regarding recommendations within a month of each review
	Coordinate borrowing programmes of State-Owned Enterprises and ensure alignment with sovereign borrowing	Compilation of borrowing calendar and consolidated maturity profile	Review one major metro (Cape Town) Review risk frameworks for two State-Owned Enterprises (Eskom, Transnet) Quarterly report/update State-Owned Enterprises: <ul style="list-style-type: none"> Borrowing programmes Capital expenditure Hedging risk exposures Annual publication of borrowing calendar by March
	Complete the process of determining optimal capital structure and appropriate dividend policies for State-Owned Enterprises	Benchmark to determine appropriate target capital structure for State-Owned Enterprises	12 State-Owned Enterprises completed
	Shareholder compliance	Compliance with PFMA, King III Code and State-Owned Enterprise Remuneration Guidelines compliance monitored	Annual reporting on compliance of major State-Owned Enterprises 100% (42/42) of corporate plans were received from Schedule 2 and 3B public entities 100% (42/42) of draft financial statements were received from Schedule 2 and 3B public entities 98% (41/42) of the annual reports were received from Schedule 2 and 3B public entities Annual review of remuneration levels of boards of all Schedule 2 public entities, Sasria and PIC was conducted against the State-Owned Enterprise Remuneration Guidelines and recommendations were conveyed to the Minister of Finance

SERVICE DELIVERY ACHIEVEMENTS

Measurable objectives: Manage government's annual funding programme to ensure prudent cash management and an optimal portfolio of debt and other fiscal obligations. Promote and enforce prudent financial management of State-Owned Entities through financial analysis and oversight.		Actual performance against target	
Subprogramme	Output	Measure/Indicator	Actual
	Financial oversight over State-Owned Enterprises	Annual report on review of corporate plans and financial statements	Reviewed corporate plans of 30 State-Owned Enterprises and 12 water boards
	Contribute to reports on corporate plans and annual reports of State-Owned Enterprises	Standardised processes implemented for assessing and monitoring guarantees and evaluating section 54 applications	Reviewed annual reports of 34 State-Owned Enterprises and 11 water boards Memo and dashboard highlighting the findings of the above reviews compiled and submitted to the Minister of Finance
Strengthen financial oversight over Schedule 2 and 3B entities			Standardised processes were implemented for monitoring guarantees. Legal templates were developed. Guarantee process documented and being reviewed internally A process for analysing section 54 applications was developed for internal use Reviewed MFMA section 42 process of providing comments on bulk water prices set by water boards The annual financial statement analysis template was updated
	Submissions on PFMA, guarantee, funding, borrowing limits, water and electricity price applications as required	Review PFMA applications and applications for guarantees, funding or borrowing limits by State-Owned Enterprises as received	PFMA applications were reviewed from Eskom, Magalies Water, PetrosA, Rand Water, South African Airways, SA Express, Trans-Caledon Tunnel Authority, Transnet and Umgeni Water Funding requests from Denel, Alexkor, SABC and South African Post Office were reviewed
	Semi-annual report to Cabinet on guarantees	Review water and electricity price applications in terms of section 42 of the MFMA and provide comments as received	Reviewed water board tariff proposals and provided comments accordingly Made a presentation to Parliament's Portfolio Committee on Water and Environmental Affairs on the annual performance of water boards
		Review the corporate plans and annual reports of State-Owned Enterprises	Reviewed all corporate plans and annual reports received from Schedule 2 and 3B State-Owned Enterprises

SERVICE DELIVERY ACHIEVEMENTS

Measurable objectives: Manage government's annual funding programme to ensure prudent cash management and an optimal portfolio of debt and other fiscal obligations. Promote and enforce prudent financial management of State-Owned Entities through financial analysis and oversight.			
Subprogramme	Output	Measure/Indicator	Actual performance against target
			Target
			<p>Ongoing monitoring of Eskom, South African Airways, Denel and SABC, including monitoring compliance with guarantee conditions and providing semi-annual updates to the Minister and Cabinet</p> <p>Reviewed monthly/quarterly reports and held regular meetings with Denel, Eskom, Passenger Rail Agency of South Africa, South African Airways and SABC to monitor compliance with guarantee conditions and financial position</p> <p>Tabled quarterly guarantee reports at the Guarantee Certification Committee for Denel, Eskom, Passenger Rail Agency of South Africa, South African Airways and SABC</p> <p>Monitored State-Owned Enterprises with guarantees through quarterly reports received</p> <p>Provided inputs on Eskom's guarantee framework agreement for the additional guaranteees that were provided to Eskom</p> <p>The guarantee compliance status was submitted for tabling at the infrastructure development cluster</p>
	Develop policy framework within, which State-Owned Enterprises are managed	Report on funding model and administered prices. Report on industry/sector research as required	<p>Completed a report on international benchmarking of sector structures and financing models in water, ports and rail sectors</p> <p>Developed principles for prioritising and financing infrastructure investments</p> <p>Participated in and provided inputs to the Department of Water Affairs' water investment framework</p>
			<p>Research undertaken on international experience on pricing water for agriculture</p>

Asset and liability management

SERVICE DELIVERY ACHIEVEMENTS

Measurable objectives: Manage government's annual funding programme to ensure prudent cash management and an optimal portfolio of debt and other fiscal obligations. Promote and enforce prudent financial management of State-Owned Entities through financial analysis and oversight.		
Subprogramme	Output	
Measure/Indicator	Actual performance against target	
Target	Actual	
	Carry out industry and sector research and review sector policy and legislation as required	<p>Provided inputs on the Independent System and Market Operator Bill</p> <p>Provided inputs on the integrated nuclear infrastructure review</p> <p>Conducted nuclear market sounding on the financial structures used to finance nuclear power plants and compiled a Cabinet memorandum on the findings</p> <p>Draft rail sector policy released and comments prepared for input into the review process</p> <p>Draft defence sector and aviation research reports compiled</p> <p>Provided comments on National Energy Regulator of South Africa's draft regulatory rules for Eskom's multi-year price determination</p> <p>Finalised analysis of factors causing delays and cost overruns in major capital projects</p> <p>Benchmarking of international practices relating to spectrum allocation</p>
	Provide input to the review of State-Owned Enterprises	<p>Provided inputs to the Presidential Review Committee on State-Owned Enterprises as required</p> <p>Participated in a Presidential Review Committee workshop on the regulation of State-Owned Enterprises</p>
	A thorough analysis of the current state of broadband in South Africa, which includes the drafting of a funding model to be implemented at national level	<p>Participated in the Broadband Integrated Infrastructure Committee established by Department of Communications to resolve issues relating to financing of broadband</p> <p>Finalised research reports on the role of state-owned information and communications technology entities in delivering broadband and spectrum allocation</p>
	Participation in two provincial broadband infrastructure investment pilot projects – Limpopo and KwaZulu-Natal	<p>KwaZulu-Natal: rollout of broadband infrastructure through Infiraco for the provincial government</p> <p>Limpopo: Assessment of business plans for broadband for the provincial government</p>

SERVICE DELIVERY ACHIEVEMENTS

Measurable objectives: Manage government's annual funding programme to ensure prudent cash management and an optimal portfolio of debt and other fiscal obligations. Promote and enforce prudent financial management of State-Owned Entities through financial analysis and oversight.			
Subprogramme	Output	Measure/Indicator	Actual performance against target
			Target
	Restructuring of State-Owned Enterprises to improve performance and efficient use of government resources	Report on proposed restructuring/interventions Progress report on restructurings/interventions	Participate in and lead major interventions and restructuring with a particular focus on Eskom, Central Energy Fund/PetroSA, Transnet, water sector
	Shareholder management (PIC and Sasria)	Reports on corporate plans; annual reports and quarterly reports	Participated in: Passenger Rail Agency of South Africa Steering Committee on Rolling Stock acquisition; Sanral Tolls Steering Committee; A400M interdepartmental task team; 2050 Vision Durban-Gauteng; Transport Corridor Steering Committee; Denel Aviation/South African Air Force; Department of Water Affairs Institutional Realignment Project; Nuclear Energy Technical Committee and working group; and task team on the corporatisation of the Post Bank R3.5 billion pre-delivery payments for A400M reimbursed by Airbus Reviewed shareholder compacts and corporate plans of the PIC and Sasria. Memo for the tabling of PIC and Sasria corporate plans completed Submission relating to the changes of Sasria key performance indicators completed Reviews of annual reports of Sasria, PIC, DBSA and Land Bank completed Received fourth quarter reports from Sasria and PIC. Quarterly meeting held with Sasria Annual reports of PIC and Sasria were tabled in Parliament PFMA applications from PIC were reviewed
			Review annual reports
			Review quarterly reports
			Prepare presentation of annual report to Parliament by 31 August 2011
			Review PFMA applications and applications for guarantees, funding or borrowing limits by State-Owned Enterprises as received

SERVICE DELIVERY ACHIEVEMENTS

Measurable objectives: Manage government's annual funding programme to ensure prudent cash management and an optimal portfolio of debt and other fiscal obligations. Promote and enforce prudent financial management of State-Owned Entities through financial analysis and oversight.		Actual performance against target			
Subprogramme	Output	Measure/Indicator	Target	Actual	
Government Debt Management	Finance government's gross borrowing requirement	Annual total government borrowing needs fully met	Gross issuance of R176.1 billion	The gross issuance amounted to R185.4 billion. This amount was raised through domestic short-term loans (R18.7 billion), long-term loans (R154.1 billion), foreign loans (R12.6 billion) and cash balances increased by R1.28 billion	
	Sound domestic and foreign debt management policies	Enhanced liquidity	Concentrate issuance in benchmark bonds	R154.1 billion was raised in benchmark fixed-rate and inflation-linked bonds	
			Scrip lending and repo facilities	Offered R514 million through scrip lending and repo facilities	
	Active debt management	Manage debt service cost	Maintain debt service cost as percentage of GDP at sustainable levels	Buyback and switches/exchanges in domestic debt to reduce loan redemptions by R8 billion (2011/12) and R19 billion (2012/13)	Buyback and switches/exchange in domestic debt reduced loan redemptions by R7.5 billion in 2011/12 and by R10.4 billion in 2012/13
				2.6% of GDP	2.6% of GDP or R76.5 billion compared to original budget of R76.6 billion
	Contribute to the development of financial markets	Diversification of funding instruments	Domestic funding in fixed-income, inflation-linked and retail bonds, floating rate notes and treasury bills. International funding through capital market and export credit agency loans	Domestic financing amounted to R172.8 billion, which comprised of short-term loans of R18.7 billion and long-term loans of R154.1 billion, which included retail bonds of R5.1 billion. In addition, R12.6 billion was raised in the international market through a capital market bond issue of R12 billion and R0.6 billion through export credit agency loans	
Sound investor relations	Retain current investors and attract new ones	Timely dissemination of reliable information	Conduct two domestic and two foreign road shows annually	Foreign road shows took place in November/December 2011 and February/March 2012. Domestic road shows took place in October/November 2011 and March 2012	
			Timely dissemination of reliable information	Timely information dissemination through the investor relations website that was launched in 2011. Press releases through financial news media such as Bloomberg, Reuters and Inet-bridge	

SERVICE DELIVERY ACHIEVEMENTS

Measurable objectives: Manage government's annual funding programme to ensure prudent cash management and an optimal portfolio of debt and other fiscal obligations. Promote and enforce prudent financial management of State-Owned Entities through financial analysis and oversight.		Actual performance against target		
Subprogramme	Output	Measure/Indicator	Target	Actual
Financial Operations	Sound cash forecasts	Government's liquidity requirements met every time	Forecasting R2.8 trillion of cash flows	Forecasted R2.9 trillion of cash flows
	Optimise return on investments subject to credit limits	Investment of surplus cash at market-related rates	Quarterly analysis and review of investment rates	Tax and loan account investment rates reviewed quarterly with rate changed to the daily South African benchmark overnight rate
	Optimise use of public-sector cash	Public-sector cash coordinated	Ongoing broadening of the coordination of public-sector cash	Actively utilised public-sector cash as financing instrument with cash invested by the public-sector with the Corporation for Public Deposits reaching a high of approximately R40 billion
		Saving on borrowing cost by national and provincial governments	Saving of up to 3.4% on borrowing costs (compared to borrowing from commercial banks)	Saving up to 3.5% on borrowing costs being the difference between the repo and prime rates
	Annual financial statements and market reports	Timely and accurate reporting	Compliance with PFMA reporting requirements regarding annual financial statements	Financial information was provided for National Treasury's financial statements and the consolidated financial information of the national departments, the National Revenue Fund, state debt and loan accounts in line with PFMA reporting requirements
			Timely dissemination of reliable market information	Reporting requirements for the special data dissemination standards of the IMF met. Reliable market information disseminated on a timely basis
	Treasury management systems	Reliable, automated and integrated systems to be implemented	Implement the domestic and retail debt module on the new back office system	Final testing completed for the domestic debt module
			Implement and actively manage the revised system integration strategy	The retail savings bonds website was revamped and the investor relations website launched
				Additional testing of interface programmes and data extracts has been conducted with the Commonwealth Secretariat on their new public debt analytical tool, which will be piloted in South Africa

SERVICE DELIVERY ACHIEVEMENTS

Measurable objectives: Manage government's annual funding programme to ensure prudent cash management and an optimal portfolio of debt and other fiscal obligations. Promote and enforce prudent financial management of State-Owned Entities through financial analysis and oversight.				
Subprogramme	Output	Measure/Indicator	Actual performance against target	Actual
Strategy and Risk Management	Minimise and mitigate risks emanating from government debt portfolio (market risk) and from the investment of surplus cash	Performance against benchmarks: <ul style="list-style-type: none"> Non-fixed versus fixed debt Foreign debt versus domestic debt 	Review of strategic benchmarks of 70/30 fixed versus non-fixed rate domestic debt and 20-25% maximum foreign debt exposure as a percentage of total debt	As at 31 March 2012, the fixed rate debt comprised 63.6% of total debt and indexed and non-interest bearing (non-fixed rate) debt comprised 36.4%. Market risk developed a principal component and factor analysis methodology for the analysis of domestic debt portfolio risks and the value at risk methodology for the analysis of foreign debt portfolio risks
		Adherence to surplus cash benchmark investment ratios and total limits per counterparty	Annual review of investment ratios and limits per counterparty Semi-annual reports and reviews of investment ratios and limits	The risk profile of government debt was compiled on a quarterly basis Foreign debt ratio comprised 9.8% of total gross debt, well below the risk guideline of 20-25%
	Minimise and mitigate sovereign credit rating risks	Quantitative indicators of sovereign risk	Monthly sovereign risk review and credit valuation modelling Semi-annual sovereign rating reviews Align the timing of the sovereign rating review visits to the budget process Improved stakeholder relations and communication	Analysed annual reports of counterparties, reviewed their investment ratios and limits and revised them accordingly Analysed interim reports of counterparties and reviewed their investment ratios and limits Annual reports of primary dealers were reviewed and analysed and government's settlement risk exposure determined to be relatively low Prepared and distributed monthly sovereign reports to internal stakeholders One rating review completed during the year The visit of the rating agencies took place immediately after the <i>Budget Review</i> and the <i>MTBFS</i> Established frequent interactions with rating agencies between review visits

SERVICE DELIVERY ACHIEVEMENTS

Measurable objectives: Manage government's annual funding programme to ensure prudent cash management and an optimal portfolio of debt and other fiscal obligations. Promote and enforce prudent financial management of State-Owned Entities through financial analysis and oversight.											
Subprogramme	Output	Measure/Indicator	Actual performance against target								
			<table border="1"> <thead> <tr> <th>Target</th> <th>Actual</th> </tr> </thead> <tbody> <tr> <td>Review and monitor benchmark of net government debt, provisions and contingent liabilities to ensure that they remain within sustainable levels consistent with the country's credit rating</td> <td>As at 31 March 2012, the exposure towards guarantees amounted to R153.6 billion and net government debt, provisions and contingent liabilities were 46.2 % of GDP</td> </tr> <tr> <td>Review and monitor quality of government's explicit guarantee exposure</td> <td>12 State-Owned Enterprises were reviewed. Seven of these State-Owned Enterprises were classified as moderate to moderately high risk with four at high to very high risk and one at low risk. Overall the 2011/12 portfolio was assigned a 6.3 risk rating, which is classified as moderate risk</td> </tr> <tr> <td>Review of exposure to public private partnership projects and their possible impact on the fiscus</td> <td>The methodology for the analysis of the public private partnership exposure has been initiated but is yet to be finalised. It is scheduled for finalisation during 2012/13</td> </tr> </tbody> </table>	Target	Actual	Review and monitor benchmark of net government debt, provisions and contingent liabilities to ensure that they remain within sustainable levels consistent with the country's credit rating	As at 31 March 2012, the exposure towards guarantees amounted to R153.6 billion and net government debt, provisions and contingent liabilities were 46.2 % of GDP	Review and monitor quality of government's explicit guarantee exposure	12 State-Owned Enterprises were reviewed. Seven of these State-Owned Enterprises were classified as moderate to moderately high risk with four at high to very high risk and one at low risk. Overall the 2011/12 portfolio was assigned a 6.3 risk rating, which is classified as moderate risk	Review of exposure to public private partnership projects and their possible impact on the fiscus	The methodology for the analysis of the public private partnership exposure has been initiated but is yet to be finalised. It is scheduled for finalisation during 2012/13
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	Manage contingent liabilities appropriately	Capping total government debt, provisions plus contingent liabilities as a percentage of GDP									

National Treasury



Annual Report

Programme 5

Financial accounting and reporting

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

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

The programme consists of the following subprogrammes:

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

This programme contributes towards the aims of Outcome 12 (an efficient, effective and development-oriented public service); Output 3 (*business processes, systems, decision rights and accountability*); and Output 4 (*corruption tackled effectively is the subject of focus in this respect*).

SERVICE DELIVERY OBJECTIVES AND INDICATORS

RECENT OUTPUTS

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

Accountant-General's Office

Technical Support Services: The departmental reporting framework for 2012/13 was finalised by 31 March 2012 and the draft framework 2013/14 was finalised and published for comment. Additional guidelines were developed in support of implementing the framework, including guidelines on agency/principal relationships and library material. Sixteen generic financial management policies for departments were also developed. All International Public Sector Accounting Standards Board and Accounting Standards Board meetings were attended and reports were submitted within seven days of attendance. During March 2012, a project commenced for the development of six additional guides, which will be finalised in the 2012/13 financial year. In addition, the GRAP standards booklets summarising each GRAP rule were updated and distributed.

Accounting Support and Reporting: During the 2011/12 financial year, the chief directorate: *Accounting Support and Reporting* prepared and tabled the consolidated annual financial statements for national departments and public entities. In addition, the chief directorate

prepared and tabled the annual financial statements of the Reconstruction and Development Programme Fund. Both these financial statements were prepared and tabled in parliament within the timeframes required by the PFMA. The Chief Directorate also monitored and reported information on national revenue and expenditure through reports that are published monthly in terms of section 32 of the PFMA.

Internal Audit Support: During the year under review, the chief directorate: *Internal Audit Support* conducted internal audit/state of readiness reviews in 13 institutions. The chief directorate also participated in and supported the IKUTU internal audit research study performed collaboratively with academics from five South African tertiary institutions. Knowledge-sharing initiatives included presentations at forums and discussions with internal audit peers at the National & Provincial Chief Audit Executives Forums.

The chief directorate continued to support audit committees across all three spheres of government through training initiatives, induction of members and through attendance at audit committee meetings in a number of spending agencies. The chief directorate also participated in the launch of the Public-sector Audit Committee Forum, a joint-initiative between the National Treasury and other stakeholders to equip and strengthen audit committees in the public-sector. These stakeholders include the Auditor-General, the Institute of Internal Auditors (South Africa), the South African Institute of Chartered Accountants and the DBSA.

Risk Management: During the year under review, the chief directorate: *Risk Management Support* continued with training initiatives and seminars for risk managers in an effort to embed the public-sector risk management framework. The learnership on advanced risk management was suspended, but its contents have been included in a broader programme that is being developed collaboratively by the National Treasury, academia and

the professional body for risk management. rollout of the risk management toll has been delayed so that it can be simplified.

The Office of the Accountant-General introduced strategic support plans to enhance its support to prioritised institutions. In this regard, once problematic areas of financial management are identified, the Accountant-General and the Accounting Officer/Accounting Authority of the prioritised institution enter into formal agreements. The agreements contain firm commitments on what steps need to be taken, and by whom, to ensure that there is substantial financial management improvement in that institution. The strategic support plans appended to these formal agreements are developed by the chief directorates: *Accounting Support and Reporting*, *Internal Audit Support* and *Risk Management Support* in consultation with the institutions concerned. The plans are then monitored to ensure that agreed outcomes are met timeously and objectives achieved. Some of the National Treasury's initiatives include formal and informal training, ensuring alignment between risk assessments and internal audit plans, interpretation and application of accounting standards and assisting institutions with asset verifications.

Capacity Building: During the period under review, the chief directorate exercised oversight over the development of 22 learning programmes. Seven of these were not completed by 31 March 2012 because of delays in appointing suitable service providers. They are, however, on schedule for completion during the 2012/13 financial year. An integrated learning matrix was piloted during the year under review and the results will be used to review the programme during 2012/13 before its full implementation. The chief directorate supported informal and non-formal learning primarily by developing a specification for a knowledge and information management system for public finance management in collaboration with the *Technical Assistance* unit and based

on Department for Public Service and Administration's knowledge management framework. The diagnostic study was initiated and will be completed in the next financial year. The unit also facilitated meetings of the Public-sector Expert Practice Committees, which contributes to the review, development and implementation of capacity development interventions. The committee is comprised of 250 participants from national and provincial departments.

The chief directorate also supported the rollout of education training and development courses during the 2011/12 financial year. A total of 775 learners, of which 598 were funded by National Treasury, attended the SCOA course. The chief directorate also paid for the training of 398 learners on the Preferential Procurement Policy Framework Act (PPPFA), Act 5 of (2000), with an additional 166 learners being paid for by other departments. The *Capacity Building* unit furthermore paid for the training of 100 learners on strategic sourcing and 60 learners on the detection of bid rigging. The unit continued to support the building of a pool of financial management professionals through the Chartered Accountancy Academy and 20 public-sector participants attended training conducted in partnership with the University of Johannesburg (CA Succeed). The chief directorate also facilitated the coordination and harmonisation of donor efforts on public finance management. A donor coordination forum was established and met quarterly during the year under review.

Governance Monitoring and Compliance: During the period under review, the financial management capability maturity model was used to assess financial management capabilities of national and provincial departments and detailed reports on these assessments were compiled and forwarded to the Standing Committee on Public Accounts and Standing Committee on Finance. Weaknesses that were identified in financial management were also included in the strategic support plans of institutions that were prioritised for assistance. The chief directorate continued to provide PFMA-related support to institutions, including the development of

templates for the delegation of authority on financial management, contributions and the development of circulars, guidelines and instruction notes aimed at providing clarity on PFMA-related concepts. Information sessions were also held with internal and external stakeholders.

MFMA Implementation: The chief directorate continued to support implementation by municipalities of the MFMA through, among others, quarterly meetings with officials of national and provincial departments. These meetings are also meant to further improve coordination of financial management reforms in municipalities. In addition, 30 new indicators were developed to enhance monitoring and reporting. Circulars and guidelines were also developed to assist municipalities to comply with the legislation. In partnership with the Department of Cooperative Governance and Traditional Affairs, the chief directorate published guidelines on Municipal Public Accounts Committees in August 2011 to assist members of these committees with their oversight responsibilities. The chief directorate, in cooperation with the Department of Cooperative Governance and Traditional Affairs, developed draft regulations on financial misconduct and these are currently being discussed with stakeholders. Technical financial management implementation support is also being rendered to 69 small and rural municipalities countrywide.

Specialised Audit Services: During the period under review, specialised audit services conducted performance audits on major public procurement in 14 departments and municipalities – an exercise which found incidents of collusive bidding, non-compliance with supply chain management policies and unauthorised borrowings. This resulted in certain bids being cancelled and re-advertised. As part of the national government team that intervened in Limpopo in terms of section 100 of the Constitution, the chief directorate investigated contraventions of policies and regulations, the outcomes of which were 26 criminal charges being laid with the South African Police Service and 32 disciplinary cases being opened against provincial government employees. The chief

directorates also worked closely with the Anti-Corruption Task Team, providing the task team with 11 forensic reports for further criminal investigation. In addition, it also provided law enforcement agencies with an investigation strategy, which assisted in resolving a number of cases that had previously proved difficult to prosecute. The chief directorate was also instrumental in helping law enforcement agencies to utilise financial misconduct in terms of the PFMA as a basis for laying criminal charges. To date, five senior government officials have been charged with financial misconduct in terms of the PFMA. The chief directorate further facilitated the issuance of an instruction note to all institutions covered by the PFMA to make them aware of their obligations to report fraud and corruption as is required of them in terms of the Prevention and Combating of Corrupt Activities Act (2004).

Specialist Functions

During 2011/12, the division achieved the following objectives per subprogramme:

Supply Chain Policy: Completed item identification at the National Treasury lead site for all corporate contracts and four transversal contracts administered by the department. This is a step towards implementation and maintenance of a procurement catalogue and, ultimately, the establishment of a corporate reference database for government procurement. Further customisation was completed during implementation of the procurement management module at the National Treasury lead site. In addition, certain enhancements were done to facilitate integration with the Basic Accounting System (BAS), and also to incorporate the revised Preferential Procurement Policy Framework Act regulations.

To assist institutions with the implementation of Strategic sourcing principles the unit, in collaboration with Public Administration Leadership and Management Academy, developed training material and appointed a service provider to conduct training courses on the subject. Training commenced during the fourth quarter and by

year end, 91 officials from all spheres of government had attended the training programme.

Norms & Standards: Regulations to align preferential procurement with the Broad-Based Black Economic Empowerment (BBBEE) Act were promulgated on 8 June 2011 and came into effect on 7 December 2011. To launch these regulations, 47 sessions were held with 1 236 officials from 408 institutions. In addition, Public Administration Leadership and Management Academy ran 60 workshops for 1 470 national, provincial and local government officials. The chief directorate is providing ongoing support in implementation as and when required. Guidelines on the implementation of demand management and a reporting mechanism for annual programmes were issued to improve capacity in all spheres of government in compliance with the National Treasury Regulations on demand management. Two instruction notes were issued as a measure to assist compliance with prescribed norms and standards in countering fraud and corruption.

Contract Management: Of the 32 transversal contracts that were due for renewal during the review period, only 19 contracts were renewed. The variance was due to the decision by the national Department of Health to take over 12 pharmaceutical contracts and due to one contract being extended.

Financial Systems: The transversal systems (BAS, Logis, PERSAL & Vulindlela) were available for 99 per cent of the time, which is even better than the targeted 98 per cent availability.

Implementation of the human resource management module at the Department of Public Service and Administration, the procurement management module at the National Treasury, and the asset management module at the National Treasury and four Limpopo provincial departments as lead sites was completed during the 2011/12 financial year.

Implementation of the human resource management

module at the Free State Department of Education as a lead site, Procurement Management Module and Asset Management at the Department of Defence as a lead site and Asset Management at the Limpopo Department of Health as a lead site has commenced and is scheduled to be completed in the 2012/13 financial year.

The business intelligence module was completed for development during the last quarter of the 2011/12 financial year. It will now undergo rigorous integration and stress testing and will be implemented in the second half of the 2012/13 financial year.

The State Information Technology Agency has published requests for bids for the development of the payroll, finance and inventory management modules and is in the process of finalising the adjudication and contracting processes. It is envisaged that contracting with preferred service providers will be concluded during the first quarter of the 2012/13 financial year and these modules will be fully developed by the end of that financial year. This will mark the completion of the development phase of the Integrated Financial Management Systems Project and the start of the rollout phase, which will be widely consulted with all stakeholders during the 2012/13 financial year.

SERVICE DELIVERY ACHIEVEMENTS

Measurable objectives: To facilitate accountability, governance and oversight by promoting transparent, economic, efficient and effective management in respect of revenue, expenditure, assets and liabilities in the public-sector.				
Subprogramme	Output	Measure/Indicator	Actual performance against target	Actual
			Target	
Supply Chain Management Policy	Overall user requirement statement and updated Supply Chain Management	Maintain and enhance user requirement statement	Ongoing	Ongoing
	Implement item identification policy	Implementation of item identification	Implement centrally but restrict access to lead departments	Item codification at National Treasury lead site had been completed for all corporate contracts. Further cataloguing ongoing
	Maintain corporate reference data functionality	Maintain enhance user requirement repository	Ongoing maintenance and enhancement	Identified need for further enhancement relating to customisation, integration between Procurement Management Module & BAS, and the incorporation of the revised regulations. Enhancement in process
	Rollout strategic sourcing principles to the public-sector and assist institutions with implementation	Number of institutions to which rollout is completed	Rollout strategic sourcing principles to 42 medium-capacity municipalities Introduce strategic sourcing principles to 30 low-capacity municipalities in conjunction with the relevant provincial treasuries	Commenced training on strategic sourcing principles. 91 supply chain officials from 12 national departments and 3 provincial (departments and municipalities) trained
	Alignment of preferential procurement with the aims of the BBBEE Act and its related strategy	Promulgate and implement revised preferential procurement regulations	Promulgate regulations. Capacity building through the development of further supply chain management standards, and building skills for Supply Chain Management practitioners in all organs of state where these regulations are applicable	Ongoing rollout and provided support on the implementation of the revised preferential procurement regulations. Interacting with State-Owned Enterprises for further refinement and the Department of Trade and Industry in the definition of designated commodities
	Comprehensive review of the procurement legislation	Development and issuance of a new framework for the implementation of the revised procurement legislation	Develop the terms of reference for the comprehensive review in consultation with The National Economic Development and Labour Council	Draft terms of reference not yet completed, consultation with all relevant stakeholders in process
	Improve capacity of all spheres of government to comply with National Treasury Regulations in respect of demand management principles	Capacity building and monitoring of improvements in respect of demand management	Issue a guide to implement demand management at all spheres of government by July 2011	Ongoing monitoring of the implementation of demand management principles

SERVICE DELIVERY ACHIEVEMENTS

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Subprogramme	Output	Measure/Indicator	Actual performance against target	Actual
Supply Chain Management Policy	Develop further measures to assist with the compliance to prescribed norms and standards, and to counter possible fraud and corruption	Implementation of the recommendations of the multi-agency working group established to counter supply chain management fraud and corruption	Issuance of National Treasury instructions by April 2011	Ongoing support to institutions on the implementation of the National Treasury instruction note issued on 31 May 2011 regarding preventative measures to combat supply chain management-related fraud and corruption. In process of reviewing the instruction note
	Facilitation and management of transversal-term contracts	Continuous application of strategic sourcing methodologies to improve value for money	32 transversal-term contracts due for renewal during 2011/12 out of a total of 56	3 transversal-term contracts renewed. 1 service contract extended, 12 pharmaceutical contracts taken over by the national Department of Health
Financial Systems	Maintenance of current transversal systems: BAS, Financial Management System, Logis, Peral and Vulindlela	Percentage availability of systems during working hours	Provide 98% availability of systems during working hours	Target exceeded. System availability >99%
	Develop the outstanding Integrated Financial Management Systems modules	Configure and customise the human resource module and procurement management module solution	Complete user acceptance testing for human resource management and procurement management module at lead site	Human resource management & procurement management module generic templates completed. Configuration and customisation in progress for lead sites
Rollout Integrated Financial Management Systems to lead and other sites	Develop Inventory Management Module (IMM) Develop specifications for IMM, Payroll, Fin Core, Master Data Management (MDM) and Business Intelligence (BI) solution	Implement completed Integrated Financial Management Systems module	Publish tenders for the development of the Inventory Management Module, Financial Management Module and Payroll Module	Requests for bids withdrawn - State Information Technology Agency considering in-house development
			Procurement management module implemented at National Treasury and Department of Defence	Implementation in progress
			Human resource module implemented at the Free State Department of Education	Implementation in progress
			Asset management implemented at Department of Defence and Limpopo Department of Health	Implementation in progress
			Business intelligence module implemented at National Treasury	Final product submitted by service provider. Product testing and verification in progress

SERVICE DELIVERY ACHIEVEMENTS

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Subprogramme	Output	Measure/Indicator	Actual performance against target	
			Target	Actual
Financial Reporting for National Accounts	Monthly statements of actual revenue and actual expenditure for the National Revenue Fund	Timely publication of accurate reports	Reports published on the last working day of each month	All reports were published on time throughout the year
	Publish consolidated annual financial statements for national departments and for public entities, as well as annual financial statements for the Reconstruction and Development Programme Fund	Timely tabling in Parliament	31 October 2011	Achieved
Support to provincial management improvement in prioritised institutions	Support financial management improvement in prioritised institutions	Strategic support plans for targeted institutions	Strategic support plans signed off by 31 May 2011	All strategic support plans were signed with the prioritised departments
	Support to provincial treasuries for preparation of provincial consolidated financial statements, provincial revenue fund statements and implementation of GRAP standards	Number of trainees	400 trainees in provincial treasuries, municipalities and public entities	225 trainees for GRAP standards, 139 trainees for banking and National Research Foundation training and 626 trainees for departmental and public entities annual financial statements preparation and Chief Financial Officer training for quarter 1 to 4

SERVICE DELIVERY ACHIEVEMENTS

Subprogramme	Output	Measure/Indicator	Actual performance against target	
			Target	Actual
Financial Management Policy and Compliance Improvement	Develop a framework for annual financial statement reporting by national and provincial departments Contribute towards development of local and international standards on accounting, auditing and risk management Develop guidelines on the standards of GRAP Develop financial management policies, frameworks and practices Implementation of financial management capacity development strategy	Timely publication of framework	2012/13 reporting framework published by 31 March 2012	Achieved
		Attendance at meetings and reports produced	All International Public Sector Accounting Standards Board meetings attended and reports submitted within 7 days of attendance	Achieved
		Percentage of comments accepted by the standard-setting board	50% of comments accepted	Achieved
		Timely publication of guidelines	31 March 2012	Guidelines were developed for all effective GRAP standards. Further guidelines for recently approved GRAP to be finalised during the 2012/13 year
		Timely publication of policies, frameworks and practices in line with approved reporting frameworks	31 March 2012	16 policies developed and finalised
		Develop an enabling public finance management environment	26 priority education training and development programmes developed by 31 March 2012	22 courses developed in partnership with Public Administration Leadership and Management Academy; 4 courses developed by National Treasury; integrated learning matrix policy and template drafted. Pilot conducted and results used to improve the template
		Enhanced organisational public finance management capacity	Reports submitted to 100 national and provincial departments reflecting identified skills gaps by September 2011 Public finance management business processes and/or standing operating procedures developed and enhanced by 31 March 2012	No skills reports issued to departments due to inconsistent and unreliable data. Inputs in areas of concern submitted to Department of Public Service and Administration and Human Resource Connect
		A sustainable corps of competent and committed public finance management employees developed	Support: implementation of informal and non-formal training by 31 March 2012 Support the rollout of formal education training and development courses by 31 March 2012	820 learners trained in SCOA, 485 persons trained in Preferential Procurement Policy Framework Act, 100 in strategic sourcing and 60 in bid rigging detection

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SERVICE DELIVERY ACHIEVEMENTS

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Subprogramme	Output	Measure/Indicator	Actual
Financial Management Policy and Compliance Improvement	Academic support programme for Chartered Accountants Academy and other accountants in government	Number of participants	17 participants 20 participants successfully completed the support programme
	Establish donor support for a public finance management capacity development programme	Donor support	Achieved, forum convened quarterly
	Develop guidelines to strengthen the monitoring and oversight responsibilities of parliamentarians	Timely development of guidelines	September 2011 The guide was finalised on time and currently being updated after consultation with key stakeholders
	Conduct workshops/information sessions to empower oversight structures to fulfil their responsibilities	Number of participants	300 Presentations made to the APAC Conference and various oversight structures
	Monitor the improvement of financial management in national and provincial institutions	Reports to the Standing Committee on Public Accounts and to the Standing Committee on Finance on progress made with the improvement of financial management in terms of the financial management capability maturity model	August 2011 A report was submitted to the Standing Committee on Public Accounts in October 2011. The Office of the Accountant-General also submitted a detailed memorandum to Cabinet on the audit outcomes and on the tabling of annual reports for the 2010/11 financial year
	Enhanced Financial management capability maturity model for use by public entities and municipalities	Timely completion of enhanced model	August 2011 Revisions have been made to the architecture of the Financial management capability maturity model and questions to assess public entities and municipalities have been updated
	Review treasury regulations to effect technical amendments and update outdated regulations	Timely review of the National Treasury regulations	December 2011 Provisions from National Treasury's practice/instruction notes and circulars were incorporated into the revised draft Treasury Regulations. These National Treasury regulations are being aligned with the BBBEE regulations as well, as the local content requirements as per the recent sectoral announcement

SERVICE DELIVERY ACHIEVEMENTS

Subprogramme	Output	Measure/Indicator	Actual performance against target	
			Target	Actual
Financial Management Policy and Compliance Improvement	Support the rollout of the public-sector risk management framework	Number of trainees in public-sector risk management	400 trainees	446 trainees attended
	Implement advanced risk management learnership programme	Number of learners in the SAQA accredited programme	20 learners	34 learners
	Develop and implement risk management modelling tool	Number of additional institutions where tool is implemented	50 institutions	Work in progress – tool proved to be complex for entities to use. It is now being revised
	Support risk management improvement in prioritised institutions	Strategic support plans for targeted institutions	Strategic support plans signed off by 31 May 2011	Achieved
	Rollout internal audit training programme	Number of officials trained	200 officials 50 audit committee members	327 officials 117 members The outcome of this activity is demand-driven
	Support institutions to conform to professional internal audit standards	Number of institutions supported	8 institutions	13 institutions supported
	Support internal audit improvement in prioritised institutions	Strategic support plans for targeted institutions	Strategic support plans signed off by 31 May 2011	Achieved
	Enhance coordination across government for effective implementation of MFMA	An agenda that ensures alignment of activities of departments and municipalities consistent with agreed priorities	Quarterly meetings convened and resolutions implemented. Follow-up visits to 4 provinces and 15 municipalities	Quarterly meeting agendas and minutes circulated and key resolutions being implemented
	Refine financial management indicators for effective monitoring and reporting on compliance	Improvement plans for affected municipalities that will be used to inform support initiatives and interventions	March 2012	Indicators developed and are being used to inform interventions
	Develop MFMA regulations, supporting circulars and guides	Timely publication	March 2012	Financial misconduct regulations finalised and will be published on approval Draft circular on the remuneration of audit committee members and MFMA delegations were finalised

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

SERVICE DELIVERY ACHIEVEMENTS

Measurable objectives: To facilitate accountability, governance and oversight by promoting transparent, economic, efficient and effective management in respect of revenue, expenditure, assets and liabilities in the public-sector.				
Subprogramme	Output	Measure/Indicator	Actual performance against target	Actual
			Target	
	Implement capability maturity assessment in selected municipalities and entities	Timely revision of tool and rollout to municipalities	March 2012 (for both revision and rollout)	Financial management capability maturity model tool reviewed and will be rolled out in the 2012/13 year
	Facilitate opportunities for officials to attain financial management competencies in municipalities	Number of officials for whom opportunities have been facilitated	1 000	1 150 opportunities created. 7 new training service providers added to list of providers
	Review and respond to requests for development of financial recovery plans	Financial recovery plans	Developed recovery plans issued within 90 days of request	Financial recovery plan finalised in time for three municipalities. This is in line with requirements.
	Manage financial management technical assistance support programme for provinces and municipalities	Number of provinces and municipalities	7 provinces 20 municipalities	8 provinces receiving technical support 10 additional municipalities received technical assistance support Now a total of 69 municipalities supported

National Treasury



Annual Report

Programme 6

International financial relations

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

Measurable objectives:

- Advance South Africa's interests specifically, and those of Africa more generally, through regular strategic analysis, engagement and negotiation at financial and economic forums.
- Increase Africa's voice and South Africa's influence in multilateral international institutions, including the IMF, the G20 and the African Development Bank.
- Promote regional economic integration in the Southern African Development Community (SADC) and strengthen economic links within Africa by providing ongoing support in SADC forums and by supporting the SACU.

There are nine subprogrammes:

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

SERVICE DELIVERY OBJECTIVES AND INDICATORS

RECENT OUTPUTS

The *International and Regional Economic Policy* division gives effect to the work of this programme. It has two chief directorates, *African Economic Integration* and *International Finance and Development*, which fall under the subprogramme *International Economic Cooperation*. The other subprogrammes transfer funds to various institutions in accordance with South Africa's participation in the associated forums.

African Economic Integration represents the economic, financial and development policies, mandate and interests of South Africa within African institutions. It also develops, articulates and promotes policy approaches to regional economic integration.

In collaboration with the Department of Trade and Industry, the unit played a leading role in presenting and negotiating South Africa's proposals on the review of the SACU agreement. Member states (Botswana, Lesotho, Namibia, South Africa and Swaziland) are negotiating a new revenue sharing arrangement for the customs union.

During the period under review, the unit engaged in multilateral efforts to ensure full implementation of SADC's finance and investment protocol. Through its prominent role in SADC's Finance Committee, the unit also worked towards the development of an effective financial administration of the secretariat. In collaboration with the Department of International Relations and Cooperation, the unit also contributed to the review of SADC's regional indicative strategic development plan.

The unit represented South Africa's interests at the African Development Bank, the African Union Commission (Economic Affairs) and the United Nations Economic

Commission for Africa. In particular, the unit focused on increasing South Africa's shareholding in, and influence on, the African Development Bank and its concessionary lending window. In 2012, the African Development Bank will raise its profile in Southern Africa by establishing a Regional Resource Centre in Pretoria. Under the new leadership of the African Union Commission, the unit will participate in initiatives to reform the finance and administration of the African Union.

International Finance and Development participates in multilateral caucus groups and global international institutions to advance SA's economic, financial and development agenda.

The unit participated in multilateral efforts aimed at implementing the reforms agreed to by the G20 heads of states and governments. These include the reform and adequate resourcing of the Bretton Woods Institutions; agreement on the production of global public goods, with particular consideration of the global financial system; and closer cooperation between member countries on the support of development in low-income countries, especially in Africa.

G20 member states have been meeting at heads of state level since 2008 to intensify international cooperation, giving particular consideration to the processes and institutions of global governance. In collaboration with the Presidency, Department of International Relations and Cooperation and other relevant departments, the unit continues to play a leading role in the development, coordination and negotiation of South Africa's position within the G20.

International financial relations

SERVICE DELIVERY ACHIEVEMENTS

Measurable objectives: To facilitate the deepening of South Africa's role in regional and international economic integration.				
Subprogramme	Output	Measure/Indicator	Actual performance against target	
			Target	
			Actual	
International and Regional Economic Policy	Promote Southern African economic integration	Agreement and implementation of a road map for integration and review of SACU revenue-sharing formula	<p>Implement any agreed proposals on regional integration in SADC</p> <p>Conclude and implement bilateral agreements with an agreed number of strategic countries (partners)</p> <p>Formulate proposal towards the establishment of a regional infrastructure fund</p>	<p>Annex on Anti-money laundering under the finance and investment protocol signed at the SADC Summit</p> <p>Finance and investment protocol was ratified and is now enforceable in all member states</p> <p>Analysis of the finance and investment protocol is currently under way to consider its implications for South Africa and its bilateral investment treaties negotiations for a new revenue sharing formula are at an advanced stage</p>
	Advocate for the reform of regional institutions in order to increase efficiency and effectiveness	Progressive governance structure. Increased voice for South Africa and increased shareholding	<p>Increase shareholding in the African Development Bank to 6%</p> <p>Increase number of South Africans working in SACU and the African Development Bank</p>	<p>Shares acquired during the year resulted in an increase in shareholding to 4.6%, excluding the additional relinquished shares allocated from the 6th GCI. African Development Bank Board agreed to upgrade country offices in Pretoria to a regional resource centre</p>
	Promote and support the development of African countries	Playing a catalyst role with donor countries and in capacity-building initiatives	Participate in African Development Bank, UN Economic Commission for Africa and Collaborative African Budget Reform Initiative	Completed
Manage South Africa's participation in international finance and development policy institutions		Facilitate engagements between these institutions and the Minister of Finance and the National Treasury	Review and assess the IMF quota formula for the 2014 General Quota and Governance reforms	<p>International Monetary and Financial Committee deputies met for the first time in March to consider discussions on quota and voice. South Africa called for increased voice for sub-saharan africa at the IMF Board through a 3rd chair and protection against erosion of South Africa's quota share</p> <p>Analysis and recommendations for the implementation of South Africa's participation in the IMF's financial transactions plan and new arrangements to borrow resource mobilisation plan in close cooperation with the South African Reserve Bank</p>
			Develop strategic objectives for participation in the BRICS forum	Participated in the 4th BRICS Summit and provided objectives for South Africa to pursue during this summit. Began to coordinate with DBSA to organise a meeting of stakeholders to draft the BRICS economic strategy, which would provide the country's economic objectives in the BRICS forum

SERVICE DELIVERY ACHIEVEMENTS

Measurable objectives: To facilitate the deepening of South Africa's role in regional and international economic integration.			
Subprogramme	Output	Measure/Indicator	Actual performance against target
			Target
			Actual
International and Regional Economic Policy	<p>Provide policy memos and proposals for negotiating positions and discussion points on issues tabled for discussion at various meetings and events</p> <p>Represent the position of South Africa at these institutions</p>	<p>Review the World Bank country partnership strategy to direct its focus to the policy priorities outlined in the MTSF World Bank governance</p> <p>Prepare annual reviews of G20 strategies for alignment with current chair's agenda and with evolving domestic policy priorities</p>	<p>CPS Review discussions ongoing</p> <p>Championed the selection process for the next World Bank President</p> <p>A draft G20 South Africa strategy was produced</p> <p>Ongoing discussions with various stakeholders on the 2012 G20 Summit and South Africa positions are being conducted. Summary analysis of 'The Road to Los Cabos' was drafted and circulated for regular revision</p> <p>Issued a joint statement with BRICS and Australia respectively to advocate for an open, merit-based selection process</p> <p>Hosted an outreach event to engage business and academia on issues and content in South Africa's relationship with BRICS</p>
	BRICS processes and deliverables	Promote our position on the selection of IMF senior management	<p>Met with officials from other BRICS countries on 19 March 2012 to move the proposal for a development bank forward: drafted views and perspectives on this for the Minister. Put together a stronger and more consolidated view on the interbank cooperation mechanism. Discussions with senior DBSA staff were also held in this regard</p> <p>Supported processes of the Department of International Relations and Cooperation/Presidency in preparation for the summit, including contributions to President's speaking points</p>

National Treasury



Annual Report

Programme 7

Civil and military pensions, contributions to funds and other benefits

Civil and military pensions, contributions to funds and other benefits

Purpose: Provide for pension and post-retirement medical benefits to former employees of state departments and bodies. Provide similar benefits to retired members of the military.

Measurable objectives: The programme ensures the payment of benefits and awards to rightful beneficiaries in terms of various statutes, collective-bargaining and other agreements.

The programme has four subprogrammes:

- *Management* provides support to the planning, monitoring and delivery of the programme's activities.
- *Government Pensions Administration Agency* provides administrative services as regulated by various statutes.
- *Civil Pensions and Contributions to Funds* provides for the payment of benefits and other funds to the beneficiaries of various public-sector bodies.
- *Military Pensions and Other Benefits* provides for the payment of military pension benefits and medical claims arising from treatment for disability, medical assistance devices, and other related expenses in terms of statutory commitments.

expected to result in savings for government over the medium-term. The unit achieved a 30-day average turnaround time for payment of medical benefits, which is significantly better than the target of 60 days from receipt of correctly completed applications. The backlog of cases as at end of 2010/11 was reduced by 59.5 per cent during the past financial year.

A revised dispensation for non-statutory forces was promulgated in December 2011. This has provided special pensioners who are still in service and contributing to the GEPF with an opportunity to retain their special pensions while opting for non-statutory force recognition through the government employees pension legislation.

Military pensions membership declined by 7.2 per cent in 2011/12 due to a higher mortality rate amongst the older members. The fund also experienced a substantial increase in applications mainly from members of the non-statutory forces. This represents an increase of 103.9 per cent in new applications received. The administration enlisted the services of a health risk-management company to assist with the medical assessment of new applicants. The processing of medical invoices improved by 100 per cent in 2011/12 as a result of the employment of four additional staff members on a contractual basis.

POLICY DEVELOPMENTS

RECENT OUTPUTS

Separation of the administration of the GEPF from the fund resulted in the creation of the GPAA on 1 April 2011. The agency administers civil pensions and non-contributory benefits and pensions. The GPAA has embarked on a five-year programme to streamline and automate several operational processes and, in turn, substantially improve services being rendered to beneficiaries. During the period under review, achievements include the following:

Post-Retirement Medical Benefits finalised the migration of Medihelp Pre-92 (19 000) members and their dependants to the Government Employee Medical Scheme with effect from 1 April 2012. The move is

Civil and military pensions, contributions to funds and other benefits

SERVICE DELIVERY ACHIEVEMENTS

Measurable objectives: Ensure the payment of benefits and awards to rightful beneficiaries in terms of various statutes, collective-bargaining and other agreements.			
Subprogramme	Output	Measure/Indicator	Actual performance against target
			Target
Civil Pensions and Contributions to Funds	Payment of pension benefits and contributions to funds (including special pensions)	Timely and accurate payment of benefits	Injury on duty beneficiaries: 10 060 Special pensions beneficiaries: 7 200 Presidents : 2
	Payment of contributions to medical aid schemes	All contributions paid on a timely basis	76 846 members per month
	Payment of risk and administration fees to the Political Office Bearers' Pension Fund	Timely and accurate payment of risk and administration fees for all members every month	Payment of risk and administration fees for 900 members monthly
	Process special pension applications, including those received in terms of amendments to the Special Pensions Act	New applications processed and backlogs reduced	Backlog of applications completely dealt with in the 2011/12 financial year
Military Pensions and Other Benefits	Payment of military pension benefits	Timely and accurate payment of benefits	Ongoing administration of members' database to ensure that backlogs are cleared and new applications are processed on a timely basis Beneficiaries :10 022
	Payment to service providers for medical expenses	All claims paid to service providers monthly	100% of accounts received paid within 30 days
	Reduce backlog in pension and benefit payments	Backlogs reduced and ultimately cleared	Backlogs changed as follows across the financial year: • IOD: 800 to 445 • Special Pensions: 1 025 to 275 • Military Pensions: 1 000 to 3 924. This marked increase occurred due to a higher than anticipated volume of new applications • Medical Subsidies: No backlogs were experienced during the year
	Provide input to the revision of Military Pensions Act of 1976	Quality of information provided	Amendment Act was submitted to the National Treasury Legal section for finalisation
	Develop VIP customer care strategy for presidents, parliamentarians, magistrates, judges and former TBVCs.	Implementation of approved VIP customer care strategy	A closer relationship with stakeholders is being pursued

*Difference between target and actual are due to natural membership attrition

National Treasury



Annual Report

Programme 8

Technical and management support and development finance

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

Measurable objectives: Promotes public and private investment in infrastructure and public services by providing technical support for organisational strengthening and capital expenditure planning. This includes advising on Public Private Partnerships, project management, infrastructure service delivery and financing alternatives for municipal development. It also provides financial assistance for neighbourhood development projects. Objectives include:

- Build public-sector clients capacity through a combination of diagnostic services, organisation development and programme and project implementation support.
- Provision of transaction advice to Public Private Partnerships.
- Assist in the design and co-financing of neighbourhood development partnership grant.
- Build financial skills by improving internal and external reporting on financial management grants as they relate to budget, service delivery and budget implementation plans, in-year monitoring and annual reports.
- Ensure proper planning and implementation of infrastructure maintenance by the provincial departments of education, health and public works through quarterly monitoring of their provincial infrastructure.

Technical and Management Support consists of the following subprogrammes:

- *Technical and Advisory Support* subprogramme includes both the *Technical Assistance* unit and *Public Private Partnership* unit.
- The *Neighbourhood Development Partnership Grant*.
- The *Infrastructure Delivery Improvement Programme*.
- The *Local Government Financial Management Grant*.
- The *Financial Management Improvement Programme*.
- The *Employment Creation Facilitation Fund*.

SERVICE DELIVERY OBJECTIVES AND INDICATORS

Programme 8, a cross-cutting programme in the National Treasury, provides professional advice and implements capacity-building initiatives. The link to the other programmes is also indicated to demonstrate these organisational relationships. The targets and outputs of the Technical Support and Development Finance subprogrammes are summarised thematically below.

Technical Assistance and Capacity Building

Technical and advisory support was provided to strengthen public institutions and thus contribute to building government's capability to deliver results more effectively.

The *Technical Assistance* unit supported 86 projects during the past year. These were mostly focused on organisational development, strategic planning and performance budgeting. Project expenditure increased from R81.7 million in 2010/11 to R141.7 million in 2011/12. A survey of the Technical Assistance Unit clients has found that 80.6 per cent were satisfied with the service provided.

Notable project achievements in the past year have include assistance to the Employment Creation Fund, through which the Technical Assistance Unit enabled the Department of Trade and Industry (DTI) to award up to R500 million of grants to job-creation projects. Assistance on strategic direction and organisational culture is being provided to the Department of Rural Development and Land Reform aimed at improving its capacity to deliver services in rural areas. A range of support services relating to the management performance assessment tool were rendered to the Department of Performance Monitoring and Evaluation.

The *Public Private Partnership* (PPP) unit focused on concluding partnership agreements, increasing oversight

Technical and management support and development finance

capacity and promoting capital investment, especially in the social sector, and service delivery.

The *Neighbourhood Development Programme* manages the neighbourhood development partnership grant, a conditional grant which seeks to stimulate and accelerate investment in poor, marginalised and underserved neighbourhoods by providing technical assistance and capital grants to municipal projects that involve the private sector, or intend to do so. The technical assistance grant assists municipalities to develop long-term township regeneration strategies and plans, and to identify catalytic projects that could be funded by the neighbourhood development partnership grant. The neighbourhood development programme provided technical assistance to 60 municipalities during the past year and contributed R50.1 million towards long-term township regeneration planning and coordination in local government.

The neighbourhood development programme implemented the following key projects during the 2011/12 year:

- Training for township regeneration initiative
- Management information system – automation of processes, workflow and a central repository for data
- Diagnostics support programme – best practice implementation and capital audit verification
- Best practice documentation and internal training initiative – International Organisation for Standardisation compliant internal operational efficiencies
- Municipal segmentation and re-alignment of neighbourhood development programme direction
- Neighbourhood development programme Neighbourhood Hub Approach.

The National Treasury continued to contribute to improving the delivery of infrastructure through implementation of the *Infrastructure Delivery Improvement Programme*, which has given clarity to the processes of infrastructure planning, capacitation,

programme and portfolio management, procurement and operations and maintenance. All these processes support the infrastructure delivery management system, which, together with the Infrastructure Delivery Management Toolkit, form a credible infrastructure management system. During the review period, two provinces succeeded in getting their Infrastructure Delivery Management System approved.

The application of the Infrastructure Delivery Management Toolkit gained momentum last year when the memorandum of agreement was signed with the University of Pretoria as a pilot site for the development and management of an Infrastructure Delivery Management Toolkit training course. The course seeks to deepen the understanding of the Infrastructure Delivery Management Toolkit and strengthen the application thereof.

Infrastructure Delivery Improvement Programme has also been successful in drafting construction procurement standards, which will be used by provincial treasuries to assess and improve compliance by implementing departments.

The national Department of Basic Education is leading the process of drafting a framework for building capacity in the education sector. The framework has been approved by the Department of Public Service and Administration and senior management committee of the national Department of Basic Education. Three provinces – Western Cape, Eastern Cape and the Free State – have completed their processes for developing a capacity-building framework. The Department of Health will shortly follow suit.

Infrastructure Delivery Improvement Programme continues to be implemented via the deployment of 36 technical assistants in 36 provincial departments, with an additional five appointed to the national departments.

Infrastructure Development

It has been recognised that the grafting of good practices onto the management of infrastructure delivery is important for making support sustainable. To this end, the infrastructure development improvement grant strategy focused on grant management, innovation and the mainstreaming of improved infrastructure management practice. This grant is aimed at addressing some of the key constraints to the development and delivery of infrastructure projects, especially the shortage of engineering and planning skills. The grant will in time lead to an improvement in infrastructure spending by municipalities.

Trainees are matched with qualified and experienced mentors, as well as with professionally accredited institutions to ensure that the country develops a pool of professionally registered engineers and town planners who will be deployed full-time in municipalities after their training. The grant will target unemployed graduate engineers and young engineers who are looking for in-service employment opportunities to complete their studies. In the first year of implementation, the grant is expected to create jobs for 150 graduates, a number that is set to increase over time.

A technical assistance grant is also available to help local governments achieve these outcomes. Public and private investment in infrastructure is being promoted through the provision of technical and advisory support for capital expenditure planning.

The *Neighbourhood Development Programme* utilises the direct portion of its grant to implement catalytic projects identified by the municipalities. The unit has a portfolio of 187 projects situated in 60 municipalities. For the 2011/12 financial year, expenditure against the direct grant was R 738.3 million (98 per cent of the budgeted allocation).

Financial Management

The *Municipal Finance Improvement Programme* supported provincial treasuries and municipalities by placing financial experts to facilitate skills and capacity transfer to provincial and municipal officials. This is a new multi-year programme that was established in response to requests from provincial treasuries and municipalities for technical assistance and support in implementing financial management reforms. It seeks to reduce duplication and encourages a coordinated approach in providing technical support on financial management. The budget allocated for the review was R100 million.

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

The FMIP had initially targeted 20 municipalities, but received requests from 69 municipalities, the majority of which were small, rural and poor. Further technical support was provided to eight provincial treasuries.

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

An amount of R435 million was allocated to the programme for the 2011/12 financial year, made up of two components, a financial management transfer component of R385 million, and an infrastructure internship development component on water and energy of R50 million. The latter component is administered by the *Intergovernmental Relations* division of the National Treasury.

For the financial management transfer component the full amount of R385 million was transferred by 31 August 2011 to 278 municipalities that met the requirements. Partial transfer of the infrastructure internship component of R39 million was made to seven municipalities that are piloting this new area of support during February 2012. The resultant under-spending of R11 million was due to delays experienced with the full take-up of the programme by other municipalities.

Employment Creation

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

The fund focused on projects that will benefit young people and women acquiring skills, enterprise development, infrastructure development and institutional capacity building, which will enable and strengthen employment creation. The Jobs Fund has four funding windows, each aimed at addressing a particular constraint to job-creation:

- Enterprise development: Targets sustainable job-creation initiatives and long-term employment creation initiatives linked to the advancement of private-sector business development.
- Infrastructure investment: Focuses on infrastructure development initiatives which will unlock job-creation potential.
- Support for work seekers: Targets initiatives aimed at facilitating rapid access to employment and work-related training for unemployed people, particularly the youth.
- Institutional capacity building: Provides for cross-cutting institutional strengthening and capacity building initiatives.

The Jobs Fund, which was allocated R2 billion in the 2011/12 financial year, has been established. To date R1.8 billion has been allocated to 34 projects and 21 000 jobs were created.

- R8.553 billion over the period 2011/12 to 2017/18 is planned in transfers to the DBSA.
- R8.146 billion is planned in project grants.
- R24.4 million is planned in technical assistance grants (under R300 000 each).
- R382.4 million is planned for the DBSA's operational costs of programme implementation.

SERVICE DELIVERY ACHIEVEMENTS

Measurable objectives: To promote public and private investment in infrastructure and public services by providing technical support for capital expenditure planning and Public Private Partnerships, advice on financing alternatives for municipal development, and financial assistance for neighbourhood development projects.				
Subprogramme	Output	Measure/Indicator	Actual performance against target	
			Target	Actual
Technical and Advisory Support	Project management support/capacity building/technical and advisory services	Percentage of clients' customer satisfaction surveys results that indicates knowledge transfer and capacity building	Percentage of satisfied clients maintained or increased (baseline: 2010/2011 customer satisfaction surveys)	The customer satisfaction surveys was completed in November 2011, with 75% of clients completing in-depth qualitative interviews. Positive responses were received from these interviews
		Percentage of feedback from capacity-building sessions that indicates impact on client systems	Percentage impact on client systems maintained or increased (baseline to be established in 2011/12)	The satisfaction rate from the standard survey questionnaire was measured to be 80.6% in 2011/12, compared with a satisfaction rate of 75.8% for the previous year
	Programmes and projects related to government priorities supported to improve the efficacy of government institutions	80 technical assistance projects supported	69 new requests for support were received during the financial year	10 new projects were selected for support in the fourth quarter, bringing the annual total of new projects supported to 56
				30 projects also continued to be supported during the year, bringing the total of projects supported during the financial year to 86

SERVICE DELIVERY ACHIEVEMENTS

Measurable objectives: To promote public and private investment in infrastructure and public services by providing technical support for capital expenditure planning and Public Private Partnerships, advice on financing alternatives for municipal development, and financial assistance for neighbourhood development projects.				
Subprogramme	Output	Measure/Indicator	Actual performance against target	Actual
Technical and Advisory Support	Improved infrastructure delivery, through the implementation of the infrastructure delivery improvement programme in provinces	Teams of technical assistants deployed to 9 provinces, targeting education, health, public works and treasuries Technical assistants deployed to the national departments of Basic Education and Health	36 long-term technical assistants (4 per province) deployed across all 9 provinces 1 technical assistant deployed to Department of Basic Education 2 technical assistants deployed to Health	36 long-term technical assistants deployed across all 9 provinces (4 per province) 1 technical assistant deployed to Department of Basic Education 2 technical assistants deployed to Health
	Supporting municipalities in planning and implementing integrated neighbourhood development programmes in townships to catalyse public- and private-sector investment in community and economic infrastructure	Infrastructure delivery management toolkit used by all participating departments to effectively manage infrastructure delivery Total number of neighbourhood development partnership grant programmes funded Total number of neighbourhood development partnership grant projects under construction Number of township regeneration strategies concluded Partnerships and funding leveraged into the programmes and/or target areas	All Infrastructure Development Improvement Programme-participating departments are trained in the infrastructure delivery management toolkit Departments are assisted with proper planning and procurement 100 50 20 1:0.7 as a ratio of Neighbourhood Development Programme : third-party investments	8 provinces have been introduced to the infrastructure delivery management toolkit. Training scheduled for Gauteng on 18 and 19 April 2012. The memorandum of agreement for the formal training to be conducted by University of Pretoria signed by the parties The development of course material and learner outcomes is presently under way 2 teams (planning and procurement) have been deployed into five provinces. Requests from other provinces have not been received 95 programmes funded. This number will only increase with allocations to new municipalities The NDP has 70 projects under construction The target of 20 has been achieved The Neighbourhood Development Programme investment in relation to the value of commitments from third parties brings has reached 1:0.7. It should be noted that the committed funds only materialises during completion of projects

SERVICE DELIVERY ACHIEVEMENTS

Measurable objectives: To promote public and private investment in infrastructure and public services by providing technical support for capital expenditure planning and Public Private Partnerships, advice on financing alternatives for municipal development, and financial assistance for neighbourhood development projects.

Subprogramme	Output	Measure/Indicator	Actual performance against target	
			Target	Actual
Technical and Advisory Support	Public private partnership infrastructure regulation	Project appraisal methodology for capital and infrastructure projects	Develop project appraisal methodology	Following the Minister's approval of the memo to regulate conventional projects, Treasury Regulation 16, which governs Public private partnership projects, is currently being reviewed in an attempt to have its application widened to cover conventional projects, instead of introducing new regulations for this purpose
	Public private partnership agreements	Number of projects reaching financial close	3 health projects, 4 renewable energy projects	Health: Cabinet memo on procurement submitted The evaluation process for 79 bids received on the second round of invitations is presently under way
	Monitor local government financial management grants	Transfers made according to conditions	Transfers made by 31 March 2012	Payment of Finance Management Grant funds were completed in two tranches. 1st transfer of R341 391 000 to 247 municipalities in July 2011 and 2nd payment of R43 250 000 to 31 municipalities in August 2011



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Annual financial statements

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Report of the audit committee

for the year ended 31 March 2012

AUDIT COMMITTEE MEMBERS AND ATTENDANCE:

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

Audit Committee Meetings 2011/12	
Name of member	* Number of meetings attended
Mr Vuyo Jack	4 of 4
Ms Mamoroke Lehobye	3 of 4
Ms Lesibana Fosu	1 of 4
Mr Joe Lesejane	1 of 4
Mr Zach Le Roux	4 of 4
Ms Berenice Francis	4 of 4

** Note 1: The 4 Audit Committee meetings included two special meetings. The special meetings were to discuss the Department's Financials, Integrated Financial Management System (IFMS) and the Consolidated Financial Statements. The audit committee responsibility*

The Audit Committee reports that it has complied with its responsibilities arising from section 38(1)(a) of the Public Finance Management Act and Treasury Regulation 3.1. The Audit Committee also reports that it has adopted appropriate formal terms of reference as incorporated in its audit committee charter. The Audit Committee has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

THE EFFECTIVENESS OF INTERNAL CONTROL

The Audit Committee is of the opinion, based on the information and explanations given by management, the internal auditors, and discussions with the independent external auditors (Auditor-General) on the results of its audits, that the internal accounting controls are operating to ensure that the financial records may be relied upon

for preparing the annual financial statements, and that accountability for assets and liabilities has been maintained. From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements and the management letter of the Auditor-General, it was noted that no significant or material non-compliance with prescribed policies and procedures have been reported. We can report that the system of internal control for the period under review was effective. However, attention is drawn to the following areas of concern:

- The Audit Committee is concerned about the missed deadlines of the implementation of the Integrated Financial Management System (IFMS) project initiated in 2004 and approved by cabinet in 2005. On the recommendation of the Audit Committee, the Auditor-General has been appointed by National Treasury during 2010 as the assurance provider to express a view on the adequacy and effectiveness of the governance and project management processes, as well as internal controls for the different modules that form part of the Integrated Financial Management System project. The Audit Committee are engaging with the Auditor-General with regards to this project along with the Audit Committees of State Information Technology Agency and the Department of Public Service and Administration.
- The Audit Committee notes the lack of measurable targets in the performance against predetermined objectives report as reported by the Auditor-General. We see this as a weakness in controlling performance and ensuring accountability and discipline.

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

THE EFFECTIVENESS OF INTERNAL AUDIT

The Audit Committee reviewed the effectiveness of internal audit. We have approved the intended merging of Internal Audit with the Internal Audit Function of SARS to increase its independence, capacity and access to specialists especially on the information technology risks of the National Treasury. Notwithstanding this, the Audit Committee received a wide range of internal audit reports and feels comfortable that the areas covered provided us with good insight into the internal controls of the department. Areas that are weak and needs improvement have been discussed with management and actions plans have been agreed. The Audit Committee will continue to oversee and monitor the disposition of these findings.

THE RISK AREAS OF THE INSTITUTION'S OPERATIONS

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

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

From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements and

the management letter of the Auditor-General, it was noted that no significant or material accounting or auditing concerns were identified.

THE INSTITUTION'S COMPLIANCE WITH LEGAL AND REGULATORY PROVISIONS

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

EVALUATION OF ANNUAL FINANCIAL STATEMENTS

The Audit Committee has evaluated the annual financial statements of the National Treasury for the year ended 31 March 2012 and, based on the information provided to the Audit Committee, concurs and accepts the Auditor-General's conclusions on the annual financial statements, and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.



Mr Vuyo Jack
Chairperson of the Audit Committee
Date: 06 August 2012

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

1. GENERAL REVIEW OF THE STATE OF FINANCIAL AFFAIRS

1.1 Strategic overview

The role of the National Treasury is defined in chapter 13 of the Constitution. As set out in the PFMA (1999) and other laws governing financial and fiscal affairs, the legislative mandate of the National Treasury is to promote the national government's fiscal policy and the coordination of macroeconomic policy; ensure the stability and soundness of the financial system and financial services; coordinate intergovernmental financial and fiscal relations; manage the budget preparation process; and enforce transparency and effective management in respect of revenue and expenditure, assets and liabilities, public entities and constitutional institutions.

During the 2011/12 financial year, the National Treasury continued to implement its key strategic priorities which fully embraced the government's outcome based approach with the purpose of, amongst others, contributing meaningfully to the creation of decent jobs as part of the New Growth Path (NGP) as well as social security reforms and health financing. Amongst the highlights for the period under review is the continued commitment to finding more savings and eliminate wastage through the continuous usage of belt tightening and reprioritisation measures that were instituted at the beginning of the economic downturn. The country has managed to respond positively to the effects of the recession by ensuring that spending on economic and social services can be maintained despite the decline in tax revenue, this resulted from the country's low debt that was significantly expanded which culminated to increased debt costs, National

Treasury is committed to bringing down these costs over time and maintaining fiscal stability.

Considerable focus is also placed on improving supply chain particularly procurement practices in government departments, compliance with supply chain norms and standards, and PFMA enforcement through support strategies and special investigations. National Treasury seeks to ensure improvements in the value derived from expenditure of public funds by strengthening the Public Finance division's monitoring and analytical competencies. The attraction and retention of scarce skills continued to be one of the key challenges facing the department despite the successful internship and the Chartered Accountants Academy (CAA) programmes.

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

1.2 Key Policy Developments

Social security and retirement reform

It has fast become a necessity for government to play a more prominent role in addressing deepening income inequality and rebuilding the country's economy after the recession and in doing so, social security and retirement reform continue to form part of the focus. In 2011/12, the discussion paper on social security and retirement reform was finalised by the Interdepartmental Task Team and been recommended by the Interministerial committee for Cabinet consideration. The national health insurance reforms are also aimed at benefiting those who have not been able to afford the healthcare service.

Contributing to the employment creation

In 2011/12 National Treasury as part of government shared priorities introduced amongst others the jobs

fund as part of the broader initiative for sustainable job creation. National Treasury in the year under review received 2 651 applications of which 34 projects have been approved by the Investment Committee with value of R1.8 billion of grant funding. Projected matched funding is estimated at R1.7 billion i.e. for every R1 grant from the Jobs Fund applicants and their partners will contribute 95 cents from their own resources.

The paper on youth employment and the youth employment incentives were published alongside the 2011 Budget Review. R5 billion in foregone tax revenue was planned for as a part of a cost sharing arrangement between firms and government to stimulate faster and greater hiring of young inexperienced workers in the private sector. Discussions are under way in the National Economic Development and Labour Council (NEDLAC) regarding a multi-pronged strategy for youth employment, including the youth employment incentive. National Treasury will remain at the centre of government policy formulation to drive key policy initiatives that underpin growth and development of the country.

Reviewing the expenditure of the public service

The scope and quality of our budget information has contributed considerably to the quality of public finance debate and accountability. The 2011/12 budget process built on these successes by incorporating public entities into our analysis and reporting. In addition, shifting to a functional analysis of government spending has provided another lens by which we can evaluate the alignment and performance of government's resources. Targeted reviews of public service expenditure will contribute meaningfully to the planning and monitoring of service delivery in a manner that will further advance the efficient and effective allocation of resources through a well refined budget process. This will contribute extensively to the National Treasury drive to root out wastage and improve effectiveness on spending of public funds.

Strengthening the intergovernmental financial relations

The credibility of the 17 non-delegated municipalities have been enhanced significantly through a benchmark process introduced to assess the budgets. Provincial Treasury's Municipal Financial Management Act (MFMA) units have been strengthened to ensure greater financial management support to non-delegated municipalities.

The Integrated Development Improvement Programme (IDIP) phase 3 has been successfully introduced in one province and the programme is now rolled out to all provinces. This phase should strengthen infrastructure planning, procurement and implementation. The National Treasury intervened in 3 provinces to strengthen financial management.

Cost effective procurement

Continuing improvements in the value derived from public funds spent represents a core aspect of the National Treasury's work, and more focus will be placed on ensuring that supply chain principles and practices are implemented as intended in the government's supply chain management framework. A specialised audit services unit has been established to lessen the incidents of fraud and corruption in the tender process through providing fraud detection guidelines, fraud awareness and investigative capacity to departments. National Treasury also facilitates and manages 57 transversal contracts at an estimated annual value of R13 billion.

1.3 Annual appropriation and vote structure

The total appropriation for National Treasury for the year ended 31 March 2012 amounted to **R23.8 billion** (2010/11: R50.2 billion) and is divided into the following main components: the operational budget, transfers and payments for financial assets. The National Treasury operational budget amounted to **R1.5 billion** (2010/11:

R1.4 billion), and comprised **R601 million** (2010/11: R553 million) for compensation of employees, **R899 million** (2010/11: R810 million) for goods and services and **R21 million** (2010/11: R16 million) for the acquisition of capital assets.

The transfers budget of **R21.6 billion** (2010/11: R28.1 billion) included transfers to provinces, municipalities, universities, departmental agencies, foreign institutions, payments of post-retirement benefits for a specific category of former employees and members of liberation movements. The remaining funding of R0.8 billion was for the recapitalisation of Land and Agricultural Development Bank of South Africa.

1.4 Virement

A virement of **R58.2 million** from programme 2 (R18 million) and programme 5 (R40.2 million) was made to curb programme 6 expenditure for transfer payments for the Common Monetary Area Compensation due to increase in the growth percentage of the amount of notes and coins in circulation in Lesotho, Namibia & Swaziland and the African Development Bank (African Development Fund) as a result of the exchange rate fluctuations.

1.5 Programme structure

The composition and structure of programmes within the department have been modified in the period under review, and there are ten programmes (2010/11: eight programmes) which fall under Vote 10: National Treasury: *Administration; Economic Policy, Tax and Financial Regulation and Research; Public Finance and Budget Management; Asset and Liability Management; Financial Systems and Accounting; International Financial Relations; Civil and Military Pensions, Contributions to Funds and Other Benefits; Technical Support and Development Finance; Revenue Administration and Finance Intelligence and State Security.*

Administration provides leadership, strategic management and continues its commitment and

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

The total appropriation for this Programme amounted to **R281 million** (2010/11: R277 million). Expenditure incurred on compensation of employees was **R117 million** (2010/11: R109 million), goods and services **R129 million** (2010/11: R134 million), transfers **R2.4 million** (2010/11: R1.5 million) and capital expenditure **R6 million** (2010/11: R4 million).

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

The total appropriation for this Programme amounted to **R210 million** (2010/11: R106 million). Expenditure incurred on compensation of employees was **R56 million** (2010/11: R51 million), goods and services **R63 million** including a once-off adjustment to the payment of bank charges to the SA Reserve Bank (2010/11: R21 million), and transfers of **R20 million** due to an increase in the annual funding of Economic Research Southern Africa (2010/11: R13.5 million) and capital assets **R408,000** (2010/11: R351,000).

Public Finance and Budget Management provides financial and budgetary analysis of government

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programmes, advises on fiscal policy and public finance matters, coordinates intergovernmental fiscal relations and manages the annual budget process as well as expenditure planning with the aim of promoting growth, social development and poverty reduction through sound fiscal and financial policies, and the effective, efficient and appropriate allocation of public funds. These activities are organised into three sub programmes: *Public Finance, Budget Management and Intergovernmental Relations*. The Technical and Management Support sub programme now falls under Programme 8.

The total appropriation for this Programme amounted to **R210 million** (2010/11: R187 million). Current expenditure incurred totalled **R196 million** (2010/11: R160 million) and mainly comprised compensation of employees **R131 million** (2010/11: R110 million) and goods and services **R30 million** (2010/11: R18 million). Transfers amounted to **R35 million** (2010/11: R31 million).

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

The total appropriation amounted to **R826 million** (2010/11: R20.8 billion). Total expenditure incurred amounted to **R822 million** (2010/11: R20.8 billion) and mainly consists of compensation of employees **R53 million** (2010/11: R47 million), goods and services **R18 million** (2010/11: R19 million) and payments for capital expenditure **R289 000** (2010/11: R598 000). Payment for financial assets amounted to **R750 million** (2010/11: R20.8 billion).

Financial Systems and Accounting promotes and enforces transparency and effective management

of revenue, expenditure, and assets and liabilities by departments, public entities, constitutional institutions and local governments. It also provides policy that regulates supply chain management processes in all spheres of government; and maintains and improves existing financial systems by replacing outdated systems to comply with the Public Finance Management Act (1999) and the Generally Recognised Accounting Practice. The programme consists of the following sub programmes: *Management, Supply Chain Policy, Supply Chain Norms and Standards, Contract Management, Financial Systems, Financial Reporting for National Accounts, Financial Management Policy and Compliance Improvement, Audit Statutory Bodies and Service Charges: Commercial Banks*.

The total appropriation for this Programme amounted to **R608 million** (2010/11: R639 million). Current expenditure incurred totalled **R505 million** (2010/11: R559 million) and comprised compensation of employees **R126 million** (2010/11: R108 million) and goods and services **R304 million** (2010/11: R386 million). Capital expenditure amounted to **R1 million** (2010/11: R2 million). Transfer payments amounted to **R73 million** (2010/11: R62 million).

International Financial Relations facilitates the deepening of South Africa's role in regional and international economic integration and advance South Africa's national economic interests through regular strategic analysis, engagement and negotiation at financial and economic forums. The programme is made up of nine sub programmes namely: *Management; International Economic Cooperation; Common Monetary Area Compensation, Financial and Technical Support, African Development Bank and African Development Fund; World Bank Group; Collaborative Africa Budget Reform Initiative (CABRI); Commonwealth Fund for Technical Cooperation, and International Funding Facility for Immunisation*.

The total appropriation for this Programme amounted to **R877 million** (2010/11: R565 million). Total expenditure incurred amounted to **R858 million** (2010/11: R559 million) and comprised of compensation of employees **R18 million** (2010/11: R16 million), goods and services

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R8 million (2010/11: R10 million). Transfer payments amounted to **R832 million** (2010/11: R532 million) for economic research.

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

The total appropriation for this Programme amounted to **R3.8 billion** (2010/11: R2.7 billion). Expenditure for the period under review amounted to **R3.3 billion** (2010/11: R2.7 billion) which comprised of civil pensions and other contributions **R3.1 billion** (2010/11: R2.5 billion) and military pensions and other contributions **R181 million** (2010/11: R165 million). Compensation of employees amounted to **R1 million** (2010/11: R0) and goods and service amounted to **R64 million** (2010/11: R38 million).

Technical Support and Development Finance provides specialised infrastructure development planning and implementation support and technical assistance to aid capacity building in the public-sector. The programme comprises of the following five sub programmes: *Management, Local Government Financial Management and Skills Development Grant; Municipal Finance Improvement Programme Grant (MFIP); Neighbourhood Development Partnership Grant (NDPG); Employment Creation Facilitation Fund; and Infrastructure Grant to Province*. This programme has been moved into a government component.

The total appropriation for this Programme amounted to **R4.6 billion** (2010/11: R13.3 billion). Expenditure for the period under review amounted to **R2.9 billion** (2010/11: R10.5 billion) which comprised of compensation of employees **R36 million** (2010/11: R34 million), goods and services **R118 million** (2010/11: R67 million). Transfer payments amounted to **R2.7 billion** (2010/11: R10.4 billion).

Revenue Administration makes transfers to allow the

South African Revenue Service to provide core tax administration services and maintain the IT services that support operations. Activities include branch operations, tax payer audits, call centre operations, processing operations, debt management and IT support. The total appropriation for this Programme amounted to R8.7 billion (2010/11: R8.1 billion) which represents total transfers made to the South African Revenue Service.

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

The total appropriation for this Programme amounted to **R3.8 billion** (2010/11: R3.5 billion) which comprised of transfers made to the Secret Services **R3.6 billion** (2010/11: R3.3 billion) and Financial Intelligence Centre **R137 million** (2010/11: R181 million).

1.6 Departmental spending

The department under spent by R2.5 billion mainly due to the Employment Creation Facilitation Fund. The under spending was due to the following reasons:

- The Jobs Fund issues requests for the submission of project proposals (applications) over the term of the project. Upon receipt of applications, the applications are assessed on a competitive basis against the Fund's funding criteria;
- The Jobs Fund operates as a Challenge Fund it has an open architecture and predetermined assessment criteria;
- Grants are allocated by an independent Investment Committee only if the application is competitive and the funding criteria are met;
- The Fund cannot predetermine with accuracy how many applications it will receive; the quality of the applications the value of the requests; neither the disbursement schedule associated with these projects. Thus the annual budget is an indicative budget;
- Funds cannot be transferred to DBSA before projects

- have been approved by the Investment Committee;
- Grants cannot be disbursed to applicants until they have met the conditions precedent set by the Investment Committee and until they have signed contracts with DBSA;
- A key performance criterion against which Grantees are measured relates to the number of Jobs created. During contracting much time is spent on determining and ensuring that these projections are plausible. Our target is 150 000 at the end of 5 years;
- During contracting with the Grantee, they are requested to commit to a project implementation schedule and budget. These budgets are used to prepare an indicative disbursement schedule for the Fund;
- The disbursement schedule is adjusted as the Investment Committee approves more projects and the DBSA finalises the contracting with Grantees; and
- As at 31 March 2012 R1.8b was allocated to the 34 projects approved by the Investment Committee.

1.7 Departmental revenue

Departmental revenue received during the reporting period amounted to **R3.4 billion** (2010/11: R3.3 billion) and consisted of sales of goods and services of **R71 million** (2010/11: R51 million) fines, interest and dividends of **R2.9 billion** (2010/11: R2.6 billion) and other recoveries amounting to **R0.5 million** (2010/11: R0.7 million).

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

1.8 Utilisation of donor funds

Local and foreign assistance received in cash during the reporting period amounted to **R6 million** (2010/11: R11 million). Expenditure incurred amounted to **R4 million** (2010/11: R12 million). Other funds amounting to **R0.2 million** (2010/11: R34.2 million) were transferred to external spending agencies on behalf of the Reconstruction and Development Fund. However, these amounts are

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

1.9 Events after the reporting date

Payments amounting to **R53 million** (2010/11: R228 million) were processed during April 2012, which relate to the 2011/12 financial year. These payments were not included in the financial statements for the 2011/12 financial year, which were prepared on the modified cash basis of accounting (Refer to Note 22). Departmental revenue amounting to **R319 million** (2010/11: R190 million) was received after year-end and surrendered to the National Revenue Fund. (Refer to note 25).

2. SERVICES RENDERED BY THE DEPARTMENT

The core business of the National Treasury is of a fiscal and financial policy nature, servicing organs of the state in all three spheres of government and foreign multilateral and national institutions with the exception of Programme 7 which provides pensions and post retirement civil and military benefits. National Treasury is not a service delivery department and does not render any services in the public domain on a recoverable basis. Other technical assistance is disclosed with the Project Development Facility (PDF) and the Technical Assistance Unit (TAU) trading entities which will be moved into a government component in the 2012/13 financial year.

3. CAPACITY CONSTRAINTS

The Talent Management Programme has been rolled out across the National Treasury. The key focus is to reduce the vacancy rate and turnaround times for the recruitment process. Currently the vacancy rate is at 9.5% with a

turnaround time of 20 weeks. In addressing the challenge around improving the turnaround time, discussions have taken place with the South African Qualifications Authority (SAQA) to address the verification process that takes longer than expected. The termination rate has also gone up as compared to the previous financial year this has had an impact on the vacancy rate and the replacement rate.

Focus has also been on increasing the internal hire rate (internal mobility with promotions: 34% of recruitment positions filled by NT employees).

There has also been improvement on equity representation with focus on two key aspects: female representation at SMS is currently at 43% vs. the national target of 50%. The other area is recruiting employees with disabilities currently the actual is 1.3% vs. 2% national target.

The Leadership Development Programme has been enhanced to focus on adaptive leadership. A session was held with the Deputy Directors-General and the Chief Directors during March 2012. The purpose of the session was to equip senior management across the National Treasury with skills to adapt to the changing environment in which we operate focusing on adaptive behavioural skills. This session allowed for strategic conversations that will enhance the National Treasury leadership brand.

The Employee Wellness Programme was enhanced through the adoption of the SIYAPHILA initiative that created greater awareness of the services this programme offers and also served as an important health awareness vehicle in the education of employees regarding their health and the maintenance thereof. The Programme has achieved a lot with the absenteeism rate at 2% (2010/11: 2%). The utilisation of the services has increased by 24% (2011/12: 84%; 2010/11: 60%).

4. TRADING ENTITIES AND PUBLIC ENTITIES

4.1 Trading entity

Project Development Facility (PDF)

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

Technical Assistance Unit (TAU)

TAU is a support facility that was established in 2001 in the National Treasury. It provides programme and project management support and technical assistance through a wide range of services to all spheres of government, it was created as a trading entity in 2008. The TAU trading entity plays a major role in the fields of institutional strengthening, organisational development and strategic, operational and project management support and capacity building and development at an organisational, team and individual level by improving management practices and thus contributing to value for money and efficient and effective public service. TAU had over 80% client satisfaction results supporting the following key areas: Employment Creation, Food Security, Health and Education, Crime Prevention and Security and Public Service Capacity of which 57% of support was focused on the Public-sector Capacity focused on Outcome 12.

4.2 Public entities and business enterprises reporting to the Minister of Finance

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

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

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

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

The DBSA was reconstituted in terms of the DBSA Act 13 of 1997 to promote economic development and growth, human resources development, institutional capacity building and the support of development projects and programmes in Southern Africa. The DBSA as a Schedule 2 entity is subject to the provision of the PFMA and regulations thereof.

Government has committed itself to reduce the infrastructure backlogs such as provision of running water, poor sanitation, housing, electricity and health in South Africa by the year 2014, resulting in a growing demand on the DBSA for infrastructure funding from municipal infrastructure financing.

Government challenged the Development Finance Institution (DFIs), including the DBSA to deepen their development impact. The DBSA was granted approval by the former Minister of Finance to enhance its capital structure through an increase in the Bank's callable capital to R20 billion. The Minister of Finance also provided an interim Letter of Undertaking amounting to R15.2 billion to the DBSA, mainly to address the volume of infrastructure and revitalisation of existing ageing infrastructure and initiate to fund operational and maintenance programmes especially to the poor municipalities.

In 2011/12 the DBSA continued to carry forward its expanded development drive and growth, with a sharp focus on accelerated, integrated and innovative infrastructure development. The Bank has thus targeted infrastructure investment disbursement of R9 billion for the 2011/12 financial year, a 9.8% increase as compared to 2010/11 of R8.2 billion.

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

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

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

SARS's mandate is to collect all revenue due to the state and administer trade, to support government in meeting its key growth developmental objectives by facilitating legitimate trade, protecting South African ports of entry and eliminating illegal trade and tax evasion. As an innovative revenue and customs agency, SARS vision is to enhance economic growth and social development in

a manner which supports the country's integration into the global economy to the benefit of all South Africans.

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

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

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

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

The FSB is an independent body which supervises and regulates non-banking financial services and is responsible for ensuring that regulated entities comply with the relevant legislation thereby protecting the investing community and financial services customers. The FSB promotes and maintains a sound financial investment environment in South Africa, by ensuring that the regulated entities comply with the relevant legislation and with capital adequacy requirements, promote the financial soundness of these entities and protect the investing community. The FSB also advises the Minister of

Finance through various advisory committees comprised of industry experts.

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

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

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

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

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

The centre concentrates its activities in terms of four programmes: information and communication technology, which provides information technology for data architecture and business solution for the centre; monitoring and analysis, which provides transaction surveillance, prosecution support capability and recovery support; legal and policy, which receives information from reporting and accountable institutions relating to alleged money laundering and terror financing activities; and compliance and prevention, which provides compliance and reporting functions in terms of the act, and implements the secure data exchange with supervisory bodies.

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

- Improved compliance of accountable institutions and society (in co-operation with the relevant supervisory bodies);
- Improved capacity in Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) in the Eastern and Southern Africa region
- Improved AML/CFT framework in South Africa;
- Commissioning and ongoing development of the FIC's information and communication technology system;
- Improved utilisation of the FICs products and services (by law enforcement authorities, SARS and Intelligence Agencies); and
- Improved sustainability and capability of the FIC.

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

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

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

- Further development and improvement of Generally Recognised Accounting Practices (GRAP) on related Parties;
- Responding to issues flowing from the Board's initiatives to simplify GRAP standards;
- Bi-annual review of Standards of GRAP to identify improvements that are needed in response to implementation issues identified in South Africa and changes to standards based on international equivalents;
- Co-operation with the International Public-sector Accounting Standards Board to develop International Public-sector Accounting Standards (IPSAS);
- Facilitating concurrent exposure of proposed IPSAS in South Africa;
- The development of accounting and reporting

guidelines, and undertaking research in identified areas of financial reporting.

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

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

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

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

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

SASRIA Ltd is a short term insurance company that was established by an Act of Parliament (Conversion of SASRIA Act of 1999). The company is entirely owned by the Government of South Africa and reports to the Minister of Finance. The primary purpose of the company is to provide insurance against extraordinary perils that are normally excluded by

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the conventional short term insurers. These risks include amongst others riot, strike, labour disturbance and terrorism.

The association's performance indicators included the following:

- Achieve 15% to 20% growth from conventional business;
- Achieve gross written premium income on enhancements to current products of R75 million;
- Achieve net investment income of R280 million;
- Renew existing reinsurance agreements with a 5% reduction in rate charges; and
- Improve R500 million coupons to include net profit cover.

The association's investments did not perform as expected due to the economic slowdown, however investment income is expected to increase from R194 million in 2011/12 to R215.3 million in 2012/13. Premium income is expected to increase from R646.9 million in 2011/12 to R946.7 million in 2014/15. The association will also increase the social responsibility budget from R8.2 million in 2011/12 to R9.8 million during 2014/15 for the training of actuarial science students.

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

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

Strategic priorities over the medium-term include:

- Growing the property assets under management;
- Outperforming integrated development plan benchmarks;
- Streamlining the property management business; enhancing management capabilities; and

- Incorporating environmental social responsibility and governance into the property investment process.

The total investment portfolio of the Corporation is R1 trillion. The Isibaya Fund provides finance for projects which are able to generate good financial returns while also supporting positive, long term, economic, social and environmental outcomes for South Africa. In 2010/11, the corporation invested R6 billion through the Isibaya Fund. Similarly, the corporation also purchased 50 per cent of the V&A Waterfront in Cape Town on behalf of the Government Employees' Pension Fund. In 2011/12, this investment was valued at approximately R4.9 billion. Over the medium-term, R45 billion is earmarked for developmental investments through the Isibaya Fund.

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

The Land and Agricultural Development Bank of South Africa ("Land Bank") is a development finance institution with a mandate to address agricultural and rural development in South Africa. The Land Bank operates in the agricultural and agri-business sectors and is regulated by the Land and Agricultural Development Bank Act (2002) and the PFMA (1999). The Land Bank is keen to resume the development component of its mandate, and this should be evident in the projects that are moving through the pipeline. Over the past three years, the bank has managed to maintain sound financial controls and build investor confidence as evidenced by clean audit reports and the diversification in the bank's investor profile. In the 2009 to 2011 financial years, the bank reported respectable profits. The National Treasury's support through capital injections and the guarantee is assuring potential and existing investors that the bank is a stable institution. In the 2011 financial year, the bank successfully launched the domestic medium-term note with success.

The bank managed to raise R1.1 billion from the open market. The medium-term paper will reduce refinancing

risk to some extent and enhance the stability of the bank's lending operations. Over the medium-term, the bank will focus on sharpening the development focus through support to emerging farmers, and strengthening the agriculture value chain.

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

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

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

The agency also aims to consolidate the cooperative financial institutions sector by managing the growth in their registration and address failing institutions to ensure improved compliance with the banking regulations, obtain the minister's approval for the repeal of the South African Micro-Finance Apex Fund exemption notice and to move those powers to the agency. Furthermore, the agency aims to assist representative bodies to improve their leadership, management and operational capability, establish sector specific learning programs with existing universities, colleges and support organisations; facilitate the establishment of an ICT enabled environment for institutions, with linkages to the national payment system; and establish a depositor's insurance fund, to protect the losses of the depositors.

Government Employees Pension Fund (GEPF)

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

Government Pensions Administration Agency

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

The GPAA's strategic focus over the medium-term includes: establishing Provincial offices to increase its national footprint; building relationships with employer departments thereby encouraging them to submit more accurate documentation; building relationships with stakeholders to improve member awareness about GPAA and its products; building capacity to meet increased service demands.

5. ORGANISATIONS TO WHICH TRANSFER PAYMENTS HAVE BEEN MADE

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

available on various programmes. Refer to annexure 1A to annexure 1J.

6. CORPORATE GOVERNANCE ARRANGEMENTS

6.1 Internal audit function

The Internal Audit Function (IAF) of the National Treasury has fulfilled its mandate of providing an independent, objective assurance and consulting activity that is designed to add value and improve the National Treasury's operations. It helps the National Treasury accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance within the National Treasury. The function operates in accordance with an approved Internal Audit Charter. The IAF is guided by a fully functional Audit Committee which operates in terms of an approved Audit Committee terms of reference.

The IAF continues to monitor its human capital and ensures that there are processes in place to make sure that existing staff obtain appropriate qualifications.

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

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

6.2 AUDIT COMMITTEE

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

6.3 Risk management

The National Treasury has continued to cultivate a culture of risk management throughout the department. The Enterprise Risk Management Strategy has been successfully implemented and risk management has been cascaded from a strategic level through to operational levels, which encourages the integration of risk management principles in day-to-day activities.

There has been continued risk management awareness through the distribution of regular communiqués and workshops. The Chief Risk Officer champions good governance practices through representation on key governance committees, and the direct reporting line to the Accounting Officer, creates a strong tone at the top.

The department has an updated Risk Profile which is actively monitored by the Risk Management Committee and the Audit Committee. The profile includes strategic, operational, corruption and business continuity risks, and forms the basis for the department's Internal Audit Plans. The Emergency Management and Business Continuity Plans were approved and their implementation will ensure that the National Treasury can continue to operate in a safe environment without disruption. The department monitored the successful implementation of its Fraud Prevention Plan and encouraged strong ethical values from all of its employees. National Treasury has a zero tolerance stance on corruption and the mitigation of identified corruption risks receives ongoing support at all levels.

The Risk Management Committee met four times during

the year under review, and continues to provide objective oversight and advice on the institutionalisation of risk management, business continuity and anti-corruption processes throughout the department.

6.4 Internal policy review

During the 2011/12 financial year, National Treasury continued to improve its policies, prescripts and related business processes to ensure good strategy execution and compliance with statutory requirements and best practices. The Governance Review Committee (GRC) which is mandated by the accounting officer to review departmental policies managed to review ten policies in the period under review. Due to extensive impact of the proposed policy documents on the business environment and strategic direction of the department, five key policy documents tabled in the GRC were referred back for further consultation and will be reviewed in the new financial year.

Significant strides were made to improve the internal policy environment of the National Treasury through development of a dedicated intranet site where different divisions within the department are afforded an opportunity to continuously interact on policy matters affecting the department. This initiative provides a proactive policy review mechanism and a platform to keep the broader community of the National Treasury sensitised on departmental policies that affect the day to day operations of the department. More emphasis will be put on strengthening proper policy planning, efficient policy development and policy training and awareness through group coordination and knowledge sharing in a team orientated approach that will move the department towards a more cohesive and inclusive policy culture. This will be further supported by streamlined processes, improved communication and technology.

6.5 Other governance matters

6.5.1 Operational controls

In addition to the abovementioned governance

arrangements, the following governance structures have been complied with or have been given attention:

- Supply Chain Management has undergone an Enhancement Project to improve governance;
- Have functional Bid Specification and Adjudication Committee;
- Systems put in place to ensure:
 - Effective, efficient, economical and transparent use of the departmental resources;
 - Proper management, administration, safeguarding and maintenance of the Department's assets and liabilities; and
 - Compliance 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 (6 of 2011), 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 assurance from all entities confirming that those entities have implemented effective, efficient and transparent financial management and internal control systems prior to funds being transferred to those entities;
- Formulated the Internal Budget Guideline document, Subsistence and Travelling Manual, drafted the Financial Statements Manual and the Transversal Systems Manual; and
- Submitted all required reports to the relevant authorities.

6.5.2 Improvements implemented by the National Treasury on Special Pensions

Programme 7 is administered by the Government Pensions Administration Agency (GPAA) of which

Special Pensions is part. Throughout the period, management has continuously improved the controls to eliminate deficiencies and strengthen operational efficiencies of the Programme. In a concerted effort to root out fraud and corruption National Treasury instituted investigations into Special Pensions matters through the Special Investigating Unit (SIU), Percy Sonn, and Nexus Forensics to ascertain the root causes and determine the appropriate corrective action and recommendations. The findings of the SIU investigation raised the following:

- 518 deceased cases, of which 254 were subsequently removed from the system;
- 284 beneficiaries were indicated as having schedule 1 convictions (The Act disqualifies a person from receiving or continuing to receive a pension if that person was convicted of a 'crime', as defined in the Act, committed after 2 February 1990);
- 141 fraud beneficiaries (providing falsified biographical details and affidavits of the applicants' political history and providing false identification of the applicants) have been identified; and
- 752 have been deemed as circumstances where the Act has been misinterpreted (i.e. misinterpreted by the Review Board).

Management instituted a comprehensive action plan to deal with the highlighted special pension's cases. The following is the outcome of the work done:

- 254 deceased beneficiaries were removed from the system before the final SIU report was presented; and
- 264 deceased beneficiaries were further assessed with an outcome that 259 of these were already stopped, with 3 being eligible through eligible beneficiaries and 2 being incorrectly identified by SIU as they have not been deceased.

The 284 schedule 1 beneficiaries are in varying degree in terms of progress:

- Over 35's- 39 beneficiary payments were cancelled by 31 March 2010; and
- Under 35's- due to the amended Special Pensions Act, the 245 cases were eligible.

The 141 fraud beneficiaries were handed over to the Commercial Crimes Unit of the South African Police Service:

- 85 beneficiaries were stopped by end March 2010;
- 53 beneficiaries were further stopped in 2011/12 after proper processes were followed; and
- 3 beneficiaries were stopped in 2008.

The 752 beneficiaries deemed to be incorrectly interpreted in terms of the Act, the SIU legal department advised that the High Court's determination needs to be obtained. The Department of Justice and Constitutional Development was approached to assist on fast tracking the cases. Due to the cases being dealt with on an individual application the process to go through all the cases will be prolonged for a unsustainable long period of time, therefore it was agreed that a panel of retired judges be instituted to focus just on these beneficiaries.

The department has cleared all the ineligible beneficiaries during the 2011/12 financial year except the 752 beneficiaries which is a legal matter and only the High Court can determine the eligibility of awards by the Board. It is on these bases that it cannot be determined whether the 752 beneficiaries are a material loss or irregular expenditure.

7. NEW DEPARTMENTAL ACTIVITIES

The Government Technical Advisory Centre

The Government Technical Advisory Centre (GTAC) has been established as a government component of the National Treasury on the 30th of March 2012. It is envisaged to be a creative centre of excellence in public-sector management assistance, which promotes learning and co-operation for improved service delivery and sustainability. GTAC's purpose is to contribute towards further improvements in the management of government programmes and the quality of spend.

This purpose is linked to one of the National Treasury's strategic pillars, namely, improving the capacity of government in respect of the allocation and utilisation of financial resources for service delivery.

Much attention in the first quarter of 2012/13 will be afforded to rendering the entity operational, with minimal disruption to services presently provided by the National Treasury.

8. ASSET MANAGEMENT

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

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

8.1 Asset verification

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

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

8.2 Asset disposal

During the 2011/12 financial year, the Asset Management Unit, in line with National Treasury's Asset Management

Disposal Policy, Treasury Regulations and the King III Code of Corporate Governance report pertaining to corporate social responsibility managed to dispose redundant and obsolete assets as follows:

- Donated 20 computer desktops and a substantial number of books (reading material) collected from National Treasury officials, in support of Khanyisa Primary School initiative to establish a library, administration block and the computer Centre. The school is situated in Vezubuhle Village (an impoverished area) in the Thembisile Hani Municipality in Mpumalanga Province.
- Identified and disposed 113 assets through a bid process to National Treasury staff members. These comprised of computer equipment, kitchen appliances, office machinery and equipment.

The department will continue to support needy communities in the 2012/13 financial year.

8.3 Acquisition of ICT assets

The department follows Supply Chain Management processes in the acquisition of assets. To achieve an efficient and effective utilisation of state resources, the Information Communication and Technology (ICT) Procurement Committee was established, which comprises of Financial Management, Information Technology and Security Management. The committee enforces internal control measures to ensure accountability and eliminate wasteful expenditure. The impact and effectiveness of the committee toward the organisation was evaluated during the first quarter of the 2011/12 financial year. The evaluations revealed some areas of improvement that need to be closely monitored to reduce turnaround time on delivery and customisation of ICT equipment request by business.

9. INVENTORIES

All inventory opening and closing balances, together with movements for the year will be reflected on annexure

5. The Department validates controls and implement procedures to ensure the optimal issue of inventory for groceries and photocopy paper, and control the accuracy of reporting in terms of stock levels and cost allocations.

10. INFORMATION ON PREDETERMINED OBJECTIVES

Divisional heads have reported to the Director-General on a regular basis on the progress made with regard to the programme delivery and measurable objectives, as contained in the National Treasury's Strategic Plan. Further more these were incorporated in an internal management report and detailed information on predetermined objectives is included on pages 24 to 103 of the Annual Report.

11. SCOPA RESOLUTIONS

There were no new SCOPA resolutions relating to the National Treasury from the 2011/12 financial year.

12. PRIOR MODIFICATIONS TO AUDIT REPORTS

An unqualified audit report with an emphasis of matter was reported on by the Auditor-General in 2010/11 financial period. This was a result of the contravention of the Special Pensions Act, 1996 (Act No. of 1996), (as amended) (Special Pensions Act) and Treasury Regulations (TR) 8.2.1 and 8.2.2. Irregular expenditure to the amount of R 11 million (2009/10: R12million) was incurred. Material losses to the amount of R3. 6 million (2009/10: R4, 5 million) were incurred as a result of the criminal conduct and ineffectiveness of control activities within Programme 8: Special Pensions (currently referred to as Programme 7: Civil and Military Pensions, Contributions to Funds and other benefits).

Management has continuously improved the controls to eliminate identified deficiencies and strengthen operational efficiency of the Programme.

13. EXEMPTIONS AND DEVIATIONS RECEIVED FROM THE NATIONAL TREASURY

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

14. INTERIM FINANCIAL STATEMENTS

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

15. APPROVAL

The Annual Financial Statements set out on pages 130 to 214 (NT), 221 to 246 (PDF) and 252 to 266 (TAU) have been approved by the Accounting Officer.



Lungisa Fuzile

**Director-General
National Treasury**

Date: 29 May 2012



Annual Report

Report of the Auditor-General to parliament on **Vote 10: National Treasury**

for the year ended 31 March 2012



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

Auditing to build public confidence

PUBLISHED BY AUTHORITY



Report of the Auditor-General to Parliament on Vote 10: National Treasury

for the year ended 31 March 2012

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the National Treasury set out on pages 130 to 178, which comprise the appropriation statement, the statement of financial position as at 31 March 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation of these financial statements in accordance with the *Departmental financial reporting framework* prescribed by the National Treasury and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on

Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Treasury as at 31 March 2012, and its financial performance and cash flows for the year then ended in accordance with the *Departmental financial reporting framework* prescribed by the National Treasury and the requirements of the PFMA and DoRA.

Emphasis of matters

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

Material impairments

8. The National Treasury had receivables for other debtors (as a result of beneficiaries investigated by independent consulting firms on Programme 7) totalling R17, 165 million at 31 March 2012. This amount was disclosed as irregular expenditure in the prior year financial statements.

Material underspending of the vote

9. As disclosed in the appropriation statement and the accounting officers' review, the department has materially underspent the budget to the amount of R2, 477 billion.

Additional matters

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

Financial reporting framework

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

PAA requirements

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

Predetermined objectives

13. I performed procedures to obtain evidence about the usefulness and reliability of the information in the report on performance against predetermined objectives as set out on pages 24 to 103 of the annual report.
14. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury's *Framework for managing programme performance information* (FMPP).
15. The reliability of the information in respect of the selected programmes is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

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for the year ended 31 March 2012

16. The material finding is as follows:

Usefulness of information

17. The FMPPi requires that the time period or deadline for delivery be specified. A total of 42% of the targets relevant to all programmes were not time bound in specifying a time period or deadline for delivery. This was due to the fact that management was aware of the requirements of the FMPPi but did not apply the principles contained in the FMPPi correctly.

Compliance with laws and regulations

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

Strategic planning and performance management

19. The strategic plan did not include the measurable objectives, expected outcomes, programme outputs, indicators (measures) and targets of the institution's Programme 8 - Employment Creation Facilitation Fund (i.e. Jobs Fund) as required by Treasury Regulations 5.2.3(d).

Annual financial statements, performance and annual report

20. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 40(1)(a) and (b) of the PFMA. Material misstatements of current assets,

liabilities and disclosure items identified by the auditors were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Procurement and contract management

21. Employees of the department performed remunerative work outside their employment in the department without written permission from the relevant authority as required by section 30 of the Public Service Act.

22. Sufficient appropriate audit evidence could not be obtained that goods and services of a transaction value above R500 000 were procured by means of inviting competitive bids and that deviations were only approved by the accounting officer if it was impractical to invite competitive bids, as required by the National Treasury Regulations 16A6.1 and 16A.6.4.

Human resource management and compensation

23. A human resource plan was not in place as required by Public Service Regulation 1/III/B.2(d).

Internal control

24. I considered internal control relevant to my audit of the financial statements, report on performance against predetermined objective and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for the findings on the report on performance against predetermined objectives and the findings on compliance with laws and regulations included in this report.

Report of the Auditor-General to Parliament on Vote 10: National Treasury

for the year ended 31 March 2012

Leadership

25. Management did not adhere to all internal policies, procedures and guides and as a result there were instances of non-compliance with the PFMA and Treasury Regulations. In addition no guidance was given on the development and implementation of an annual performance management system, which contributed towards the targets in the strategic plan not being time bound.

Financial and performance management

26. The financial statements contained material misstatements that could have been avoided had there been effective review processes in place. This is a recurring matter and the action plan in place to address this matter seems to be inadequate, as management is not monitoring the effectiveness of this action plan.

OTHER REPORTS

Investigations

27. A forensic investigation was conducted by Internal Audit and an independent consulting firm on allegations received from the Public Service Commission (PSC). The investigation was initiated based on the allegations of procurement irregularities, use of public resources for private purposes and leave irregularities. The official was suspended and disciplinary processes were followed. Disciplinary processes found against the official and the person was dismissed with effect from 20 February 2012. A criminal case has been opened with the South African Police Services.

28. An investigation is being conducted by the PSC based on an allegation received by their office in terms of irregular appointment of service providers by the National Treasury. The National Treasury has supported the investigation which is still with the PSC. The investigation was still ongoing at the reporting date.

Performance audits

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

Auditor-General

Pretoria

31 July 2012



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

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 PFMA, Act 1 of 1999 (as amended by Act 29 of 1999), and the National Treasury Regulations issued in terms of the PFMA and the Division of Revenue Act, 6 of 2011.

1. PRESENTATION OF THE FINANCIAL STATEMENTS

1.1 Basis of preparation

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

1.2 Presentation currency

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

1.3 Rounding

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

1.4 Comparative figures

Prior period comparative information has been presented in the current year's financial statements. Where necessary figures included in the prior period financial statements have been reclassified to ensure

that the format in which the information is presented is consistent with the format of the current year's financial statements.

1.5 Comparative figures - Appropriation Statement

A comparison between actual amounts and final appropriation per major classification of expenditure is included in the Appropriation Statement.

2. REVENUE

2.1 Appropriated funds

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

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

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

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

2.2 Departmental revenue

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

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

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

2.3 Extraordinary receipts

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

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

2.4 Extraordinary payments

All extraordinary payments are recognised in the statement of financial performance when final authorisation for payment is effected on the system (by no later than 31 March of each year).

2.5 Aid assistance

Aid assistance is recognised as revenue when received.

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

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

The value of the assistance expensed prior to the receipt

of funds is recognised as a receivable in the statement of financial position.

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

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

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

3. EXPENDITURE

3.1 Compensation of employees

3.1.1 Salaries and wages

Salaries and wages are expensed in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

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

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

3.1.2 Social contributions

Employer contributions to post employment benefit plans in respect of current employees are expensed in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

No provision is made for retirement benefits in the financial statements of the department. Any potential liabilities are disclosed in the financial statements of the National Revenue Fund and not in the financial statements of the employer department.

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

3.2 Goods and services

Payments made during the year for goods and/or services are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

The expense is classified as capital if the goods and/or services were acquired for a capital project or if the total purchase price exceeds the capitalisation threshold (currently R5, 000). All other expenditures are classified as current.

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

3.3 Payments for financial assets

Debts are written off when identified as irrecoverable. Debts written-off are limited to the amount of savings and/or underspending of appropriated funds. The write

off occurs at year-end or when funds are available. No provision is made for irrecoverable amounts but an estimate is included in the disclosure notes to the financial statements amounts.

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

3.4 Transfers and subsidies

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

3.5 Unauthorised expenditure

When confirmed unauthorised expenditure is recognised as an asset in the statement of financial position until such time as the expenditure is either approved by the relevant authority, recovered from the responsible person or written off as irrecoverable in the statement of financial performance.

Unauthorised expenditure approved with funding is derecognised from the statement of financial position when the unauthorised expenditure is approved and the related funds are received.

Where the amount is approved without funding it is recognised as expenditure in the statement of financial performance on the date of approval.

3.6 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is recognised as expenditure in the statement of financial performance according to the nature of the payment and not as a separate line item on the face of the statement. If the expenditure is recoverable it is treated as an asset until it is recovered from the responsible person or written off as

irrecoverable in the statement of financial performance.

3.7 Irregular expenditure

Irregular expenditure is recognised as expenditure in the statement of financial performance. If the expenditure is not condoned by the relevant authority it is treated as an asset until it is recovered or written off as irrecoverable.

4. ASSETS

4.1 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost.

Bank overdrafts are shown separately on the face of the statement of financial position.

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

4.2 Other financial assets

Other financial assets are carried in the statement of financial position at cost.

4.3 Prepayments and advances

Amounts prepaid or advanced are recognised in the statement of financial position when the payments are made and are derecognised as and when the goods/services are received or the funds are utilised.

Prepayments and advances outstanding at the end of the year are carried in the statement of financial position at cost.

4.4 Receivables

Receivables included in the statement of financial position arise from cash payments made that are recoverable from another party (including departmental employees) and are derecognised upon recovery or write-off.

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

4.5 Investments

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

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

4.6 Loans

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

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

4.7 Inventory

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

All inventory items at year-end are reflected using the first in first out (FIFO) principle.

4.8 Capital assets

4.8.1 Movable assets

Initial recognition

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

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

Subsequent recognition

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

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

4.8.2 Immovable assets

Initial recognition

A capital asset is recorded on receipt of the item at cost. Cost of an asset is defined as the total cost of acquisition. Where the cost cannot be determined accurately, the immovable capital asset is stated at R1 unless the fair value for the asset has been reliably estimated.

Subsequent recognition

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

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

4.8.3 Intangible assets

Initial recognition

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

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

Subsequent expenditure

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

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

5. LIABILITIES

5.1 Payables

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

5.2 Contingent liabilities

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

5.3 Contingent assets

Contingent assets are included in the disclosure notes to

the financial statements when it is probable, but cannot be measured reliably that an inflow of economic benefits will flow to the entity.

5.4 Commitments

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes to the financial statements.

5.5 Accruals

Accruals are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

5.6 Employee benefits

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

5.7 Lease commitments

Finance lease

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

Operating lease

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

to the financial statement.

5.8 Impairment

The department tests for impairment where there is an indication that a receivable, loan or investment may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date.

An estimate is made for doubtful loans and receivables based on a review of all outstanding amounts at year-end. Impairments on investments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows / service potential flowing from the instrument.

5.9 Provisions

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

6. RECEIVABLES FOR DEPARTMENTAL REVENUE

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

7. NET ASSETS

7.1 Capitalisation reserve

The capitalisation reserve comprises of financial assets and/or liabilities originating in a prior reporting period but

which are recognised in the statement of financial position for the first time in the current reporting period. Amounts are recognised in the capitalisation reserves when identified in the current period and are transferred to the National/Provincial Revenue Fund when the underlying asset is disposed and the related funds are received.

7.2 Recoverable revenue

Amounts are recognised as recoverable revenue when a payment made in a previous financial year becomes recoverable from a debtor in the current financial year. Amounts are either transferred to the National/Provincial Revenue Fund when recovered or are transferred to the statement of financial performance when written-off.

8. RELATED PARTY TRANSACTIONS

Specific information with regards to related party transactions is included in the disclosure notes.

9. KEY MANAGEMENT PERSONNEL

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

Appropriation statement

for the year ended 31 March 2012

Appropriation per programme	2011/12				2010/11				
	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
1. Administration									
Current payment	264,819	(649)	-	264,170	245,623	18,547	93.0%	264,793	242,715
Transfers and subsidies	2,039	649	-	2,688	2,417	271	89.9%	2,000	1,534
Payment for capital assets	14,230	-	(21)	14,209	6,470	7,739	45.5%	9,758	4,245
Payment for financial assets	-	-	-	-	24	(24)	-	-	167
2. Economic Policy, Tax, Financial Regulation and Research									
Current payment	208,436	(1,191)	(18,000)	189,245	119,550	69,695	63.2%	92,097	72,203
Transfers and subsidies	19,310	1,191	-	20,501	20,498	3	100.0%	13,500	13,500
Payment for capital assets	618	-	-	618	408	210	66.0%	648	351
Payment for financial assets	-	-	-	-	11	(11)	-	-	6
3. Public Finance and Budget Management									
Current payment	174,059	(264)	-	173,795	160,518	13,277	92.4%	153,932	128,078
Transfers and subsidies	35,036	264	-	35,300	35,296	4	100.0%	31,897	31,391
Payment for capital assets	783	-	-	783	597	186	76.2%	1,288	758
Payment for financial assets	-	-	-	-	18	(18)	-	-	25
4. Asset and Liability Management									
Current payment	75,265	(96)	-	75,169	71,515	3,654	95.1%	72,137	66,543
Transfers and subsidies	595	96	-	691	95	1	99.0%	35	34
Payment for capital assets	750,000	-	-	750,000	289	306	48.6%	628	598
Payment for financial assets	-	-	-	-	750,008	(8)	100.0%	20,750,000	20,746,729
5. Financial Systems and Accounting									
Current payment	571,771	(214)	(40,185)	531,372	429,701	101,671	80.9%	573,793	494,763
Transfers and subsidies	73,604	214	-	73,818	73,407	411	99.4%	62,168	62,165
Payment for capital assets	2,830	-	-	2,830	807	2,023	28.5%	3,261	2,161
Payment for financial assets	-	-	-	-	946	(946)	-	-	36
6. International Financial Relations									
Current payment	33,947	(70)	-	33,877	25,763	8,114	76.0%	31,695	26,463
Transfers and subsidies	784,534	70	58,185	842,789	831,926	10,863	98.7%	533,305	532,096
Payment for capital assets	173	-	-	173	98	75	22.2%	222	116
Payment for financial assets	-	-	-	-	-	-	56.6%	-	8
7. Civil and Military Pensions, Contributions to Funds and Other Benefits									
Current payments	48,320	18,292	-	66,612	64,951	1,661	97.5%	38,062	37,904
Transfers and subsidies	3,728,589	(18,292)	-	3,710,297	3,249,072	461,225	87.6%	2,660,125	2,659,787
Payments for capital assets	-	-	-	-	-	-	-	-	-
Payments for financial assets	-	-	-	-	150	(150)	-	-	156
8. Technical Support and Development Finance									
Current payment	165,755	(77)	-	165,678	153,314	12,364	92.5%	136,125	101,419
Transfers and subsidies	4,474,784	77	-	4,474,861	2,709,539	1,765,322	60.6%	13,147,158	10,403,665
Payment for capital assets	1,380	-	21	1,401	392	1,009	28.0%	413	339
Payment for financial assets	-	-	-	-	51	(51)	-	-	56
9. Revenue Administration									
Current payment	8,653,573	-	-	8,653,573	8,653,573	-	100.0%	8,142,208	8,142,208
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
10. Financial Intelligence and State Security									
Current payment	3,755,021	-	-	3,755,021	3,755,021	-	100.0%	3,488,166	3,488,167
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
Total annual appropriation per programme	23,839,471	-	-	23,839,471	21,362,048	2,477,423	89.6%	50,209,414	47,260,386
Reconciliation with Statement of Financial Performance									
Add:									
Departmental receipts	-	-	-	3,409,060	-	-	-	3,340,611	-
Direct Exchequer receipts	-	-	-	-	-	-	-	-	-
NRF receipts	-	-	-	-	-	-	-	-	-
Aid assistance	-	-	-	5,768	-	-	-	10,860	-
Actual amounts per Statement of Financial Performance (total revenue)	27,254,299	-	-	27,254,299	-	-	-	53,560,885	-
Add:									
Aid assistance	-	-	-	4,108	-	-	-	-	11,790
Actual amounts per Statement of Financial Performance (total expenditure)	23,839,471	-	-	21,366,156	4,108	-	-	50,209,414	47,272,166

Appropriation statement

for the year ended 31 March 2012

APPROPRIATION PER ECONOMIC CLASSIFICATION

Economic classification	2011/12					2010/11*			
	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
Current expenditure									
Compensation of employees	602,286	(1,472)	-	600,814	537,101	63,713	89.4%	552,567	476,173
Goods and services	940,086	17,203	(58,185)	899,104	733,834	165,270	81.6%	810,067	693,915
Transfers and subsidies									
Provinces and municipalities	2,263,324	-	-	2,263,324	2,251,717	11,607	99.5%	12,709,500	10,041,007
Departmental agencies and accounts	12,688,017	88,689	-	12,776,706	12,744,655	32,051	99.7%	11,879,472	11,804,433
Universities and technicians	-	-	-	-	-	-	-	500	-
Foreign governments and international organisations	786,415	71	58,185	844,671	833,808	10,863	98.7%	540,238	539,029
Public corporations and private enterprises	2,060,026	(87,600)	-	1,972,426	250,712	1,721,714	12.7%	290,295	290,295
Non-profit institutions	71	-	-	71	71	-	100.0%	1	-
Households	3,728,637	(16,891)	-	3,711,746	3,249,881	461,865	87.6%	2,660,556	2,659,783
Payments for capital assets									
Buildings and other fixed structures	3,600	-	-	3,600	-	3,600	-	-	-
Machinery and equipment	17,009	-	-	17,009	9,061	7,948	53.3%	16,218	8,568
Payments for financial assets	750,000	-	-	750,000	751,208	(1,208)	100.2%	20,750,000	20,747,183
Total annual appropriation per economic classification	23,839,471	-	-	23,839,471	21,362,048	2,477,423	89.6%	50,209,414	47,260,386

*Prior year amounts were aligned with the new programme structure.

Appropriation statement

for the year ended 31 March 2012

PROGRAMME 1: ADMINISTRATION

Programme 1 per economic classification	2011/12						2010/11		
	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
Current expenditure									
Compensation of employees	128,765	(560)	-	128,205	116,546	11,659	90.9%	127,298	108,788
Goods and services	136,054	(89)	-	135,965	129,077	6,888	94.9%	137,495	133,927
Transfers and subsidies									
Departmental agencies and accounts	439	89	-	528	482	46	91.3%	463	425
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Households	1,600	560	-	2,160	1,935	225	89.6%	1,537	1,109
Payments for capital assets									
Buildings and other fixed structures	3,600	-	-	3,600	-	3,600	-	-	-
Machinery and equipment	10,630	-	(21)	10,609	6,470	4,139	61.0%	9,758	4,245
Payments for financial assets									
	-	-	-	-	24	(24)	-	-	167
Total appropriation per economic classification	281,088	-	(21)	281,067	254,534	26,533	90.6%	276,551	248,661
Programme 1 per Subprogramme	2011/12						2010/11		
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	
1.1 Ministry									
Current expenditure	3,465	-	-	3,465	2,976	489	85.9%	3,312	2,835
1.2 Departmental Management									
Current expenditure	33,858	(1,774)	-	32,084	29,753	2,331	92.7%	34,283	29,170
Transfers and subsidies	-	174	-	174	174	-	100.0%	-	-
Payment for capital assets	794	484	-	1,278	1,214	64	95.0%	485	400
Payment for financial assets	-	-	-	-	7	(7)	-	-	146
1.3 Corporate Services									
Current expenditure	81,145	(686)	-	80,459	73,981	6,478	91.9%	82,254	72,993
Transfers and subsidies	2,039	246	-	2,285	2,016	269	88.2%	1,931	1,466
Capital expenditure	4,881	(42)	-	4,839	4,313	526	89.1%	5,780	2,963
Payment for financial assets	-	-	-	-	17	(17)	-	-	1
1.4 Enterprise Wide Risk Management									
Current expenditure	19,237	(1,009)	-	18,228	17,334	894	95.1%	17,144	15,270
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Capital expenditure	4,019	(487)	-	3,532	195	3,337	5.5%	2,364	62
Payment for financial assets	-	-	-	-	-	-	-	-	-
1.5 Financial Administration									
Current expenditure	32,129	(524)	-	31,605	29,558	2,047	93.5%	30,710	28,395
Transfers and subsidies	-	69	-	69	68	1	98.6%	69	68
Capital expenditure	575	-	(21)	554	463	91	83.6%	332	253
Payment for financial assets	-	-	-	-	-	-	-	-	-
Sub-total appropriation per programme 1	182,142	(3,549)	(21)	178,572	162,069	16,503		178,664	154,022

Appropriation statement

for the year ended 31 March 2012

PROGRAMME 1: ADMINISTRATION - cont

Programme 1 per Subprogramme	2011/12					2010/11			
	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
Sub-total appropriation per programme 1	182,142	(3,549)	(21)	178,572	162,069	16,503		178,664	154,022
1.6 Legal Services									
Current expenditure	12,706	50	-	12,756	12,384	372	97.1%	12,173	11,685
Transfers and subsidies	-	13	-	13	13	-	100.0%	-	-
Payment for capital assets	80	-	-	80	40	40	50.0%	100	59
1.7 Internal Audit									
Current expenditure	10,931	(33)	-	10,898	9,392	1,506	86.2%	10,383	9,242
Transfers and subsidies	-	33	-	33	33	-	100.0%	-	-
Capital expenditure	-	45	-	45	45	-	100.0%	114	73
Payment for financial assets	-	-	-	-	-	-	-	-	-
1.8 Communications									
Current expenditure	8,864	(44)	-	8,820	7,043	1,777	79.9%	7,840	7,313
Transfers and subsidies	-	44	-	44	44	-	100.0%	-	-
Capital expenditure	50	-	-	50	47	3	94.0%	147	147
Payment for financial assets	-	-	-	-	-	-	-	-	13
1.9 Office Accommodation									
Current expenditure	62,484	3,371	-	65,855	63,202	2,653	96.0%	66,694	65,812
Transfers and subsidies	-	70	-	70	69	1	98.6%	-	-
Capital expenditure	3,831	-	-	3,831	153	3,678	4.0%	436	288
Payment for financial assets	-	-	-	-	-	-	-	-	7
Total appropriation per programme 1	281,088	-	(21)	281,067	254,534	26,533	90.6%	276,551	248,661

Appropriation statement

for the year ended 31 March 2012

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

Programme 2 per economic classification	2011/12						2010/11		
	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
Current expenditure									
Compensation of employees	70,883	(191)	-	70,692	56,188	14,504	79.5%	65,957	51,038
Goods and services	1,37,553	(1,000)	(18,000)	118,553	63,362	55,191	53.4%	26,140	21,165
Transfers and subsidies									
Departmental agencies and accounts	9,310	-	-	9,310	9,310	-	100.0%	8,200	8,200
Foreign governments and international organisations	-	-	-	-	-	-	-	5,300	5,300
Public corporations and private enterprises	10,000	1,000	-	11,000	11,000	-	100.0%	-	-
Households	-	191	-	191	188	3	98.4%	-	-
Payment for capital assets									
Machinery and equipment	618	-	-	618	408	210	66.0%	648	351
Payment for financial assets									
	-	-	-	-	11	(11)	-	-	6
Total appropriation per economic classification	228,364	-	(18,000)	210,364	140,467	69,897	66.8%	106,245	86,060

Appropriation statement

for the year ended 31 March 2012

PROGRAMME 2: ECONOMIC POLICY, TAX, FINANCIAL REGULATION AND RESEARCH - cont

Programme 2 per Subprogramme	2011/12					2010/11			
	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
2.1 Programme Management									
Current expenditure	12,990	(1,117)	-	11,873	8,639	3,234	72.8%	10,652	6,720
Transfers and subsidies	10,000	1,070	-	11,070	11,070	-	100.0%	5,300	5,300
Payment for capital assets	53	-	-	53	23	30	43.4%	109	33
Payment for financial assets	-	-	-	-	4	(4)	-	-	5
2.2 Research									
Current expenditure	11,968	(1,000)	-	10,968	9,749	1,219	88.9%	11,300	11,217
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
2.3 Financial Sector Policy									
Current expenditure	134,718	166	(18,000)	116,884	61,288	55,596	52.4%	23,082	17,579
Transfers and subsidies	-	77	-	77	75	2	97.4%	-	-
Payment for capital assets	215	-	-	215	124	91	57.7%	146	93
Payment for financial assets	-	-	-	-	-	-	-	-	1
2.4 Tax Policy									
Current expenditure	26,084	791	-	26,875	22,971	3,904	85.5%	24,238	19,067
Transfers and subsidies	-	13	-	13	13	-	100.0%	-	-
Payment for capital assets	90	-	-	90	41	49	45.6%	178	177
Payment for financial assets	-	-	-	-	1	(1)	-	-	-
2.5 Economic Policy									
Current expenditure	22,676	(31)	-	22,645	16,903	5,742	74.6%	22,825	17,620
Transfers and subsidies	-	31	-	31	30	1	96.8%	-	-
Payment for capital assets	260	-	-	260	220	40	84.6%	215	48
Payment for financial assets	-	-	-	-	6	(6)	-	-	-
2.6 Cooperative Banking Development Agency									
Current expenditure	-	-	-	-	-	-	-	-	-
Transfers and subsidies	9,310	-	-	9,310	9,310	-	100.0%	8,200	8,200
Total appropriation per programme 2	228,364	-	(18,000)	210,364	140,467	69,897	66.8%	106,245	86,060

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for the year ended 31 March 2012

PROGRAMME 3: PUBLIC FINANCE AND BUDGET MANAGEMENT

Programme 3 per economic classification	2011/12						2010/11			
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000
Current expenditure										
Compensation of employees	141,171	(264)	-	140,907	130,836	10,071	92.9%	120,800	109,594	
Goods and services	32,888	-	-	32,888	29,682	3,206	90.3%	33,132	18,484	
Transfers and subsidies										
Households	-	264	-	264	260	4	98.5%	6	-	
Universities and Technikons	-	-	-	-	-	-	-	500	-	
Departmental agencies and accounts	35,036	-	-	35,036	35,036	-	100.0%	31,391	31,391	
Payment for capital assets										
Machinery and equipment	783	-	-	783	597	186	76.2%	1,288	758	
Payment for financial assets										
	-	-	-	-	18	(18)	-	-	25	
Total appropriation per economic classification	209,878	-	-	209,878	196,429	13,449	93.6%	187,117	160,252	
Programme 3 per Subprogramme	2011/12						2010/11			
Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure	Actual expenditure	
R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000	
3.1 Management										
Current expenditure	18,252	(2,807)	-	15,445	14,615	830	94.6%	15,329	12,142	
Transfers and subsidies	-	-	-	-	-	-	-	500	-	
Payment for capital assets	80	(44)	-	36	11	25	30.6%	53	35	
Payment for financial assets	-	-	-	-	-	-	-	-	9	
3.2 Public Finance										
Current expenditure	65,531	(2,220)	-	63,311	58,029	5,282	91.7%	54,838	45,707	
Transfers and subsidies	-	108	-	108	106	2	98.1%	-	-	
Payment for capital assets	301	34	-	335	292	43	87.2%	470	391	
Payment for financial assets	-	-	-	-	3	(3)	-	-	7	
3.3 Budget Office and Coordination										
Current expenditure	42,282	2,964	-	45,246	41,925	3,321	92.7%	38,492	35,951	
Transfers and subsidies	-	145	-	145	144	1	99.3%	6	-	
Payment for capital assets	228	-	-	228	186	42	81.6%	400	186	
Payment for financial assets	-	-	-	-	14	(14)	-	-	-	

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PROGRAMME 3 : PUBLIC FINANCE AND BUDGET MANAGEMENT - cont

Programme 3 per Subprogramme	2011/12						2010/11		
	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
3.4 Intergovernmental Relations									
Current expenditure	47 994	1 799	-	49 793	45 949	3 844	92.3%	45 273	34 278
Transfers and subsidies	2 000	11	-	2 011	2 010	1	100.0%	-	-
Payment for capital assets	174	10	-	184	108	76	58.7%	365	146
Payment for financial assets	-	-	-	-	1	(1)		-	9
3.5 Financial and Fiscal Commission									
Current expenditure	-	-	-	-	-	-		-	-
Transfers and subsidies	33 036	-	-	33 036	33 036	-	100.0%	31 391	31 391
Payment for capital assets	-	-	-	-	-	-		-	-
Payment for financial assets	-	-	-	-	-	-		-	-
Total appropriation per programme 3	209 878	-	-	209 878	196 429	13 449	93.6%	187 117	160 252

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for the year ended 31 March 2012

PROGRAMME 4 : ASSET AND LIABILITY MANAGEMENT

Programme 4 per economic classification	2011/12						2010/11		
	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
Current expenditure									
Compensation of employees	56,579	(96)	-	56,483	53,497	2,986	94.7%	51,141	47,478
Goods and services	18,686	-	-	18,686	18,018	668	96.4%	20,996	19,065
Transfers and subsidies									
Households	-	96	-	96	95	1	99.0%	35	34
Payment for capital assets									
Machinery and equipment	595	-	-	595	289	306	48.6%	628	598
Payment for financial assets	750,000	-	-	750,000	750,008	(8)	100.0%	20,750,000	20,746,729
Total appropriation per economic classification	825,860	-	-	825,860	821,907	3,953	99.5%	20,822,800	20,813,904
Programme 4 per Subprogramme	2011/12						2010/11		
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	
4.1 Programme Management									
Current expenditure	13,662	(121)	-	13,541	12,586	955	92.9%	14,641	12,638
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	595	-	-	595	289	306	48.6%	608	585
Payment of financial assets	-	-	-	-	8	(8)	-	-	29
4.2 SOE Financial Management and Governance									
Current expenditure	23,231	50	-	23,281	21,778	1,503	93.5%	21,310	19,059
Transfer and subsidies	-	38	-	38	37	1	97.4%	-	-
4.3 Government Debt Management									
Current expenditure	14,930	76	-	15,006	14,943	63	99.6%	14,335	13,712
Transfers and subsidies	-	-	-	-	-	-	-	35	34
4.4 Financial Operations									
Current expenditure	15,381	(86)	-	15,295	14,727	568	96.3%	14,344	13,874
Transfers and subsidies	-	43	-	43	43	-	100.0%	-	-
Payment for capital assets	-	-	-	-	-	-	-	20	13
4.5 Strategy and Risk Management									
Current expenditure	8,061	(15)	-	8,046	7,481	565	93.0%	7,507	7,260
Transfers and subsidies	-	15	-	15	15	-	100.0%	-	-
4.6 Financial Investments									
Payment for financial assets	750,000	-	-	750,000	750,000	-	100.0%	20,750,000	20,746,700
Total appropriation per programme 4	825,860	-	-	825,860	821,907	3,953	99.5%	20,822,800	20,813,904

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for the year ended 31 March 2012

Programme 5 per Subprogramme	2011/12						2010/11		
	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
5.5 Financial Management Policy and Compliance									
Current expenditure	97,538	114	-	97,652	74,751	22,901	76.50%	90,492	61,162
Transfers and subsidies	-	109	-	109	107	2	98.20%	3,839	3,839
Payment for capital assets	286	281	-	567	531	36	93.70%	1,301	687
Payment for financial assets	-	-	-	-	5	(5)		-	1
5.6 Audit Statutory Bodies									
Transfers and subsidies	29,919	-	-	29,919	29,914	5	100.00%	21,447	21,444
5.7 Service Charges: Commercial Bank									
Current Payments	170	-	-	170	-	170		200	124
Total appropriation per Programme 5	648,205	-	(40,185)	608,020	504,861	103,159	83.00%	639,222	559,125

Appropriation statement

for the year ended 31 March 2012

PROGRAMME 6 : INTERNATIONAL FINANCIAL RELATIONS

Programme 6 per economic classification	2011/12						2010/11		
	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
Current expenditure									
Compensation of employees	22,372	(70)	-	22,302	17,619	4,683	79,0%	21,100	16,480
Goods and services	11,575	-	-	11,575	8,144	3,431	70,4%	10,595	9,983
Transfers and subsidies									
Foreign governments and international organisations	784,534	-	58,185	842,719	831,857	10,862	98,7%	533,305	532,096
Households	-	70	-	70	69	1	98,6%	-	-
Payment for capital assets									
Machinery and equipment	173	-	-	173	98	75	56,6%	222	116
Payment for financial assets									
	-	-	-	-	-	-	-	-	8
Total appropriation per economic classification	818,654	-	58,185	876,839	857,787	19,052	97,8%	565,222	558,683
Programme 6 per Subprogramme	2011/12						2010/11		
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	
6.1 Programme Management									
Current expenditure	10,483	(1)	-	10,482	6,586	3,896	62,8%	7,945	6,114
Payment for capital assets	50	-	-	50	-	50	-	76	57
6.2 International Economic Cooperation									
Current expenditure	23,464	(69)	-	23,395	19,177	4,218	82,0%	23,750	20,349
Transfers and subsidies	-	70	-	70	69	1	98,6%	-	-
Payment for capital assets	123	-	-	123	98	25	79,7%	146	59
Payment for financial assets	-	-	-	-	-	-	-	-	8
6.3 Common Monetary Area Compensation									
Transfers and subsidies	403,814	-	46,513	450,327	450,327	-	100,0%	397,792	397,792
6.4 Financial and Technical Support									
Transfers and subsidies	4,477	(4,470)	-	7	-	7	-	53	-
6.5 African Development Bank and African Dev. Fund									
Transfers and subsidies	225,401	7,307	11,672	244,380	244,298	82	100,0%	55,081	55,080
6.6 World Bank									
Transfers and subsidies	135,500	-	-	135,500	124,730	10,770	92,1%	68,000	68,000
6.7 Collaborative African Budget Reform Initiative									
Transfers and subsidies	1,200	-	-	1,200	1,200	-	100,0%	1,200	1,109

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Programme 6 per Subprogramme	2011/12							2010/11	
	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
6.8 Commonwealth Fund for Technical Cooperation Transfers and subsidies	4,442	(602)	-	3,840	3,838	2	99,9%	4,079	3,029
6.9 International Fund Facility for Immunisation Transfers and subsidies	9,700	(2,235)	-	7,465	7,464	1	100,0%	7,100	7,086
Total appropriation per Programme 6	818,654	-	58,185	876,839	857,787	19,052	97,8%	565,222	558,683

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

Programme 7 per economic classification	2011/12						2010/11		
	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
Current expenditure									
Compensation of employees	2,323	-	-	2,323	1,014	1,309	43.7%	-	-
Goods and services	45,997	18,292	-	64,289	63,937	352	99.5%	38,062	37,904
Transfers and subsidies									
Foreign governments and international organisations	1,881	71	-	1,952	1,951	1	99.9%	1,633	1,633
Non-profit institutions	71	-	-	71	71	-	100.0%	1	-
Households	3,726,637	(18,363)	-	3,708,274	3,247,050	461,224	87.6%	2,658,491	2,658,154
Payment for financial assets									
Households	-	-	-	-	150	(150)		-	156
Total appropriation per economic classification	3,776,909	-	-	3,776,909	3,314,173	462,736	87.7%	2,698,187	2,697,847
Programme 7 per Subprogramme	2011/12						2010/11		
	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
7.1 Programme Management									
Current expenditure	2,323	-	-	2,323	1,014	1,309	43.7%	-	-
7.2 Government Pension Admin Agency									
Current expenditure	45,997	18,292	-	64,289	63,937	352	99.5%	38,062	37,904
Payment for financial assets	-	-	-	-	-	-		-	143
7.3 Civil Pensions and Contributions to Funds									
Transfers and subsidies	3,537,983	(18,292)	-	3,519,691	3,068,151	451,540	87.2%	2,495,539	2,495,206
Payment for financial assets	-	-	-	-	150	(150)		-	13
7.4 Military Pensions and Other Benefits									
Transfers and subsidies	190,606	-	-	190,606	180,921	9,685	94.9%	164,586	164,581
Total appropriation per programme 7	3,776,909	-	-	3,776,909	3,314,173	462,736	87.7%	2,698,187	2,697,847

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PROGRAMME 8 : TECHNICAL SUPPORT AND DEVELOPMENT FINANCE

Programme 8 per economic classification	2011/12						2010/11		
	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
Current expenditure									
Compensation of employees	41,981	(77)	-	41,904	35,693	6,211	85.2%	44,111	34,315
Goods and services	123,774	-	21	123,795	117,621	6,174	95.0%	92,014	67,104
Transfers and subsidies									
Provinces and municipalities	2,263,324	-	-	2,263,324	2,251,717	11,607	99.5%	12,709,500	* 10,041,007
Departmental agencies and accounts	161,434	88,600	-	250,034	218,034	32,000	87.2%	147,363	72,363
Public corporations and private enterprises	2,050,026	(88,600)	-	1,961,426	239,712	1,721,714	12.2%	290,295	290,295
Households	-	77	-	77	76	1	98.7%	-	-
Payment for capital assets									
Machinery and equipment	1,380	-	-	1,380	392	988	28.4%	413	339
Payment for financial assets									
	-	-	-	-	51	(51)	-	-	56
Total appropriation per economic classification	4,641,919	-	21	4,641,940	2,863,296	1,778,644	61.7%	13,283,696	10,505,479
Programme 8 per Subprogramme	2011/12						2010/11		
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	
8.1 Programme Management									
Current expenditure	156,755	(77)	-	156,678	147,107	9,571	93.9%	136,125	101,419
Transfers and subsidies	21,434	77	-	21,511	21,510	1	100.0%	22,363	22,363
Payment for capital assets	380	-	21	401	392	9	97.8%	413	339
Payment for financial assets	-	-	-	-	51	(51)	-	-	56
8.2 Local Government Fin. Man. & Restructuring Grant									
Transfers and subsidies	423,641	-	-	423,641	423,641	-	100.0%	364,589	364,589
8.3 Neighbourhood Development Partnership Grant									
Current expenditure	-	-	-	-	-	-	-	-	-
Transfers and subsidies	850,000	-	-	850,000	808,393	41,607	95.1%	1,155,000	881,789
8.4 Development Bank of SA									
Current expenditure	-	-	-	-	-	-	-	-	-
Transfers and subsidies	100,026	-	-	100,026	100,026	-	100.0%	290,295	290,295
8.5 Post Disaster Recovery and Reconciliation									
Current expenditure	-	-	-	-	-	-	-	-	-
Transfers and subsidies	1,089,683	-	-	1,089,683	1,089,683	-	100.0%	11,314,911	8,844,629

*This is a shifting of function for prior year

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PROGRAMME 8: TECHNICAL SUPPORT AND DEVELOPMENT FINANCE - cont

Programme 8 per Subprogramme	2011/12						2010/11		
	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
8.6 Employment Creation Facilitation Fund									
Current expenditure	9,000	-	-	9,000	6,207	2,793	69.0%	-	-
Transfers and subsidies	1,990,000	-	-	1,990,000	266,286	1,723,714	13.4%	-	-
Payment for capital assets	1,000	-	-	1,000	-	1,000	-	-	-
Total appropriation per programme 8	4,641,919	-	21	4,641,940	2,863,296	1,778,644	61.7%	13,283,696	10,505,479

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for the year ended 31 March 2012

PROGRAMME 9: REVENUE ADMINISTRATION

	2011/12						2010/11		
	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
Programme 9 per Economic classification									
Transfers and subsidies									
Departmental agencies and accounts	8,653,573	-	-	8,653,573	8,653,573	-	100.0%	8,142,208	8,142,208
Total appropriation per economic classification	8,653,573	-	-	8,653,573	8,653,573	-	100.0%	8,142,208	8,142,208
Programme 9 per Subprogramme									
9.1 South African Revenue Service									
Transfers and subsidies	8,653,573	-	-	8,653,573	8,653,573	-	100.0%	8,142,208	8,142,208
Total appropriation per programme 9	8,653,573	-	-	8,653,573	8,653,573	-	100.0%	8,142,208	8,142,208

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PROGRAMME 10: FINANCIAL INTELLIGENCE AND STATE SECURITY

Programme 10 per economic classification	2011/12						2010/11			
	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	
Transfers and subsidies										
Departmental agencies and accounts	3,755,021	-	-	3,755,021	3,755,021	-	100.0%	3,488,166	3,488,167	
Foreign governments and international organisations	-	-	-	-	-	-	-	-	-	
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-	
Payment for financial assets										
Total appropriation per economic classification	3,755,021	-	-	3,755,021	3,755,021	-	100.0%	3,488,166	3,488,167	
Programme 10 per Subprogramme	2011/12						2010/11			
	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	
10.1 Financial Intelligence Centre										
Transfers and subsidies	136,500	-	-	136,500	136,500	-	100.0%	181,414	181,414	
10.2 Secret Services										
Transfers and subsidies	3,618,521	-	-	3,618,521	3,618,521	-	100.0%	3,306,752	3,306,753	
Total appropriation per programme 10	3,755,021	-	-	3,755,021	3,755,021	-	100.0%	3,488,166	3,488,167	

Notes to the appropriation statement

for the year ended 31 March 2012

Per programme	Final appropriation	Actual expenditure	Variance	Variance as a % of final appropriation		Explanations of variances
				R'000	%	
Programme 1: Administration	281,067	254,534	26,533	9.44%		32 vacant positions, delays in the refurbishment of 38 Church Square building, which affected infrastructure spent in relation to information, Communication and Technology (ICT), security and furniture.
Programme 2: Economic Policy, Tax, Financial Reg. and Research	210,364	140,467	69,897	33.23%		23 funded vacancies, the less-than-estimated banking cost recovery charges to the SARB, and delays in appointment of consultants for the economic research project.
Programme 3: Public Finance and Budget Management	209,878	196,429	13,449	6.41%		20 vacant positions and delays in development and implementation of the Comprehensive Expenditure Review project.
Programme 4: Asset and Liability Management	825,860	821,907	3,953	0.48%		10 vacant positions and cost cutting measures, resulting in an operational saving on travel & subsistence and payment of capital assets.
Programme 5: Financial Systems and Accounting	608,020	504,861	103,159	16.97%		22 vacant positions, payment of outstanding invoices for the transversal systems, the Integrated Financial Management System (IFMS) project and forensic environment projects.
Programme 6: International Financial Relations	876,839	857,787	19,052	2.17%		6 vacant positions and delays due to contractual agreement in transfer payment to the World Bank.
Programme 7: Civil and Military Pensions, Contributions to Funds and Other Benefits	3,776,909	3,314,173	462,736	12.25%		Outstanding payments for the post-retirement medical benefits, Special Pensions and the Political Office Bearers Fund.
Programme 8: Technical Support and Development Finance	4,641,940	2,863,296	1,778,644	38.32%		7 vacant positions and the delay in the conclusion of the agreement between the DBSA and the applicants for the employment creation facilitation fund. Refer to 1.6 of the Report of the Accounting Officer for a detailed explanation regarding the Employment Creation Facilitation fund.
Programme 9: Revenue Administration	8,653,573	8,653,573	-	0.00%		No variance.
Programme 10: Financial Intelligence and State Security	3,755,021	3,755,021	-	0.00%		No variance.
Total per programme	23,839,471	21,362,048	2,477,423	10.4%		

Notes to the appropriation statement

for the year ended 31 March 2012

Per economic classification	Final appropriation	Actual expenditure	Variance	Variance as a % of final appropriation
	R'000	R'000	R'000	%
Current expenditure	1,499,918	1,270,935	228,983	15.3%
Compensation of employees	600,814	537,101	63,713	10.6%
Goods and services	899,104	733,834	165,270	18.4%
Transfers and subsidies	21,568,944	19,330,844	2,238,100	10.4%
Provinces and municipalities	2,263,324	2,251,717	11,607	0.5%
Departmental agencies and accounts	12,776,706	12,744,655	32,051	0.3%
Public corporations and private enterprises	1,972,426	250,712	1,721,714	87.3%
Foreign governments and international organisations	844,671	833,808	10,863	1.3%
Non-profit institutions	71	71	-	-
Households	3,711,746	3,249,881	461,865	12.4%
Payments for capital assets	20,609	9,061	11,548	56.0%
Buildings and other fixed structures	3,600	-	3,600	100.0%
Machinery and equipment	17,009	9,061	7,948	46.7%
Payments for financial assets	750,000	751,208	(1,208)	(0.2%)
Total per economic classification	23,839,471	21,362,048	2,477,423	10.4%

Statement of financial performance

for the year ended 31 March 2012

PERFORMANCE	Note	2011/12	2010/11
		R'000	R'000
REVENUE			
Annual appropriation	1	23,839,471	50,209,414
Departmental revenue	2	3,409,060	3,340,611
Aid assistance	3	5,768	10,860
TOTAL REVENUE		27,254,299	53,560,885
EXPENDITURE			
Current expenditure			
Compensation of employees	4	537,101	476,173
Goods and services	5	733,834	693,915
Aid assistance	3	4,108	10,975
Total current expenditure		1,275,043	1,181,063
Transfers and subsidies		19,330,844	25,334,547
Transfers and subsidies	7	19,330,844	25,334,547
Expenditure for capital assets		9,061	9,373
Tangible capital assets	8	9,061	9,373
Total expenditure for capital assets			
Payment for financial assets	6	751,208	20,747,183
TOTAL EXPENDITURE		21,366,156	47,272,166
SURPLUS/(DEFICIT) FOR THE YEAR		5,888,143	6,288,719
Reconciliation of net surplus/(deficit) for the year			
Voted funds		2,477,423	2,949,028
Annual appropriation		2,477,423	2,949,028
Departmental revenue	2	3,409,060	3,340,611
Aid assistance	3	1,660	(920)
SURPLUS/(DEFICIT) FOR THE YEAR		5,888,143	6,288,719

Statement of financial position

for the year ended 31 March 2012

POSITION	Note	2011/12	2010/11
		R'000	R'000
ASSETS			
Current assets		2,492,064	497,909
Cash and cash equivalents	<u>9</u>	2,299,670	354,651
Prepayments and advances	<u>10</u>	3,907	2,303
Receivables	<u>11</u>	188,487	139,782
Aid assistance receivable	<u>3</u>	-	1,173
Non-current assets		65,747,539	65,331,409
Investments	<u>12</u>	400,956	400,956
Loans	<u>13</u>	65,346,583	64,930,453
TOTAL ASSETS		68,239,603	65,829,318
LIABILITIES			
Current liabilities		2,491,837	497,640
Voted funds to be surrendered to the Revenue Fund	<u>14</u>	2,477,423	478,747
Departmental revenue to be surrendered to the Revenue Fund	<u>15</u>	544	7,522
Bank Overdraft	<u>16</u>	-	1,862
Payables	<u>17</u>	13,226	8,972
Aid assistance payable	<u>3</u>	-	379
Aid assistance unutilised	<u>3</u>	644	158
TOTAL LIABILITIES		2,491,837	497,640
NET ASSETS		65,747,766	65,331,678
Represented by:			
Capitalisation reserve		400,956	400,956
Recoverable revenue		65,346,810	64,930,722
TOTAL		65,747,766	65,331,678

Statement of changes in net assets

for the year ended 31 March 2012

NET ASSETS	Note	2011/12	2010/11
		R'000	R'000
Capitalisation reserves			
Opening balance	<i>Annex 2A</i>	400,956	400,956
Closing balance		<u>400,956</u>	<u>400,956</u>
Recoverable revenue			
Opening balance		64,930,722	44,546,960
Transfers:		416,088	20,383,762
Debts recovered (included in departmental receipts)		(42)	(181)
Debts raised		416,130	20,383,943
Closing balance		<u>65,346,810</u>	<u>64,930,722</u>
TOTAL		<u>65,747,766</u>	<u>65,331,678</u>

Cash flow statement

for the year ended 31 March 2012

CASH FLOW	Note	2011/12	2010/11
		R'000	R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		27,127,643	50,937,219
Annual appropriated funds received	1	23,839,471	47,739,133
Departmental revenue received	2	3,282,404	3,187,226
Aid assistance received	3	5,768	10,860
Net decrease/(increase) in working capital		(46,055)	(3,088)
Surrendered to Revenue Fund		(3,894,785)	(3,512,772)
Surrendered to RDP Fund/Donor		(380)	-
Current payments		(1,275,043)	(1,181,063)
Payments for financial assets ²		(751,208)	(20,747,183)
Transfers and subsidies paid		(19,330,844)	(25,334,547)
Net cash flow available from operating activities	18	1,829,328	158,566
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for capital assets	8	(9,061)	(9,373)
Proceeds from sale of capital assets	2	-	86
Increase in loans	13	(416,130)	(20,383,742)
Net cash flows from investing activities		(425,191)	(20,393,029)
CASH FLOWS FROM FINANCING ACTIVITIES			
Distribution/dividend received	2	126,656	153,299
Increase in net assets		416,088	20,383,762
Net cash flows from financing activities		542,744	20,537,061
Net increase/(decrease) in cash and cash equivalents		1,946,881	302,598
Cash and cash equivalents at beginning of period		352,789	50,191
Cash and cash equivalents at end of period	9&19	2,299,670	352,789

1. ANNUAL APPROPRIATION

	Final Appropriation	Actual Funds Received	Funds not requested/ not received	Appropriation received 2010/11
	R'000	R'000	R'000	R'000
Administration	281,067	281,067	-	276,551
Economic Policy, Tax, Financial Regulation and Research	210,364	210,364	-	106,245
Public Finance and Budget Management	209,878	209,878	-	187,117
Asset and Liability Management	825,860	825,860	-	20,822,800
Financial Systems and Accounting	608,020	608,020	-	639,222
International Financial Relations	876,839	876,839	-	565,222
Civil and Military Pensions, Contribution to Funds and Other benefits	3,776,909	3,776,909	-	2,698,187
Technical Support and Development Finance	4,641,940	4,641,940	-	10,813,415
Revenue Administration	8,653,573	8,653,573	-	8,142,208
Financial Intelligence and State Security	3,755,021	3,755,021	-	3,488,166
Total	23,839,471	23,839,471	-	47,739,133
Reconciliation 2010/11				
Final Appropriation				50,209,414
Funds not requested/not received				(2,470,281)*
Total				47,739,133

* Funds were not requested due to withholding of the Provincial Infrastructure Grant to provinces

2. DEPARTMENTAL REVENUE

	Note	2011/12	2010/11
		R'000	R'000
Sales of goods and services other than capital assets	2.1	71,713	50,960
Interest, dividends and rent on land	2.2	2,861,771	2,609,482
Sales of capital assets	2.3	-	86
Financial transactions in assets and liabilities	2.4	475,576	680,083
Departmental revenue collected		3 409 060	3,340,611

Notes to the annual financial statements

for the year ended 31 March 2012

2.1 Sales of goods and services other than capital assets

	Note	2011/12	2010/11
		R'000	R'000
Sales of goods and services produced by the department		71,643	50,955
Sales by market establishment		91	92
Administrative fees		5	12
Other sales		71,547	50,851
Sales of scrap, waste and other used current goods		70	5
Total		71,713	50,960

2.2 Interest, dividends and rent on land

Interest		2,735,115	2,456,183
Dividends		126,656	153,299
Total		2,861,771	2,609,482

2.3 Sale of capital assets

Tangible capital assets			
Machinery and equipment		-	86
Total		-	86

2.4 Financial transactions in assets and liabilities

Receivables		205	181
Other receipts including Recoverable Revenue		475,371	679,902
Total		475,576	680,083

3. AID ASSISTANCE**3.1 Aid assistance received in cash from RDP**

Foreign			
Opening balance		(636)	284
Revenue		5,768	10,860
Expenditure		(4,108)	(11,780)
Current		(4,108)	(10,975)
Capital		-	(805)
Surrendered to the RDP		(380)	-
Closing balance		644	(636)

<i>Note</i>	2011/12	2010/11
	R'000	R'000
3.2 Total assistance		
Opening balance	(636)	284
Revenue	5,768	10,860
Expenditure	(4,108)	(11,780)
Current	(4,108)	(10,975)
Capital	-	(805)
Surrendered / transferred to retained funds	(380)	-
Closing balance	644	(636)

3.3 Analysis of balance

Aid assistance receivable	-	(1,173)
Aid assistance unutilised	-	158
Aid assistance repayable	644	379
Closing balance	644	(636)

4. COMPENSATION OF EMPLOYEES**4.1 Salaries and Wages**

Basic salary	331,560	301,747
Performance award	33,764	21,611
Service Based	809	889
Compensative/circumstantial	1,490	1,910
Periodic payments	-	76
Other non-pensionable allowances	117,222	103,045
Total	484,845	429,278

4.2 Social contributions**Employer contributions**

Pension	39,780	35,461
Medical	12,418	11,376
Bargaining council	58	58
Total	52,256	46,895
Total compensation of employees	537,101	476,173
Average number of employees	1,127	1,089

Notes to the annual financial statements

for the year ended 31 March 2012

5. GOODS AND SERVICES

	<i>Note</i>	2011/12	2010/11
		R'000	R'000
Administrative fees		49,335	6,190
Advertising		2,105	2,177
Assets less than R5,000	5.1	345	423
Bursaries (employees)		3,043	2,726
Catering		2,070	1,566
Communication		7,689	6,605
Computer services	5.2	286,714	371,359
Consultants, contractors and agency/outsourced services	5.3	247,906	168,119
Entertainment		187	191
Audit cost – external	5.4	10,048	9,231
Inventory	5.5	14,373	14,635
Operating leases		38,616	42,378
Owned and leasehold property expenditure	5.6	11,306	8,568
Travel and subsistence	5.7	40,932	38,115
Venues and facilities		7,644	8,551
Training and staff development		8,893	8,367
Other operating expenditure	5.8	2,628	4,714
Total		733,834	693,915

5.1 Assets less than R5,000

Tangible assets			
Machinery and equipment		345	423
Total		345	423

5.2 Computer services

SITA computer services		27,915	28,632
External computer service providers		258,799	342,727
Total		286,714	371,359

5.3 Consultants, contractors and agency/outsourced services

Business and advisory services		225,980	151,938
Legal costs		7,324	6,814
Contractors		1,602	1,358
Agency and support/outsourced services		13,000	8,009
Total		247,906	168,119

Note	2011/12	2010/11
	R'000	R'000
5.4 Audit cost – External		
Regularity audits	9,531	9,167
Performance audits	501	64
Forensic investigations	16	-
Total	10,048	9,231
5.5 Inventory		
Food and food supplies	913	826
Fuel, oil and gas	607	493
Other consumable materials	916	1,025
Maintenance material	131	69
Stationery and printing	11,805	12,220
Medical supplies	1	2
Total	14,373	14,635
5.6 Owned and leasehold property expenditure		
Municipal services	10,616	8,072
Property management fees	514	403
Other	176	93
Total	11,306	8,568
5.7 Travel and subsistence		
Local	26,404	21,043
Foreign	14,528	17,072
Total	40,932	38,115
5.8 Other operating expenditure		
Professional bodies, membership and subscription fees	2,015	3,936
Resettlement costs	301	406
Other	312	372
Total	2,628	4,714

Notes to the annual financial statements

for the year ended 31 March 2012

	<i>Note</i>	2011/12	2010/11
		R'000	R'000
6. PAYMENT FOR FINANCIAL ASSETS			
Extension of loans for policy purposes*		750,000	20,746,700
Other material losses written off	6.1	1,208	360
Debts written off	6.2	-	123
Total		751,208	20,747,183
6.1 Other material losses written off			
Nature of losses			
Accident damages		-	184
Miscellaneous		1,208	176
Total		1,208	360
6.2 Debts written off			
Civil and military pension (bad debts)		-	123
Total		-	123
7. TRANSFERS AND SUBSIDIES			
Provinces and municipalities	<i>Annex 1A, 1B & 1C</i>	2,251,717	10,041,008
Departmental agencies and accounts	<i>Annex 1D</i>	12,884,341	11,804,432
Universities and technikons	<i>Annex 1E</i>	-	5,300
Foreign governments and international organisations	<i>Annex 1G</i>	833,808	533,729
Public corporations and private enterprises	<i>Annex 1F</i>	111,026	290,295
Non-profit institutions	<i>Annex 1H</i>	71	-
Households	<i>Annex 1I</i>	3,249,881	2,659,783
Total		19,330,844	25,334,547
8. EXPENDITURE FOR CAPITAL ASSETS			
Tangible assets			
Machinery and equipment		9,061	9,373
Total		9,061	9,373

* Payments to Land Bank (R750 million) and to Eskom (R20 Billion)

<i>Note</i>	2011/12	2010/11
	R'000	R'000

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

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

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

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

9. CASH AND CASH EQUIVALENTS

Consolidated Paymaster General Account	1,886,098	210,931
Cash on hand	21	21
Cash with commercial banks (Local)	413,551	143,699
Total	2,299,670	354,651

10. PREPAYMENTS AND ADVANCES

Travel and subsistence	26	58
Prepayments	3,881	2,245
Total	3,907	2,303

11. RECEIVABLES

		2011/12			2010/11	
	<i>Note</i>	R'000	R'000	R'000	R'000	R'000
		Less than one year	One to three years	Older than three years	Total	Total
Claims recoverable	11.1	4,186	3,443	130,315	137,944	137,761
Recoverable expenditure	11.2	747	147	13	907	390
Staff debt	11.3	65	394	300	759	1,001
Other debtors	11.4	48,877	-	-	48,877	630
Total		53,875	3,984	130,628	188,487	139,782

Notes to the annual financial statements

for the year ended 31 March 2012

	<i>Note</i>	2011/12	2010/11
		R'000	R'000
11.1 Claims recoverable			
National departments		1,054	2,577
Provincial departments		125,113	125,153
Foreign governments		555	661
Households and non-profit institutions		11,222	9,370
Total		137,944	137,761
11.2 Recoverable expenditure			
Disallowance damages and losses		237	222
Disallowance miscellaneous		619	119
Private telephones		51	49
Total		907	390
11.3 Staff debt			
Departmental Debt		759	1,001
Total		759	1,001
11.4 Other debtors			
Value Added Tax (SARS)		281	630
Disbursements		48,596	-
Total		48,877	630
12. INVESTMENTS			
Non-Current (non-current shares)			
Development Bank of Southern Africa	<i>Annex 2A</i>	200,000	200,000
Public Investment Corporation Limited	<i>Annex 2A</i>	1	1
SASRIA	<i>Annex 2A</i>	-	-
Land Bank	<i>Annex 2A</i>	200,955	200,955
Total		400,956	400,956
Analysis of non-current investments			
Opening balance		400,956	400,956
Closing balance		400,956	400,956

Note	2011/12	2010/11
	R'000	R'000

13. LOANS

Public corporations*	65,346,583	64,930,453
Total	65,346,583	64,930,453
Analysis of balance		
Opening balance	64,930,453	44,546,711
New issues	416,130	20,383,742
Closing balance	65,346,583	64,930,453

14. VOTED FUNDS TO BE SURRENDERED TO THE REVENUE FUND

Opening balance	478,747	176,842
Transfer from statement of financial performance	2,477,423	2,949,028
Voted funds not requested/not received	-	(2,470,281)
Paid during the year	(478,747)	(176,842)
Closing balance	2,477,423	478,747

15. DEPARTMENTAL REVENUE TO BE SURRENDERED TO THE REVENUE FUND

Opening balance	7,522	2,841
Transfer from Statement of Financial Performance	3,409,060	3,340,611
Paid during the year	(3,416,038)	(3,335,930)
Closing balance	544	7,522

16. BANK OVERDRAFT

Consolidated Paymaster General Account	-	1,862
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17. PAYABLES – CURRENT

Advances received	17.1	-	1,112
Clearing accounts	17.2	84	79
Other payables	17.3	13,142	7,781
Total		13,226	8,972

* Mainly to Eskom (R60 Billion), Gautrain (R4.2 Billion)

Notes to the annual financial statements

for the year ended 31 March 2012

	<i>Note</i>	2011/12 R'000	2010/11 R'000
17.1 Advances received			
Department of Justice and Constitutional Development		-	990
Pension Administration		-	122
Total		-	1,112
17.2 Clearing accounts			
Income tax		40	50
Persal Reversal Account		44	29
Total		84	79
17.3 Other payables			
Civil and military pensions		6,802	4,130
Special pensions		6,340	3,651
Total other pension		13,142	7,781

18. NET CASH FLOW AVAILABLE FROM OPERATING ACTIVITIES

Net surplus as per Statement of Financial Performance		5,888,143	6,288,719
Add back non cash/cash movements not deemed operating activities		(4,058,815)	(6,130,153)
Decrease/(increase) in receivables – current	11	(48,705)	219
Increase in prepayments and advances	10	(1,604)	(930)
Increase/(decrease) in payables – current	17	4,254	(2,377)
Proceeds from sale of capital assets	30.4	-	(86)
Expenditure on capital assets	8	9,061	9,373
Surrenders to Revenue Fund	14&15	(3,894,785)	(3,512,772)
Surrenders to RDP Fund/Donor	3	(380)	-
Voted funds not requested/not received		-	(2,470,281)
Dividend received	2.2	(126,656)	(153,299)
Net cash flow generated by operating activities		1,829,328	158,566

Note	2011/12	2010/11
	R'000	R'000

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

Consolidated Paymaster General account	1,886,098	209,069
Cash on hand	21	21
Cash with commercial banks (local)	413,551	143,699
Total	2,299,670	352,789

20. CONTINGENT LIABILITIES

Liable to	Nature	Note	2011/12	2010/11
Motor vehicle guarantees	Employees	Annex 3A	-	-
Housing loans guarantees	Employees	Annex 3A	-	-
Other guarantees ¹		Annex 3A	26,784,421	27,711,808
Claims against the department		Annex 3B	1,365,424	1,345,770
Other		Annex 3B	355,989	343,897 ²
Total			28,505,834	29,401,475

¹Current amount per annexure 3 is made up of the closing balance (R 26,710,363) and the guaranteed interest (R 74,058).

²Restatement of prior year Civil, Military and Special Pension (Life Certificates) Contingent Liabilities which included R19.5 million that should have been classified under Provisions. (Refer to notes 29 Provisions).

* Prior year is only made up of capital portion.

Disclosure to the annual financial statements

for the year ended 31 March 2012

<i>Note</i>	2011/12	2010/11
	R'000	R'000

21. COMMITMENTS

Current expenditure

Approved and contracted	6	45
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Capital expenditure

Approved and contracted	-	-
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Total	6	45
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22. ACCRUALS

Listed by economic classification

	30 Days	30+ Days	2011/12 Total	2010/11 Total
Goods and services	7,863	2,405	10,268	31,288
Transfers and subsidies	42,410	87	42,227	196,463
Other	151	74	225	71
Total	50,154	2,566	52,720	227,822

Listed by programme level

Administration	3,637	2,617
Economic Policy, Tax, Financial Regulation and Research	809	906
Public Finance and Budget Management	1,476	1,314
Asset and Liability Management	287	627
Financial Systems and Accounting	1,607	1,159
International Financial Relations	704	7
Civil and Military Pensions, Contributions to Funds and Other Benefits	43,581	215,285
Technical Support and Development Finance	619	5,907
Total	52,720	227,822

23. EMPLOYEE BENEFITS

Leave entitlement	16,159	12,223
Service bonus (thirteenth cheque)	10,277	9,326
Performance awards	33,000	24,207
Capped leave commitments	14,561	14,643
Total	73,997	60,399

<i>Note</i>	2011/12	2010/11
	R'000	R'000

24. LEASE COMMITMENTS

Operating leases expenditure

2011/12	Buildings and other fixed structures	Machinery and equipment	Total
Not later than 1 year	2,242	1,357	3,599
Later than 1 year and not later than 5 years	2,171	1,301	3,472
Total lease commitments	4,413	2,658	7,071

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

25. RECEIVABLES FOR DEPARTMENTAL REVENUE

Sales of goods and services other than capital assets	30	126
Interest, dividends and rent on land	312,743	177,151
Financial transactions in assets and liabilities	6,081	13,196
Total	318,854	190,473

26. IRREGULAR EXPENDITURE

Reconciliation of irregular expenditure

Opening balance	8,282	5,392
Add: Irregular expenditure – relating to current year	-	3,066
Less: Amounts condoned	(8,282) ³	(176)
Irregular expenditure awaiting condonation	-	8,282

Analysis of awaiting condonation per age classification

Current year	(8,282)	3,066
Prior years	8,282	5,216
Total	-	8,282

³This amount relates to Venzulu Development Agency that was sorting the Special Pensions administrative processes. Other Special Pensions amounts have been reclassified as Provisions (Refer to note 29; Special Pension).

Disclosure to the annual financial statements

for the year ended 31 March 2012

	Note	2011/12	2010/11
		R'000	R'000
27. FRUITLESS AND WASTEFUL EXPENDITURE			
Opening balance		-	-
Fruitless and wasteful expenditure –relating to prior year		1,107 ⁴	-
Fruitless and wasteful expenditure –relating to current year		3,988	-
Less: Amounts Condoned		(5,095)*	-
Fruitless and wasteful expenditure awaiting condonation		-	-
Analysis of current year's fruitless and wasteful expenditure			
32 Church Square lease:			
Accommodation charges		885	-
Municipal charge (pro-rata to office space)		261	-
Penalties on municipal charges		42	-
Settlement Charge		2,800	-
Total		3,988*	-

28. KEY MANAGEMENT PERSONNEL

	No. of Individuals		
Political office bearers	2	3,968	3,403
Officials:			
Level 15 to 16	13	12,718	14,010
Level 14	76	63,509	60,994
Total		80,195	78,407

⁴Amounts incurred relating to the underutilisation of the building for the previous financial years was R1 million (2009/10), R0.9 million (2008/9), and R0.4 million (2007/08).

*The expenditure related to a building that was leased and partially utilised which needed to be refurbished in order to be occupied fully. After doing a cost benefit analysis considering further refurbishment, it was noted that further refurbishment would be costly and hence the lease was settled early. The settlement resulted in future cost savings of R2.5 million. The fruitless and wasteful expenditure was condoned by the relevant authority in March 2012.

<i>Note</i>	2011/12	2010/11
	R'000	R'000

29. PROVISIONS

Impairment

Ex-employee debtors	647	1,050
Other debtors (<i>Material Losses</i>) ⁵	17,165	11,449
Total	17,812	12,499

Other Provisions

Military Pension	1,977	3,059
Injury on duty	33,562	39,058
Medical benefits	1,253	3,053
Admin Expense Claim	3,755	-
Special Pension	5,059	6,551
Total	45,606	51,721⁶

30. RELATED PARTY RELATIONSHIPS

30.1 Public and Trading Entities under control of the National Treasury

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

⁵Includes restatement of Other Debtors which were previously disclosed under note 26 (irregular expenditure) relating to material losses as a result of beneficiaries investigated by the Special Investigating Unit (SIU), Percy Sonn and Nexus Forensics on Programme 7 to show accumulated amounts in line with the Departmental Reporting Framework. Amounts representing the restatement are Schedule 1 offences (2011/12 R5.4 million; 2010/11 R3.4 million) and Fraud offences (2011/12 R12 million; 2010/11 R8 million).

⁶Other provisions represents a restatement pertaining to Civil, Military and Special Pensions (Life Certificate) provision amounting to R19.5 million which was incorrectly classified under Contingent Liabilities. The incorrect amount classified under Contingent Liabilities in the previous year amounted to R48.6 million.

Disclosure to the annual financial statements

for the year ended 31 March 2012

30.2 Related Party Transactions

Name	Nature	Amount
<i>Financial</i>		R'000
TAU	Building Occupied	R1,323
CBDA	Building Occupied	R698
PPP	Building Occupied	R718
<i>Non-Financial</i>		
Department of Public Works	Building Occupation (40 Church Square)	-
TOTAL		R2,739*

30.3 Movable tangible capital assets

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

	Opening balance	Current Year adjustments to prior year balances	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000	R'000
Machinery and equipment					
Transport assets	2,783	-	1,058	-	3,841
Computer equipment	52,581	-	5,627	(961)	57,274
Furniture and office equipment	16,277	-	775	-	17,052
Other machinery and equipment	6,359	-	1,602	(9)	7,952
Total movable tangible capital assets	78,000	-	9,062	(970)	86,092

30.4 Additions

Additions to movable tangible capital assets per asset register for the year ended 31 March 2012

	Cash	Non-cash	(Capital work in Progress current costs and finance lease payments)	Received current, not paid (paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
Description					
Transport assets	1,057	1	-	-	1,058
Computer equipment	5,627	-	-	-	5,627
Furniture and office equipment	775	-	-	-	775
Other machinery and equipment	1,602	-	-	-	1,602
Total additions of movable tangible capital assets	9,061	1	-	-	9,062

*These are fair values, as the entities do not pay actual rent.

Disclosure to the annual financial statements

for the year ended 31 March 2012

30.5 Disposals

Disposals of movable tangible capital assets per asset register for the year ended 31 March 2012

Description	Assets sold	Transfer out or destroyed or scrapped	Total Disposals	Cash received actual
	R'000	R'000	R'000	R'000
Transport assets	-	-	-	-
Computer equipment	814	147	961	41
Furniture and office equipment	-	-	-	-
Other machinery and equipment	9	-	9	-
Total Disposal of movable tangible capital assets	823	147	970	41

30.6 Movement for 2010/11

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

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

30.7 Minor assets

Movement in minor assets per the asset register for the year ended 31 March 2012

Description	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Closing balance
	R'000	R'000	R'000	R'000	R'000
Opening balance	-	-	33,525	-	33,525
Current year adjustment to prior year balances	-	-	-	-	-
Additions	-	-	347	-	347
Disposal	-	-	(201)	-	(201)
TOTAL	-	-	33,671	-	33,671

Disclosure to the annual financial statements

for the year ended 31 March 2012

	Machinery and equipment	Total
Number of R1 minor assets	-	-
Number of minor assets at cost	23	23
Total number of minor assets	23	23

Movement in minor assets per the asset register for the year ended 31 March 2011

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

	Machinery and equipment	Total
Number of R1 minor assets	-	-
Number of minor assets at cost	23	23
Total number of minor assets	23	23

Annexures to the annual financial statements

for the year ended 31 March 2012

ANNEXURE 1A

STATEMENT OF CONDITIONAL GRANTS PAID TO THE PROVINCES

NAME OF PROVINCE/ GRANT	GRANT ALLOCATION (2011/12)			TRANSFER (2011/12)			SPENT (2011/12)		2010/11* Division of Revenue Act		
	Division of Revenue Act	Rollovers	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department	Amount received by department		Amount spent by department	% of available funds spent by department
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000		R'000	%
Eastern Cape	-	-	-	-	-	-	-	-	-	2,010,800	
Free State	117,119	-	-	117,119	117,119	-	-	117,119	-	869,338	
Gauteng	-	-	-	-	-	-	-	-	-	952,477	
Kwa-Zulu Natal	-	-	-	-	-	-	-	-	-	2,395,763	
Limpopo	261,514	-	-	261,514	261,514	-	-	261,514	-	1,743,422	
Mpumalanga	302,437	-	-	302,437	302,437	-	-	302,437	-	976,347	
Northern Cape	213,999	-	-	213,999	213,999	-	-	213,999	-	598,847	
North West	194,614	-	-	194,614	194,614	-	-	194,614	-	973,072	
Western Cape	-	-	-	-	-	-	-	-	-	794,845	
Total conditional grants to provinces	1,089,683	-	-	1,089,683	1,089,683	-	-	1,089,683	-	11,314,911	

Note: Spending of this grant (Schedule 4) is subsumed in the spending of a range of programmes across provincial departments and therefore no reporting on expenditure is required in terms of Section 13(3)(b) of the Division of Revenue Act (Act no. 6 of 2011).

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

Annexures to the annual financial statements

for the year ended 31 March 2012

ANNEXURE 1B

STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES

NAME OF MUNICIPALITY	GRANT ALLOCATION (2011/12)				TRANSFER (2011/12)			SPENT (2011/12)			2010/11 Division of Revenue Act R'000
	Division of Revenue Act	Rollovers	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocation by National Treasury or National Department	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Amatole District Municipalities	34,000	-	37,450	71,450	71,450	-	-	71,450	48,829	68%	25,000
Ba-Phalaborwa	7,000	-	(2,000)	5,000	-	-	-	-	-	-	10,000
Beaufort West	2,800	-	(600)	2,200	2,200	-	-	2,200	429	20%	2,000
Bitou	14,000	-	(4,010)	9,990	9,990	-	-	9,990	8,159	82%	15,000
Buffalo City	2,500	-	(2,500)	-	-	-	-	-	-	-	13,000
Bushbuckridge	-	-	-	-	-	-	-	-	-	-	3,000
Cape Town	75,000	-	(800)	74,200	74,200	-	-	74,200	44,022	59%	95,000
Ditlhabeng	4,000	-	(4,000)	-	-	-	-	-	-	-	7,000
Ekurhuleni Metro	20,000	-	(16,000)	4,000	3,883	-	-	3,883	3,883	100%	58,236
Emnambithi (Ladysmith)	12,000	-	2,650	14,650	14,650	-	-	14,650	5,320	36%	15,000
Ethekwini	85,100	-	(85,100)	-	-	-	-	-	-	-	107,155
Ga-Segonyana	5,000	-	(5,000)	-	-	-	-	-	-	-	8,000
Greater Taung	28,000	-	(23,500)	4,500	4,500	-	-	4,500	1,500	33%	16,500
Greater Tzaneen	14,000	-	(2,000)	12,000	12,000	-	-	12,000	8,593	72%	15,000
Johannesburg	60,000	-	-	60,000	60,000	-	-	60,000	60,000	100%	80,000
King Sabata Dalidyebo	-	-	-	-	-	-	-	-	-	-	9,000
Knysna	5,000	-	(880)	4,120	4,120	-	-	4,120	2,727	66%	12,000
Kwadukuza	15,000	-	(15,000)	-	-	-	-	-	11,836	-	15,000
Langeberg	2,000	-	(1,500)	500	-	-	-	-	-	-	2,400
Subtotal carried forward	385,400	-	(122,790)	262,610	256,993	-	-	256,993	195,298	-	518,291

Annexures to the annual financial statements

for the year ended 31 March 2012

ANNEXURE 1B

STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES (CONTINUED)

NAME OF MUNICIPALITY	GRANT ALLOCATION (2011/12)			TRANSFER (2011/12)			SPENT (2011/12)			2010/11 Division of Revenue Act R'000	
	Division of Revenue Act R'000	Rollovers R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	Funds Withheld R'000	Re-allocation by National Treasury or National Department R'000	Amount received by municipality R'000	Amount spent by municipality R'000		% of available funds spent by municipality R'000
Subtotal brought forward	385,400	-	(122,790)	262,610	256,993	-	-	256,993	195,298	-	518,291
Lekwa	-	-	4,290	4,290	-	-	-	-	-	-	12,000
Lukhanji	-	-	-	-	-	-	-	-	-	-	5,000
Makana	15,000	-	(3,200)	11,800	11,800	-	-	11,800	6,752	57%	20,000
Mandeni	12,000	-	15,000	27,000	27,000	-	-	27,000	12,886	48%	15,000
Matjhabeng	5,000	-	(4,500)	500	500	-	-	500	100	20%	8,000
Matlosana	5,000	-	(5,000)	-	-	-	-	-	-	-	10,226
Matzikama	3,000	-	(1,350)	1,650	1,650	-	-	1,650	1,650	100%	5,600
Mbombela	6,500	-	(6,500)	-	-	-	-	-	-	-	5,861
Metsweding	-	-	-	-	-	-	-	-	-	-	15,000
Mogalakwena	28,000	-	-	28,000	28,000	-	-	28,000	13,220	47%	8,000
Mogale City	20,000	-	(20,000)	-	-	-	-	-	-	-	20,000
Msunduzi	4,000	-	2,650	6,650	6,650	-	-	6,650	1,250	19%	15,000
Ndwedwe	10,000	-	700	10,700	10,700	-	-	10,700	176	2%	15,000
Nelson Mandela Bay	60,000	-	(45,000)	15,000	15,000	-	-	15,000	14,582	97%	75,201
Newcastle	12,000	-	15,060	27,060	27,060	-	-	27,060	11,555	43%	15,000
Nongoma	10,000	-	30,500	40,500	40,500	-	-	40,500	25,000	62%	15,000
Oudtshoorn	9,000	-	-	9,000	9,000	-	-	9,000	9,000	100%	8,000
Overstrand	4,200	-	(2,200)	2,000	2,000	-	-	2,000	722	36%	8,500
Polokwane	17,000	-	-	17,000	17,000	-	-	17,000	9,755	57%	12,000
Port St Johns	-	-	-	-	-	-	-	-	-	-	7,000
Ramotshere Moila	10,000	-	5,000	15,000	15,000	-	-	15,000	9,588	64%	6,000
Subtotal carried forward	616,100	-	(137,340)	478,760	468,853	-	-	468,853	311,534	-	819,679

Annexures to the annual financial statements

for the year ended 31 March 2012

ANNEXURE 1B

STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES (CONTINUED)

NAME OF MUNICIPALITY	GRANT ALLOCATION (2011/12)			TRANSFER (2011/12)			SPENT (2011/12)			2010/11 Division of Revenue Act R'000	
	Division of Revenue Act R'000	Rollovers R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	Funds Withheld R'000	Re-allocation by National Treasury or National Department R'000	Amount received by municipality R'000	Amount spent by municipality R'000		% of available funds spent by municipality R'000
Subtotal brought forward	616,100	-	(137,340)	478,760	468,853	-	-	468,853	311,534	-	819,679
Rustenburg	4,000	-	(4,000)	-	-	-	-	-	-	-	10,000
Sedibeng	14,000	-	(8,000)	6,000	6,000	-	-	6,000	5,315	89%	50,000
Senqu	2,900	-	1,700	4,600	2,900	-	-	2,900	850	29%	15,000
Sol Plaatjie	10,000	-	(2,780)	7,220	7,220	-	-	7,220	3,680	51%	19,300
Steve Tshwete	15,000	-	-	15,000	15,000	-	-	15,000	8,217	55%	10,000
Thulamela	25,000	-	100,000	125,000	125,000	-	-	125,000	31,604	25%	20,000
Tlokwe	4,000	-	(4,000)	-	-	-	-	-	-	-	8,000
Tshwane	45,000	-	37,000	82,000	82,000	-	-	82,000	69,316	85%	38,021
Umgeni	-	-	-	-	-	-	-	-	-	-	3,000
Umtshezi	4,000	-	3,600	7,600	7,600	-	-	7,600	5,521	73%	12,000
Umtzikhulu	5,000	-	11,570	16,570	16,570	-	-	16,570	10,866	66%	10,000
West Rand	5,000	-	(5,000)	-	-	-	-	-	-	-	15,000
Zululand	-	-	-	-	-	-	-	-	-	-	-
Witzenberg	-	-	2,000	2,000	2,000	-	-	2,000	-	-	-
Theewaterskloof	-	-	2,000	2,000	2,000	-	-	2,000	-	-	-
Cederberg	-	-	1,250	1,250	1,250	-	-	1,250	-	-	-
Mosselbay	-	-	2,000	2,000	2,000	-	-	2,000	-	-	-
Total	750,000	-	-	750,000	738,393	-	-	738,393	446,903	-	1 030 000

Annexures to the annual financial statements

for the year ended 31 March 2012

ANNEXURE 1C

STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES

NAME OF MUNICIPALITY	GRANT ALLOCATION (2011/12)				TRANSFER (2011/12)		SPENT (2011/12)			2010/11
	Division of Revenue Act	Rolovers	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	Total Available
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	R'000
IKail Garib	1,450	-	-	1,450	1,450	100%	1,450	1,449	100%	1,200
IYkheis	1,450	-	-	1,450	1,450	100%	1,450	1,450	100%	1,200
//Khara Hais	1,450	-	-	1,450	1,450	100%	1,450	1,450	100%	1,200
Abaqulusi	1,450	-	-	1,450	1,450	100%	1,450	834	58%	1,200
Aganang	1,250	-	-	1,250	1,250	100%	1,250	713	57%	1,000
Albert Luthuli	1,250	-	-	1,250	1,250	100%	1,250	1,002	80%	3,000
Alfred Nzo	1,250	-	-	1,250	1,250	100%	1,250	383	31%	1,000
Amahlathi	1,500	-	-	1,500	1,500	100%	1,500	820	55%	1,250
Amajuba	1,250	-	-	1,250	1,250	100%	1,250	1,250	100%	1,000
Amatole	1,250	-	-	1,250	1,250	100%	1,250	340	27%	1,000
Ba-Phalaborwa	1,250	-	-	1,250	1,250	100%	1,250	748	60%	1,000
Baviaans	1,500	-	-	1,500	1,500	100%	1,500	1,499	100%	1,250
Beaufort West	1,250	-	-	1,250	1,250	100%	1,250	856	68%	1,000
Bela-Bela	1,250	-	-	1,250	1,250	100%	1,250	801	64%	1,000
Bergrivier	1,250	-	-	1,250	1,250	100%	1,250	866	69%	1,000
Bitou	1,250	-	-	1,250	1,250	100%	1,250	664	53%	2,750
Blouberg	1,500	-	-	1,500	1,500	100%	1,500	941	63%	1,250
Blue Crane Route	1,450	-	-	1,450	1,450	100%	1,450	956	66%	1,200
Subtotal carried forward	24,250	-	-	24,250	24,250	100%	24,250	17,022	66%	23,500

Annexures to the annual financial statements

for the year ended 31 March 2012

ANNEXURE 1C

STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES (CONTINUED)

NAME OF MUNICIPALITY	GRANT ALLOCATION (2011/12)				TRANSFER (2011/12)		SPENT (2011/12)			2010/11
	Division of Revenue Act	Rollovers	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	Total Available
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	R'000
Subtotal brought forward	24,250	-	-	24,250	24,250		24,250	17,022		23,500
Bojanala Platinum	1,250	-	-	1,250	1,250	100%	1,250	1,250	100%	1,000
Dr. Ruth Segomotsi Mompati District	1,250	-	-	1,250	1,250	100%	1,250	1,101	88%	1,000
Langerberg	1,250	-	-	1,250	1,250	100%	1,250	1,024	82%	1,000
Breede Valley	1,250	-	-	1,250	1,250	100%	1,250	516	41%	1,000
Buffalo City	1,450	-	-	1,450	1,450	100%	1,450	1,238	85%	1,200
Bushbuckridge	1,250	-	-	1,250	1,250	100%	1,250	793	63%	1,000
Cacadu	1,250	-	-	1,250	1,250	100%	1,250	910	73%	1,250
Camdeboo	2,000	-	-	2,000	2,000	100%	2,000	1,131	57%	2,000
Cape Agulhas	1,250	-	-	1,250	1,250	100%	1,250	1,198	96%	1,250
Cape Town	1,250	-	-	1,250	1,250	100%	1,250	701	56%	1,000
Cape Winelands	1,250	-	-	1,250	1,250	100%	1,250	633	51%	1,000
Capricorn	1,250	-	-	1,250	1,250	100%	1,250	635	51%	1,000
Cederberg	1,250	-	-	1,250	1,250	100%	1,250	524	42%	1,000
Central Karoo	1,250	-	-	1,250	1,250	100%	1,250	1,051	84%	1,000
Chris Hani	1,250	-	-	1,250	1,250	100%	1,250	968	77%	1,250
Dannhauser	1,250	-	-	1,250	1,250	100%	1,250	1,250	100%	3,000
Delmas	1,250	-	-	1,250	1,250	100%	1,250	581	46%	1,000
Dhlabeng	1,450	-	-	1,450	1,450	100%	1,450	565	39%	1,200
Dikgatlong	1,450	-	-	1,450	1,450	100%	1,450	1,033	71%	1,200
Dipaleseng	1,250	-	-	1,250	1,250	100%	1,250	655	52%	1,000
Subtotal carried forward	50,600	-	-	50,600	50,600		50,600	34,779		47,850

Annexures to the annual financial statements

for the year ended 31 March 2012

ANNEXURE 1C

STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES (CONTINUED)

NAME OF MUNICIPALITY	GRANT ALLOCATION (2011/12)				TRANSFER (2011/12)		SPENT (2011/12)			2010/11
	Division of Revenue Act	Rollovers	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	Total Available
Balance brought forward	50,600	-	-	50,600	50,600	100%	50,600	34,779	68%	47,850
Ditsobotla	4,250	-	-	4,250	4,250	100%	4,250	1,250	29%	1,000
Dr JS Moroka	1,250	-	-	1,250	1,250	100%	1,250	958	77%	3,000
Drakenstein	1,250	-	-	1,250	1,250	100%	1,250	1,247	100%	1,000
Eden	1,250	-	-	1,250	1,250	100%	1,250	353	28%	1,000
Edumbe	1,450	-	-	1,450	1,450	100%	1,450	1,191	82%	1,200
Ehlanzeni	1,250	-	-	1,250	1,250	100%	1,250	1,250	100%	1,000
Ekurhuleni Metro	1,250	-	-	1,250	1,250	100%	1,250	674	54%	1,000
Elundini	1,500	-	-	1,500	1,500	100%	1,500	960	64%	1,250
Emadlangeni	1,500	-	-	1,500	1,500	100%	1,500	895	60%	1,250
Emakhazeni	1,250	-	-	1,250	1,250	100%	1,250	258	21%	1,000
Emalahleni (Eastern Cape)	1,500	-	-	1,500	1,500	100%	1,500	1,019	68%	1,250
Emalahleni (Mpumalanga)	1,250	-	-	1,250	1,250	100%	1,250	415	33%	1,000
Ermfuleni	8,750	-	-	8,750	8,750	100%	8,750	638	7%	1,000
Ernamibithi (Ladysmith)	1,450	-	-	1,450	1,450	100%	1,450	1,226	85%	1,200
Ernthanjeni	1,450	-	-	1,450	1,450	100%	1,450	1,139	79%	1,200
Endumeni	1,450	-	-	1,450	1,450	100%	1,450	884	61%	1,200
Engcobo	1,450	-	-	1,450	1,450	100%	1,450	587	40%	1,200
Ethekwini	15,750	-	-	15,750	15,750	100%	15,750	1,250	8%	1,000
Ezinqoleni	1,500	-	-	1,500	1,500	100%	1,500	1,011	67%	1,250
Fetakgomo	1,500	-	-	1,500	1,500	100%	1,500	1,076	72%	1,250
Subtotal carried forward	102,850	-	-	102,850	102,850	100%	102,850	53,060	72%	72,100

Annexures to the annual financial statements

for the year ended 31 March 2012

ANNEXURE 1C

STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES (CONTINUED)

NAME OF MUNICIPALITY	GRANT ALLOCATION (2011/12)			TRANSFER (2011/12)		SPENT (2011/12)			2010/11 Total Available R'000	
	Division of Revenue Act	Rollovers	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Amount received by municipality	Amount spent by municipality		% of available funds spent by municipality
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000		%
Balance brought forward	102,850			102,850	102,850		102,850	53,060		72,100
Fezile Dabi	1,250	-	-	1,250	1,250	100%	1,250	571	46%	1,000
Frances Baard	1,250	-	-	1,250	1,250	100%	1,250	971	78%	1,000
Gamagara	1,450	-	-	1,450	1,450	100%	1,450	1,450	100%	1,200
Gariiep	1,450	-	-	1,450	1,450	100%	1,450	1,060	73%	1,200
Ga-Segonyana	1,450	-	-	1,450	1,450	100%	1,450	826	57%	1,200
George	1,250	-	-	1,250	1,250	100%	1,250	1,032	83%	1,000
Gert Sibande	1,250	-	-	1,250	1,250	100%	1,250	662	53%	1,000
Govan Mbeki	4,250	-	-	4,250	4,250	100%	4,250	362	9%	1,000
Great Kei	1,500	-	-	1,500	1,500	100%	1,500	1,500	100%	1,500
Greater Giyani	1,250	-	-	1,250	1,250	100%	1,250	638	51%	1,000
Greater Kokstad	1,250	-	-	1,250	1,250	100%	1,250	1,250	100%	3,000
Greater Letaba	1,250	-	-	1,250	1,250	100%	1,250	1,250	100%	1,000
Greater Marble Hall	1,250	-	-	1,250	1,250	100%	1,250	903	72%	1,000
Greater Sekhukhune	1,250	-	-	1,250	1,250	100%	1,250	707	57%	1,000
Greater Taung	1,250	-	-	1,250	1,250	100%	1,250	605	48%	1,000
Greater Tubatse	1,250	-	-	1,250	1,250	100%	1,250	976	78%	1,000
Greater Tzaneen	1,250	-	-	1,250	1,250	100%	1,250	1,250	100%	1,000
Hantam	1,450	-	-	1,450	1,450	100%	1,450	1,055	73%	1,200
Hessequa	1,250	-	-	1,250	1,250	100%	1,250	1,250	100%	1,000
Hibiscus Coast	1,450	-	-	1,450	1,450	100%	1,450	837	58%	1,200
Subtotal carried forward	132,100			132,100	132,100		132,100	72,215		95,600

Annexures to the annual financial statements

for the year ended 31 March 2012

ANNEXURE 1C

STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES (CONTINUED)

NAME OF MUNICIPALITY	GRANT ALLOCATION (2011/12)			TRANSFER (2011/12)			SPENT (2011/12)			2010/11 Total Available R'000
	Division of Revenue Act	Rollovers	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	
Balance brought forward	132,100			132,100	132,100		132,100	72,215		95,600
Hlabisa	1,450	-	-	1,450	1,450	100%	1,450	930	64%	1,200
Ikwezi	1,450	-	-	1,450	1,450	100%	1,450	1,268	87%	1,200
iLembe	1,250	-	-	1,250	1,250	100%	1,250	1,250	100%	1,000
Imbabazane	1,500	-	-	1,500	1,500	100%	1,500	829	55%	1,250
Impendle	1,500	-	-	1,500	1,500	100%	1,500	781	52%	1,250
Indaka	1,500	-	-	1,500	1,500	100%	1,500	454	30%	1,250
Ingwe	1,450	-	-	1,450	1,450	100%	1,450	798	55%	1,200
Inkwanca	2,000	-	-	2,000	2,000	100%	2,000	1,129	56%	2,000
Intsika Yethu	1,500	-	-	1,500	1,500	100%	1,500	1,500	100%	1,250
Inxuba Ye Themba	1,500	-	-	1,500	1,500	100%	1,500	1,227	82%	1,250
City of Johannesburg	1,250	-	-	1,250	1,250	100%	1,250	839	67%	1,000
Jozini	1,450	-	-	1,450	1,450	100%	1,450	610	42%	1,200
Kagisano	2,000	-	-	2,000	2,000	100%	2,000	240	12%	1,000
Kamiesberg	1,450	-	-	1,450	1,450	100%	1,450	757	52%	1,200
Kannaland	1,250	-	-	1,250	1,250	100%	1,250	1,136	91%	1,000
Kareeberg	1,450	-	-	1,450	1,450	100%	1,450	1,099	76%	1,200
Karoo Hoogland	1,250	-	-	1,250	1,250	100%	1,250	1,250	100%	3,000
Kgalagadi	1,250	-	-	1,250	1,250	100%	1,250	649	52%	1,000
Kgatelopele	1,500	-	-	1,500	1,500	100%	1,500	671	45%	1,250
Kgetlengrivier	1,250	-	-	1,250	1,250	100%	1,250	1,250	100%	3,000
Subtotal carried forward	161,300			161,300	161,300		161,300	90,882		123,300

Annexures to the annual financial statements

for the year ended 31 March 2012

ANNEXURE 1C

STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES (CONTINUED)

NAME OF MUNICIPALITY	GRANT ALLOCATION (2011/12)			TRANSFER (2011/12)		SPENT (2011/12)			2010/11 Total Available R'000	
	Division of Revenue Act	Rollovers	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Amount received by municipality	Amount spent by municipality		% of available funds spent by municipality
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000		%
Balance brought forward	161,300			161,300	161,300		161,300	90,882		123,300
Khai-Ma	1,250	-	-	1,250	1,250	100%	1,250	1,250	100%	3,000
King Sabata Dalindyebo	1,450	-	-	1,450	1,450	100%	1,450	814	56%	1,200
Knysna	1,250	-	-	1,250	1,250	100%	1,250	1,166	93%	1,000
Kopanong	1,450	-	-	1,450	1,450	100%	1,450	955	66%	1,200
Kouga	1,450	-	-	1,450	1,450	100%	1,450	1,374	95%	1,200
Koukamma	1,250	-	-	1,250	1,250	100%	1,250	1,204	96%	3,000
Kungwini	-	-	-	-	-	-	-	-	-	1,000
Kwa Dukuza	1,450	-	-	1,450	1,450	100%	1,450	760	52%	1,200
Kwa Sani	1,500	-	-	1,500	1,500	100%	1,500	1,307	87%	1,500
Laingsburg	1,500	-	-	1,500	1,500	100%	1,500	884	59%	1,250
Lejweleputswa	1,250	-	-	1,250	1,250	100%	1,250	912	73%	1,000
Lekwa	1,250	-	-	1,250	1,250	100%	1,250	1,250	100%	1,000
Lekwa-Temane	1,500	-	-	1,500	1,500	100%	1,500	1,193	80%	1,250
Lepelle-Nkumpi	1,250	-	-	1,250	1,250	100%	1,250	1,086	87%	3,000
Lephalale	1,250	-	-	1,250	1,250	100%	1,250	494	40%	1,000
Lesedi	1,250	-	-	1,250	1,250	100%	1,250	1,028	82%	3,000
Letsemeng	1,450	-	-	1,450	1,450	100%	1,450	1,294	89%	1,200
Lukhanji	1,500	-	-	1,500	1,500	100%	1,500	1,450	97%	1,250
Elias Motsoaledi	1,250	-	-	1,250	1,250	100%	1,250	894	72%	1,000
Madibeng	1,500	-	-	1,500	1,500	100%	1,500	437	29%	1,000
Subtotal carried forward	187,300			187,300	187,300		187,300	110,634		153,550

Annexures to the annual financial statements

for the year ended 31 March 2012

ANNEXURE 1C

STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES (CONTINUED)

NAME OF MUNICIPALITY	GRANT ALLOCATION (2011/12)				TRANSFER (2011/12)			SPENT (2011/12)			2010/11
	Division of Revenue Act	Rollovers	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	Total Available	
											R'000
Balance brought forward	187,300			187,300	187,300		187,300	110,634		153,550	
Mafikeng	2,000	-	-	2,000	2,000	100%	2,000	1,566	78%	1,000	
Mafube	1,450	-	-	1,450	1,450	100%	1,450	663	46%	1,000	
Magareng	1,500	-	-	1,500	1,500	100%	1,500	586	39%	1,250	
Makana	1,450	-	-	1,450	1,450	100%	1,450	1,450	100%	1,200	
Makhado	1,250	-	-	1,250	1,250	100%	1,250	1,250	100%	1,000	
Makhudutamaga	1,500	-	-	1,500	1,500	100%	1,500	969	65%	1,500	
Maletswai	1,500	-	-	1,500	1,500	100%	1,500	993	66%	1,250	
Maluti-A-Phofung	1,450	-	-	1,450	1,450	100%	1,450	1,428	98%	1,200	
Mamusa	1,250	-	-	1,250	1,250	100%	1,250	547	44%	1,000	
Mandeni	1,450	-	-	1,450	1,450	100%	1,450	876	60%	1,200	
Mangaung	1,450	-	-	1,450	1,450	100%	1,450	882	61%	1,189	
Mantsopa	1,450	-	-	1,450	1,450	100%	1,450	1,450	100%	3,000	
Maphumulo	1,450	-	-	1,450	1,450	100%	1,450	664	46%	1,200	
Maquassi Hill	1,250	-	-	1,250	1,250	100%	1,250	366	29%	1,000	
Maruleng	1,500	-	-	1,500	1,500	100%	1,500	1,500	100%	1,250	
Masilonyana	1,250	-	-	1,250	1,250	100%	1,250	1,055	84%	3,000	
Matatiele	1,450	-	-	1,450	1,450	100%	1,450	298	21%	1,200	
Matjhabeng	1,450	-	-	1,450	1,450	100%	1,450	532	37%	1,000	
City of Matlosana	1,250	-	-	1,250	1,250	100%	1,250	826	66%	1,000	
Matzikama	1,250	-	-	1,250	1,250	100%	1,250	1,250	100%	1,000	
Subtotal carried forward	215,850			215,850	215,850		215,850	129,785		179,989	

Annexures to the annual financial statements

for the year ended 31 March 2012

ANNEXURE 1C

STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES (CONTINUED)

NAME OF MUNICIPALITY	GRANT ALLOCATION (2011/12)						TRANSFER (2011/12)			SPENT (2011/12)			2010/11 R'000
	Division of Revenue Act	Rollovers	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	Total Available			
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	R'000			
Balance brought forward	215,850	-	-	215,850	215,850		215,850	129,785		179,989			
Mbhashe	1,500	-	-	1,500	1,500	100%	1,500	699	47%	1,250			
Mbizana	1,450	-	-	1,450	1,450	100%	1,450	1,204	83%	1,200			
Mbombela	1,250	-	-	1,250	1,250	100%	1,250	696	56%	1,000			
Mbonambi	1,450	-	-	1,450	1,450	100%	1,450	643	44%	1,200			
Merafong City	1,250	-	-	1,250	1,250	100%	1,250	320	26%	1,000			
Metsimaholo	1,450	-	-	1,450	1,450	100%	1,450	839	58%	1,000			
Metsweding	-	-	-	-	-		-	-		1,250			
Mhlontlo	1,450	-	-	1,450	1,450	100%	1,450	1,218	84%	1,200			
Midvaal	1,250	-	-	1,250	1,250	100%	1,250	1,168	93%	1,000			
Mier	1,450	-	-	1,450	1,450	100%	1,450	1,402	97%	1,200			
Mkhambathini	1,500	-	-	1,500	1,500	100%	1,500	1,181	79%	1,500			
Mkhondo	1,250	-	-	1,250	1,250	100%	1,250	466	37%	1,000			
Mnquma	1,450	-	-	1,450	1,450	100%	1,450	1,212	84%	1,200			
Modimolle	1,250	-	-	1,250	1,250	100%	1,250	1,250	100%	3,000			
Mogalakwena	1,250	-	-	1,250	1,250	100%	1,250	767	61%	1,000			
Mogale City	1,250	-	-	1,250	1,250	100%	1,250	591	47%	1,000			
Mohokare	1,500	-	-	1,500	1,500	100%	1,500	1,240	83%	1,250			
Molemole	1,250	-	-	1,250	1,250	100%	1,250	487	39%	1,000			
Molopo	-	-	-	-	-		-	-		1,250			
Mpofana	1,500	-	-	1,500	1,500	100%	1,500	1,283	86%	1,500			
Subtotal carried forward	240,550	-	-	240,550	240,550		240,550	146,451		204,989			

Annexures to the annual financial statements

for the year ended 31 March 2012

ANNEXURE 1C

STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES (CONTINUED)

NAME OF MUNICIPALITY	GRANT ALLOCATION (2011/12)				TRANSFER (2011/12)		SPENT (2011/12)		2010/11	
	Division of Revenue Act	Rolovers	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Amount received by municipality	Amount spent by municipality		% of available funds spent by municipality
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	R'000
Balance brought forward	240,550			240,550	240,550		240,550	146,451	240,550	204,989
Mookgopong	1,250	-	-	1,250	1,250	100%	1,250	563	45%	1,000
Mopani	1,250	-	-	1,250	1,250	100%	1,250	588	47%	1,000
Mochaka	1,450	-	-	1,450	1,450	100%	1,450	387	27%	1,200
Moretele	1,250	-	-	1,250	1,250	100%	1,250	631	50%	1,000
Moses Kotane	1,250	-	-	1,250	1,250	100%	1,250	1,075	86%	1,000
Moshaweng	1,450	-	-	1,450	1,450	100%	1,450	887	61%	1,200
Mossel Bay	1,250	-	-	1,250	1,250	100%	1,250	551	44%	1,000
Motheo	-	-	-	-	-	-	-	-	-	1,000
Masinga	1,450	-	-	1,450	1,450	100%	1,450	699	48%	1,200
Msulaligwa	1,250	-	-	1,250	1,250	100%	1,250	218	17%	1,000
Msunduzi	1,441	-	-	1,441	1,441	100%	1,441	500	35%	1,200
Mthonjaneni	1,450	-	-	1,450	1,450	100%	1,450	994	69%	1,200
Mtubatuba	1,250	-	-	1,250	1,250	100%	1,250	1,029	82%	3,000
Musina	1,250	-	-	1,250	1,250	100%	1,250	939	75%	3,000
Mutale	1,250	-	-	1,250	1,250	100%	1,250	596	48%	1,000
Nala	1,500	-	-	1,500	1,500	100%	1,500	647	43%	1,500
Naledi (Free State)	1,450	-	-	1,450	1,450	100%	1,450	597	41%	1,200
Naledi (North West)	1,500	-	-	1,500	1,500	100%	1,500	836	56%	1,250
Nama Khoi	1,450	-	-	1,450	1,450	100%	1,450	1,199	83%	1,200
Namakwa	1,250	-	-	1,250	1,250	100%	1,250	893	71%	1,000
Subtotal carried forward	266,191			266,191	266,191		266,191	160,280		231,139

Annexures to the annual financial statements

for the year ended 31 March 2012

ANNEXURE 1C

STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES (CONTINUED)

NAME OF MUNICIPALITY	GRANT ALLOCATION (2011/12)				TRANSFER (2011/12)		SPENT (2011/12)			2010/11
	Division of Revenue Act	Rollovers	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	Total Available
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	R'000
Balance brought forward	266,191			266,191	266,191		266,191	160,280		231,139
Ndlambe	2,000	-	-	2,000	2,000	100%	2,000	1,817	91%	2,000
Ndwedwe	1,450	-	-	1,450	1,450	100%	1,450	543	37%	1,200
Nelson Mandela Bay	6,250	-	-	6,250	6,250	100%	6,250	671	11%	1,000
Newcastle	1,450	-	-	1,450	1,450	100%	1,450	874	60%	1,200
Ngakamodiri Molema	1,250	-	-	1,250	1,250	100%	1,250	615	49%	1,000
Ngqushwa	1,450	-	-	1,450	1,450	100%	1,450	1,233	85%	1,200
Ngwathe	1,450	-	-	1,450	1,450	100%	1,450	161	11%	1,000
Nkandla	1,500	-	-	1,500	1,500	100%	1,500	1,500	100%	1,500
Nkangala	1,250	-	-	1,250	1,250	100%	1,250	796	64%	1,000
Nketoana	1,450	-	-	1,450	1,450	100%	1,450	1,434	99%	1,200
Nikomazi	1,250	-	-	1,250	1,250	100%	1,250	696	56%	1,000
Nikonkobe	1,450	-	-	1,450	1,450	100%	1,450	586	40%	1,200
Nokeng Tsa Taemane	-	-	-	-	-	-	-	-	-	3,000
Nongoma	1,450	-	-	1,450	1,450	100%	1,450	1,450	100%	1,200
Nquthu	1,500	-	-	1,500	1,500	100%	1,500	1,278	85%	1,250
Ntbankulu	1,500	-	-	1,500	1,500	100%	1,500	1,197	80%	1,250
Ntambanana	1,450	-	-	1,450	1,450	100%	1,450	656	45%	1,200
Nxuba	1,450	-	-	1,450	1,450	100%	1,450	622	43%	1,200
Nyandeni	1,450	-	-	1,450	1,450	100%	1,450	513	35%	1,200
OR. Tambo	1,250	-	-	1,250	1,250	100%	1,250	1,250	100%	1,000
Subtotal carried forward	298,441			298,441	298,441		298,441	178,172		256,939

Annexures to the annual financial statements

for the year ended 31 March 2012

ANNEXURE 1C

STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES (CONTINUED)

NAME OF MUNICIPALITY	GRANT ALLOCATION (2011/12)				TRANSFER (2011/12)			SPENT (2011/12)			2010/11
	Division of Revenue Act	Rollovers	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	Total Available	
Balance brought forward	298,441			298,441	298,441		298,441	178,172		256,939	
Okhahlamba	1,450	-	-	1,450	1,450	100%	1,450	1,248	86%	1,200	
Oudtshoorn	1,250	-	-	1,250	1,250	100%	1,250	942	75%	1,000	
Overberg	1,250	-	-	1,250	1,250	100%	1,250	1,250	100%	1,000	
Overstrand	1,250	-	-	1,250	1,250	100%	1,250	662	53%	1,000	
Phokwane	1,500	-	-	1,500	1,500	100%	1,500	321	21%	1,250	
Phumelela	1,300	-	-	1,300	1,300	100%	1,300	704	54%	3,000	
Pixley Ka Seme (Mpumalanga)	1,250	-	-	1,250	1,250	100%	1,250	1,036	83%	1,000	
Karoo District	1,250	-	-	1,250	1,250	100%	1,250	936	75%	1,000	
Polokwane	4,250	-	-	4,250	4,250	100%	4,250	612	14%	1,000	
Port St John	2,000	-	-	2,000	2,000	100%	2,000	1,731	87%	2,000	
Prince Albert	1,250	-	-	1,250	1,250	100%	1,250	1,250	100%	1,000	
Ngquza Hill (Qaukeni)	1,450	-	-	1,450	1,450	100%	1,450	299	21%	1,200	
Ramontshere Moiloa	1,500	-	-	1,500	1,500	100%	1,500	414	28%	1,250	
Randfontein	1,250	-	-	1,250	1,250	100%	1,250	1,250	100%	1,000	
Ratlou	1,500	-	-	1,500	1,500	100%	1,500	927	62%	1,250	
Renosterberg	1,450	-	-	1,450	1,450	100%	1,450	1,280	88%	1,200	
Richmond	1,500	-	-	1,500	1,500	100%	1,500	741	49%	1,500	
Subtotal carried forward	325,091			325,091	325,091		325,091	193,775		278,789	

Annexures to the annual financial statements

for the year ended 31 March 2012

ANNEXURE 1C

STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES (CONTINUED)

NAME OF MUNICIPALITY	GRANT ALLOCATION (2011/12)				TRANSFER (2011/12)		SPENT (2011/12)			2010/11
	Division of Revenue Act	Rollovers	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality	Total Available
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	R'000
Balance brought forward	325,091			325,091	325,091		325,091	193,775		278,789
Richtersveld	1,450	-	-	1,450	1,450	100%	1,450	1,450	100%	1,200
Rustenburg	1,250	-	-	1,250	1,250	100%	1,250	1,250	100%	1,000
Sakhisizwe	1,500	-	-	1,500	1,500	100%	1,500	899	60%	3,000
Saldanha Bay	1,250	-	-	1,250	1,250	100%	1,250	792	63%	1,000
Sedibeng	1,250	-	-	1,250	1,250	100%	1,250	1,068	85%	1,000
Senqu	1,450	-	-	1,450	1,450	100%	1,450	1,309	90%	1,200
Setsoto	1,450	-	-	1,450	1,450	100%	1,450	1,104	76%	1,200
Sisonke	1,250	-	-	1,250	1,250	100%	1,250	1,243	99%	1,000
Siyancuma	1,450	-	-	1,450	1,450	100%	1,450	813	56%	1,200
Siyanda	1,250	-	-	1,250	1,250	100%	1,250	501	40%	1,000
Siyathemba	1,450	-	-	1,450	1,450	100%	1,450	1,260	87%	1,200
Sol Plaatjje	1,450	-	-	1,450	1,450	100%	1,450	832	57%	1,200
Dr. Kenneth Kaunda District	1,250	-	-	1,250	1,250	100%	1,250	600	48%	1,000
Stellenbosch	1,250	-	-	1,250	1,250	100%	1,250	1,050	84%	1,000
Steve Tshwete	1,250	-	-	1,250	1,250	100%	1,250	1,250	100%	1,000
Sunday's River Valley	1,500	-	-	1,500	1,500	100%	1,500	729	49%	1,500
Swartland	1,250	-	-	1,250	1,250	100%	1,250	680	54%	1,000
Swellendam	1,250	-	-	1,250	1,250	100%	1,250	1,250	100%	3,000
Subtotal carried forward	349,291			349,291	349,291		349,291	211,855		302,489

Annexures to the annual financial statements

for the year ended 31 March 2012

ANNEXURE 1C

STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES (CONTINUED)

NAME OF MUNICIPALITY	GRANT ALLOCATION (2011/12)				TRANSFER (2011/12)		SPENT (2011/12)		2010/11 Total Available R'000	
	Division of Revenue Act	Rolovers	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Amount received by municipality	Amount spent by municipality		% of available funds spent by municipality
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000		%
Balance carried forward	349,291			349,291	349,291		349,291	211,855		302,489
Thaba Chweu	1,250	-	-	1,250	1,250	100%	1,250	127	10%	1,000
Thabazimbi	1,500	-	-	1,500	1,500	100%	1,500	515	34%	1,500
Thabo Mofutsanyane	1,250	-	-	1,250	1,250	100%	1,250	1,250	100%	1,000
The Big 5 False Bay	1,450	-	-	1,450	1,450	100%	1,450	923	64%	1,200
Theewaterskloof	1,250	-	-	1,250	1,250	100%	1,250	1,250	100%	1,000
Thembelihle	1,500	-	-	1,500	1,500	100%	1,500	1,101	73%	1,250
Thembisile	1,250	-	-	1,250	1,250	100%	1,250	452	36%	3,000
Thulamela	1,250	-	-	1,250	1,250	100%	1,250	963	77%	1,000
Tlokwe	1,250	-	-	1,250	1,250	100%	1,250	390	31%	1,000
Tokologo	1,450	-	-	1,450	1,450	100%	1,450	1,255	87%	1,200
Tsantsabane	1,450	-	-	1,450	1,450	100%	1,450	874	60%	1,200
City of Tshwane	5,250	-	-	5,250	5,250	100%	5,250	3,275	62%	1,000
Tsolwana	1,250	-	-	1,250	1,250	100%	1,250	1,250	100%	3,000
Tswaing	1,250	-	-	1,250	1,250	100%	1,250	340	27%	1,250
Tswelopele	1,450	-	-	1,450	1,450	100%	1,450	1,449	100%	1,200
Ubuhebezwe	1,250	-	-	1,250	1,250	100%	1,250	985	79%	1,500
Ubutu	1,450	-	-	1,450	1,450	100%	1,450	683	47%	1,200
Subtotal carried forward	376,041			376,041	376,041		376,041	228,937		325,989

Annexures to the annual financial statements

for the year ended 31 March 2012

ANNEXURE 1C

STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES (CONTINUED)

NAME OF MUNICIPALITY	GRANT ALLOCATION (2011/12)						TRANSFER (2011/12)		SPENT (2011/12)		2010/11 Total Available R'000
	Division of Revenue Act	Rolovers	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Amount received by municipality	Amount spent by municipality	% of available funds spent by municipality		
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%		
Balance brought forward	376,041	-	-	376,041	376,041		376,041	228,937		325,989	
Ugu	1,250	-	-	1,250	1,250	100%	1,250	1,250	100%	1,000	
Ukhahlamba	1,250	-	-	1,250	1,250	100%	1,250	1,186	95%	1,000	
Ulundi	1,450	-	-	1,450	1,450	100%	1,450	625	43%	1,200	
Umdoni	1,450	-	-	1,450	1,450	100%	1,450	728	50%	1,200	
Umgungundlovu	1,250	-	-	1,250	1,250	100%	1,250	427	34%	1,000	
Umhlabuyalinga	1,450	-	-	1,450	1,450	100%	1,450	1,283	88%	1,200	
Umhlatuze	1,450	-	-	1,450	1,450	100%	1,450	893	62%	1,200	
Umjindi	1,250	-	-	1,250	1,250	100%	1,250	1,194	96%	1,000	
Umkhanyakude	1,250	-	-	1,250	1,250	100%	1,250	581	46%	1,000	
Umlalazi	1,450	-	-	1,450	1,450	100%	1,450	1,310	90%	1,200	
Umnjeni	1,450	-	-	1,450	1,450	100%	1,450	626	43%	1,200	
Umslwathi	1,500	-	-	1,500	1,500	100%	1,500	1,281	85%	1,500	
Umsobomvu	1,450	-	-	1,450	1,450	100%	1,450	1,450	100%	1,200	
Umtshezi	1,450	-	-	1,450	1,450	100%	1,450	1,304	90%	1,200	
Umuziwabantu	1,450	-	-	1,450	1,450	100%	1,450	896	62%	1,200	
Umvoti	1,450	-	-	1,450	1,450	100%	1,450	1,125	78%	1,200	
Uzimkhulu	1,450	-	-	1,450	1,450	100%	1,450	1,214	84%	1,200	
Uzimvubu	1,450	-	-	1,450	1,450	100%	1,450	976	67%	1,200	
Uzinyathi	1,250	-	-	1,250	1,250	100%	1,250	1,033	83%	1,000	
Subtotal carried forward	402,441	-	-	402,441	402,441		402,441	248,319		347,889	

Annexures to the annual financial statements

for the year ended 31 March 2012

ANNEXURE 1C

STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES (CONTINUED)

NAME OF MUNICIPALITY	GRANT ALLOCATION (2011/12)			TRANSFER (2011/12)		SPENT (2011/12)			2010/11	
	Division of Revenue Act	Rollovers	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Amount received by municipality	Amount spent by municipality		% of available funds spent by municipality
Balance brought forward	402,441			402,441	402,441		402,441	248,319		347,889
Umzumbi	1,500	-	-	1,500	1,500	100%	1,500	1,500	100%	1,250
Uphongolo	1,450	-	-	1,450	1,450	100%	1,450	1,450	100%	1,200
Uthukela	1,250	-	-	1,250	1,250	100%	1,250	852	68%	1,000
Uthungulu	1,250	-	-	1,250	1,250	100%	1,250	716	57%	1,000
Ventersdorp	1,250	-	-	1,250	1,250	100%	1,250	700	56%	1,000
Vhembe	1,250	-	-	1,250	1,250	100%	1,250	739	59%	1,000
Vulamehlo	1,500	-	-	1,500	1,500	100%	1,500	755	50%	1,250
Waterberg	1,250	-	-	1,250	1,250	100%	1,250	1,158	93%	1,000
West Coast	1,250	-	-	1,250	1,250	100%	1,250	1,250	100%	1,000
West Rand	1,250	-	-	1,250	1,250	100%	1,250	934	75%	1,000
Westonaria	4,250	-	-	4,250	4,250	100%	4,250	876	21%	1,000
Witzenberg	1,250	-	-	1,250	1,250	100%	1,250	1,250	100%	3,000
Xhariep	1,250	-	-	1,250	1,250	100%	1,250	1,159	93%	1,000
Zululand	1,250	-	-	1,250	1,250	100%	1,250	806	64%	1,000
Total	423,641			423,641	423,641		423,641	262,464		364,589

Annexures to the annual financial statements

for the year ended 31 March 2012

ANNEXURE 1D

STATEMENT OF TRANSFERS TO DEPARTMENTAL AGENCIES AND ACCOUNTS

DEPARTMENT/ AGENCY/ ACCOUNT	GRANT ALLOCATION (2011/12)					TRANSFER (2011/12)		2010/11
	Adjusted Appropriation	Rollovers	Adjustments	Total Available	Actual Transfer	Available funds Transferred	% of	
	R'000	R'000	R'000	R'000	R'000	R'000	%	
Accounting Standards Board	7,970	-	591	8,561	8,561	-	100%	7,538
Audit Statutory Bodies	25,919	-	4,000	29,919	29,914	-	100%	21,445
Contingent Liabilities (Auditor-General)	-	-	-	-	-	-	-	1
Cooperative Bank Development Agency	9,310	-	-	9,310	9,310	-	100%	8,200
FASSET	1,990,000	-	-	1,990,000	266,286	-	13%	463
Financial and Fiscal Commission	396	-	132	528	482	-	91%	31,391
Financial Intelligence Centre	33,036	-	-	33,036	33,036	-	100%	181,414
Finance, Accounting, Management Consulting and other Financial Services	136,500	-	-	136,500	136,500	-	100%	-
Independent Regulatory Board for Auditors	28,724	-	6,000	34,724	34,724	-	100%	29,296
Institute of Public Finance and Auditing	-	-	-	-	-	-	-	-
Investment of Public Monies (Auditor-General)	600,000	-	(600,000)	-	-	-	-	1
Project Development Facility ^a	103,000	-	-	103,000	73,000	-	71%	128,000
PALAMA	-	-	2,000	2,000	2,000	-	100%	3,400
Secret Services	3,618,521	-	-	3,618,521	3,618,521	-	100%	3,306,752
South African Revenue Service	8,653,573	-	-	8,653,573	8,653,573	-	100%	8,142,208
Technical Assistance Unit Trading Account	18,434	-	-	18,434	18,434	-	100%	19,363
Total transfers to departmental agencies	15,225,383	-	(587,277)	14,638,106	12,884,341	-	100%	11,879,472

^aR100 million for energy renewable project was allocated

Annexures to the annual financial statements

for the year ended 31 March 2012

ANNEXURE 1E

STATEMENT OF TRANSFERS TO UNIVERSITIES AND TECHNIKONS

UNIVERSITY/TECHNIKON	GRANT ALLOCATION (2011/12)				TRANSFER (2011/12)			2010/11
	Adjusted Appropriation R'000	Rollovers R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	Amount not transferred R'000	% of Available funds Transferred %	Appropriation Act R'000
University of Cape Town *	-	-	-	-	-	-	-	5,300
University of Pretoria	-	-	-	-	-	-	-	500
Total transfers to universities	-	-	-	-	-	-	-	5,800

*Due to the establishment of the economic research Southern Africa this was redefined in 2011/12 to public corporations and private enterprises in annexure F

Annexures to the annual financial statements

for the year ended 31 March 2012

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

NAME OF PUBLIC CORPORATION/PRIVATE ENTERPRISE	TRANSFER ALLOCATION				EXPENDITURE			2010/11 Appropriation Act R'000	
	Adjusted Appropriation Act R'000	Rollovers R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available funds Transferred %	Capital R'000		Current R'000
Public Corporations									
Transfers									
Development Bank of Southern Africa**	100,026	-	-	100,026	100,026	100%	-	-	290,295
Total	100,026	-	-	100,026	100,026	100%	-	-	290,295
Private Enterprises									
Transfers									
Economic Research SA*	10,000	-	1,000	11,000	11,000	100%	-	-	-
Total	110,026	-	1,000	111,026	111,026	100%	-	-	290,295

* In addition to an annual budget allocation of R10 million, and additional amount of R1 million was made available to ERSA towards the hosting of an International Economic History Convention in South Africa.

**Municipal Finance Improvement Programme

Annexures to the annual financial statements

for the year ended 31 March 2012

ANNEXURE 1G

STATEMENT OF TRANSFERS TO FOREIGN GOVERNMENT AND INTERNATIONAL ORGANISATIONS

FOREIGN GOVERNMENT/ INTERNATIONAL ORGANISATION	TRANSFER ALLOCATION				EXPENDITURE		2010/11 Appropriation Act R'000
	Adjusted Appropriation Act R'000	Rollovers R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available funds Transferred	
	R'000	R'000	R'000	R'000	R'000	%	
Transfer							
African Development Bank	13,273	-	(13,266)	7	-		55,081
Commonwealth Fund for Technical Cooperation	4,442	-	(602)	3,840	3,838	100%	4,079
International Funding Facility for Immunisation	9,700	-	(2,235)	7,465	7,464	100%	7,100
Common Monetary Area Compensation	403,814	-	46,513	450,327	450,327	100%	397,792
United Kingdom Tax	2,110	-	(158)	1,952	1,951	100%	1,633
World Bank Group (International Development Association)	121,926	-	13,574	135,500	124,730	92%	68,000
Financial and Technical Support (African Development Bank)	225,401	-	18,979	244,380	244,298	100%	52
Regional Integration (SADC & SACU)	-	-	-	-	-		1
Collaborative African Budget Reform Initiative	1,200	-	-	1,200	1,200	100%	1,200
Total	781,866	-	62,805	844,671	833,808		534,938

ANNEXURE 1H**STATEMENT OF TRANSFERS TO NON-PROFIT INSTITUTIONS**

	TRANSFER ALLOCATION				EXPENDITURE		2010/11 Appropriation Act R'000
	Adjusted Appropriation Act R'000	Rollovers R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available funds transferred	
NON-PROFIT INSTITUTIONS							
Transfers	80	-	(9)	71	71	100%	1
SA Legion							-
Total	80	-	(9)	71	71	100%	1

Annexures to the annual financial statements

for the year ended 31 March 2012

ANNEXURE 11

STATEMENT OF TRANSFERS TO HOUSEHOLDS

HOUSEHOLDS	TRANSFER ALLOCATION				EXPENDITURE		2010/11 Appropriation Act R'000
	Adjusted Appropriation Act R'000	Rollovers R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available funds Transferred %	
Transfers							
Other benefits	264,710	197,627	5,643	467,980	327,593	70%	124,587
Injury on duty	426,370	70,500	1,995	498,865	498,856	100%	399,060
Military benefits ex-servicemen	38,824	-	(4,432)	34,392	31,440	91%	33,875
SA citizen force	120,794	7,200	-	127,994	122,779	96%	109,108
Special pensions	412,924	265,145	(2,066)	676,003	480,705	71%	402,122
Post-retirement medical schemes contribution	1,830,201	91,131	(18,292)	1,903,040	1,785,677	94%	1,589,739
Social assistance (bursaries)	2,000	-	-	2,000	1,378	69%	1,468
Service benefits leave gratuity	-	-	1,472	1,472	1,453	99%	597
Total	3,095,823	631,603	(15,680)	3,711,746	3,249,881		2,660,556

Annexures to the annual financial statements

for the year ended 31 March 2012

ANNEXURE 1J**STATEMENT OF AID ASSISTANCE RECEIVED**

NAME OF DONOR	PURPOSE	OPENING	REVENUE	EXPENDITURE	SURRENDERED	CLOSING
		BALANCE 01 April 2012	R'000	R'000	TO RDP	BALANCE 31 March 2012
		R'000	R'000	R'000	R'000	R'000
Received in cash						
European Union – Official Development Assistance (ODA)	Contribute towards enhanced capacity development and promote economic development, good governance and social progress and rising living standards	(1,172)	3,591	2,380	-	39
Ireland – Collaborative African Budget Reform Initiative (CABRI)	Financing of the annual budget reform seminar	149	-	84	-	64
GTZ - ABRS	Provide financial management support to the Collaborative African Budget Reform Initiative	9	-	9	-	-
JICADCIS	Establish and operationalise a knowledge management system and upgrade the DCMIS	1	127	106	1	21
USA – LSGA	Increase collaboration and joint planning approaches with interventions as identified on a yearly basis.	377	850	841	379	8
USAID	Hosting of the regional African fiscal forum conference	-	1,200	688	-	512
Subtotal aid assistance received in cash		(636)	5,768	4,108	380	644

Annexures to the annual financial statements

for the year ended 31 March 2012

ANNEXURE 1J

STATEMENT OF AID ASSISTANCE RECEIVED (CONTINUED)

NAME OF DONOR	PURPOSE	OPENING BALANCE R'000	REVENUE R'000	EXPENDITURE R'000	SURRENDERED TO RDP R'000	CLOSING BALANCE R'000
Received in kind						
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	Technical advisor to support the implementation of MFMA	-	900	900	-	-
National Treasury	Provide financial management support to the Collaborative African Budget Reform Initiative	-	1,004	1,004	-	-
United State Agency for International Development	Limited scope grant agreement	-	-	-	-	-
Subtotal aid assistance received in kind		-	1,904	1,904	-	-
TOTAL Aid Assistance Received		(636)	7,672	6,012	380	644

Annexures to the annual financial statements

for the year ended 31 March 2012

ANNEXURE 2A

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

NAME OF PUBLIC ENTITY	State Entity's PFMA Schedule type (state year-end if not 31 March)	% Held 11/12	% Held 10/11	Number of shares held		Cost of investment R'000		Net Asset value of investment R'000		Profit/(Loss) for the year R'000		Losses guaranteed Yes/No	
				2011/12*	2010/11	2011/12*	2010/11	2011/12*	2010/11	2011/12*	2010/11		
National/provincial public entities													
Accounting Standards Board	Schedule 3A	-	-	-	-	-	-	110	399	(288)	(569)	No	
Co-operative Bank Development Agency	Schedule 3A	-	-	-	-	-	-	-	-	1,617	(398)	No	
Development Bank of Southern Africa	Schedule 2	100	100	200,000	200,000	200,000	17,958,504	17,913,022	23,762	75,114		Yes	
FAIS Ombud	Schedule 3A	-	-	-	-	-	4,025	4,202	(510)	3,184		No	
Financial and Fiscal Commission	Schedule 1	-	-	-	-	-	(1,115)	(1,214)	(807)	(861)		No	
Financial Intelligence Centre	Schedule 3A	-	-	-	-	-	65,680	98,920	29,672	48,773		No	
Financial Services Board	Schedule 3A	-	-	-	-	-	197,492	139,761	41,484	(18,666)		No	
Independent Regulatory Board for Auditors	Schedule 3A	-	-	-	-	-	36,268	28,881	7,387	9,105		No	
Land Bank	Schedule 2	100	100	1	1	200,955	4,847,687	3,886,908	223,965	249,960		Yes	
Pension Fund Adjudicator	Schedule 3A	-	-	-	-	-	-	11,996	9,445	2,550	3,108		No
Public Investment Corporation Ltd	Schedule 3B	100	100	1	1	1	599,779	517,557	87,051	152,702		Yes	
South African Revenue Service	Schedule 3A	-	-	-	-	-	2,039,171	2,374,447	(347,184)	1,063,153		No	
SASRIA Limited	Schedule 3B	100	100	-	-	-	3,909,325	3,471,007	564,974	422,186		Yes	
Total Investment				200,002	200,002	400,956	29,668,922	28,448,335	633,673	2,006,791			

* The 2011/12 figures disclosed in this schedule are preliminary figures and are unaudited.

Annexures to the annual financial statements

for the year ended 31 March 2012

ANNEXURE 2B

STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO ENTITIES

Name of Public Entity	Nature of business	Cost of investment		Net Asset value of Investment		Amounts owing to Entities		Amounts owing by Entities	
		R'000		R'000		R'000		R'000	
		2011/12	2010/11#	2011/12	2010/11#	2011/12	2010/11#	2011/12	2010/11#
Accounting Standards Board	Determine standards of generally recognised accounting practice	-	-	110	399	-	133	766	581
Co-operative Bank	Establish a regulatory framework for cooperative banks	-	-	-	(249)	-	20	-	458
Development Agency	Promote, facilitate and by funding mobilise socioeconomic development in Southern Africa while promoting efficiency, fairness, transparency and responsibility	200,000	200,000	17,958,504	17,963,592	17,958,504	17,913,022	288,080	108,007
Financial and Fiscal Commission	Assist and maintain the balance between fiscal decentralisation and the unitary state	-	-	(1,115)	(1,662)	88	73	1,130	1,909
FAIS Ombud	Handling complaints in terms of the Financial Advisory and Intermediary Services Act (2002)	-	-	4,025	4,202	4,125	5,076	639	1,091
Financial Intelligence Centre	Assist in the identifying of unlawful activities, and combating of money laundering activities, financing of terrorism and related activities.	-	-	65,680	98,920	-	215	-	2,000
Financial Service Board	To oversee the South African Non-Banking Financial Services Industry in the public interest	-	-	197,492	139,761	20,503	40,278	19,586	25,663
Government Pensions Administration Agency	Government Employees Pension Fund in terms of the Government Employees Pension (GEP) Act (1996)	-	-	43,109	31,349	11,142	25,374	34,407	32,295
Subtotal		200,000	200,000	18,267,805	18,236,312	17,994,362	17,984,191	344,608	172,004

Annexures to the annual financial statements

for the year ended 31 March 2012

ANNEXURE 2B**STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO ENTITIES (CONTINUED)**

Name of Public Entity	Nature of business	Cost of investment		Net Asset value of investment		Amounts owing to Entities		Amounts owing by Entities	
		R'000		R'000		R'000		R'000	
		2011/12	2010/11#	2011/12	2010/11#	2011/12	2010/11#	2011/12	2010/11#
Subtotal		200,000	200,000	18,267,805	18,236,312	17,994,362	17,984,191	344,608	172,004
Independent Regulatory Board for Auditors	Registration of public accountants and auditors and for the regulation of the training of public accountants and auditors	-	-	36,554	28,881	5,838	4,500	5,314	4,688
Land Bank	Facilitate access to ownership of land for the development of farming enterprises and agricultural purposes for the historically disadvantaged people	200,955	200,955	4,847,687	3,886,908	20,600,000	13,900,000	16,900,000	12,000,000
Pension Fund Adjudicator	The adjudicator's office investigates and determines complaints of abuse of power, maladministration, disputes of fact or law and employer dereliction of duty in respect of retirement pension funds.	-	-	11,996	-	1,892	3,560	631	642
Public Investment Corporation Ltd	Invests funds on behalf of the South African public-sector	1	1	599,779	517,557	35,209	32,045	6,514	4,736
South African Revenue Service	Efficient and effective collection of revenue	-	-	4,423,488	3,990,166	404,512	552,722	23,014	29,662
SASRIA Limited	Special Risk Insurance	-	-	3,909,325	3,471,007	-	482	75,000	148,700
Total Investments		400,956	400,956	32,096,634	30,130,831	39,041,813	32,447,500	17,355,081	12,360,432

#Prior year figures have been restated as published figures were based on preliminary unaudited amounts.

Annexures to the annual financial statements

for the year ended 31 March 2012

ANNEXURE 3A

STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2012 – LOCAL

Other Local Guarantees

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2011	Guarantees drawdowns during the year	Guarantees repayments/cancelled/reduced/ released during the year	Revaluations	Closing balance 31 March 2012	Guaranteed interest for year ended 31 March 2012	Realised losses not recoverable i.e. claims paid out
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Development Bank of Southern Africa	Former Ciskei regional authority	16,800	5,978	-	(4,887)	-	1,091	15	-
Development Bank of Southern Africa	Former Transkei regional authority	5,500	872	-	(646)	-	226	-	-
Development Bank of Southern Africa	Former Kwangwane regional authority	3,667	1,206	-	(177)	-	1,029	48	-
Development Bank of Southern Africa	Former Bophuthatswana regional authority	199,770	83,239	-	(2,765)	-	80,474	54,127	-
Development Bank of Southern Africa	Former Venda regional authority	3,494	818	-	(220)	-	598	15	-
Development Bank of Southern Africa	Increase in capital	15,200,000	15,200,000	-	-	-	15,200,000	-	-
Land and Agriculture Development Bank of South Africa	Consolidation of debt	100,000	92,728	-	-	-	92,728	-	-
Development Bank of South Africa	Grain silo loans	200,000	1,436	-	(1,436)	-	-	-	-
Land and Agriculture Development Bank of South Africa	Recapitalisation ⁷	3,500,000	1,750,000	-	(750,000)	-	1,000,000	-	-
Subtotal		19,229,231	17,136,277	-	(760,131)	-	16,376,146	54,205	-

⁷The letter of undertaking of R3.5 billion will proportionally decrease with capital injection by government to the Land Bank; R1 billion (2009/10), R750 million (2010/11), R750 million (2011/12), R200 million (2012/13), R300 million (2013/14) and R500 million (2014/15).

Annexures to the annual financial statements

for the year ended 31 March 2012

ANNEXURE 3A STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2012 – FOREIGN (CONTINUED)

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2011	Guarantees draw downs during the year	Guarantees repayments/ can be called/ reduced/ released during the year	Revaluations	Closing balance 31 March 2012	Guaranteed interest for year ended 31 March 2012	Realised losses not recoverable i.e. claims paid out
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Development Bank of Southern Africa	Chiao Tung Bank Co, Ltd	118,798	12,587	-	(4,689)	1,581	9,479	15	-
Development Bank of Southern Africa	African Development Bank	537,131	71,321	-	(50,616)	6,152	26,857	146	-
Development Bank of Southern Africa	Nordic Investment Bank	76,733	13,585	-	(7,185)	1,273	7,673	15	-
Development Bank of Southern Africa	Nordic Investment Bank	76,733	3,996	-	(3,967)	(29)	-	-	-
Development Bank of Southern Africa	Nordic Investment Bank	76,733	11,987	-	(8,708)	1,235	4,514	16	-
Development Bank of Southern Africa	European Investment Bank	512,040	49,366	-	(10,884)	6,132	44,614	18	-
Development Bank of Southern Africa	European Investment Bank	512,040	114,682	-	(42,142)	13,829	86,369	36	-
Development Bank of Southern Africa	European Investment Bank	819,263	275,670	-	(46,754)	34,593	263,509	109	-
Development Bank of Southern Africa	African Development Bank	767,330	509,434	-	(72,309)	61,640	498,765	1,970	-
Development Bank of Southern Africa	Agence Francaise de Development	156,120	67,918	-	(12,148)	4,276	60,046	893	-
Development Bank of Southern Africa	Kreditanstalt fur Wierderafbau	299,405	239,881	-	(14,763)	14,406	239,524	1,211	-
Development Bank of Southern Africa	Kreditanstalt fur Wierderafbau	149,227	140,658	-	(3,796)	8,634	145,496	736	-
Development Bank of Southern Africa	Kreditanstalt fur Wierderafbau	128,373	121,001	-	-	7,371	128,372	649	-
Development Bank of Southern Africa	Kreditanstalt fur Wierderafbau	130,901	114,626	-	(6,312)	6,895	115,209	583	-
Development Bank of Southern Africa	Kreditanstalt fur Wierderafbau	141,165	119,753	-	(6,961)	7,198	119,990	607	-
Development Bank of Southern Africa	African Development Bank	500,000	125,700	-	(41,900)	-	83,800	1,974	-
Development Bank of Southern Africa	Eurobonds	8,500,000	8,500,000	-	-	-	8,500,000	10,875	-
Subtotal foreign guarantees		13,501,992	10,492,165	-	(333,134)	175,186	10,334,217	19,853	-
Total financial guarantees		32,731,223	27,628,442	-	(1,093,265)	175,186	26,710,363*	73,958*	-

*Amount per note 20 is the sum total of the closing balance and the guaranteed interest which amounts to R 26,784,421 (R 26,710,363 + R 73,958) rounded to R'000.

Annexures to the annual financial statements

for the year ended 31 March 2012

ANNEXURE 3B

STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2012

Nature of Liability	Opening	Liabilities incurred during	Liabilities paid/cancelled/ reduced during the year	Liabilities recoverable (Provide details hereunder)	Closing
	Balance 1 April 2011				the year
	R'000	R'000	R'000	R'000	R'000
Claims against the department					
RSC levies claim	171,815	-	-	-	171,815
SARB guarantee claim	35,336	-	-	-	35,336
Theft and losses claim*	724	298	-	-	1,022
Contract cancellation claim	5,076	-	-	-	5,076
Relocation costs claim	7	-	-	-	7
Promissory note claim	1,000,000	-	-	-	1,000,000
Alexcor claim	119,000	-	-	-	119,000
Adam Smith International claim	1,100	-	-	-	1,100
Unlawful use of photograph claim	500	-	-	-	500
Asset Forfeiture Unit claim	118	-	-	-	118
Xia Xu claim*	163	21	-	-	184
Callcom claim	2,400	-	-	-	2,400
National Heritage Site claim	4,888	-	-	-	4,888
Sikander Nanabhay claim	2,151	-	-	-	2,151
VMA court records claim	50	-	-	-	50
SARB money seizure claim*	1,859	182	-	-	2,041
Stolen cheque claim	67	-	-	-	67
Fraudulent VAT e-mail claim	516	-	-	-	516
Unlawful arrest and detention claim	-	761	-	-	761
Spence J and Spence DM claim	-	11,000	-	-	11,000
Afagri Operations Limited claim	-	7,392	-	-	7,392
Total claims against the department	1,345,770	19,654	-	-	1,365,424

*Exchange rate of R7.66 (R6.97: 2010/10) on \$103,494, \$24,000 and \$206,000 was applied respectively for the financial year ended 31 March 2012

ANNEXURE 3B**STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2012 (CONTINUED)**

Nature of Liability	Opening Balance 1 April 2011	Liabilities incurred during the year	Liabilities paid/cancelled/ reduced during the year	Liabilities recoverable (Provide details hereunder)	Closing Balance 31 March 2012
	R'000	R'000	R'000	R'000	R'000
Total other contingent liabilities	343,897^a	66,254	54,162	-	355,989
Military Pension	21,836	37,773	-	-	59,609
Injury on duty	20,401	28,481	-	-	48,882
Special Pension	301,660	-	54,162	-	247,498
Total contingent liabilities	1,689,667	85,908	54,162	-	1,721,413

^aAmounts previously disclosed as Suspended Pensioners have been restated and reclassified to Civil, Military and Special pension. The restatement pertains to R19.5 million that should have been classified under Provisions. (Refer to notes 20 and 29).

Annexures to the annual financial statements

for the year ended 31 March 2012

ANNEXURE 4

CLAIMS RECOVERABLE

National Treasury	Confirmed balance outstanding 2011/12		2010/11		Unconfirmed balance outstanding 2011/12		2010/11		Total 2010/11
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Department									
Gauteng	-	-	-	79	67	67	-	-	79
KwaZulu-Natal	-	-	-	-	-	-	-	-	-
Eastern Cape	-	-	-	-	-	-	-	-	-
Northern Cape	-	-	-	-	-	-	-	-	-
North West	61	-	-	-	-	61	-	-	-
Western Cape	-	-	124,985	125,074	124,985	124,985	125,074	125,074	125,074
National Departments	18	118	1,036	2,459	1,054	1,054	2,459	2,577	2,577
Other									
Foreign government	-	-	555	661	555	555	661	661	661
Households and non-profit institutions	-	-	-	9,370	-	-	9,370	9,370	9,370
Total claims recoverable	79	118	126,643	137,643	126,643	126,722	137,643	137,761	137,761

Annexures to the annual financial statements

for the year ended 31 March 2012

ANNEXURE 5**INVENTORY**

National Treasury	2011/12		2010/11	
	QUANTITY	R'000	QUANTITY	R'000
Inventory				
Opening balance	1,341	213	944	159
Add/(Less): Adjustments to prior year balances	10	2	-	-
Add: Additions/Purchases - Cash	6,000	917	6,000	952
Add: Additions - Non-cash	-	-	-	-
(Less): Disposals	(4,776)	(738)	-	-
(Less): Issues	-	-	(5,603)	(898)
Add/(Less): Adjustments	-	-	-	-
Closing balance*	2,575	394	1,341	213

*NT does not have a centralised inventory management system, and as such inventory is managed and monitored in the respective units and divisions. However photocopy paper is managed and monitored in the Supply Chain Management Unit, as a result it is the only inventory item that is disclosed in this annexure.



Annual Report

Annual financial statements



Project
Development
Facility

PROJECT DEVELOPMENT FACILITY (PDF)

A TRADING ENTITY MANAGED BY THE PPP UNIT OF NATIONAL TREASURY



TECHNICAL ASSISTANCE UNIT

A TRADING ENTITY MANAGED BY THE TAU UNIT OF NATIONAL TREASURY



Annual Report

Project Development Facility (PDF) Annual financial statements

for the year ended 31 March 2012



NATIONAL
TREASURY

PPP
unit

Project
Development
Facility

PROJECT DEVELOPMENT FACILITY (PDF)

A TRADING ENTITY MANAGED BY THE PPP UNIT OF NATIONAL TREASURY

Annual financial statements

for the year ended 31 March 2012

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Annual Report

Report of the Auditor-General to parliament on the Project Development Facility:

for the year ended 31 March 2012



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

PUBLISHED BY AUTHORITY



Report of the Auditor-General to parliament on the Project Development Facility

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Project Development Facility set out on pages 221 to 246, which comprise the statement of financial position as at 31 March 2012, the statement of comprehensive income, statement of changes in equity and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

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

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2001) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Project Development Facility as at 31 March 2012, and its financial performance and cash flows for the year then ended in accordance with SA Statements of GAAP and the requirements of the PFMA.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Report of the Auditor-General to parliament on the Project Development Facility

Predetermined objectives

8. I performed procedures to obtain evidence about the usefulness and reliability of the information in the predetermined objectives report as set out on pages 97 to 103 of the annual report.
9. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury's *Framework for managing programme performance information*.
10. The reliability of the information in respect of the selected programmes is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).
11. There were no material findings on the report on performance against predetermined objectives concerning the usefulness and reliability of the information.

Compliance with laws and regulations

12. I did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA.

Internal control

13. I did not identify any deficiencies in internal control which we considered sufficiently significant for inclusion in this report.

Auditor General

Pretoria
31 July 2012



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Project Development Facility

A trading entity managed by the Public Private Partnership (PPP) unit of National Treasury

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Statement of comprehensive income

for the year ended 31 March 2012

	Note	2011/12	2010/11
		R'000	R'000
Revenue	7	176 861 499	62 704 394
Project Expenses	8	(123 461 742)	(69 440 981)
Gross profit / (loss)		<u>53 399 757</u>	<u>(6 736 587)</u>
Investment Income	9	1 128 038	1 646 427
Administration Expenses	10	(1 187 890)	(1 225 967)
Finance Cost		-	(31)
Profit / (Loss) for the year		<u>53 339 905</u>	<u>(6 316 158)</u>

Project Development Facility (PDF)

A trading entity managed by the Public Private Partnership (PPP) unit of National Treasury

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Statement of financial position

as at 31 March 2012

	<i>Note</i>	2011/12	2010/11
		R'000	R'000
ASSETS			
Current Assets		143 949 073	27 433 048
Receivables	11	167 473	83 405
Cash and Cash Equivalents	12	143 781 600	27 349 643
Total Assets		143 949 073	27 433 048
EQUITY AND LIABILITIES			
Equity			
Retained Earnings		64 846 947	11 507 042
Current Liabilities			
Payables	13	54 730 677	13 557 458
Deferred Revenue	14	258 673	674 832
Unspent Government Funding	15	24 112 776	1 693 716
Total Equity and Liabilities		143 949 073	27 433 048

Project Development Facility (PDF)

A trading entity managed by the Public Private Partnership (PPP) unit of National Treasury

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Statement of changes in equity

for the year ended 31 March 2012

	Retained Earnings	Total
	R	R
Balance at 31 March 2010	17 823 200	17 823 200
Net Loss for the year ended 31 March 2012	<u>(6 316 158)</u>	<u>(6 316 158)</u>
Balance at 31 March 2011	11 507 042	11 507 042
Net Profit for the year ended 31 March 2012	<u>53 339 905</u>	<u>53 339 905</u>
Balance at 31 March 2012	<u>64 846 947</u>	<u>64 846 947</u>

Statement of cash flows

for the year ended 31 March 2012

CASH FLOW FROM OPERATING ACTIVITIES

	<i>Note</i>	2011/12	2010/11
		R'000	R'000
Cash received from government and other sources		176 861 499	62 704 394
Cash paid to suppliers		(61 473 512)	(97 195 265)
Interest paid		-	(31)
Cash generated / (utilised) in operations	16	<u>115 387 987</u>	<u>(34 490 902)</u>
Interest received	17	1 043 970	1 846 500
Net cash inflow / (outflow) from operating activities		<u>116 431 957</u>	<u>(32 644 402)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		116 431 957	(32 644 402)
Cash and cash equivalents at beginning of the year	12	27 349 643	59 994 045
CASH AND CASH EQUIVALENTS AT END OF YEAR	12	<u>143 781 600</u>	<u>27 349 643</u>

Accounting policies

for the year ended 31 March 2012

1. GENERAL INFORMATION

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

The PDF also supports the:

- (1) NDPG (Neighbourhood Development Programme Grant) – Its role is to accelerate investment in community amenities in poor underserved residential neighbourhoods by providing technical support and co-financing for municipal projects, which includes the construction of new and improved social, administrative, commercial and recreational community facilities.
- (2) US Grant – Its role is to facilitate partnership arrangements at municipal level, monitor implementation of the growth and development summit agreements, and establishes a framework for municipal investment.

2. STANDARDS AND INTERPRETATIONS EARLY ADOPTED

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of Compliance

The annual financial statements have been prepared in accordance with Statements of Generally Accepted Accounting Practice (GAAP). These require the use

of certain accounting estimates. They also require management to exercise its judgement in the process of applying the company's accounting policies based on best available information at the time of preparation.

3.2 Currency

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

3.3 Basis of Preparation

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

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

3.4 Revenue Recognition

Funding Revenue

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

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

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

Accounting policies – cont

for the year ended 31 March 2012

Funding received by the PDF is accounted for in the financial statements of the entity on receipt.

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

3.5 Irregular and Fruitless and Wasteful Expenditure

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

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

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

3.6 Financial Instruments

Recognition

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

Financial Assets

Loans and receivables

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

method, less any impairment.

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

Financial Liabilities

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

Other financial Liabilities

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

3.7 Foreign Currencies

In preparing the financial statements of the individual entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the date the funds are received and are re-valued at the closing rate as at the financial year end 31 March 2012.

3.8 Going Concern

The entity is financially dependent on the funding it receives from National Treasury. On the basis that the funding has been listed in the Estimates of National Expenditure, management believe that the entity will continue to be a going concern in the year ahead. For this reason, management continue to prepare the annual financial statements on a going concern basis.

3.9 Related Party

The entity is related to other entities and departments in the national sphere of government, it is considered related to National Treasury, Free State Department of Health and the Development Bank of South Africa. The transactions

Accounting policies – cont

for the year ended 31 March 2012

are consistent with normal operating relationships between the entities, and are undertaken on terms and conditions that are normal for such transactions.

Refer to note 25 for the transactions between related parties.

4. PUBLIC-SECTOR PRACTICES AND POLICIES

4.1 Inter-relationship with other government entities

The entity operates as a trading entity of the National Treasury, within the South African Government environment. In line with prevailing government practices, the entity is not obliged to pay for certain expenditure such as office space and utilisation of fixed and moveable assets.

4.2 Public Finance Management Act reporting requirements

Section 40(3) (b)

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

5. CONTINGENT LIABILITIES

The entity's main operating activities are to facilitate project developments for municipalities/institutions. Hence project commitments are provided to facilitate such developments. These commitments range from 2 – 20 years depending on the nature of the project.

The full commitment less cumulative expenditure results in the future commitment to the municipality/institution. This is the contingent liability.

Refer to note 29 on the list of contingent liabilities for both the PDF and NDPG projects.

6. CONTINGENT ASSETS

The entity has a legal right to recover expenditure disbursed when a project reaches the final stage of the PPP, from the private party.

Funds are paid to transaction advisors in accordance with the terms of the contract between the institution or municipality and the transaction advisor. Disbursed funds may be recovered from the successful private party bidder when the PPP reaches financial close. The PDF is exposed to the full risk of the project not reaching financial closure.

To date, the PDF has not recovered any disbursed funds from projects as they have not reached financial closure.

An asset will be recognised once the project has reached financial closure. It is only at this closure where the PDF will be able to recover the expenditure disbursed.

Notes to the annual financial statements

for the year ended 31 March 2012

7. REVENUE

Revenue includes:

	2011/12	2010/11
	R'000	R'000
- Government Funding Income – PDF	3 000 000	3 000 000
- Government Funding Income – NDPG	47 580 940	53 345 758
- Funding Income * (PDF)	2 835 125	1 803 940
- PDF Alternative Energy (Royal Danish Embassy)	148 129	500 000
- Independent Power Producing Revenue ** (PDF)	105 029 447	-
- Employment Creation Facilitation Facility *** (PDF)	18 000 000	-
- Project Reimbursive Expenditure (PDF)	-	3 146 696
- US Grant	267 858	908 000
	<u>176 861 499</u>	<u>62 704 394</u>

* Funding Income relates to R2 835 125 co-funding received from Free State Department of Health.

** Funding received for the Independent Power Producing (IPP) projects of the Alternative Energy Program.

*** Employment Creation Facilitation Facility revenue is specific funding for job creating projects.

8. PROJECT EXPENSES

Project expenses includes:

- PDF	9 475 841	13 172 652
- NDPG (qualifying expenditure)	47 580 940	53 345 758
- NDPG (other)	2 397 933	1 778 884
- PDF Alternative Energy (Royal Danish Embassy)	148 129	500 000
- PDF Alternative Energy (IPP)	63 612 206	-
- US Grant	246 693	643 687
	<u>123 461 742</u>	<u>69 440 981</u>

9. INVESTMENT INCOME

Investment income includes:

- Interest received - PDF bank account	305 177	268 315
- Interest received - NDPG bank account	822 861	1 378 112
	<u>1 128 038</u>	<u>1 646 427</u>

Notes to the annual financial statements

for the year ended 31 March 2012

	2011/12	2010/11
	R'000	R'000

10. ADMINISTRATION EXPENSES

Administration expenses includes:

- Audit fees	232 230	245 853
- Bank charges	32 592	26 446
- Financial managers' fees	923 068	953 668
	1 187 890	1 225 967

Financial managers' fees represent amounts paid to Deloitte Consulting (Pty) Ltd for accounting services.

11. RECEIVABLES

Accrued interest	167 473	83 405
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Accrued interest is interest relating to March 2012, but only received in April 2012.

The credit risk exposure of the PDF is disclosed in note 20.

12. CASH AND CASH EQUIVALENTS

PDF bank account	103 515 990	6 239 961
PDF - Alternative Energy	2 092 793	648 796
PDF - PPPIAF	663	494
NDPG bank account	37 757 641	19 816 532
US Grant bank account	414 513	643 860
	143 781 600	27 349 643

13. PAYABLES

Payables	54 730 677	13 557 458
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The average credit period on purchases is 30 days from invoice date. No interest is charged on the trade payables. The PDF has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

Notes to the annual financial statements

for the year ended 31 March 2012

	2011/12	2010/11
	R'000	R'000
14. DEFERRED REVENUE		
14.1 US Grant:		
Balance as at 1 April 2011	526 531	411 571
Funding received in the current year	-	1 022 960
Revenue recognised in current year	(267 858)	(908 000)
Balance at 31 March 2012	<u>258 673</u>	<u>526 531</u>
Revenue of R267 858 includes: Project expenses recognised as revenue of R228 500, Bank charges of R847, and revaluation of outstanding creditor of R38 511.		
14.2 PDF Alternative Energy:		
Balance as at 1 April 2011	148 301	-
Funding received in the current year	-	648 301
Revenue recognised in current year	(148 301)	(500 000)
Balance at 31 March 2012	<u>-</u>	<u>148 301</u>
Revenue of R148 301 includes: Project expenses recognised as revenue of R148 129, and the remaining R172 retained for future energy project spend.		
Total Deferred Revenue	<u>258 673</u>	<u>674 832</u>

Funds are received from the World Bank for the US Grant account and the Royal Danish Embassy for the PDF Alternative Energy account.

15. UNSPENT GOVERNMENT FUNDING**15.1 NDPG:**

Balance as at 1 April 2011	1 693 716	33 260 809
Funding received in the current year	70 000 000	21 778 665
Revenue recognised in current year	(47 580 940)	(53 345 758)
Balance at 31 March 2012	<u>24 112 776</u>	<u>1 693 716</u>

It is a condition of the NDPG to utilise their funding to incur project expenditure.

Notes to the annual financial statements

for the year ended 31 March 2012

	2011/12	2010/11
	R'000	R'000
16. RECONCILIATION OF NET PROFIT / (LOSS) FOR THE YEAR TO CASH GENERATED / (UTILISED) IN OPERATIONS		
Net profit / (loss) for the year	53 339 905	(6 316 158)
Net interest income	(1 043 970)	(1 846 500)
Operating cash flows before working capital changes	52 295 935	(8 162 658)
Working capital changes:	63 092 052	(26 328 244)
- Increase in Payables	41 173 219	4 775 514
- (Increase)/Decrease in Receivables	(84 068)	200 073
- (Decrease)/Increase in Deferred Revenue	(416 159)	263 262
- Increase/(Decrease) in Unspent Government Funding	22 419 060	(31 567 093)
Cash generated / (utilised) in operations	<u>115 387 987</u>	<u>(34 490 902)</u>

17. INTEREST RECEIVED

Accrued interest income at beginning of year	83 405	283 478
Net interest income received per the Statement of Comprehensive Income	1 128 038	1 646 427
Accrued net interest income at the end of the year	(167 473)	(83 405)
Interest income received	<u>1 043 970</u>	<u>1 846 500</u>

18. COMMITMENTS

Payable within the next 12 months:		
- Financial Managers Fees	500 000	500 000
Payable between 2 and 5 years:		
- Financial Managers Fees	-	-

The entity appointed Deloitte Consulting (Pty) Ltd for the outsourced financial management of the Project Development Facility. Contract ends August 2012.

Notes to the annual financial statements

for the year ended 31 March 2012

19. RISK MANAGEMENT

The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, management endeavours to minimise it by ensuring that the appropriate infrastructure, controls, systems and ethics are applied throughout the entity and managed within predetermined procedures and constraints.

As the entity acquires finance from the National Treasury Finance Department and does not have borrowed funds it does not have major exposure to credit, liquidity, interest and market risk.

20. CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as outstanding receivables and committed transactions. For banks and financial institutions, only highly reputable financial institutions are used.

21. LIQUIDITY RISK

Liquidity risk is the risk that the entity will not be able to meet its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the National Treasury finance department, which has built an appropriate liquidity risk management framework for the management of the National Treasury's short, medium and long-term funding and liquidity management requirements.

22. INTEREST RATE RISK

The entity has limited exposure to interest risk. The entity's cash and cash equivalents are subject to interest rate risk for the portion of interest received. The interest rate risk is

limited as funds are invested with one of the four major banks and this is assessed annually.

23. TAXATION

No provision is made for taxation, as the entity is exempt from taxation in terms of Section 10(1) (a) of the Income Tax Act No. 58 of 1962.

24. EVENTS AFTER THE REPORTING DATE

The financial statements have been adjusted with new information received from service providers between the months of May and June 2012, relating to project liabilities being decreased of R100 727 at the end of the reporting period.

The financial statements were submitted for audit on 31 May 2012, and was authorised for issue on 31 July 2012.

Notes to the annual financial statements

for the year ended 31 March 2012

<i>Note</i>	2011/12	2010/11
	R'000	R'000

25. RELATED PARTY TRANSACTIONS**25.1 The entity received funding from the following related parties:**

National Treasury	191 000 000	24 778 665
Free State Department of Health	2 835 125	-
Development Bank of South Africa	10 350 000	-
	<u>204 185 125</u>	<u>24 778 665</u>

25.2 The entity owed the following amount to related parties:

Development Bank of South Africa	(10 350 000)	-
	<u>193 835 125</u>	<u>24 778 665</u>

25.3 Building occupation:

National Treasury	(718 200)	-
	<u>193 116 925</u>	<u>24 778 665</u>

In 2011, the Free State Department of Health co-funded a project and deposited R2 835 125 into PDF for this reason. This amount was utilised on the project during the current financial period.

In 2012, the Development Bank of South Africa funded R10 350 000 to assist with project expenditure in the Alternative Energy program. This amount has been repaid.

26. FRUITLESS AND WASTEFUL EXPENDITURE**26.1 Reconciliation of fruitless and wasteful expenditure**

Fruitless and wasteful expenditure – relating to the prior year	31	1 162
Fruitless and wasteful expenditure – relating to the current year	-	31
Less: Amounts condoned	-	(1 162)
Less: Amounts recovered	(31)	-
Fruitless and wasteful expenditure awaiting condonation	<u>-</u>	<u>31</u>

26.2 Analysis of awaiting condonement per economic classification

Current	-	31
Capital	-	-
Transfers and Subsidies	-	-
Total	<u>-</u>	<u>31</u>

Notes to the annual financial statements

for the year ended 31 March 2012

26.3 Analysis of prior year's fruitless and wasteful expenditure

The fruitless and wasteful expenditure for the prior year was recovered from the financial institution during the current financial year.

26.4 Analysis of current year's fruitless and wasteful expenditure

No fruitless and wasteful expenditure in the current financial year.

27. SIGNIFICANT UNCERTAINTIES AND KEY JUDGEMENTS

The entity will be going through a structural change over the next few years, which will change the entity but not their operations.

It is uncertain when and how the structural change will take place. This should not affect going concern.

28. NEW OR REVISED ACCOUNTING PRONOUNCEMENTS

At the date of authorisation of these financial statements, there are Standards and Interpretations in issue but not yet effective. These include the following Standards and Interpretations that are applicable to the entity and may have an impact on future financial statements.

		Effective date, commencing on or after
IAS 28	Investments in Associates and Joint Ventures	1 January 2013
IFRS 9	Financial Instruments	1 January 2015
IFRS 11	Joint Arrangements	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013

Details of the standard and the resulting impact:

IAS 28

This Standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It is not expected that this standard will impact the entity's financial statements.

IFRS 9

A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement.

It is not expected that this standard will impact the entity's financial statements.

IFRS 11

Replaces IAS 31 Interests in Joint Ventures. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.

It is not expected that this standard will significantly impact future disclosures.

IFRS 13

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements).

It is not expected that this standard will impact the entity's financial statements.

Notes to the annual financial statements

for the year ended 31 March 2012

28.1 New Prescribed Accounting Framework

Public Trading Entities will be required to prepare Annual Financial Statements under GRAP (Generally Recognised Accounting Practice) from 1 April 2013.

GRAP has similar accounting treatments to that of GAAP but tailored for Government operations.

This will be a fundamental change to the Annual Financial Statements as the whole suite of standards will need to be applied. It is uncertain as to how much the statements will change as it will affect all financial information and disclosures including comparatives.

29. CONTINGENT LIABILITIES

The retained earnings of R64 846 947 (2010/2011 R11 507 042) is retained for funding approved projects. The entity has obtained permission from National Treasury to retain the retained earnings from the 2010/2011 financial year. The entity is in the process of requesting permission from National Treasury to retain the 2011/2012 surplus.

Funding is disbursed upon the successful achievement of predefined milestones and Treasury approvals of a project. The entity has no control over the performance / non-performance of the party they enter into agreement with, and therefore no control over whether milestones are met and when they will be met. The project agreement is not an irrevocable contract and a key condition for performance of the entity (i.e. payment of agreed funds) is fully dependent upon the external party's performance.

The following is a breakdown of all the commitments which range from 2 – 20 years depending on the nature of the project.

29.1 PDF Projects

2011/2012 summary of PDF Contingent Liability:

Future remaining commitments for the year ending 31 March 2011	Positive (+) and negative (-) funding adjustments for the year ending 31 March 2012	Expenditure for the year ending 31 March 2012	Future remaining commitments for the year ending 31 March 2012
19 310 999	2 767 355	(11 800 060)	10 278 294

Management has interpreted the PDF projects to be the net commitment balance (funding amount per contract less any disbursements made to the project upon reaching the milestones) to be a contingent liability of R10 278 294 for the year ending 31 March 2012.

For a detailed list of all the projects, refer to Table A on pages 237 to 238.

Notes to the annual financial statements

for the year ended 31 March 2012

29.2 NDPG Projects

The NDPG was announced by the Minister of Finance in his budget speech on 15 February 2006. It is planned that an amount of R10 billion will be spent over a ten year period. The primary focus of the grant is to stimulate and accelerate investment in poor, underserved residential neighbourhoods such as townships by providing technical assistance and grant financing for municipal projects that have a distinct private sector element in the project.

2011/2012 summary of NDPG Contingent Liability:

Future remaining commitments for the year ending 31 March 2011	Positive (+) & negative (-) funding adjustments for the year ending 31 March 2012	Expenditure for the year ending 31 March 2012	Future remaining commitments for the year ending 31 March 2012	Contractual commitments for the year ending 31 March 2012
417 338 775	(10 860 538)	(50 453 840)	356 397	191 471 091

Management has interpreted the NDPG projects to be the net contractual commitment balance (commitments to service providers for the next 12 months) to be a contingent liability of R191 471 091 for the year ending 31 March 2012.

The NDPG projects cover a 10 year period of which R356 024 397 has been committed.

For a detailed list of all the projects, refer to Table B on pages 239 to 246.

29.3 PDF Projects – Hospital Programme

The PDF has no further contingent liability with the Hospital Programme, as the National Department of Health's allocated budget covers the project costs in the Hospital Programme.

The 2010/2011 Contingent liability for the Hospital program was R36 323 349.

29.4 Alternative Energy Program

2011/2012 summary of the Alternative Energy Contingent Liability:

Funding received for the year ending 31 March 2012	Expenditure for the year ending 31 March 2012	Available funding for the year ending 31 March 2012
104 988 275	(63 612 206)	41 376 069

The PDF has entered into a Memorandum of Agreement with the Department of Energy and the Development Bank of South Africa (DBSA) for the Alternative Energy Program over a period of 5 years. The PDF is to fund the expenditure incurred by the DBSA.

The projected annual expected cost is R88 million of the DBSA.

Notes to the annual financial statements

for the year ended 31 March 2012

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TABLE A - PDF PROJECTS

#	INSTITUTION	PROJECT NAME	Future remaining commitments for the year ending 31 March 2011	Positive (+) and negative (-) funding adjustments for the year ending 31 March 2012	Expenditure for the year ending 31 March 2012	Future remaining commitments for the year ending 31 March 2012
1	Hibiscus Coast Municipality	Phase 1	37 736	-	-	37 736
2	Hibiscus Coast Municipality - P2	Phase 2	631 845	-	-	631 845
3	Greater Kokstad Municipality	Civic Centre	235 596	-	-	235 596
4	Potchefstroom Municipality	Solid Waste Management	770 230	-	-	770 230
5	Elundini Municipality	Solid waste management system	1 500 630	-	(500 000)	1 000 630
6	Western Cape Department of Transport and Public Works	Chapmans peak	1 123 534	(1 123 534)	-	-
7	Greater Tubatse Municipality 1	Solid waste	5 219	(5 219)	-	-
8	Emalahleni	Tourism Development	182 560	(11 565)	-	170 995
9	Lephalale	Municipal Water Services	499 825	812 030	(1 311 855)	-
10	City of Cape Town	Waste Water	329 681	(329 681)	-	-
11	Siyancuma	Tourism Development	536 054	-	(25 686)	510 368
12	Eastern Cape Parks	Tourism Development	1 379 880	-	(504 484)	875 396
13	Northern Cape Department of Roads	Fleet management	700 000	(700 000)	-	-
14	Blue Crane Development Agency	Contract review	205 000	-	-	205 000
15	Mogalakwena Municipality	Olifants River water resources	-	1 500 000	-	1 500 000
16	Greater Tubatse Municipality 2	Waste Management Services	1 141 400	-	(638 400)	503 000
17	Greater Tubatse Municipality 3	Water Management Services	1 760 600	-	(1 760 600)	-
18	Mbombela Municipality	Fleet management	642 000	(642 000)	-	-

Notes to the annual financial statements

for the year ended 31 March 2012

TABLE A - PDF PROJECTS (CONTINUED)

#	INSTITUTION	PROJECT NAME	Future remaining commitments for the year ending 31 March 2011	Positive (+) and negative (-) funding adjustments for the year ending 31 March 2012	Expenditure for the year ending 31 March 2012	Future remaining commitments for the year ending 31 March 2012
19	City of Johannesburg	Alternative Waste Treatment	382 061	-	-	382 061
20	Modimolle Municipality	Advisory Services	169 365	-1	(169 364)	-
21	Renosterberg Municipality	Vanderkloof Resort Development	400 000	-	(400 000)	-
22	Witzenberg Municipality	Dennebos/Pine Forest Resort	500 000	(800)	(499 200)	-
23	Department of Economic Development Environment and Tourism	Pilgrims Rest Revitalisation	1 500 000	-	-	1 500 000
24	Ekurhuleni Municipality	Social Housing	750 000	(750 000)	-	-
25	Northern Cape Department of Roads and Public Works	Fleet management	780 000	(780 000)	-	-
26	FS Department of Health 2	Hospitals	1 000 000	2 835 125	(2 886 386)	948 739
27	Department of Local Government and Housing	Sedibeng Regional Sewer scheme	2 147 785	-	(2 147 785)	-
28	Department of Environmental Affairs	Working on fire PPP	-	1 463 000	(956 300)	506 700
29	KwaDukuza Municipality 3	Waste management	-	500 000	-	500 000
		TOTAL	19 310 999	2 767 355	(11 800 060)	10 278 294

Notes to the annual financial statements

for the year ended 31 March 2012

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TABLE B - NDPG PROJECTS

#	Municipality	Project Number	Project Name	Future remaining commitments for the year ending 31 March 2011	Positive (+) and negative (-) funding adjustments for the year ending 31 March 2012	Expenditure for the year ending 31 March 2012	Future remaining commitments for the year ending 31 March 2012	Contractual commitments for the year ending 31 March 2012
1	Amatole District Municipality	NDPG3-027	Township Development of Amathole District Towns	16 133 360		(3 152 236)	12 981 124	16 263 083
2	Ba-Phalaborwa Municipality	NDPG3-004	BaPhalaborwa LM - Freedom and memorial Precinct	3 160 717		(1 053 677)	2 107 040	7 332 829
3	Beaufort West Local Municipality	NDPG4-029	Urban Nodal Development	954 923		(615 243)	339 680	954 923
4	Bitou Local Municipality	NDPG4-069	Bitou Coming Together	4 004 231		(727 668)	3 276 563	844 478
5	Breede River/Winelands Local Municipality	NDPG4-018	Robertson Township Initiative	1 744 150		(891 140)	853 010	385 860
6	Buffalo City Local Municipality	NDPG3-058	Township Regeneration	24 265 415		(71 654)	24 193 761	383 264
7	Bushbuckridge Local Municipality	NDPG3-080	Bushbuckridge Urban Municipality	12 690 791		-	12 690 791	162 643
8	City of Cape Town Metropolitan Municipality	Various	City of Cape Town Townships initiative	15 820 407	-	(129 415)	15 690 992	9 589 245
9	City of Johannesburg Metropolitan Municipality	Various	City of Johannesburg Townships initiative	22 809 448	-12 102 683	(3 841 587)	6 865 178	60 792 875
10	City of Tshwane Metro Municipality	NDPG1-106	Tsoeloso Programme (Public Spaces)	23 646 104		(3 462 487)	20 183 617	3 563 929

Notes to the annual financial statements

for the year ended 31 March 2012

TABLE B - NDPG PROJECTS (CONTINUED)

#	Municipality	Project Number	Project Name	Future remaining commitments for the year ending 31 March 2011	Positive (+) and negative (-) funding adjustments for the year ending 31 March 2012	Expenditure for the year ending 31 March 2012	Future remaining commitments for the year ending 31 March 2012	Contractual commitments for the year ending 31 March 2012
11	Ditlhabeng Local Municipality	NDPG3-005	Vogelfontein Urban Centre	4 863 678	-	-	4 863 678	-
12	Ekurhuleni Metropolitan Municipality	Various	Ekurhuleni Townships initiative	12 599 083	(3 000 000)	(991 621)	8 607 462	4 152 385
13	Emalahleni	NDPG4-130.4	Rural Town Centre General Upgrades	3 000 000	-	-	3 000 000	-
14	Emnambithi/Ladysmith Municipality	NDPG4-127	Commercial Development	1 347 200	-	(471 000)	876 200	455 565
15	eThekweni Metropolitan Municipality	Various	eThekweni Townships initiative	14 042 770	-	(361 880)	13 680 890	2 486 797
16	Ga-Segonyana Local Municipality	NDPG4-130.1	Mothibstad Rural Development	4 000 000	-	(2 592 624)	1 407 376	1 209 237
17	Greater Taung Local Municipality	NDPG3-029	Greater Taung regeneration Strategy	7 134 974	-	(1 684 734)	5 450 240	4 506 165
18	Greater Tubatse	NDPG4-130.2	General improvements of Town Centre and	5 210 510	-	(2 364 249)	2 846 261	1 693 701

Notes to the annual financial statements

for the year ended 31 March 2012

TABLE B - NDPG PROJECTS (CONTINUED)

#	Municipality	Project Number	Project Name	Future remaining commitments for the year ending 31 March 2011	Positive (+) and negative (-) funding adjustments for the year ending 31 March 2012	Expenditure for the year ending 31 March 2012	Future remaining commitments for the year ending 31 March 2012	Contractual commitments for the year ending 31 March 2012
19	Greater Tzaneen Local Municipality	NDPG1-064	Nkwanakowa Urban Renewal	557 030	1 150 000	(1 009 814)	697 216	4 103 678
20	King Sabata Dalindyebo Local Municipality	NDPG1-185	Transdo Economic Node Development	5 052 320	(5 000 347)	-	51 973	5 946 382
21	Krystna Local Municipality	Various	Krystna Townships initiative	6 326 114	-	(629 297)	5 696 817	1 379 788
22	Kouga Local Municipality	NDPG1-077	Eyabantu Community Neighbourhood Centre	1 189 167		-	1 189 167	450 000
23	KwaDukuza Local Municipality	NDPG3-044	KwaDukuza Priority Clusters	8 963 156		(627 000)	8 336 156	766 385
24	Lekwa Local Municipality	NDPG2-079	Taxi Bus/Hub and Recreation Centre	6 549 896		(235 720)	6 314 176	31 427
25	Lukhanji	NDPG4-130.3	Township and Town Centre Upgrade	4 000 000		-	4 000 000	-

Notes to the annual financial statements

for the year ended 31 March 2012

TABLE B - NDPG PROJECTS (CONTINUED)

#	Municipality	Project Number	Project Name	Future remaining commitments for the year ending 31 March 2011	Positive (+) and negative (-) funding adjustments for the year ending 31 March 2012	Expenditure for the year ending 31 March 2012	Future remaining commitments for the year ending 31 March 2012	Contractual commitments for the year ending 31 March 2012
26	Makana Local Municipality	NDPG2-060	Townships Regeneration (Rhini and Others)	559 476		(181 743)	377 733	608 818
27	Mandeni Municipality	NDPG3-052	Sundumbili Urban Development	6 540 853		(595 021)	5 945 832	6 599 525
28	Matjhabeng Local Municipality	NDPG3-035	Township Regeneration and Investment Plan	5 000 000		-	5 000 000	-
29	Matlosana Local Municipality	NDPG3-095	Neighbourhood Revit	9 322 920		(2 085 345)	7 237 575	615 570
30	Matzikama Local Municipality	NDPG4-012	Urban Nodal Development	263 561		(213 100)	50 461	50 461
31	Mbombela Local Municipality	NDPG1-038	Swalala Precinct Development and KwaNyamazane Renewal	2 847 172	820 000	(3 483 086)	184 086	3 462 902
32	Metsweding District Municipality	NDPG4-025	Metsweding Townships Regeneration Programmes	4 111 891		(1 774 143)	2 337 748	2 348 065
33	Mogalakwena Local Municipality	NDPG3-053	Identification and Implementation of Appropriate Community Facilities	1 401 070	980 000	(857 309)	1 523 761	790 088

Notes to the annual financial statements

for the year ended 31 March 2012

TABLE B - NDPG PROJECTS (CONTINUED)

#	Municipality	Project Number	Project Name	Future remaining commitments for the year ending 31 March 2011	Positive (+) and negative (-) funding adjustments for the year ending 31 March 2012	Expenditure for the year ending 31 March 2012	Future remaining commitments for the year ending 31 March 2012	Contractual commitments for the year ending 31 March 2012
34	Mogale City Municipality	Various	Mogale City Townships initiative	21 630 648	-	-	21 630 648	31 324
35	Msunduzi Local Municipality	Various	Msunduzi Township initiatives	1 545 664	-	(360 160)	1 185 504	71 312
36	Ndwedwe Local Municipality	NDPG1-092	Ndwedwe Township Development	3 702 425		(110 000)	3 592 425	1 645 016
37	Nelson Mandela Metropolitan Municipality	Various	Nelson Mandela Townships initiative	5 922 207	-	(1 618 365)	4 303 842	5 797 188
38	Newcastle Local Municipality	NDPG3-020	JBC Urban Node	1 747 360		(1 117 360)	630 000	-
39	Nongoma Local Municipality	NDPG3-025	Nongoma Town Regeneration and Urban Development	440 000		-	440 000	-
40	Oudtshoorn Local Municipality	NDPG1-079	New Brighton Renewal	2 234 063	1 000 000	(1 414 229)	1 819 834	497 758

Notes to the annual financial statements

for the year ended 31 March 2012

TABLE B - NDPG PROJECTS (CONTINUED)

#	Municipality	Project Number	Project Name	Future remaining commitments for the year ending 31 March 2011	Positive (+) and negative (-) funding adjustments for the year ending 31 March 2012	Expenditure for the year ending 31 March 2012	Future remaining commitments for the year ending 31 March 2012	Contractual commitments for the year ending 31 March 2012
41	Overstrand Local Municipality	NDPG4-010	Imvuselelo Developing Economic Spaces	184 764	800 000	(434 561)	550 203	734 764
42	Polokwane Local Municipality	NDPG3-093	Polokwane Township Urban Renewal	7 236 126		(1 199 736)	6 036 390	2 517 317
43	Port St Johns	NDPG4-130.5	Town Centre Upgrade	4 000 000		-	4 000 000	-
44	Ramotshere Moiloa Local Municipality	NDPG1-241	Zeerust MPCC/TSC/ Ikageleng	3 876 621		(1 356 340)	2 520 281	3 151 180
45	Rustenburg Local Municipality	NDPG3-063	Development Planning	26 000 000		-	26 000 000	-
46	Sedibeng District Municipality	NDPG3-083	Ermfuleni LM	11 449 454		(1 398 207)	10 051 247	6 649 955
47	Senqu Local Municipality	NDPG1-097	Sports Facility and Economic Hub	369 692		-	369 692	7 900 000
48	Sisonke District Council	NDPG1-189B	Highflats: MPCC/TSC	600 000		-	600 000	-

Notes to the annual financial statements

for the year ended 31 March 2012

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TABLE B - NDPG PROJECTS (CONTINUED)

#	Municipality	Project Number	Project Name	Future remaining commitments for the year ending 31 March 2011	Positive (+) and negative (-) funding adjustments for the year ending 31 March 2012	Expenditure for the year ending 31 March 2012	Future remaining commitments for the year ending 31 March 2012	Contractual commitments for the year ending 31 March 2012
49	Sol Plaatje Local Municipality	NDPG1-226	Galesheve Urban renewal	7 715 411		-	7 715 411	2 398 867
50	Steve Tshwete Local Municipality	NDPG2-024	Township Restructuring	1 238 758	3 000 000	(1 188 369)	3 050 389	450 417
51	Thulamela Local Municipality	NDPG3-090	Thulamela Gateway	14 832 856		(2 040 338)	12 792 518	13 807 447
52	Tlokwe City Council (former Potchefstroom LM?)	NDPG3-084	Ikageng Neighbourhood Development Programme	12 000 000		(477 231)	11 522 769	691 670
53	uMngeni Local Municipality	NDPG1-043	Mphophomeni Multi Service Centre	6 969		-	6 969	182 967
54	Umtshezi local Municipality	NDPG3-040	Wembezi Urban Renewal	1 995 967		(484 635)	1 511 332	-113 093
55	Umtzimkhulu	NDPG4-130.6	Town Centre Upgrade	1 676 288		(278 616)	1 397 672	3 126 934

Notes to the annual financial statements

for the year ended 31 March 2012

TABLE B - NDPG PROJECTS (CONTINUED)

#	Municipality	Project Number	Project Name	Future remaining commitments for the year ending 31 March 2011	Positive (+) and negative (-) funding adjustments for the year ending 31 March 2012	Expenditure for the year ending 31 March 2012	Future remaining commitments for the year ending 31 March 2012	Contractual commitments for the year ending 31 March 2012
56	West Rand District Municipality	NDPG4-135.2	Economic Development Node Others	8 000 000	-	-	8 000 000	-
57	Zululand District Municipality	NDPG1-189A	MPCC/TSC (uPhongolo)	600 000	-	-	600 000	-
58	NDPG internal	NDPG4-130	Various SA	30 000 000	-	-	30 000 000	-
59	NDPG internal	PROG0-000	Programme Fees	8 221 115	1 492 492	(2 872 900)	6 840 707	-
	TOTAL			417 338 775	(10 860 538)	(50 453 840)	356 024 397	191 471 091



Annual Report

Technical Assistance Unit (TAU) Annual financial statements

for the year ended 31 March 2012



TECHNICAL ASSISTANCE UNIT

A TRADING ENTITY MANAGED BY THE TAU UNIT OF NATIONAL TREASURY

Annual financial statements

for the year ended 31 March 2012

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Annual Report

Report of the Auditor-General to parliament on Technical Assistance Unit (TAU):

for the year ended 31 March 2012



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

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PUBLISHED BY AUTHORITY



REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Technical Assistance Unit set out on pages 252 to 266, which comprise statement of financial position as at 31 March 2012, the statement of comprehensive income, statement of changes in equity and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

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

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Technical Assistance Unit as at 31 March 2012, and its financial performance and cash flows for the year then ended in accordance with SA Statements of GAAP and the requirements of the PFMA.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Report of the Auditor-General to parliament on TAU

for the year ended 31 March 2012

Predetermined objectives

8. I performed procedures to obtain evidence about the usefulness and reliability of the information in the predetermined objectives report as set out on pages 97 to 103 of the annual report.
9. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury's *Framework for managing programme performance information*.
10. The reliability of the information in respect of the selected programmes is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).
11. There were no material findings on the predetermined objectives report concerning the usefulness and reliability of the information.

Compliance with laws and regulations

12. I did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA.

Internal control

13. I did not identify any deficiencies in internal control which we considered sufficiently significant for inclusion in this report.

Auditor General

Pretoria

31 July 2012



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Technical Assistance Unit (TAU)

A trading entity managed by the Technical Assistance Unit (TAU) unit of National Treasury

Statement of financial position

as at 31 March 2012

	Note	2012	2011
		R'000	R'000
ASSETS			
Current assets			
Receivables	4	2,896,023	6,230,711
Cash and cash equivalents	5	72,544,490	49,337,310
Total assets		75,440,513	55,568,021
EQUITY AND LIABILITIES			
Equity			
Accumulated surplus		22,369,297	19,900,049
Equity		22,369,297	19,900,049
LIABILITIES			
Current liabilities			
Trade and other payables	6	53,071,216	35,667,972
Equity and Liabilities		75,440,513	55,568,021

Technical Assistance Unit (TAU)

A trading entity managed by the Technical Assistance Unit (TAU) unit of National Treasury

Statement of comprehensive income

for the year ended 31 March 2012

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	Note	2012	2011
		R'000	R'000
Revenue	2	132,685,463	84,859,935
Operating expenditure	2	(132,517,860)	(82,772,242)
Operating Surplus		167,603	2,087,693
Interest income		2,301,645	1,640,323
Total comprehensive income for the year		2,469,248	3,728,016

Technical Assistance Unit (TAU)

A trading entity managed by the Technical Assistance Unit (TAU) unit of National Treasury

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Statement of changes in equity

for the year ended 31 March 2012

	Accumulated Surplus	Total Equity
	R'000	R'000
Balance at 31 March 2010	16,172,033	16,172,033
Comprehensive income for the year	3,728,016	3,728,016
Balance at 31 March 2011	19,900,049	19,900,049
Comprehensive income for the year	2,469,248	2,469,248
Balance at 31 March 2012	22,369,297	22,369,297

Cash flow statement

for the year ended 31 March 2012

	<i>Note</i>	2012	2011
		R'000	R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from government and other sources		152,667,794	92,844,983
Cash paid to suppliers		(131,762,259)	(52,539,911)
Cash generated from operations	7	20,905,535	40,305,072
Interest Income		2,301,645	1,640,323
Net cash generated from operating activities		23,207,180	41,945,395
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		23,207,180	41,945,395
Cash at the beginning of the year		49,337,310	7,391,915
TOTAL CASH AT END OF THE YEAR	5	72,544,490	49,337,310

1. BASIS OF PRESENTATION

These Annual Financial Statements are presented in South African Rand. They are prepared on the historical cost basis, unless where indicated otherwise.

The accounting policies have been applied to the results, assets, liabilities and cash flow of the Trading Entity in the Annual Financial Statements, consistent with those in the previous year.

The Annual Financial Statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practices (SA GAAP).

1.1 Financial assets and liabilities

Financial assets and financial liabilities have not been offset in the Statement of Financial Position.

1.1.1 Initial recognition and measurement

Financial instruments are classified, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and are initially measured at fair value.

1.1.2 Receivables

Trade receivables are subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter into financial re-organisation, and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value.

The amount of the loss due to impairment, or the reversal of an impairment loss is recognised in the Statement of Comprehensive Income within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off will be recognised as revenue in the Statement of Comprehensive Income.

1.1.3 Trade and other payables

Trade payables and other payables which consist of revenue received in advance are stated at amortised cost, which, due to short term nature, closely approximate their fair value.

1.1.4 Cash and cash equivalents

Cash and cash equivalents are stated at amortised cost, which, due to their short term nature, closely approximate their fair value. Cash and cash equivalents comprise cash at bank and deposits held on call with banks.

1.2 Revenue

Revenue is measured at the fair value of the consideration received or receivable.

1.2.1 Appropriated funds

Appropriated and adjusted appropriated funds are recognised when the funds can be measured reliable on the date the appropriation becomes effective. Appropriated funds are recognised as revenue to the extent that there is no further obligation arising from the receipt of the transfer payment.

1.2.2 Donor funds

Donor funds are recognised when the funds can be measured reliable on the date the draw down requisition becomes effective and the cost associated with the revenue has been incurred.

Accounting policies

for the year ended 31 March 2012

1.2.3 Cost Recovery

Revenue for services rendered is recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the services will flow to the Entity, the stage of completion of the transaction at the end of the reporting period can be measured reliably and the cost incurred for the transaction and the cost to complete the transaction can be measured reliably.

1.2.4 Interest Income

Interest income accrues on a time-proportioned basis, taking into account the principal amount outstanding and the effective interest rate over the period to maturity.

1.3 Irregular and fruitless and wasteful expenditure

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with, a requirement of any applicable legislation, including the PFMA. Fruitless and wasteful expenditure means expenditure that was made in vain and could have been avoided had reasonable care been exercised. In accordance with the requirements of the PFMA, the details are included in a note to the financial statements. Any irregular, fruitless and wasteful expenditure is charged against the respective class of expenses in the period in which it occurred.

1.4 Related parties

The Technical Assistance Unit Trading Entity operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. All national departments of government and state-controlled entities are regarded as related parties in accordance with Circular 4 of 2005: Guidance on the term "state-controlled entities" in context of IAS 24 (AC 126) - Related Parties, issued by the South African Institute of Chartered Accountants.

1.5 Significant judgments, estimates and assumptions

The preparation of annual financial statements requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses.

Estimates are made based on the best available information at the time of preparation of the Annual Financial Statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision on future periods if the revision affects both current and future periods.

Technical Assistance Unit (TAU)

A trading entity managed by the Technical Assistance Unit (TAU) unit of National Treasury

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Accounting policies

for the year ended 31 March 2012

2. OPERATING SURPLUS

Operating surplus is arrived at after taking the following into account

	2012	2011
	R'000	R'000
Revenue from:		
- Government grants received	18,850,216	19,363,000
- Donor grants received	5,951,543	15,269,270
- Cost recovery	107,883,704	50,227,665
	<u>132,685,463</u>	<u>84,859,935</u>
Expenditure for:		
- Audit fees	(234,705)	(265,869)
- Movement in the Provision for impairment of Trade receivables		
- Recognised		(300,000)
- Reversed	300,000	661,160
- Bank charges	(15,713)	(12,125)
- Consultancy fees	(132,567,442)	(82,855,408)
	<u>167,603</u>	<u>2,087,693</u>

The movement in the provision for impairment is made up of a reversal of a loss previously recognised where the outstanding monies have been received.

3. TAXATION

No provision has been made for taxation as the Trading Entity is exempt from income tax in terms of section 10(1)(cA) of the Income Tax Act, 1962 (Act No 58 of 1962). As per agreement with the donor all VAT on services paid with donor funds will be refundable by SARS.

Accounting policies

for the year ended 31 March 2012

	2012	2011
	R'000	R'000

4. RECEIVABLES

Gross trade receivables	2,310,626	5,400,823
Less: Provision for impairment of trade receivables	-	(300,000)
SARS – VAT	571,796	1,129,888
Accrued interest	13,601	-
	2,896,023	6,230,711

Movement for the provision of impairment of trade receivables is as follows:

Balance at the beginning of the year	300,000	661,160
Reversed against profit and loss	(300,000)	(661,160)
Charged to profit and loss	-	300,000
Balance at the end of the year	-	300,000

Ageing of impaired accounts receivable:

0 – 30 days	-	-
31 – 60 days	-	-
61 – 90 days	-	-
91 – 120 days	-	-
120 days +	-	300,000
Total	-	300,000

Credit quality of trade receivables

The credit quality of trade receivables that are neither past due nor impaired can be assessed by reference to counterparty default rates.

Fair value of trade receivables

The net carrying of values of receivables are considered to be a close approximation of their fair values
See note 8 on risk management in relation to the financial assets listed above.

Trade receivables

The carrying amount of trade receivables approximates their fair value. There is no foreign currency exposure at the reporting date.

Technical Assistance Unit (TAU)

A trading entity managed by the Technical Assistance Unit (TAU) unit of National Treasury

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Accounting policies

for the year ended 31 March 2012

	2012	2011
	R'000	R'000

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of:

Cash at bank	7,277,766	2,000
Call account	65,266,724	49,335,310
Financial assets	72,544,490	49,337,310

6. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	14,988,875	14,477,765
Revenue received in advance	38,082,341	21,190,207
	53,071,216	35,667,972

Trade and other payables principally comprise amounts outstanding for service providers' services utilised and ongoing costs.

The average credit period taken is less than 30 days. The Trading Entity considers that the carrying amount of trade and other payables at cost closely approximates their fair value.

Revenue received in advance consists of cost recovery monies received for services not rendered yet.

See note 8 on risk management in relation to the financial liabilities listed above.

7. CASH GENERATED FROM OPERATIONS

Surplus for the year	2,469,248	3,728,016
Adjustments for:	(2,601,645)	(2,001,483)
Movement in the Provision for impairment of Trade receivables	(300,000)	(361,160)
Interest income	(2,301,645)	(1,640,323)
Changes in working capital		
Trade and other receivables	3,634,688	8,683,997
Trade and other payables	17,403,244	29,894,542
	20,905,535	40,305,072

Accounting policies

for the year ended 31 March 2012

	2012	2011
	R'000	R'000

8. RISK MANAGEMENT

Operational Risk

Operational risk is the risk of loss arising from system failure, human error or external events. When controls fail to perform, operational risk can cause damage, have legal or regulatory implications or can lead to financial loss. The Trading Entity is constantly monitoring and responding to potential risk thus managing the risk.

Categories of financial instruments

Financial assets		
Trade receivables	2,310,626	5,400,823
Less: Provision for impairment of trade receivables	-	(300,000)
SARS – VAT	571,796	1,129,888
Accrued interest	13,602	-
Cash and cash equivalents	72,544,490	49,337,310
<hr/>		
Financial liabilities		
Trade and other payables	13,276,564	14,477,764

Price risk

As the Trading Entity has no significant interest-bearing assets, the Trading Entity's income and operating cash flows are substantially independent of changes in market interest rates.

Cash flow interest rate risk	Current interest Rate	Due in less than a year	Due in 2 to 5 years
Financial instruments			
Trade receivables	0.00%	2,310,626	-
Cash and cash equivalents	4.50%	72,544,490	-
Trade payables	0.00%	(13,276,564)	-

Interest rate risk

This risk is the potential financial loss as a result of adverse movement in interest rates that affects the value of bank balances. Nominal interest rate can be split into real interest rate risk and inflation risk. Interest rate risk is managed by investing funds in highly liquid call accounts, at reputable financial institutions, earning market related interest.

Technical Assistance Unit (TAU)

A trading entity managed by the Technical Assistance Unit (TAU) unit of National Treasury

Accounting policies

for the year ended 31 March 2012

	2012	2011
	R'000	R'000

Market risk

No significant fluctuations in the market occurred during the year that affected the Trading Entity.

Credit Risk

Financial assets, which potentially subject the TAU Trading Entity to the risk of non-performance by counter parties, consist mainly of cash and trade receivables.

The Trading Entity limits its treasury counter-part exposure by only dealing with well-established financial institutions approved by the National Treasury.

Trade receivables consist of other government departments.

Liquidity Risk

The Trading Entity manages liquidity risk through proper management of working capital and proper cash flow projections.

9. CONTINGENCIES

In terms of the PFMA, all surplus funds as at the reporting date may be forfeited to National Treasury. A request for the retention of surplus funds to the value of R2,469,248 resulting from operations during the financial year ended 31 March 2012 to National Treasury will be made.

10. COMMITMENTS

10.1 Project commitments

Current commitments will be funded from this years' surplus of R2,469,248 as well as future government grants, cost recovery and donor funds.

10.2 Operating Commitments

Payable within the next 12 months		
- Contractual commitments	162,658,486	145,405,872
Payable after 12 months but before 60 months		
- Contractual commitments	11,251,153	71,515,953
Payable after 60 months	Nil	Nil

Accounting policies

for the year ended 31 March 2012

11. MATERIAL LOSSES THROUGH CRIMINAL CONDUCT, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

To the best of our knowledge, no material losses through criminal conduct or irregular, fruitless and wasteful expenditure were incurred during the year ended 31 March 2012.

12. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The Entity might undergo a structural change, which will change the entity but not their activities. This will not affect going concern.

13. EVENTS AFTER THE REPORTING DATE

The Accounting Authority is not aware of any matter or circumstance, arising since the end of the financial year to the date of this report in respect of matters which could require adjustments to, or disclosure in, the annual financial statements.

Technical Assistance Unit (TAU)

A trading entity managed by the Technical Assistance Unit (TAU) unit of National Treasury

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Accounting policies

for the year ended 31 March 2012

2012

2011

R'000

R'000

14. RELATED PARTIES

Amounts included in trade receivables regarding related parties

Department of Correctional Services	-	80,000
North West Provincial Treasury	-	2,770,601
Office of the Chief Justice	-	1,980,000
Department of Environment and Tourism	-	570,222
Department of Co-operative Governance and Traditional Affairs	90,000	-
Department of Agriculture, Forestry and Fisheries (Branch Fisheries)	180,774	-
Department Economic Development Environment Conservation and Tourism	900,000	-
Department International Relations and Co-operations	480,000	-
Department of Social Development	242,209	-
Financial Intelligence Centre	369,900	-
National Treasury	(180)	-
South African Quality Authority	(34,000)	-
South African Medical Research Council	81,923	-

Related - party transactions

The following transactions were carried out with related parties:

Accounting policies

for the year ended 31 March 2012

	2012	2011
	R'000	R'000

14. RELATED PARTIES (CONTINUED)

Services provided to related parties

Council of Medical Schemes	-	163,020
Department of Agriculture, Forestry and Fisheries (Branch Fisheries)	180,774	-
Department of Arts and Culture	238,672	-
Department of Co-operative Governance & Traditional Affairs	90,000	1,500,000
Department of Correctional Services	-	800,000
Department of Defence and Military Veterans	-	321,681
Department of Economic Development and Tourism KZN	300,000	-
Department of Economic Development, Environment, Conservation and Tourism North West	900,000	-
Department of Environmental Affairs	284,685	-
Department of Environment and Tourism	1,100,000	270,222
Department of Higher Education and Training	817,311	-
Department of Home Affairs	-	136,000
Department International Relations and Co-operation	480,000	-
Department of Public Service Administration	-	196,656
Department of Rural Development and Land Reform	173,655	-
Department of Social Development	242,209	-
Department of Trade and Industry	530,000	-
Department of Transport	100,000	435,000
Department of Women, Children and People with Disabilities	212,100	-
Economic Development Department	2,424,508	-
Financial Intelligence Centre	1,665,284	573,000
National Department of Health	-	271,807
National Department of Sports and Recreation	112,798	766,194
National Treasury	106,514,831	38,216,559
North West Provincial Treasury	4,155,687	2,770,601
Office of the Chief Justice	-	1,980,000
Office of the Premier – Eastern Cape	869,298	-
PALAMA	69,000	-
SALGA	-	228,902
SANPARKS	-	60,000
South African Medical Research Council	81,923	-
South African Qualifications Authority	34,000	-
The Agricultural Research Council	580,575	-
The Presidency	416,636	325,020

Technical Assistance Unit (TAU)

A trading entity managed by the Technical Assistance Unit (TAU) unit of National Treasury

Accounting policies

for the year ended 31 March 2012

	2012	2011
	R'000	R'000
Services provided by related parties		
National Treasury	18,434,000	19,363,000

The Technical Assistance Unit Trading Entity has occupied office space in the National Treasury building free of rent. The value of this service received for free has been valued at R1,323,000 by the National Treasury.

15. STANDARDS AND INTERPRETATIONS EARLY ADOPTED

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

National Treasury



Annual Report

Human resource report

1. SERVICE DELIVERY

ORGANISATIONAL ENVIRONMENT

The National Treasury's human resources-business partnership model continues to yield positive results, with further improvements in adherence to performance management principles being realised. The principles of adaptive leadership are being strongly promoted in the organization, with 68 per cent of Directors and 85 per cent of Chief Directors having attended the Leadership Programme. The strategy also focuses on improved retention, development and ensuring that the department relies on a capable workforce. During the reporting period the internship programme continued to grow and focused on targeted attraction initiatives with academic institutions to close gaps on critical and scarce skills for the department. Various other policies and systems were also upgraded during the period under review. Notably, the Information and Communication Technology (ICT) unit obtained approval for an ICT Steering Committee and Governance Charter. A Governance Framework and high level policies were reviewed and new policies, standards and procedures identified. A Strategic Information Systems Plan, a re-organisation of the unit's structure and a risk register are now complete. The Enterprise Architecture Planning, which aligns business processes and technology, is in place and will allow for improved business enablement, cost savings, standardisation and reduced duplication.

FINANCIAL MANAGEMENT SYSTEMS AND REFORMS

An uncertain global growth outlook and the need to rebuild fiscal buffers means that state resources will remain constrained for some time to come. As such budget reforms and capacity building initiatives continue to place value for money high on the agenda of public spending reform..

The financial management systems (BAS, PERSAL, LOGIS and Vulindlela) continued to operate optimally. Over the MTEF there will be a continued improvements and integration of government's financial management systems. Efforts to complete the design and rollout of a standardised chart of accounts for local government are now well advanced. This will significantly improve transparency of financial management in local government.

Capacity-building initiatives saw the training of 775 learners, of which 598 were funded by National Treasury, on the Standard Chart of Accounts course. The National Treasury also paid for the training of 398 learners on the Preferential Procurement Policy Framework Act (PPPFA), Act 5 of 2000, with an additional 166 learners being paid for by other departments. Courses on the application of Strategic Sourcing Principles and Detection of Bid Rigging saw 100 and 60 learners respectively, during the period under review.

ECONOMIC POLICY

The economic policy environment produces research, provide policy analysis, data assessment, and forecasting in support of the National Treasury's needs in the areas of budgeting, macroeconomic policy and factors influencing economic growth. Working on economic policies that translate to an improved growth trajectory for the country and faster job creation remains our key area of work. Research was conducted on a range of issues during the 2011 / 12 year, with emphasis being placed on policies to achieve higher sustainable economic growth and job creation. Research into single-payer and multiple-payer National Health Insurance models was also undertaken. Furthermore, the National Treasury continues to build capacity in tax analysis, climate change and energy modeling. The National Treasury interacts regularly with the markets to assess sentiment and consider changes to risk premia, exchange rate conditions and bond prices.

TAX AND FINANCIAL SECTOR POLICY

A policy paper on incentivised savings vehicles has been completed and is currently being reviewed within the National Treasury before it is published for public comment. In addition, carbon tax proposals have been reviewed, taking into consideration all public comments received. Regulations to implement a new dividend tax to replace the secondary tax on companies were published in December 2011, for implementation on 01 April 2012. The National Treasury is responsible for policies and legislation to ensure that South Africa enjoys the benefits of an advanced, stable, fair and accessible financial sector. The past year saw wide engagement on the process for implementing proposals to strengthen the financial regulatory system, as contained in the National Treasury document, *"A safer financial sector to serve South Africa better"*. Another important policy paper, *Strengthening retirement savings: An overview of proposals announced in the 2012 Budget*, was completed during the 2011 / 12 year and scheduled for release in May 2012.

BUDGET OFFICE

Over the reporting period the office continued to ensure that the effects of the recession were addressed in a manner that does not disadvantage the poor. Spending continued to increase especially in programmes that have a direct impact on the lives of the most vulnerable in society.

Additional capacity for considering long-term fiscal planning issues was developed during the past year, and a long-term report proposal in this regard was announced in October 2011. The Budget Office also monitored the global and domestic economic outlook to ensure an appropriate medium-term fiscal stance was adopted.

In line with the 2010 shift towards budgeting by function, rather than by department, to support the

outcomes approach adopted by government, the 2012 Budget process focused on government's objectives whilst encouraging the more effective and efficient use of resources over the MTEF period. More effective comparison of allocations against service delivery trends, and assessment of spending proposals and trade-offs between different options, are carried out within institutions comprising a given function.

PUBLIC FINANCE

The division continued ongoing work across a wide range of topics related to public spending. Particular emphasis has been placed on the creation of sustainable jobs, infrastructure financing and value for money.

The National Capital Projects unit became fully functional in 2011/12, and carried out substantive work on feasibility studies for major national infrastructure reports, and managing participating in interdepartmental task teams on individual strategic projects. Almost all positions were filled, and additional expertise was outsourced for short-term assistance with projects in two sectors (transport and liquid fuels). A number of work streams were set up with other units across Treasury dealing with infrastructure, particularly in water, energy and transport.

During the period under review, the division also assisted with the development of the Green Paper on National Health Insurance (NHI) and put in place a new NHI conditional grant to support the district pilots. A discussion document on financing of NHI will be released in 2012/13.

INTERGOVERNMENTAL RELATIONS

During the reporting period, the division increased its capacity to provide improved budget support and oversight to local government. For the 2011/12 local government financial year, 98 per cent or 272 of the

278 municipalities complied with the Municipal Budget and Reporting Regulations. In addition, the division conducted the fifth round of Mid-year Budget and Performance Assessment visits and the second round of the Municipal Budget and Benchmarking Exercise for the 17 non-delegated municipalities. These processes have also been replicated by some Provincial Treasuries. The funding compliance methodology was again successfully applied to all these municipalities' budgets with an independent assessment of the results undertaken by IGR and some Provincial Treasuries.

The division has ensured steady progress in developing the Standard Chart of Accounts for local government. In the period under review, stakeholder consultation processes commenced with system vendors and municipalities with in-house financial systems. Mapping the chart of accounts for pilot municipalities is also well under way.

MANAGING PUBLIC-SECTOR DEBT

During the review period the division successfully financed the gross borrowing requirement of R173 billion, originally budgeted at R172 billion. Government raised US\$1.5 billion in the international capital markets and R149 billion in the domestic capital market. An amount of R5 billion was raised from retail bond investors.

Debt service costs declined from the projected 2.6 per cent of GDP to 2.5 per cent owing to the strong levels of the rand, and a lower than forecasted interest rate environment.

INTERNATIONAL FINANCIAL RELATIONS

On the regional front, the National Treasury played a leading role in presenting and negotiating South Africa's proposals on the review the Southern Africa Customs Union (SACU) agreement. This effort was undertaken in collaboration with the Department of Trade and Industry. SACU member states (Botswana, Lesotho, Namibia, South

Africa and Swaziland) are negotiating a new revenue sharing arrangement for the customs union.

The division engaged in multilateral efforts to ensure full implementation of SADC's Finance and Investment Protocol. In collaboration with the Department of International Relations and Cooperation (DIRCO), the division also contributed to the review of SADC's Regional Indicative Strategic Development Plan.

On the international front, this division participated in multilateral efforts aimed at implementing the reforms agreed to by the G20 Heads of States and governments. These include the reform and adequate resourcing of the Bretton Woods Institutions; agreement on the production of global public goods, with particular consideration of the global financial system; and closer cooperation between member countries on the support of development in low-income countries, especially in Africa.

2. EXPENDITURE

Departments budget in terms of clearly defined programmes. The following tables summarise final audited expenditure by programme (Table 2.1) and by salary bands (Table 2.2). In particular, it provides an indication of the amount spent on personnel costs in terms of each of the programmes or salary bands within the department.

TABLE 2.1 – Personnel costs by programme, 2011/12

Programme	Total Expenditure (R'000)	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Professional and Special Services (R'000)	Personnel cost as a % of total expenditure	Average personnel cost per employee (R'000) *
Programme 1 Administration	245,623	116,546	3,224	22,950	47.4	345
Programme 2 Economic Policy, Tax, Financial Regulation & Research	119,550	56,188	550	11,052	47.0	530
Programme 3 Public Finance & Budget Management	160,518	130,836	425	12,124	81.5	523
Programme 4 Asset and Liability Management	71,515	53,497	399	8,130	74.8	509
Programme 5 Financial Accounting & Reporting	429,701	125,708	3,928	18,881	29.3	491
Programme 6 International Financial Relations	25,763	17,619	85	205	68.4	534
Programme 7 Civil & Military Pensions, Contributions to Funds & other benefits	64,951	1,014	0	63,937	1.6	1,014
Programme 8 Technical and Management Support & Development Finance	153,314	35,693	282	110,627	23.3	585
Programme 9 Revenue Administration	8,653,573	0	0	0	0	0
Programme 10 Financial Intelligence and State Security	3,755,021	0	0	0	0	0
Total	13,679,529	537,101	8,893	247,906		

* Note: Percentage of average personnel cost per employee calculated based on the number of employees in table 3.1

TABLE 2.2 – Personnel costs by salary bands, 2011/12

Salary bands	Personnel Expenditure (R'000)	% of total personnel cost	Average personnel cost per employee (R'000) ***
Lower skilled (Levels 1-2)	0	0	0
Skilled (Levels 3-5)	8,204	1.5	141
Highly skilled production (Levels 6-8)	71,275	13.4	230
Highly skilled supervision (Levels 9-12)	237,756	44.6	467
Senior management (Levels 13-16)	215,898	40.5	797
Total **	533,133	100	464

** Note: Minister and Deputy Minister personnel expenditure not included in total

***Note: Percentage of average personnel cost per employee calculated based on the number of employees in table 3.2

The following tables provide a summary per programme (Table 2.3) and salary bands (Table 2.4), of expenditure incurred as a result of salaries, overtime, home owners allowance and medical assistance. In each case, the table provides an indication of the percentage of the personnel budget that was used for these items.

TABLE 2.3 – Salaries, Overtime, Home Owners Allowance and Medical Assistance by programme, 2011/12

Programme	Salaries		Overtime		Home Owners Allowance		Medical Assistance	
	Amount (R'000)	Salaries as a % of personnel cost ****	Amount (R'000)	Overtime as a % of personnel cost ****	Amount (R'000)	HOA as a % of personnel cost ****	Amount (R'000)	Medical Assistance as a % of personnel cost ****
Programme 1	77,495	66.5	496	0.4	2,045	1.8	3,330	2.9
Programme 2	31,327	55.8	0	0	890	1.6	997	1.8
Programme 3	77,418	59.2	223	0.2	2,191	1.7	2,743	2.1
Programme 4	34,227	64.0	0	0	756	1.4	1,473	2.8
Programme 5	80,106	63.7	0	0	1,304	1.0	2,741	2.2
Programme 6	10,520	59.7	0	0	75	0.4	428	2.4
Programme 7	647	63.8	0	0	10	1.0	46	4.5
Programme 8	19,820	55.5	0	0	399	1.1	660	1.8
Total	331,560	61.7	719	0.1	7,670	1.4	12,418	2.3

**** Note: Percentage of personnel cost of salaries, overtime, home owners allowance and medical assistance are calculated on the total personnel expenditure per programme in table 2.1

TABLE 2.4 – Salaries, Overtime, Home Owners Allowance and Medical Assistance by salary bands, 2011/12

Salary Bands	Salaries		Overtime		Home Owners Allowance		Medical Assistance	
	Amount (R'000)	Salaries as a % of personnel cost	Amount (R'000)	Overtime as a % of personnel cost	Amount (R'000)	HOA as a % of personnel cost	Amount (R'000)	Medical Assistance as a % of personnel cost
Lower skilled (Levels 1-2)	0	0	0	0	0	0	0	0
Skilled (Levels 3-5)	5,624	68.6	130	1.6	604	7.4	1,013	12.3
Highly skilled production (Levels 6-8)	39,269	55.1	279	0.4	1,674	2.3	3,261	4.6
Highly skilled supervision (Levels 9-12)	143,562	60.4	310	0.1	2,444	1.0	5,464	2.3
Senior management (Levels 13-16)	141,113	65.4	0	0	2,948	1.4	2,658	1.2
Total *****	329,568		719		7,670		12,396	

***** Note: Minister and Deputy Minister personnel expenditure not included in total

3. EMPLOYMENT AND VACANCIES

The following tables summarise the number of posts on the establishment, the number of employees, the vacancy rate, and only staff that are additional to the establishment. This information is presented in terms of three key variables: - programme (Table 3.1) and salary band (Table 3.2). Departments have identified critical occupations that need to be monitored. The vacancy rate reflects the percentage of posts that are not filled.

TABLE 3.1 – Employment and vacancies by programme, 31 March 2012

Programme	Number of funded posts	Headcount	Vacancy Rate %	Number of posts filled additional to the establishment
Programme 1 Administration	370	338	8.64	10
Programme 2 Economic Policy, Tax, Financial Regulation & Research	129	106	17.8	1
Programme 3 Public Finance & Budget Management	271	250	7.7	25
Programme 4 Asset and Liability Management	115	105	8.6	0
Programme 5 Financial Accounting & Reporting	278	256	7.9	5
Programme 6 International Financial Relations	39	33	15.3	2
Program 7 Civil & Military Pensions, Contributions to Funds, & Other Benefits	3	1	66.6	0
Program 8 Technical & Management Support & Development Finance	66	61	7.5	0
Total	1271	1150	9.5	43

Note: Minister and Deputy Minister included in totals.

Distribution of filled positions per programme

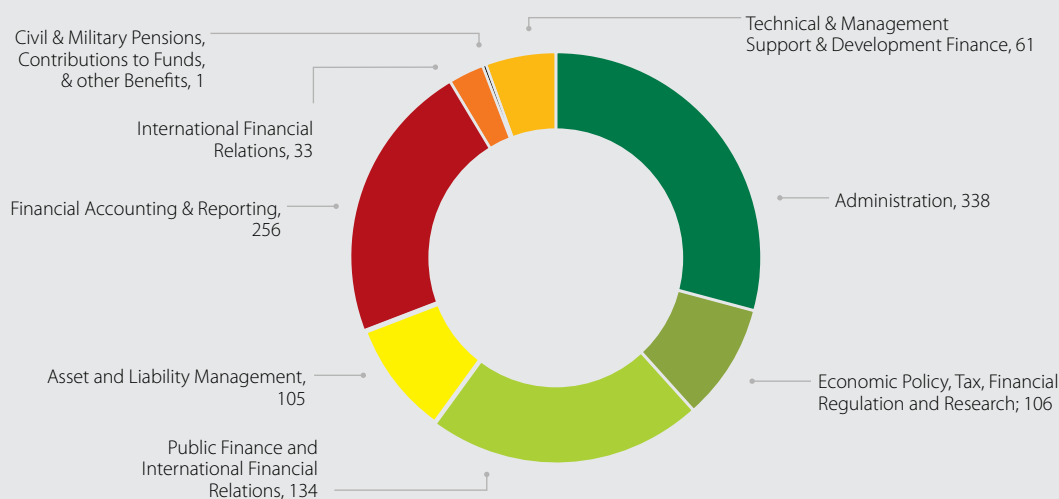
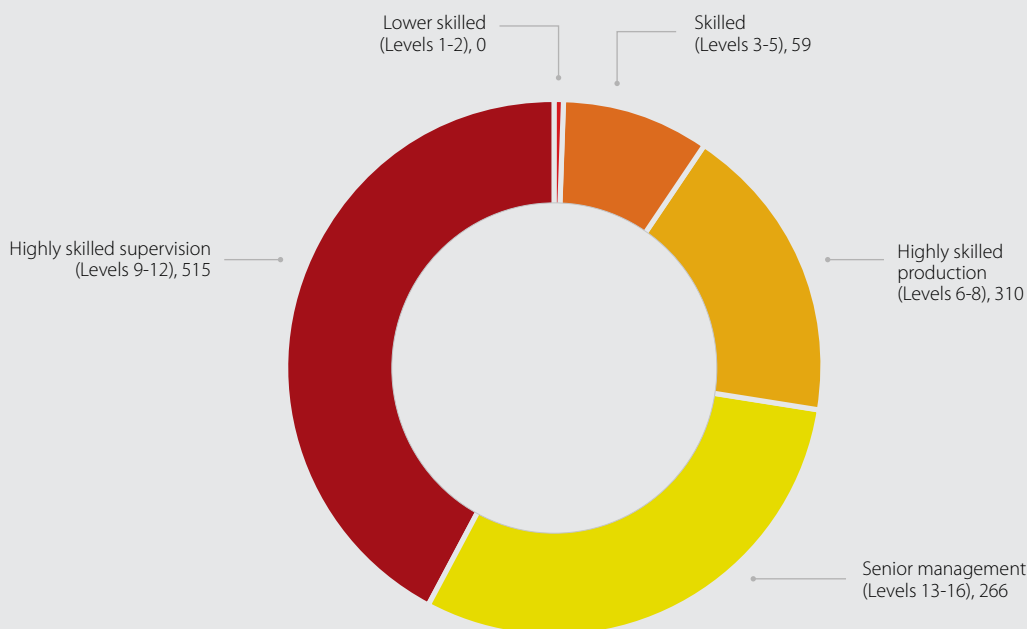


TABLE 3.2 – Employment and vacancies by salary bands, 31 March 2012

Salary band	Number of posts	Headcount	Vacancy Rate %	Number of posts filled additional to the establishment
Lower skilled (Levels 1-2)	0	0	0	0
Skilled (Levels 3-5)	61	59	3.3	0
Highly skilled production (Levels 6-8)	330	310	6.0	20
Highly skilled supervision (Levels 9-12)	571	515	9.8	14
Senior management (Levels 13-16)	309	266	13.9	9
Total	1271	1150	9.5	43

Note: Vacancy reduced by additional appointments. Minister and Deputy Minister included in totals

Distribution of filled positions per salary band



Note: Critical skills occupations for the National Treasury have not been finalised. However, the following areas are being considered: economists, supply chain consultants, chartered accountants and tax specialists

The information in each case reflects the situation as at 31 March 2012. For an indication of changes in staffing patterns over the year under review, please refer to section 5 of this report.

4. JOB EVALUATION

The Public Service Regulations, 1999 introduced job evaluation as a way of ensuring that work of equal value is remunerated equally. Within a nationally determined framework, an executing authority may evaluate or re-evaluate any job in his or her organisation. In terms of the Regulations all vacancies on salary levels 9 and higher must be evaluated before they are filled. This was complemented by a decision by the Minister for the Public Service and Administration that all SMS jobs must be evaluated before 31 December 2002.

The following table (Table 4.1) summarises the number of jobs 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 2011 to 31 March 2012

Salary band	Number of posts	Number of jobs evaluated	% of posts evaluated by salary bands	Posts upgraded		Posts downgraded	
				Number	% of posts evaluated	Number	% of posts evaluated
Lower skilled (Levels 1-2)	0	0	0	0	0	0	0
Skilled (Levels 3-5)	61	4	6.56	0	0	0	0
Highly skilled production (Levels 6-8)	330	19	5.78	0	0	0	0
Highly skilled supervision (Levels 9-12)	571	52	9.11	0	0	0	0
Senior Management Service Band A	229	9	4.00	1	11.11	0	0
Senior Management Service Band B	64	2	3.28	0	0	0	0
Senior Management Service Band C	13	5	25	5	100	0	0
Senior Management Service Band D	3	0	0	0	0	0	0
Total	1271	91	7.16	6	6.59	0	0

Note: Minister and Deputy Minister included in totals

The following table provides a summary of the number of employees whose salary positions were upgraded due to their posts being upgraded. The number of employees might differ from the number of posts upgraded since not all employees are automatically absorbed into the new posts and some of the posts upgraded could also be vacant.

TABLE 4.2 – Profile of employees whose salary positions were upgraded due to their posts being upgraded, 1 April 2011 to 31 March 2012

Beneficiaries	African	Asian	Coloured	White	Total
Female	0	0	0	0	0
Male	0	0	0	0	0
Employees with a disability	0	0	0	0	0
Total	0	0	0	0	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 exceed the grade determined by job evaluation, 1 April 2011 to 31 March 2012 (in terms of PSR 1.V.C.3)

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
Deputy Director-General	1	15	16	Retention
Director	1	13	14	Retention
Deputy Director	2	11	12	Attraction
Deputy Director	1	12	13	Attraction
Assistant Director	1	9	10	Retention
Total number of employees whose salaries exceeded the level determined by job evaluation in 2011/12				6
Percentage of total employment				0.47

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 2011 to 31 March 2012 (in terms of PSR 1.V.C.3)

Beneficiaries	African	Asian	Coloured	White	Total
Female	3	0	0	0	3
Male	1	0	0	1	2
Total	4	0	0	1	5

5. EMPLOYMENT CHANGES

This section provides information on changes in employment over the financial year.

Turnover rates provide an indication of trends in the employment profile of the department. The following table provides a summary of turnover rates by salary band (Table 5.1).

TABLE 5.1 – Annual turnover rates by salary band for the period 1 April 2011 to 31 March 2012

Salary Band	Number of employees per band as on 31 March 2012	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate %
Lower skilled (Levels 1-2)	4	0	0	0.0
Skilled (Levels 3-5)	49	7	1	2.0
Highly skilled production (Levels 6-8)	303	66	41	13.5
Highly skilled supervision (Levels 9-12)	486	64	50	10.2
Senior Management Service Band A	196	27	30	15.3
Senior Management Service Band B	58	7	9	15.5
Senior Management Service Band C	12	0	3	25.0
Senior Management Service Band D	3	0	0	0.0
Total	1111	171	134	12.0

Table 5.2 identifies the major reasons why staff left the department.

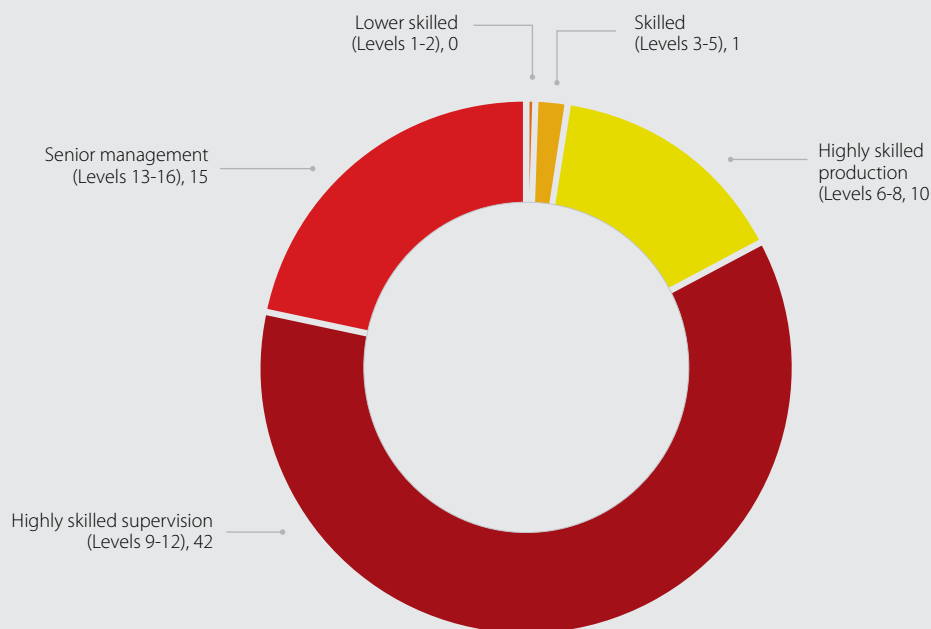
TABLE 5.2 – Reasons why staff are leaving the department

Termination Type	Number	% of total
Death	0	0.0
Resignation	86	64.1
Expiry of contract	21	15.6
Dismissal – operational changes	0	0.0
Dismissal – misconduct	2	1.4
Dismissal – inefficiency	0	0.0
Discharged due to ill-health	0	0.0
Retirement	3	2.2
Severance package	0	0.0
Transfers to other Public Service Departments	22	16.4
Total	134	100
Total number of employees who left as a % of the total employment		11.65

TABLE 5.3 – Promotions by salary band

Salary Band	Employees 31 March 2012	Promotions to another salary level	Salary bands promotions as a % of employees by salary level
Lower skilled (Levels 1-2)	4	0	0.0
Skilled (Levels 3-5)	49	1	2.0
Highly skilled production (Levels 6-8)	303	10	3.3
Highly skilled supervision (Levels 9-12)	486	42	8.6
Senior management (Levels 13-16)	269	15	5.5
Total	1111	68	6.1

Promotions to another salary level



6. EMPLOYMENT EQUITY

The tables in this section are based on the formats prescribed by the Employment Equity Act, 55 of 1998.

TABLE 6.1 – Total number of employees (including employees with disabilities) in each of the following occupational categories as at 31 March 2012

Occupational categories (SASCO)	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	67	9	15	39	47	5	7	35	224
Professionals	160	18	14	49	181	10	13	42	487
Technicians and associate professionals	25	5	1	7	56	3	2	8	107
Clerks	57	0	2	4	142	13	10	49	277
Service and sales workers	17	1	1	0	5	1	0	0	25
Plant and machine operators and assemblers	6	0	0	0	0	0	0	0	6
Elementary occupations	9	4	0	0	10	1	0	0	24
Total	341	37	33	99	441	33	32	134	1150

Note: Minister and Deputy Minister included in totals (Legislators, senior officials and managers)

Race distribution 2010/11

White, 21% Black, 79%



Race distribution 2011/12

White, 20% Black, 80%



TABLE 6.2 – Total number of employees (including employees with disabilities) in each of the following occupational bands as at 31 March 2012

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	7	1	6	5	2	2	0	1	24
Senior management	68	11	12	46	54	4	7	40	242
Professionally qualified and experienced specialists and mid-management	169	18	11	42	194	11	15	53	513
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	68	2	4	5	166	16	10	2	273
Semi-skilled and discretionary decision making	27	5	0	1	25	0	0	38	96
Unskilled and defined decision making	2	0	0	0	0	0	0	0	2
Total	341	37	33	99	441	33	32	134	1150

Gender distribution 2010/11

Male, 45%

Female, 55%

**Gender distribution 2011/12**

Male, 44%

Female, 56%



TABLE 6.3 – Recruitment for the period 1 April 2011 to 31 March 2012

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management (Levels 15-16)	0	0	0	0	0	0	0	0	0
Senior management (Levels 13-14)	7	1	3	3	15	0	0	5	34
Professionally qualified and experienced specialists and mid-management (Levels 9-12)	24	2	2	3	28	1	1	3	64
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents (Levels 6-8)	20	0	2	1	33	3	3	4	63
Semi-skilled and discretionary decision making (Levels 3-5)	1	1	0	0	5	0	0	0	7
Unskilled and defined decision making (Levels 1-2)	0	0	0	0	0	0	0	0	0
Total	52	4	7	7	81	4	4	12	171
Employees with disabilities	0	0	1	1	0	0	0	1	3

Recruitment profile

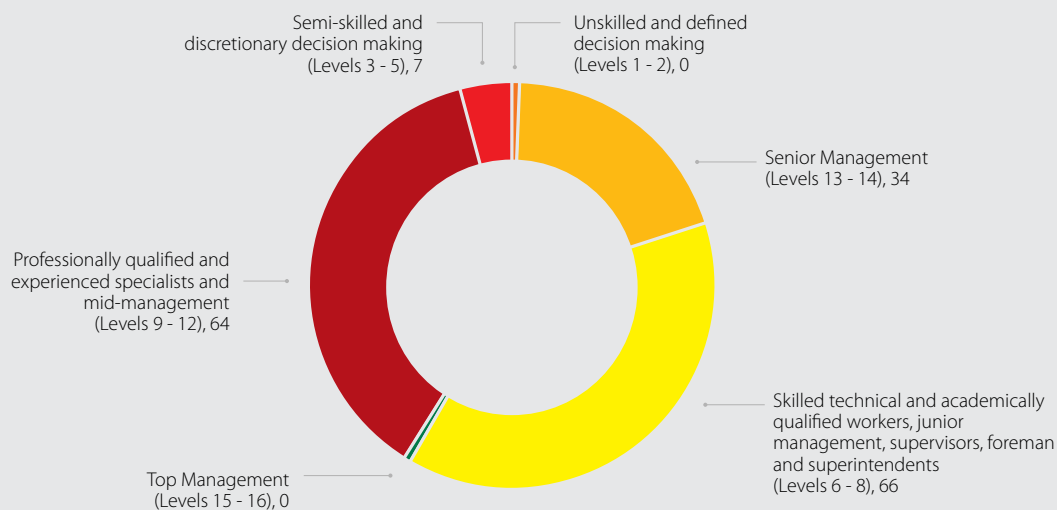


TABLE 6.4 – Promotions for the period 1 April 2011 to 31 March 2012

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management (Level 15-16)	2	0	0	1	1	0	0	0	4
Senior management (Level 13-14)	0	0	0	2	3	0	1	1	7
Professionally qualified and experienced specialists and mid-management (Level 9-12)	20	1	1	1	16	3	3	1	46
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents (Level 6-8)	2	0	0	1	6	0	0	0	9
Semi-skilled and discretionary decision making (Level 3-5)	0	1	0	0	1	0	0	0	2
Unskilled and defined decision making (Level 1-2)	0	0	0	0	0	0	0	0	0
Employees with disabilities	0	0	0	0	1	0	0	0	1
Total	24	2	1	5	27	3	4	2	68

TABLE 6.5 – Terminations for the period 1 April 2011 to 31 March 2012

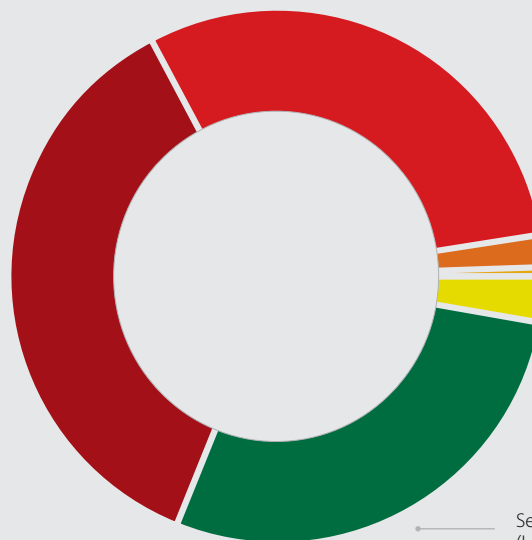
Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management (Level 15-16)	1	0	0	0	1	0	0	1	3
Senior management (Level 13-14)	16	2	4	4	7	1	2	3	39
Professionally qualified and experienced specialists and mid-management (Level 9-12)	19	0	1	2	15	3	4	6	50
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents (Level 6-8)	9	0	0	0	24	5	0	3	41
Semi-skilled and discretionary decision making (Level 3-5)	0	0	0	0	1	0	0	0	1
Unskilled and defined decision making (Level 1-2)	0	0	0	0	0	0	0	0	0
Total	45	2	5	6	48	9	6	13	134

Note: Minister and Deputy Minister not included in totals

Termination of service profile

Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents (Levels 6 - 8), 41

Professionally qualified and experienced specialists and mid-management (Levels 9 - 12), 50



Semi-skilled and discretionary decision making (Levels 3 - 5), 1

Unskilled and defined decision making (Levels 1 - 2), 0

Top Management (Levels 15 - 16), 3

Senior Management (Levels 13 - 14), 39

TABLE 6.6 – Disciplinary action for the period 1 April 2011 to 31 March 2012

	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Disciplinary action	0	1	0	0	0	0	1	0	2

TABLE 6.7 – Skills development for the period 1 April 2011 to 31 March 2012

Occupational categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	65	8	14	25	40	5	3	21	181
Professionals	159	14	9	37	157	8	12	30	426
Technicians and associate professionals	16	2	1	3	43	3	1	7	76
Clerks	58	0	2	3	133	11	7	36	250
Service and sales workers	18	1	1	0	4	1	0	0	25
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	4	0	0	0	0	0	0	0	4
Elementary occupations	5	3	0	0	9	1	0	0	18
Total	325	28	27	68	386	29	23	94	980
Employees with disabilities	0	1	1	2	0	1	0	2	7

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 bands (table 7.2) and critical occupations (Table 7.3).

TABLE 7.1 – Performance Rewards by race, gender and disability, 1 April 2010 to 31 March 2011

	Beneficiary Profile			Cost	
	Number of beneficiaries	Total number of employees in group	% of total within group	Cost (R'000)	Average cost per employee
African	550	738	74.5	R18,507	R33,649.84
Male	241	331	72.8	R8,893	R36,900.61
Female	309	407	75.9	R9,614	R31,114.44
Asian	51	65	78.4	R2,286	R44,839.42
Male	23	32	71.8	R121	R5,302.01
Female	28	33	84.8	R2,164	R77,316.57
Coloured	59	71	83.1	R2,412	R40,889.80
Male	28	35	80.0	R1,176	R42,031.42
Female	31	36	86.1	R1,235	R39,858.70
White	212	235	90.2	R10,583	R49,924.26
Male	86	98	88.7	R5,260	R60,464.35
Female	126	137	93.4	R5,323	R41,590.19
Total	872	1109	78.6	R33,790	R38,750.76

TABLE 7.2 – Performance Rewards by salary bands for personnel below Senior Management Service, 1 April 2010 to 31 March 2011

Salary Bands	Beneficiary Profile			Cost		
	Number of beneficiaries	Number of employees	% of total within salary bands	Total Cost (R'000)	Average cost per employee (R'000)	Total cost as a % of the total personnel expenditure
Lower skilled (Levels 1-2)	4	4	100	20	5	0.05
Skilled (Levels 3-5)	46	49	93.8	495	10	1.46
Highly skilled production (Levels 6-8)	186	302	61.5	4,021	13	11.9
Highly skilled supervision (Levels 9-12)	426	505	84.3	14,294	28	42.3
Total	662	860	76.9	18,830	23	57.4

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	156	187	83.4	9,617	51	28.46
Band B	45	51	88.2	3,724	73	11.01
Band C	9	11	81.2	1,040	95	3.07
Band D	-	-	-	-	-	-
Total	210	249	82.8	14,381	58	42.55

8. FOREIGN WORKERS

TABLE 8.1 – Foreign Workers, 1 April 2011 to 31 March 2012 by salary bands, 2011/12

Salary bands	April 2011		31 March 2012		Change	
	Number	% of total	Number	% of total	Number	% change
Lower skilled (Levels 1-2)	0	0	0	0	0	0
Skilled (Levels 3-5)	0	0	0	0	0	0
Highly skilled production (Levels 6-8)	0	0	0	0	0	0
Highly skilled supervision (Levels 9-12)	23	76.7	23	82.1	0	0
Senior management (Levels 13-16)	7	23.3	5	17.9	2	28.6
Total	30		28	100	2	6,7

TABLE 8.2 – Foreign Workers, 1 April 2011 to 31 March 2012, by major occupation, 2011/12

Salary bands	April 2011		31 March 2012		Change	
	Number	% of total	Number	% of total	Number	% change
Senior management	7	23.3	5	17.9	2	28.6
Professional Qualified Experience	23	76.7	23	82.1	0	0
Skilled Technical	0	0	0	0	0	0
Semi-Skilled	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0
Total	30	100	28	100	2	6,7

9. LEAVE UTILISATION FOR THE PERIOD 1 JANUARY 2011 TO 31 DECEMBER 2011

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 2011 to 31 December 2011

Salary Band	Total days	% days with medical certification	Number of employees using sick leave	% of total employees using sick leave	Average days per employee	Estimated Cost (R'000)
Lower skilled (Levels 1-2)	0	0	0	0	0	0
Skilled (Levels 3-5)	356	78.1	48	5.2	7	131
Highly skilled production (Levels 6-8)	1815	79.8	262	28.6	7	1178
Highly skilled supervision (Levels 9-12)	2737	75.3	420	45.9	7	3996
Senior management (Levels 13-16)	1055	77.3	186	20.3	6	2991
Total	5963	77.2	916	100	7	8296

TABLE 9.2 – Disability leave (temporary and permanent), 1 January 2011 to 31 December 2011

Salary Band	Total days taken	% days with medical certification	Number of employees using disability leave	% of total employees using disability leave	Average days per employee	Estimated Cost (R'000)
Lower skilled (Levels 1-2)	0	0	0	0	0	0
Skilled (Levels 3-5)	0	0	0	0	0	0
Highly skilled production (Levels 6-8)	319	100	8	40	40	197
Highly skilled supervision (Levels 9-12)	270	100	6	30	45	546
Senior management (Levels 13-16)	114	100	6	30	19	321
Total	703	100	20	100	35	1064

Table 9.3 summarises the utilisation of annual leave. The wage agreement concluded with trade unions in the PSCBC in 2000 requires management of annual leave to prevent high levels of accrued leave being paid at the time of termination of service.

TABLE 9.3 – Annual Leave, 1 January 2011 to 31 December 2011

Salary Bands	Total days taken	Average per employee
Lower skilled (Levels 1-2)	0	0
Skilled (Levels 3-5)	1,090	18
Highly skilled production (Levels 6-8)	5,469	17
Highly skilled supervision (Levels 9-12)	10,415	19
Senior management (Levels 13-16)	5,489	19
Total	22,463	18

Profile of annual leave taken

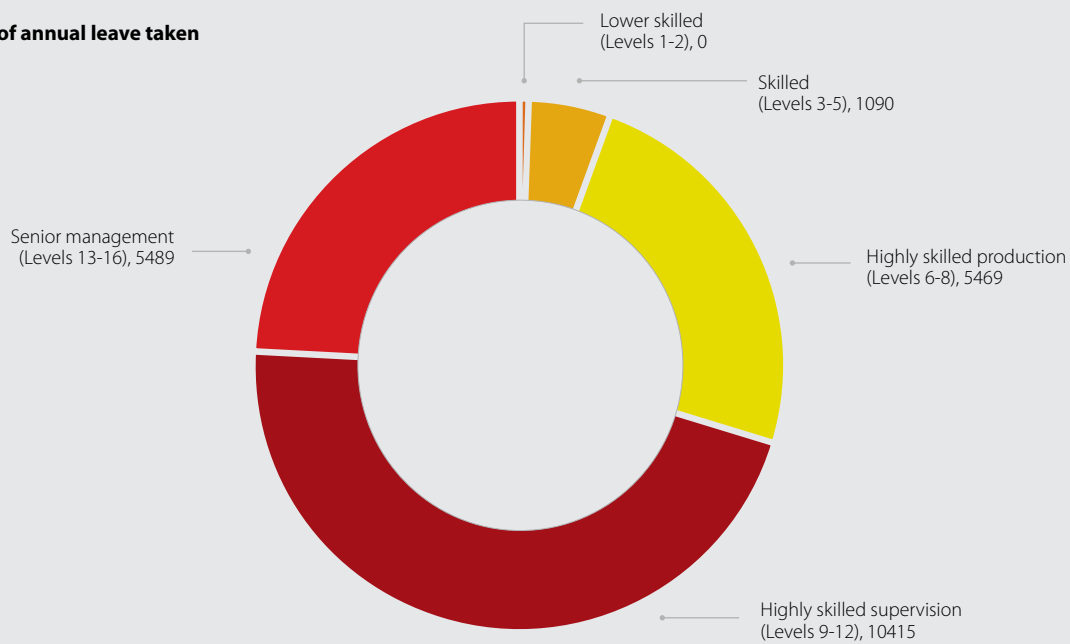


TABLE 9.4 – Capped leave, 1 January 2011 to 31 December 2011

Salary Bands	Total days of capped leave taken	Average number of days taken per employee	Average capped leave per employee as at 31 December 2011
Lower skilled (Levels 1-2)	0	0	0
Skilled (Levels 3-5)	10	5	26
Highly skilled production (Levels 6-8)	18	5	18
Highly skilled supervision (Levels 9-12)	36	3	37
Senior management (Levels 13-16)	13	3	61
Total	77	4	38

TABLE 9.5 – Leave payouts for the period 1 April 2011 to 31 March 2012

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

Reason	Total amount (R'000)	Number of employees	Average payment per employee (R'000)
Leave payout for 2011/12 due to non-utilisation of leave for the previous cycle	0	0	0
Capped leave payouts on termination of service for 2011/12	119	1	119
Current leave payout on termination of service for 2011/12	1,334	100	13
Total	1,453	101	14

10. HIV AND AIDS & HEALTH PROMOTION PROGRAMMES

TABLE 10.1 – Steps taken to reduce the risk of occupational exposure

Units/categories of employees identified to be at high risk of contracting HIV & related diseases (if any)	Key steps taken to reduce the risk
None	<ul style="list-style-type: none"> - Have a Nurse on site (twice weekly) who conduct voluntary counselling and testing and TB testing - Offer quarterly Voluntary Counselling and Testing. People testing positive are referred and registered with their respective medical aids for the HIV/AIDS programme. - Promote prevention by hosting programmes such as Condom awareness and STI & STD's information sessions - Counselling services through the Siyaphila programme is available for emotional support

TABLE 10.2 – Details of Health Promotion and HIV and AIDS Programmes (tick the applicable boxes and provide the required information)

Question	Yes	No	Details, if yes
1. Has the department designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001? If so, provide her/his name and position	X		Director: Organisational Development
2. Does the department have a dedicated unit or has it designated specific staff members to promote the health and well being of 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		<p>One (1) internal Human Resources Specialist: Employee Wellness Programme (EWP)</p> <p>Contracted an external Employee Wellness service provider (Workforce Health Care)</p> <p>An annual budget of +- R800 000.00</p>
3. Has the department introduced an Employee Assistance or Health Promotion Programme for employees? If so, indicate the key elements/ services of this Programme	X		<ul style="list-style-type: none"> • 24 hours, 7 days confidential telephonic counselling that includes: <ul style="list-style-type: none"> - Psychological and emotional assessments, counselling and referrals for relevant interventions - Provides advice such as financial and legal advice, relationships, family matters, substance abuse, work stress, depression, trauma and other Health issues. • Host Health awareness campaigns – focuses on health risk assessments and advice on chronic health conditions • Supports healthy living and has a Healthy Lifestyle club hosted once a week. The club is one of the interventions to address health risks identified through the health risk assessments. • Voluntary Counselling and Testing (VCT) and TB testing provided by a nurse on site and during the quarterly health campaigns • Family planning services provided on site
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>Composed internal members.</p> <ul style="list-style-type: none"> • Hilda Mhlongo (CS) • Rebecca Modiba (CS) – Floor reps • Marius Klue (OAG) • Betty Malope (CS) – OHS • Johnny October (CS) – Security Management • Currently in the process of recruiting additional new members from the various Divisions

TABLE 10.2 – Details of Health Promotion and HIV and AIDS Programmes (tick the applicable boxes and provide the required information)

Question	Yes	No	Details, if yes
5. Has the department reviewed its employment policies and practices to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices so reviewed	X		Yes. All our employment policies have been reviewed and do not discriminate against employees on the basis of their HIV status. The Department's HIV and AIDS policy gives a solid platform for ensuring non-discriminatory practices against HIV-positive employees
6. Has the department introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures	X		The HIV/AIDS policy emphasises confidentiality and the names of all employees tested are kept confidentially by an external Voluntary Counselling and Testing (VCT) service provider. The disease management process for those who are positive is done through GEMS and information is also not disclosed to the employer
7. Does the department encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have you achieved	X		VCT is conducted by a nurse on site and quarterly during health and wellness days. 34% of our employees out of a total staff complement of 1271 underwent VCT in the period 01 April 2011 and 31 March 2012
8. Has the department developed measures/ indicators to monitor and evaluate the impact of its health promotion programme? If so, list these measures/indicators	X		<ul style="list-style-type: none"> • HIV/AIDS management - VCT target of 30% • Health and productivity management - Target of less than 3% absenteeism rate • Wellness management: - EWP total utilisation rate of 70% external and 30% internal utilisation

11. LABOUR RELATIONS

The following collective agreements were entered into with trade unions within the department.

TABLE 11.1 – Collective agreements, 1 April 2011 to 31 March 2012

Subject Matter	Date
Not applicable	

The following table summarises the outcome of disciplinary hearings conducted within the department for the year under review.

TABLE 11.2 – Misconduct and disciplinary hearings finalised, 1 April 2011 to 31 March 2012

Outcomes of disciplinary hearings	Number	% of total
Correctional counselling	N/A	N/A
Verbal warning	3	15
Written warning	10	50
Final written warning	3	15
Suspended without pay	N/A	N/A
Fine	N/A	N/A
Demotion	2	10
Dismissal	2	10
Not guilty	N/A	N/A
Case withdrawn	N/A	N/A
Total	20	100%

TABLE 11.3 – Types of misconduct addressed at disciplinary hearings

Type of misconduct	Number	% of total
Incompatibility	1	50
Fraud and Corruption	1	50
Total	2	100

TABLE 11.4 – Grievances lodged for the period 1 April 2011 to 31 March 2012

	Number	% of Total
Number of grievances resolved	12	86
Number of grievances not resolved	2	14
Total number of grievances lodged	14	100

TABLE 11.5 – Disputes lodged with Councils for the period 1 April 2011 to 31 March 2012

	Number	% of Total
Number of disputes upheld	0	0
Number of disputes dismissed	1	100
Total number of disputes lodged	1	100

TABLE 11.6 – Strike actions for the period 1 April 2011 to 31 March 2012

Total number of person working days lost	
Total cost (R'000) of working days lost	0
Amount (R'000) recovered as a result of no work no pay	0

TABLE 11.7 – Precautionary suspensions for the period 1 April 2011 to 31 March 2012

Number of people suspended	2
Number of people whose suspension exceeded 30 days	2
Average number of days suspended	406
Cost (R'000) of suspensions	783

12. SKILLS DEVELOPMENT

This section highlights the efforts of the department with regard to skills development.

TABLE 12.1 – Training needs identified 1 April 2011 to 31 March 2012

Occupational Categories	Gender	Number of employees as at 1 April 2011	Training needs identified at start of reporting period			
			Learnerships	Skills Programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	81	2	69		71
	Male	139	8	103		111
Professionals	Female	233	23	170		193
	Male	228	21	180		201
Technicians and associate professionals	Female	74	1	55		56
	Male	36	4	28		32
Clerks	Female	207	26	161		187
	Male	57	22	36		58
Service and sales workers	Female	7	0	7		7
	Male	17	0	15		15
Skilled agriculture and fishery workers	Female	0	0	0		0
	Male	0	0	0		0
Craft and related trades workers	Female	0	0	0		0
	Male	0	0	0		0
Plant and machine operators and assemblers	Female	0	0	0		0
	Male	8	0	0		0
Elementary occupations	Female	11	1	1		2
	Male	9	0	1		1
Sub Total	Female	613	53	463		516
	Male	494	55	363		418
Total		1107	108	826		934

** Note: Minister and Deputy Minister not included in total

TABLE 12.2 – Training provided 1 April 2011 to 31 March 2012

Occupational Categories	Gender	Number of employees as at 1 April 2011	Training provided within the reporting period			
			Learnerships	Skills Programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	81	0	130	4	134
	Male	139	0	202	4	206
Professionals	Female	233	0	560	18	578
	Male	228	0	493	15	508
Technicians and associate professionals	Female	74	0	106	0	106
	Male	36	0	54	1	55
Clerks	Female	207	0	489	5	494
	Male	57	0	234	2	236
Service and sales workers	Female	7	0	13	0	13
	Male	17	0	52	0	52
Skilled agriculture and fishery workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Craft and related trades workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Plant and machine operators & assemblers	Female	0	0	0	0	0
	Male	8	0	7	0	7
Elementary occupations	Female	11	0	23	0	23
	Male	9	0	21	0	21
Sub Total	Female	613	0	1321	27	1348
	Male	494	0	1063	22	1085
Total		1107	0	2384	49	2433

13. INJURY ON DUTY

The following tables provide basic information on injury on duty.

TABLE 13.1 – Injury on duty, 1 April 2011 to 31 March 2012

Nature of injury on duty	Number	% of total
Required basic medical attention only	4	100
Temporary Total Disablement	0	0
Permanent Disablement	0	0
Fatal	0	0
Total	4	100

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Annexures

ANNEXURE 1: ABBREVIATIONS

AC	Audit Committee	DME	Department of Minerals and Energy
ACCC	Anti-Corruption Coordinating Committee	DPE	Department of Public Enterprises
ADB	African Development Bank	DPME	Department of Monitoring and Evaluation
ADF	African Development Fund	DPSA	Department of Public Service and Administration
AEI	African Economic Integration	DSGE	Dynamic Stochastic General Equilibrium
AFIS	Automated Fingerprint Identification System	ECFF	Employment Creation Facilitation Fund
APRM	African Peer Review Mechanism	ED	Exposure Drafts
ASB	Accounting Standards Board	ERSA	Economic Research Southern Africa
AU	African Union	ENE	Estimates of National Expenditure
BAS	Basic Accounting System	EPWP	Expanded Public Works Programme
BBBEE	Broad Based Black Economic Empowerment	EU	European Union
BI	Business Intelligence	FATF	Financial Action Task Force
BIS	Bank for International Settlements	ECD	Early Child Development
BSA	Brand South Africa	FET	Further Education and Training
CABRI	Collaborative Africa Budget Reform Initiative	FFC	Financial and Fiscal Commission
CASP	Comprehensive Agriculture Support Programme	FIC	Financial Intelligence Centre
CCSA	Certification in Control Self-Assessment	FMS	Financial Management System
CFTC	Commonwealth Fund for Technical Cooperation	FMCMM	Financial Management Capability Maturity Model
CGE	Computable General Equilibrium	FOSAD	Forum of SA Directors-General
CIA	Certified Internal Auditor	FSB	Financial Services Board
CIDB	Construction Industry Development Board	G20	Group of Twenty Countries
CISA	Certified Information Systems Auditor	G24	Group of Twenty-Four Countries
CISNA	Securities and Non-banking Financial Authorities	GAMAP	Generally Accepted Municipal Accounting Practices
CMU	Contract Management Unit	GCC	Guarantee Certification Committee
CMA	Common Monetary Area	GCSIS	Government Communications and Information System
COGTA	Cooperative Governance and Traditional Affairs	GDS	Growth and Development Summit
CPD	Corporation for Public Deposits	GEMS	Government Employee Medical Scheme
CREFSA	Centre of Research into Economic and Finance in Southern Africa	GEPF	Government Employee Pensions Fund
CRL	Cultural, Religious and Linguistic Communities	GFE CRA	Gold and Foreign Exchange Contingency Reserve Account
CSP	City Support Programme	GFS	Government Finance Statistics
DBSA	Development Bank of Southern Africa	GPAA	Government Pension Administration Agency
DCIS	Development Corporation Information System	GRAP	Generally Recognised Accounting Practices
DFI	Development Finance Institution	HDI	Historically Disadvantaged Individual
DOC	Department of Communications		
DORA	Division of Revenue Act		

HEDCOM	Heads of Education Departments Committee	NCOP	National Council of Provinces
HIPC	Highly Indebted Poor Countries	NDP	Neighbourhood Development Programme
HSRC	Human Sciences Research Council	NEDLAC	National Economic Development and Labour Council
IA	Internal Audit	NEPAD	New Partnership for Africa's Development
IAS	International Accounting Standards	NERSA	National Energy Regulator of South Africa
ICASA	Independent Communications Authority of South Africa	NERT	National Energy Response Team
ICT	Information and Communication Technology	NIA	National Intelligence Agency
IDC	International Development Cooperation	NOFP	Net Open Forward Position
IDIP	Infrastructure Development Improvement Programme	NPA	National Ports Authority
IDTT	Inter Departmental Task Team	OAG	Office of the Accountant-General
IFAC	International Federation of Accountants	ODA	Official Development Assistance
IFMS	Integrated Financial Management Systems	OECD	Organisation for Economic Cooperation and Development
IGR	Intergovernmental Relations	PALAMA	Public Administration Leadership and Management Academy
IIA	Institute of Internal Auditors	PEOU	Public Entity Oversight Unit
IJS	Integrated Justice Sector	PEs	Public Entities
IMF	International Monetary Fund	PIC	Public Investment Corporation
IMFC	International Monetary and Financial Committee	PFAI	Provident Fund for Associated Institutions
IMM	Inventory Management Module	PFM	Public Finance Management
IOSCO	International Organisation of Securities Commissions	PFMA	Public Finance Management Act
IPFA	Institute for Public Finance and Auditing	PFS	Public Finance Statistics
IPSAS	International Public-sector Accounting Standards	PMM	Procurement Management Module
IREP	International and Regional Economic Policy	PMU	Project Management Unit for Social Security and Retirement Reform
ISDA	International Swaps and Derivatives Association	PPP	Public Private Partnerships
IYM	In-Year Monitoring	PPPFA	Preferential Procurement Policy Framework Act
LRAD	Land Reform for Agricultural Development	PRASA	Passenger Rail Agency of South Africa
MFI	Micro-Finance Intermediaries	PSEPC	Public-sector Expert Practice Committee
MFMA	Municipal Financial Management Act	PSETA	Public Service Education and Training Authority
MFMTAP	Municipal Finance Management Technical Assistance Project	RFB	Requests for Bids
MIG	Municipal Infrastructure Grant	RDP	Reconstruction and Development Programme
MMC	Members of the Mayoral Committee	REDS	Regional Electricity Distributors
MOU	Memorandum of Understanding	REFIT	Renewable Energy Feed-In Tariff
MPAT	Management Performance Assessment Tool	RISDP	Regional Indicative Strategic Development Plan
MSP	Master Systems Plan	RMF	Risk Management Framework
MTBPS	Medium-Term Budget Policy Statement	SACU	Southern African Customs Union
MTEC	Medium-Term Expenditure Committee	SADC	Southern African Development Community
MTEF	Medium-Term Expenditure Framework	SAFCOL	SA Forestry Company Limited
MYPD	Multi-Year Price Determination	SAG	South African Government

SANReN	South African Research Network
SAPS	South African Police Services
SAPO	South African Post Office
SARB	South African Reserve Bank
SARS	South African Revenue Service
SASRIA	South African Special Risks Insurance Association
SASSA	South Africa Social Security Agency
SAQA	South African Qualifications Authority
SADC	South African Development Community
SCM	Supply Chain Management
SCOA	Standard Chart of Accounts
SEC	US Securities and Exchange Commission
SETA	Sector Education and Training Authority
SISP	Strategic Information Systems Plan
SITA	State Information Technology Agency
SCOPA	Standing Committee on Public Accounts
SMMEs	Small, Medium and Micro-Enterprises
SOC	State-Owned Companies
SOEs	State-Owned Enterprises
SOERG	State-Owned Enterprises Remuneration Guide
STC	Secondary Tax on Companies
STRIPS	Separate Trading of Registered Interest and Principal Securities
TA	Technical Assistance
TBPS	Treasury Best Practice Standards
TCTA	Trans-Caledon Tunnel Authority
TLAB	Tax Laws Amendment Bill
UAT	Complete User Acceptance
UNFCCC	United Nations Framework Convention on Climate Change
WTO	World Trade Organisation

ANNEXURE 2: INSTITUTIONS ASSOCIATED WITH THE NATIONAL TREASURY

The National Treasury works closely with a number of public institutions. It has operational and institutional independence and, in some instances, constitutionally guaranteed autonomy. It produces its own annual reports.

Accounting Standards Board

Section 87 of the Public Finance Management Act (1 of 1999)

Coin Liabilities

SA Reserve Bank subsidiary

Corporation for Public Deposits

Corporation for Public Deposits Act (46 of 1984)

Development Bank of Southern Africa

Development Bank of Southern Africa Act (13 of 1997)

Financial and Fiscal Commission

Financial and Fiscal Commission Act (99 of 1997)

Financial Services Board

Financial Services Board Act (97 of 1990)

The following report to it:

Pension Fund Adjudication

Financial Markets Advisory Board

Pension Funds Advisory Board

Financial Intelligence Centre

Financial Intelligence Centre Act (38 of 2001)

Independent Development Trust

Policy Board for Financial Services Regulation

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

Public Accounts and Auditors Board

Public Investment Corporation

Public Investment Corporation Act, 2004 (23 of 2004)

Registrar of Banks

Reports to SA Reserve Bank

SA Banknote Company

SA Reserve Bank subsidiary

SA Mint Company

SA Reserve Bank subsidiary

South African Reserve Bank

SA Reserve Bank Act (90 of 1989)

South African Revenue Service

SA Revenue Service Act (34 of 1997)

South African Special Risk Insurance Association (SASRIA)

Special Pensions Board

Special Pensions Advisory Board

State Tender Board

Statistical Council

Statistics Act (66 of 1976)

Tax Advisory Committee

National Treasury



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national treasury

Department:
national treasury
REPUBLIC OF SOUTH AFRICA