



# **National Treasury**

## **Annual Report**

**2005/06**



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# National Treasury

## Annual Report

2005/06

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

I have the honour of submitting the Annual Report of the National Treasury for the period 1 April 2005 to 31 March 2006.

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







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## ACCOUNTING OFFICER'S OVERVIEW

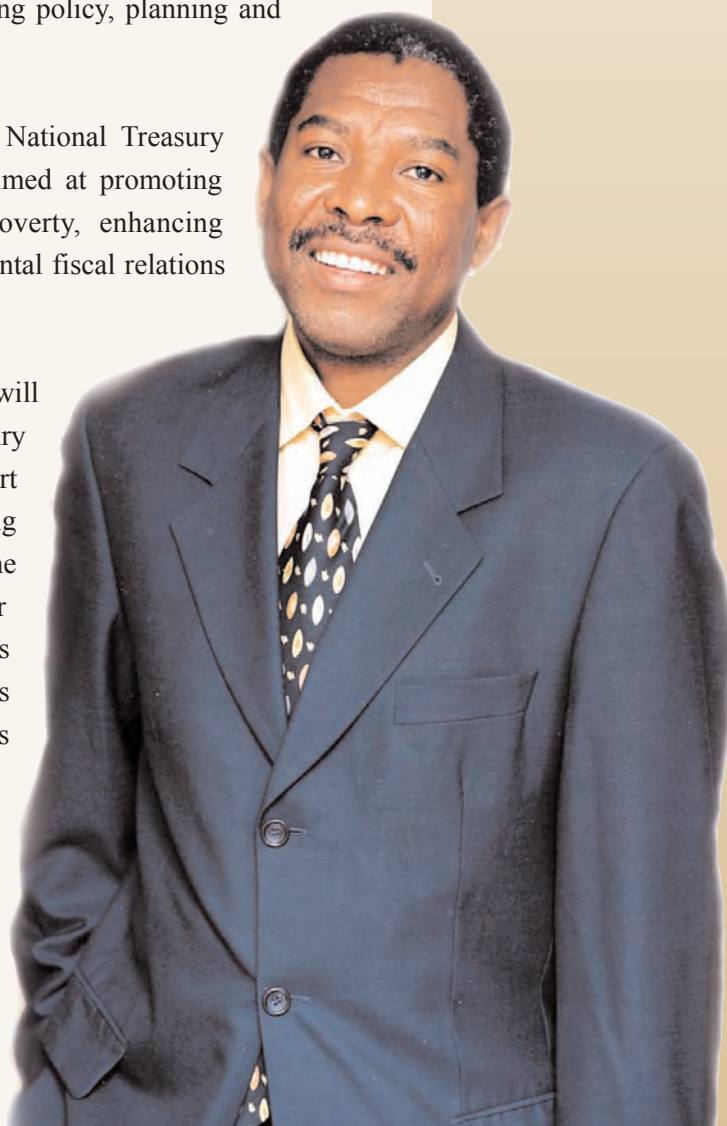
In his State of the Nation Address at the beginning of 2005, President Thabo Mbeki asserted that *...our country, as a united nation has never in its history enjoyed such a confluence of encouraging possibilities*. These words were also captured as a central theme in both the 2005 and 2006 Budget speeches of Minister Trevor Manuel when he acknowledged the many achievements that South Africans can and should be proud of - these are not restricted to the fundamentals of our economic policy.

Our leaders constantly present us with several exciting policy, planning and implementation challenges.

As reported in the 2005 - 2008 strategic plan the National Treasury committed itself to a set of strategic focus areas aimed at promoting sustainable growth and development, reducing poverty, enhancing budgetary transparency and improving intergovernmental fiscal relations and financial management.

This Annual Report for the 2005/06 fiscal year will provide a frank description of how the National Treasury has discharged its mandate. More specifically, the report provides details of the achievements and ongoing challenges of the main divisions and programmes of the department. It does so by providing an account of our achievements in line with the measurable objectives and output targets set out in the strategic plan. It shows through the audited financial statements how resources appropriated by Parliament for the 2005/06 financial year have been utilised, and also provide an account of the challenges that are likely to impact on future plans and resource allocations.

Some of the highlights of our achievements, which are detailed in this report, include the following: The formulation and coordination of growth-enhancing policies which has been a major focus of the *Economic Planning and Budget Management* programme. In particular, this programme has



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



contributed to several joint efforts that were undertaken to inform the economic basis of the accelerated and shared growth initiative (ASGI-SA).

Through the annual review of the medium-term estimates, several enhancements have been put in place to bring about greater efficiency in the manner that public funds are allocated and spent. Priority policies and government programmes are now subject to greater evaluation and scrutiny. Our *Public Finance* teams are working more closely with national departments and intergovernmental forums as a way of improving policy formulation in different sectors, and making sure that service delivery performance plays a major role in future budget choices.

The work of our *Intergovernmental Fiscal Relations Division* is becoming increasingly important in the coordination of fiscal relations between the three spheres of government. Some of the key achievements of the programme are the Annual Division of Revenue Act, the review of provincial and local expenditure and the consolidation of provincial budgets. The internet-based "Essentials of Budget Formulation" course was run in all nine provinces, and 258 provincial officials from all sectors completed the course successfully.

On the tax front, the exchange control and tax amnesty unit has completed its adjudication process. The final audit confirms that 42 178 applications received amnesty, resulting in levies of over R2 billion being raised. As reported in the 2005 Budget, funds collected from the amnesty process will be set aside for infrastructure investment to build sustainable and viable communities.

South Africa's sound monetary, fiscal and debt management policies played a major part in the decision of all three major rating agencies to upgrade our sovereign credit rating. In January, Moody's upgraded South Africa from Baa2 to Baa1, and in August both Standard & Poor's and Fitch Ratings upgraded the rating from BBB to BBB+. The *Assets and Liabilities* programme continues to ensure that government's asset and liability portfolio is managed in a prudent and sustainable manner.

The *Office of the Accountant-General* has focussed intensive attention upon the training of financial managers. Some 600 internal auditors and 250 risk-management officials were trained in courses that aim to raise skills levels in risk-management and internal audit. We can also report this year on progress with the transition to accrual accounting. A significant development in this regard has been the development of a standardised financial reporting template that incorporates key policy improvements that are in line with the GRAP standards issued by the Accounting Standards Board. This template was used to facilitate the consolidation exercise for the 2005/06 financial year for national departments and provinces.



Financial accounting and reporting require adequate systems. The *Specialist Functions* Division continued to implement the Public Finance Management Act (PFMA) and has been reporting regularly to the Portfolio Committee on Finance and the Standing Committee on Public Accounts. Extensive training has been provided on the implementation of financial reforms. The Integrated Financial Management System (IFMS) Master Plan was approved by Cabinet and we are busy with the implementation of Phase II of the project.

We are proud of what we have achieved thus far. Still, we are aware of the high expectations that the Executive, parliament and the taxpayers have of the National Treasury. We shall not disappoint.

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



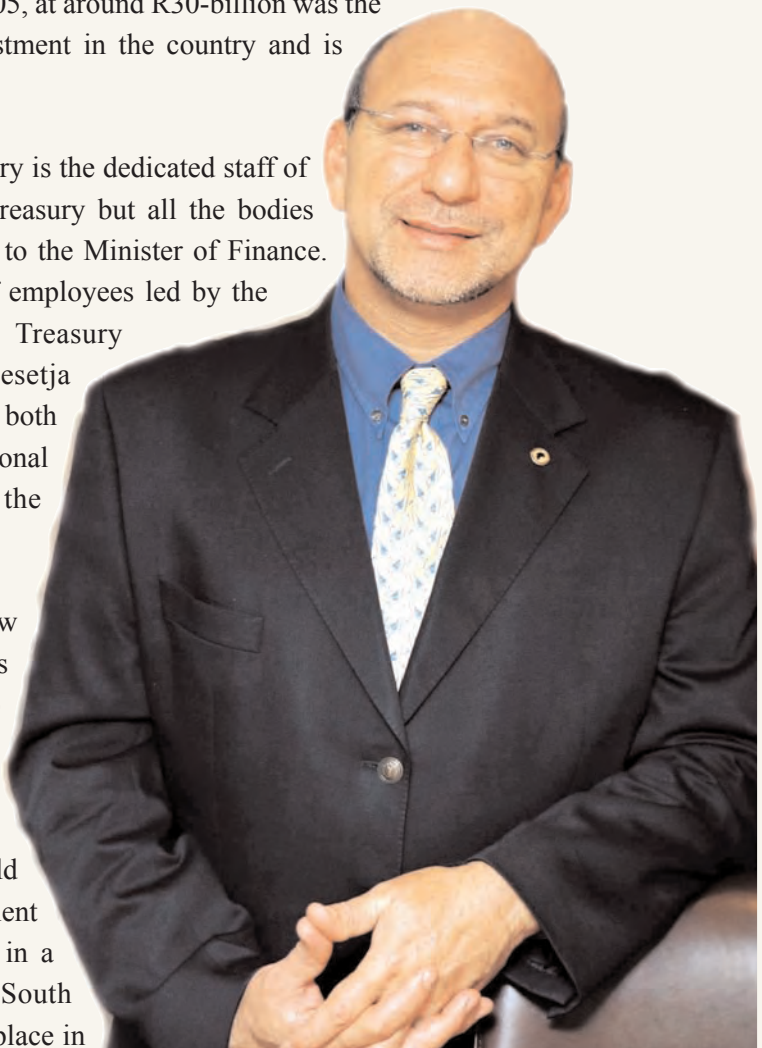
## THE MINISTRY

This year [2006] Minister Trevor Manuel delivered his tenth budget in Parliament. Shortly after taking office in 1996, Minister Manuel stated that Government needed to have a greater say in the structure and the regulation of the financial services industry - that the industry could not "place itself above the law by defining its own regulation", and thus set himself on that path. Ten years later the country is seeing the results and reaping the fruits of those hard decisions made then.

During the period under review the country saw an extraordinary performance in capital markets, partly driven by robust global growth but also indicative of rising confidence in South Africa's growth outlook; this under the leadership, and the management of the Minister of Finance and his Deputy Jabu Moleketi. Together they have ensured that the country continues on a positive growth trajectory and that South Africa remains a country "alive with possibility" with a confluence of amazing opportunities. The Absa-Barclays deal, finalised in July 2005, at around R30-billion was the largest ever single investment in the country and is one such example.

At the core of the Ministry is the dedicated staff of not only the National Treasury but all the bodies and agencies that report to the Minister of Finance. It is this high caliber of employees led by the ably suited National Treasury Director-General Lesetja Kganyago that provide both the technical and operational expertise needed by the political principals.

In the period under review the Minister and his Deputy continued to stimulate discourse in international and multilateral institutions such as the IMF, World Bank, African Development Bank, Nepad, G-20 etc in a quest to ensure that South Africa takes its rightful place in the global field.



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





## **International visits undertaken by the Minister of Finance during the 2005/06 financial year**

- |                          |   |
|--------------------------|---|
| 11 - 20 April 2005       | : Visit to INSEAD, France, to address an Africa Day Function, to Washington D.C., USA to attend the Spring Meetings of the World Bank and the IMF and to New York, USA to attend an ECOSOC meeting. |
| 14 - 19 May 2005         | : Visit to Abuja, Nigeria to attend the ECA and ADB Annual Meetings.  |
| 10 - 12 June 2005        | : Visit to London, UK to attend a pre-G8 breakfast for Ministers of Finance of Brazil, China, India and South Africa with G8 Ministers of Finance.  |
| 03 - 06 July 2005        | : Visit to London, UK to participate in NEPAD pre-G8 event and address Commonwealth Business Council G8 Business Action for Africa Summit   |
| 29 - 30 July 2005        | : Visit to Gaborone, Botswana to address a fundraising dinner for the University of Botswana Foundation.  |
| 31 August - 05 September | : Visit to Lake Como, Italy to represent President Mbeki at the Ambrosetti Forum.   |
| 21 - 27 September 2005   | : Visit to Washington D.C. to attend the Annual Meetings of the World Bank and the IMF.   |
| 06 - 07 October 2005     | : Visit to Mbabane, Swaziland to attend an ESAAMLG Ministerial Meeting and a SACU Council of Ministers meeting.   |
| 13 - 18 October 2005     | : Visit to Beijing, China, to attend the G20 Finance Ministers' Meeting, and to London, UK to participate in a Royal African Society Seminar.   |
| 21 - 24 November 2005    | : Visit to Tunis, Tunisia, to attend an African Finance Ministers' meeting.   |
| 07 - 08 December 2005    | : Visit to Windhoek, Namibia to attend a SACU Council of Ministers meeting.   |



**International visits undertaken by the Deputy Minister of Finance during the 2005/06 financial year**

- |                       |   |   |
|-----------------------|---|---|
| 09 - 12 February 2006 | : | G8 Finance Ministers in Moscow  |
| 17 - 27 April 2006    | : | Accompanied the Deputy President to attend JIPSA and ASGISA meeting, Japan and Indonesia                                    |
| 10 - 14 May 2006      | : | Attend the South African Sport and Investment Promotion Conference, London  |
| 30 May - 4 June 2006  | : | Accompanied the Deputy Minister of Foreign Affairs on a bilateral meeting between SA and China, Beijing, China              |
| 07 - 11 June 2006     | : | Attended Seminar on strengthening democracy in a new global order (2004) and next step after Gaza (2005), Sweden, Stockholm |





## VISION

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

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

## MISSION AND OBJECTIVES

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

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

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

We promote transparency and effective financial management.

## VALUES

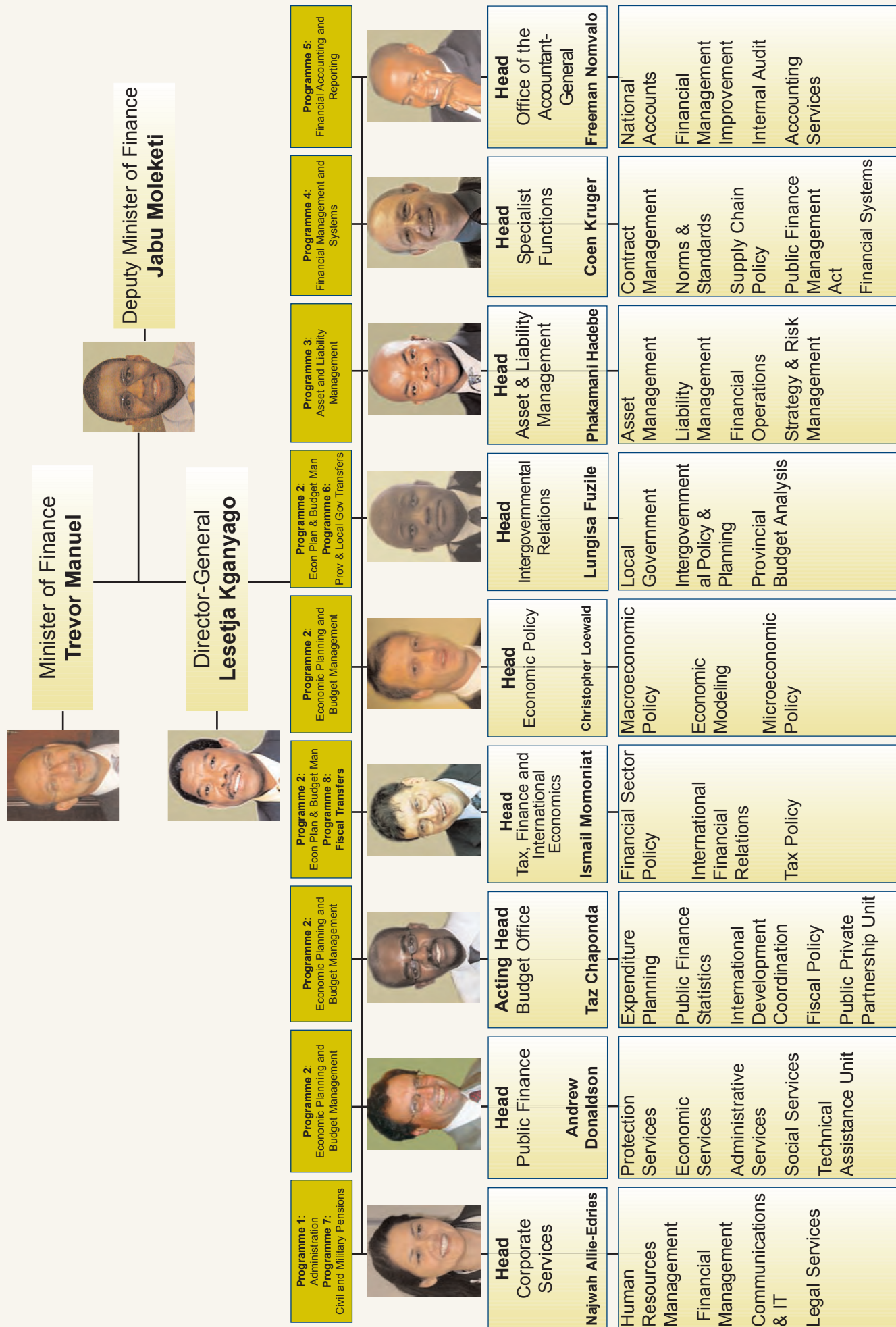
As custodians of the nation's financial resources, the National Treasury acknowledges the authority of Parliament through whom we are accountable to the nation.

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

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

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

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





## MINISTER'S STATEMENT ON POLICY AND COMMITMENT

"United in our diversity," the National Treasury strives to achieve a better life for all our citizens. As the custodians of the public finances, the National Treasury seeks to imbue government policy with a sense of purpose and vision of society and with an understanding of a common history.

The cornerstone of those policies is to nurture economic growth to create employment and income and to sustain them far into the future. Poverty reduction and an end to marginalization are critical elements of a sustainable growth path. Environmental sustainability and its link to economic development and growth is also vitally important, and will play a larger role in the work of the National Treasury in coming years.

Meeting the aspirations of all South Africans requires the matching of public monies with appropriately designed policies and institutions, in some cases via national, provincial and municipal budgets and some cases through the creation of active partnerships with the private sector. The Financial Sector Charter, for instance, is expected to play a major role in coming years in the development of social and economic infrastructure and housing. Departmental spending plans and the programmes that implement policies to provide health care, water, electrification, local infrastructure and other components of the social wage continue to be the focus of much of the work of the National Treasury. They give deeper meaning to the achievements attained in the macroeconomic sphere to reduce inflation and the cost of capital.

*Macroeconomic and financial sector policy* nonetheless remains a key area of concern, reflecting the importance of the global economic environment, capital flows and trade to our economic future. On the strength of a reasonably benign global environment and the prudence of our policies over the last ten years, the fiscal stance has allowed strong real growth in public spending even as the cost of public debt and the burden of taxation has been reduced. A moderate fiscal deficit has been the outcome, and maintaining that stance in a pro-growth manner will remain a key focus area for the National Treasury in coming years. Further improvements depend in large part on addressing a series of regulatory, programmatic and microeconomic challenges in the economy. A broad approach to raising the rate of economic growth in the economy helps us to more closely align government policies and spending plans and to achieve greater intra-governmental coordination.

A key element of coordination lies in the area of development finance where the National Treasury seeks to improve the alignment of the public development finance institutions. Government's procurement and supply chain management policies also remain a central focus, alongside the establishment of a revised Integrated Financial Management System. Implementation of the Public Finance Management and Municipal Finance Management Acts continues apace. The 2010 Soccer World Cup presents a major opportunity to build important infrastructure systems, improve public facilities and underpin economic growth generally.



Our international agenda to develop global public goods, to strengthen the international financial architecture and to reduce poverty in developing regions remains integral to the challenge of growth and poverty reduction at home. We remain engaged on a multilateral basis with the international community in a range of institutions and key meetings, including the IMF, the World Bank, the G20, and the WTO. Regionally and continentally, the National Treasury is helping to establish more empowered and capable institutions, including the African Development Bank, SADC, SACU and the African Union.

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



## LEGISLATIVE MANDATE

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

### Parliamentary Services

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

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

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

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

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

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



## LEGISLATION ENACTED

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

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

Following is a list of legislation tabled in Parliament during the 2005/2006 financial year to date:

1. **Appropriation Act, 2005 (Act No. 4 of 2005)**  
Bill enacted: Appropriation Bill [B7 - 2005]  
English text signed by the President. Assented to 18 June 2005  
Published in Government Gazette No. 27703 dated 22 June 2005
2. **Taxation Laws Amendment Act, 2005 (Act No. 9 of 2005)**  
Bill enacted: Taxation Laws Amendment Bill [B19 - 2005]  
English text signed by the President. Assented to 14 July 2005  
Published in Government Gazette No. 27815 dated 19 June 2005
3. **Taxation Laws Second Amendment Act, 2005 (Act No. 10 of 2005)**  
Bill enacted: Taxation Laws Amendment Bill [B20 - 2005]  
English text signed by the President. Assented to 10 July 2005  
Published in Government Gazette No. 27786 dated 13 July 2005
4. **Adjustments Appropriation Bill Act, 2005 (Act No. 21 of 2005)**  
Bill enacted: Adjustments Appropriation Bill [B37 - 2005]  
English text signed by the President. Assented to 28 November 2005  
Published in Government Gazette No. 28284 dated 30 November 2005
5. **Auditing Profession Act, 2005 (Act No. 26 of 2005)**  
Bill enacted: Auditing Profession Bill [B31B - 2005]  
English text signed by the President: Assented to 12 January 2006  
Published in Government Gazette No. 28406 dated 16 January 2006
6. **Special Pensions Amendment Act, 2005 (Act No. 27 of 2005)**  
Bill enacted: Special Pensions Amendment Bill [B28B - 2005]  
English text signed by the President: Assented to 12 January 2006  
Published in Government Gazette No. 28407 dated 16 January 2006



7. **Revenue Laws Amendment Act, 2005 (Act No. 31 of 2005)**  
Bill enacted: Revenue Laws Amendment Bill [B40 - 2005]  
English text signed by the President: Assented to 27 January 2006  
Published in Government Gazette No. 28450 dated 1 February 2006
8. **Revenue Laws Second Amendment Act, 2005 (Act No. 32 of 2005)**  
Bill enacted: Revenue Laws Second Amendment Bill [B41 - 2005]  
English text signed by the President: Assented to 27 January 2006  
Published in Government Gazette No. 28451 dated 1 February 2006
9. **Additional Adjustments Appropriation Act (2006/06 Financial Year), 2006 (Act No. 1 of 2006)**  
Bill enacted: Additional Adjustments Appropriation Bill (2005/06 Financial Year) [B 4 - 2006]  
English text signed by the President: Assented to 30 March 2006  
Published in Government Gazette No. 28694 dated 30 March 2006
10. **Division of Revenue Act, 2006 (Act No. 2 of 2006)**  
Bill enacted: Division of Revenue Bill [B 3B - 2006]  
English text signed by the President: Assented to 31 March 2006  
Published in Government Gazette No. 28700 dated 31 March 2006





## Programme 1 ADMINISTRATION

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

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

The programme is divided into four subprogrammes:

- The *Minister* subprogramme provides for the Office of the Minister of Finance and includes Parliamentary and Ministerial support services;
- The *Deputy Minister* subprogramme provides for the Office of the Deputy Minister of Finance and related support services;
- The *Management* subprogramme provides for the funding of the Office of the Director-General and related support services; and
- *Corporate Services* supports the administration and smooth running of the department.

### Service Delivery Objectives and Indicators

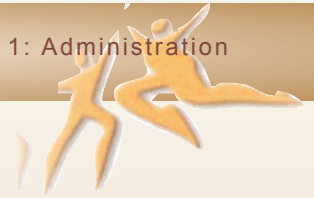
#### Recent outputs

The *Corporate Services* division is responsible for the Administration programme. The division is responsible for developing, maintaining and implementing the department's governance framework, and aims to create a productive and creative working environment that enhances departmental effectiveness. A critical intervention to improve its service to the department was the development of a client charter. Performance in relation to the charter objectives is measured through client surveys. The results of the surveys have been used to inform service improvement initiatives.

The *Corporate Services* division consists of six units: *Internal Audit, Human Resources Management, Financial Management, Security Management, Facilities Management, and Information Technology*.

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





With multiple projects and initiatives planned or taking place in *Corporate Services*, additional capacity to assist with the planning, managing and reporting has been recruited in the form of a project management coach. Project management principles and techniques have been adopted to enhance service delivery.

The *Financial Management* unit focuses on compliance with all relevant financial statutes and regulations, the most important of which is the Public Finance Management Act (PFMA). This unit also performs secretariat duties for the Audit Committee and the Risk Management Committee, as well as implementing recommendations and decisions emanating from these committees.

The *Supply Chain Management* unit (formerly Procurement Management) has introduced a phased implementation of supply chain management practices to reinforce compliance with National Treasury regulations. The accounting officer approved this policy and delegations. To ensure proper administration and reporting on bids adjudicated and awarded, the unit has purchased an electronic procurement system, and training on the new system will take place in August 2006.

For the period under review, 57 contracts were awarded, of which 42 went to companies owned by historically disadvantaged individuals, 29 to companies with majority BEE ownership and 19 to companies owned by women.

The National Treasury has shifted its approach from a fully outsourced *Internal Audit* function to its current co-sourcing approach. The intention is to migrate to a full in-house function over the next three years. A chief directorate: internal audit has been established and the vacant position has been filled. The newly appointed chief director will drive the department's internal audit function.

This approach will ensure that ample time is allowed to develop an effective internal audit structure, to employ competent staff and to transfer skills from the co-sourced service provider to the in-house function. The department went through a bidding process and a service provider has been identified. Negotiations are under way and a service level agreement is being developed.

The outsourced service provider successfully concluded the audit work outlined by the annual internal audit plan and issued follow-up reports. All such reports have been tabled with the Audit Committee.

The *Information Technology* unit has successfully implemented a central service desk ahead of schedule, and internal customer service can now be accurately measured against agreed service levels.

Further enhancements have been made to the existing electronic communications medium by upgrading e-mail and network operating systems. This has enabled the organisation to collaborate more effectively with integration into portal technologies. In conjunction with the State Information Technology Agency, end-user mobility by means of remote access to e-mail facilities has contributed to improved productivity. This service will be enhanced in the upcoming year as new wireless technologies become available.



The *Security Management* unit made considerable progress in 2005/06 in creating a secure and enabling working environment. Recognisable achievements were reached in meeting the prescripts and standards set by national institutions.

The National Treasury has made considerable progress in complying with the Minimum Information Security Standards policy. All National Treasury employees are screened before they can assume employment or occupy new positions. In addition, at least 145 employees have been issued with clearance certificates.

Procedures have been put in place to provide a secure working environment in the various buildings occupied by staff. During 2005/06, *Security Management* prepared six policies/procedures/plans. Two of these have been approved and are being implemented; the others are in final draft phase.

The *Human Resources Management* unit continued to focus on enabling the National Treasury to become an employer of choice. A number of strategic interventions were implemented to make significant progress toward this goal, including a talent management strategy, which includes:

- The development of a National Treasury-specific competency framework
- A career development and succession planning model
- A leadership and management development model and system
- Initiatives for attracting talent into the National Treasury.

The National Treasury's vacancy rate was reduced from 25 per cent to 21 per cent. This entailed aggressive advertising and marketing of the National Treasury at various institutions, resulting in the appointment of a number of highly skilled candidates in critical areas.

The *Human Resources Management* unit also began a process of repositioning itself for better service delivery. All HR processes were reviewed and streamlined, and a new structure for the unit was implemented.

Twenty-four of the 27 HR policies that were to be finalised by 31 March 2005, as indicated in the 2004/05 Annual Report, were finalised. The remaining three policies - labour relations, probation management and working conditions of security officials - will be completed in the current financial year. In addition, all HR policies were reviewed and will be communicated to all staff during 2006/07.

A number of competency-enhancement and capacity-building interventions were implemented. Among the successful ones were interventions focusing on self-management, and improving leadership and management skills.

To improve staff morale and job satisfaction, the *Human Resources Management* unit facilitated programmes and interventions resulting from the 2004 Culture and Climate Survey project.

*Facilities Management* continues to support the core business of the department through the provision of well-maintained facilities and effective services.

One of the projects that was completed successfully in 2005/06 was the refurbishment of the SITA site in Centurion. This site houses about 400 National Treasury employees and



consultants. In addition, the refurbishment of the final four floors in the Vermeulen Street Building was successfully completed.

The unit has also been in the forefront of cost-reduction initiatives implemented within Corporate Services (e.g., measures related to telephones, postage, printing and copying).

The *Communications* unit rendered a professional and efficient media management, liaison and monitoring service to both the Ministry and the department. The Minister, Deputy Minister, Director-General, and senior officials featured prominently in the media through coverage managed by the unit. The *Communications* unit managed the layout and design, and oversaw the printing and distribution, of publications such as budget documents, the annual report, the strategic plan and other publications. During the period under review the unit managed four successful Budget and Medium-Term Budget Policy Statement lock-ups with more than 100 journalists in attendance in both Cape Town and Pretoria. The unit also managed a series of events, workshops and conferences, including the Growth Conference attended by international delegates and speakers. Through initiatives such as the town hall meetings with high school learners, workshops hosted at National Treasury and the "Bring a Girl Child to Work Day," the unit played a key role in fulfilling its outreach objective. The unit also manages and oversees various public queries on a daily basis; most of these are related to the nature and scope of work done the National Treasury and departments under the Ministry of Finance.

The *Legal Services* unit dealt with various aspects of law, including reviewing and drafting of contracts, drafting of legislation and various matters of a litigious nature. During the year under review the unit became involved in the successful passage of the Division of Revenue Act (2 of 2005), Special Pensions Amendment Act 2005 (27 of 2005) and Additional Adjustments Appropriation Act (2005/06 financial year) (2 of 2006), and in addition commented on a number of bills and regulations.

The *Legal Services* unit advised on domestic and global bond issuances; the introduction of a prospectus directive in Europe that necessitated changes in the content of Euro Medium Term Note Programme documentation; the Absa/Barclays merger and transfer of business of Absa to Barclays; and the policy on indemnities contained in contracts concluded by government departments and public entities. The unit also drafted and negotiated several guarantees.

Over the past year, several litigious matters were dealt with successfully. These included a constitutional challenge to the Inspections of Financial Institutions Act (80 of 1998) by a financial institution that alleged that the act infringed its right to privacy; a constitutional challenge to the Public Accountants and Auditors Act (80 of 1991) by the Institute of Certified Public Accountants that alleged that the act infringed their right to equality, freedom of association and right to choose trade; a damages claim against the Minister of Finance for acts committed by the Financial Services Board (FSB) which was successfully opposed on the basis that the Minister is not vicariously liable for actions of the FSB; and a constitutional challenge to the Customs and Excise Act (91 of 1964).



## SERVICE DELIVERY ACHIEVEMENT

### Programme 1: Administration

<b>Measurable objective:</b> The programme aims to provide an effective leadership, management and administrative support service to the core business divisions of the National Treasury, through the continuous refinement of organisational strategy and structure, to ensure compliance with applicable legislation and alignment with appropriate best practice.				
Subprogramme	Output	Output performance Measure/service delivery indicator	Actual performance against target	
			Target	Achieved
Corporate Services	Delivery of efficient, cost-effective transactional services	Attainment of an unqualified audit report	July 2005	Unqualified audit attained July 2005
		Attainment of an unqualified audit opinion without an "emphasis of matter"	July 2005	Unqualified audit "without emphasis of matter" attained July 2005
	Design and implementation of a Corporate Services governance framework	Operational policies, processes and procedures documented	Operational policies, processes and procedures documented in 50% of Corporate Services	Operational policies, processes and procedures documented in 60% of Corporate Services
		Improved processes documented and implemented	Opportunities for improvements identified in 50% of Corporate Services Develop associated implementation plan Start implementation	Opportunities for improvements were only identified in 25% of Corporate Services
		Opportunities for cost reduction identified and included in processes	Investigate implications of cost reductions Implement	Opportunities for cost reduction were identified and implemented in a number of areas within Corporate Services Specific examples of these cost reductions relate to: <ul style="list-style-type: none"> <li>• Telephone management - R 783 000</li> <li>• Cleaning services - R705 000</li> <li>• Procurement - R399 000</li> </ul>



Subprogramme	Output	Measure/Indicator	Actual performance against target	
			Target	Achieved
	Development and implementation of integrated client service strategy	Client charter and service standards approved	June 2005	100 % achieved Client charter and service standards approved
		Phased implementation of service standards, with a supporting measurement and evaluation system established	Initiate implementation	The implementation of service standards was initiated by Corporate Services and assessed via the client services survey and reports from the service desk system  Corporate Services attained a client satisfaction rating of 67%
	Facilitate the building of strategic partnerships with stakeholders	Strategic support and change management plans developed for stakeholders	Stakeholder needs analysis	Stakeholder needs analysis was initiated to determine vacancies, future HR, facilities and IT requirements within each division Improvements in the management of the NT budget have been achieved through regular engagement
	Establishment of a working environment that encourages innovation and productivity	Identify opportunities to provide innovative solutions to client needs	Provide input to Department of Public Service & Administration (DPSA) on the issue of dual career paths within the public sector (management / technical / specialist)	Documents were prepared and submitted to DPSA. In addition a senior management discussion was held with DPSA. No resolution was reached.
	Creation of a secure working environment	Full compliance with the Minimum Information Security Standards	Security policies and procedures finalised and approved	The security policies and procedures were finalised
		Full compliance with the Occupational Health and Safety (OHS) and emergency situation regulations	OHS policies and procedures finalised and approved	The OHS policies and procedures were finalised



Subprogramme	Output	Measure/indicator	Actual performance against target	
			Target	Achieved
	Contribute to the establishment of a knowledge management (KM) culture in National Treasury	KM framework for Corporate Services implemented	Research and document KM framework Design a knowledge repository	The KM framework has been researched and documented The knowledge repository has been designed (The content managers for the KM elements have been trained and KM libraries have been populated for Corporate Services)
		An agreed centralised archiving system for National Treasury implemented (As component of Treasury's document management system)	Facilitate the documentation of archiving process flows for National Treasury	National Treasury's archiving process has been redesigned (Proof of concept pilot implemented in the Ministry)
	Design, develop and implement an IT architecture that supports achievement of National Treasury objectives Maintenance of IT architecture	Strategic plan for IT developed and implemented	Documented IT strategic plan	The IT strategic plan has been documented and finalised
		Effective IT solutions provided as per agreed SLAs	100% implementation of mobile environment – Tele-working	Implementation of mobile environment 100% complete (Roaming facilities implemented successfully. Wireless facilities currently being tested.)
			50% implementation of service desk	Service desk system implemented in 100% of Corporate Services





Subprogramme	Output	Measure/indicator	Actual performance against target	
			Target	Achieved
	Development of a strategic capability	An integrated talent management plan	Research and develop a talent management strategy	<ul style="list-style-type: none"> <li>Talent pool project - <i>Planned and initiated. Currently conducting interviews</i></li> <li>Enhancement of the internship programme - <i>Offers have been sent to interns for the April intake</i></li> <li>TOPP project initiated</li> <li>External bursaries have been awarded to 20 recipients</li> <li>HR skills audit – <i>Obtained approval to appoint service provider</i></li> </ul>
		A leadership development plan	Research and develop a leadership development plan	Leadership development plan researched and developed, and programmes initiated (The leadership development programme [Franklin-Covey Training] has been rolled out to the majority of staff in Corporate Services)
	Contribute to fostering a performance management culture	Adherence to performance management policy guidelines	Create capacity within Corporate Services to facilitate alignment of employee performance agreements with Treasury objectives Develop a competency framework for Treasury	<p>The creation of capacity within Corporate Services to facilitate alignment of employee performance agreements with Treasury objectives has been initiated but is not yet complete</p> <p>Competency framework for Treasury is in the process of being developed</p>



## Programme 2

# ECONOMIC PLANNING AND BUDGET MANAGEMENT

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

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

These functions are organised into four separate subprogrammes:

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

## Service Delivery Objectives and Indicators

### Recent outputs

#### *Budget Office*

Much of the work of the *Budget Office* is focused on coordinating the budget process, providing advice to the Ministers' Committee on the Budget, and monitoring fiscal and public expenditure trends.





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

Over the past year, policy advice and analysis focused on public service remuneration issues, including support for the new Government Employees Medical Scheme and pay progression. It also looked at capital-spending plans of government departments, provinces and public entities; and improved budgeting and planning processes for infrastructure investment and maintenance with a renewed focus on mega projects. Fiscal sustainability, debt finance and budget deficit trends were analysed in detail with a view to position the budget in support of economic growth and development.

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

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

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

Other key activities over the past year included:

- Working closely with the Standing Committee on Public Accounts to finalise outstanding cases of unauthorised expenditure.
- Briefing parliamentary committees on the budget process and budget documents.
- Providing training on planning and budgeting to parliamentary researchers.
- Administering 14 research projects that seek to improve the pro-poor impact of budget programmes.
- Managing the Secretariat of the Collaborative Africa Budget Reform Initiative and assisting with preparations for the 2nd Budget Reform Seminar held in Maputo.

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

In the past financial year, the unit achieved the following:

- Implemented a policy framework and procedural guidelines for management of ODA flows into SA.
- Enhanced coordination through ODA coordinators' fora.



- Hosted an SA Development Counsellors' Forum for strategic management of donor interventions.
- Worked with the Department of Foreign Affairs to access additional resources to take forward trilateral cooperation into Africa.
- Organised and participated in 11 annual consultations with partner countries and multilateral bodies to review progress of implementation and future programming.
- Contributed to ODA reform efforts internationally in areas such as harmonisation, aid effectiveness and recipient empowerment.
- Built capacity for ODA management at all spheres of government in terms of formal training and strategic engagement.
- Enhanced ODA information management through maintenance and refinement of a central information system.

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

During 2005/06 the team focused mainly on consolidating reforms introduced during the previous financial years, including:

- Further enhancements to the standard chart of accounts to cater for infrastructure reporting and further rollout of the training programme to another 2 500 practitioners. The team was also involved in the design and implementation of the chart of accounts and reporting formats designed for the South African Social Security Agency, and for the trading entity established by the Department of Public Works for managing government property.
- The introduction of consolidated economic accounts in the *Budget Review* that extend the coverage of the general government account to include more public entities into the main consolidation.
- Enhancements to and management of the national database, which is critical for compiling the Estimates of National Expenditure and the Government Finance Statistics accounts of national government.
- Improvement of existing databases used for provincial reporting and consolidation to provide better-quality statistics to users. These improvements were supported by extensive capacity-building programmes at the provincial level.

The focus over the next few years will be on ensuring that the coverage of the consolidated budgets is extended to include all entities of general government. This will be done by refining the proposals on consolidated budgeting and by designing appropriate reporting procedures and formats to capture and verify the data for such institutions. Further enhancement of existing statistics is planned via the implementation of several key projects, including the development of a comprehensive database, using a different database platform that will ensure interoperability with the transversal systems.

The *Public-Private Partnership* unit regulates PPPs in terms of Treasury Regulation 16 to



the PFMA, and in terms of PPP regulations to the Municipal Finance Management Act (MFMA). The municipal PPP regulations were introduced in 2004/05, giving rise to a new set of responsibilities for the unit.

The 2005/06 financial year saw the unit expand by establishing a municipal desk and assuming responsibility for the projects previously undertaken by the Municipal Infrastructure Investment Unit (MIIU), in addition to the projects registered with the National Treasury in terms of the MFMA. In so doing, the unit assumed funding responsibility for technical assistance grants to municipalities. The unit recruited staff from the MIIU and provided technical assistance in kind to municipalities. Comprehensive sector-specific guidelines, similar to those available for provincial and national departments, will be prepared for local authorities in 2006/07.

Provincial and national government PPPs showed steady progress as they proceeded from inception and feasibility study stages to procurement. At the end of 2005/06 there were 51 PPP projects registered with the unit as being in feasibility or procurement stages, and 12 projects were in implementation.

Initial steps were taken in restructuring the unit's regulatory and technical assistance functions with the introduction of a review committee made up of members from outside the unit for the approval of PPP feasibility studies.

The project development facility, which was established as a National Treasury trading account to support national and provincial departments in procuring expert transaction advisor support, had disbursed R6,5 million in support of PPP procurement to provincial and national departments by the end of 2005/06.

Foundation training in PPPs continued, and over 220 officials and private sector participants received comprehensive training in PPPs in 2005/06.

The PPP Toolkit for Tourism was issued in 2005/06 to facilitate the procurement of value-for-money PPPs in the tourism sector.

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

In terms of the Public Entities Central Registry, the following changes were made during 2005/06: 7 entities were de-listed, 10 entities were listed, and 1 entity was reclassified. Ntsika Enterprises and NAMAC merged to form the Small Enterprise Development Agency.



### *Public Finance*

Work of the *Public Finance* division continues to focus on analysis of budgets and expenditure trends of national departments, and improved policy and programme design to enhance public service delivery.

The *Justice and Protection Services* unit is responsible for the criminal justice system votes (i.e., the Departments of Safety and Security, Justice and Constitutional Development, and Corrections, as well as the Independent Complaints Directorate) and the Defence vote. Associated are three constitutional institutions (the SA Human Rights Commission, Commission on Gender Equality and Public Protector) and four public entities (the Legal Aid Board, Special Investigating Unit, Castle Control Board and Armscor). The team has been instrumental in guiding and providing technical assistance and expertise related to several key projects over the past year:

- An investigation of all departments in respect of official housing accommodation provision practices.
- Support to all departments and the Independent Complaints Directorate in the devolution of funds from the Department of Public Works.
- Support to all criminal justice system departments for human resource management, including career-pathing and scarce skills.
- Initiating technical assistance support for the implementation of a new business and governance model for the integrated justice system (IJS) modernisation project, as well as the implementation of a rehabilitation job realignment project for Correctional Services.
- Support to the Department of Justice and Constitutional Development concerning the establishment of a PPP arrangement for Monies in Trust, the costing of the Child Justice Bill and the allocation of funds from the Criminal Asset Recovery Account.
- Facilitation of the finalisation of the SAPS/IDECO Pty (Ltd)/Industrial Development Corporation agreement in respect of the automated fingerprint identification system.
- Monitoring the implementation of the Department of Safety and Security's protection and security pilot projects, and facilitating negotiations regarding the transfer of excess Defence Force personnel to the Protection and Security Services Division.
- Support to the Department of Defence in reviewing South Africa's participation in international peace missions.
- An evaluation of Department of Defence infrastructure spending.
- Research concerning electronic monitoring of offenders, awaiting-trial and awaiting-sentence detainees, and overcrowding of correctional facilities.

The team also leads a justice crime prevention system (JCPS) cluster initiative building a common database and a model to predict detainee numbers, identify practical steps to reduce prison overcrowding and eliminate the IJS blockages. A report of the trends in this quarterly output data was finalised. The team also leads a JCPS initiative



to quantify human resource needs and organisational implications for other departments of the continued increase in police officer intake. A research report will be issued during 2006/07.

The *Social Services* unit contributes to appropriate sectoral financing, primarily through the central and provincial government budgets, but also through other mechanisms such as dedicated taxes in the case of the Unemployment Insurance Fund (UIF), PPPs and the generation of own, direct revenue.

The unit also plays a role in provincial budget analysis with the *Intergovernmental Relations* division through active participation in provincial visits, provincial budget processes, and in the compilation of chapters on education, social development and health for the Intergovernmental Fiscal Review publication. Other key crosscutting policy initiatives included the expanded public works programme for the social sector and the child labour action programme.

The main areas of focus for the team were:

- Support for the finalisation of the conditional grant for the recapitalisation of Further Education and Training colleges, co-chairing of the Higher Education Funding Review, and research on a baseline study for the National School Nutrition Programme with the Department of Education.
- In the area of health services, the team assisted with the reviewing of conditional grant funding, evaluated proposals for social health insurance and finalised the transfer of forensic pathology services to provincial health departments via a conditional grant.
- Work in the area of social development concentrated on the finalisation of the funding mechanism for the social assistance function and getting the South African Social Security Agency operational. An additional focus, through a joint initiative with the Departments of Social Development and Health (the disability management initiative), was on understanding the trends in disability grants better, and supporting efforts to improve administration of these grants. The unit also participated in extensive processes around the finalisation of the Children's Bill and the Older Persons Bill and, supported efforts to develop frameworks for the provision and funding of welfare services.
- On labour issues, focus was on supporting the completion of the review of the National Skills Strategy and support for the development of a business model for restructuring the UIF, which included assessing adequate levels of reserves to be held by the fund as well as support for the start of the restructuring process for all the compensation funds.
- Key activities dealt with by the sport and recreation team revolved around the finalisation of the incorporation of the South African Sports Commission into the national department, and the completion of the guarantees for the 2010 FIFA Soccer World Cup.

*Administrative Services* consists of three units that are responsible for central govern-





ment departments (including Home Affairs and Foreign Affairs), financial and administrative departments (including the National Treasury, Public Service and Administration and Statistics SA) and the Departments of Public Works, Provincial and Local Government, and the South African Management Development Institute (SAMDI).

In 2005/06 the team:

- Assisted the Department of Foreign Affairs in conducting a feasibility study for the acquisition of a new head office and supported the department's role in Africa through the recapitalisation of the African Renaissance Fund.
- Supported the Department of Home Affairs in the review of tariffs charged for services rendered by the department and in the development of a new activity-based costing tariff model.
- Provided guidance to the Department of Provincial and Local Government for budget planning in the implementation of Project Consolidate.
- For the DPSA, reviewed State Information Technology Agency (SITA) tariffs, further financing of provincial interventions, and support for the establishment of the Government Employees Medical Scheme.
- Assisted the Department of Public Works in the devolution of funds to client departments and the establishment of a property management account through which accommodation services will be financed as from 1 April 2006.
- Provided technical support to Statistics SA relating to a community survey in 2007 and planning for Census 2011.

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

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

The *Economic Services* unit provided significant input into a number of funding models proposed for entities such as national parks, the South African Biodiversity Institute, the Road Traffic Management Corporation, and new Department of Science and Technology initiatives, often involving foreign investors contributing to the projects and off-budget charges. New policy developments and legislative changes also required support in a number of areas. For example, the Department of Water Affairs and Forestry worked closely with this team on its restructuring and to develop a new legislative framework. This included a national water resource infrastructure strategy, reviews of other institutional arrangements on various spheres of government, revised



policies on water pricing and the strategy on water services delivery. A number of off-budget infrastructure proposals for funding were considered, including the new De Hoop dam in Limpopo province.

Policy advice and direct participation in the transport sector included the Public Transport Infrastructure and Systems Fund and the Roads Coordinating Body. In the housing and community development sector the unit provided support to the Ministry of Housing for discussions with the banking sector on the implementation of the Financial Services Charter; and advice to the *Public Entities* unit on the restructuring of the housing public entities. The unit provided analysis of requests for additional funding for new housing subsidy instruments. It also participated in the development of the neighbourhood partnership development grant concept, as well as the preparatory organisational and technical work around this.

The Department of Trade and Industry has drawn on National Treasury advice in regard to a number of incentive schemes, possible improvements in the regulatory environment for small businesses, and the design of an Apex Fund to provide small loans to small and medium-sized enterprises. Policies and legislation relating to BEE, the programmes and capital requirements of the National Empowerment Fund, and consumer and credit law reform projects have required attention. The *Economic Services* unit also participated in the critical infrastructure programme adjudication board's development of related guidelines. A number of public entities have experienced going concern problems during the year and *Economic Services* developed budgetary support proposals with the relevant departments. *Economic Services* also worked with the Department of Minerals and Energy on legislation aimed at promoting the diamond and precious metal industries. The Limpopo Minerals Trust was dissolved and the National Treasury advised on the distribution of the proceeds.

The *Technical Assistance* unit, co-funded by the European Union (EU) and Canadian International Development Aid, provides technical assistance and project management and advisory support to a variety of government initiatives and donor-funded programmes.

During the year under review the unit supported 51 projects, mostly in national and provincial government, comprising 26 new requests received and 25 ongoing projects.

Its work included support for:

- Development of models for feeding for the primary-school nutrition programme of the Department of Education.
- The higher education AIDS programme funded by the EU.
- The social housing support programme supported by the EU.
- Design and formulation of a municipal infrastructure delivery management improvement programme to strengthen overall infrastructure investment and maintenance projects in local government.



- The victim empowerment programme in the Department of Social Development supported by the EU.
- Tendering processes and project coordination for the implementation of the DNA laboratory of the South African Police Service (SAPS) to improve forensic services, supported by the EU.
- EU-funded local economic development programmes in the KwaZulu-Natal Department of Economic Affairs and Tourism and the provincial treasury in the Eastern Cape.
- The National Prosecuting Authority's human trafficking programme funded by the EU.
- The Eastern Cape Department of Housing, Local Government and Traditional Affairs for Project Consolidate.
- The urban renewal programme of the Department of Provincial and Local Government, supported by the EU.
- SAPS, Eastern Cape, crime against women and children, supported by the EU.
- The multipurpose community centres initiative of the Government Communication and Information System (GCIS).
- The National Treasury's neighbourhood development partnership grant programme.
- Improving processes in relation to conditional grants for the National Treasury.
- Review of the National Environmental Management Act and subsequent training on environmental awareness in relation to sustainable development.

Services provided to the above departments ranged from programme design and formulation, to work plan and business plan development, the latter especially in the context of improvement to the implementation and spending of conditional grants. A major focal area in most of the above-mentioned programmes has been assistance with procurement processes, including drafting terms of reference, compiling tender dossiers and assisting with the evaluation process.

The unit also hosted project management interest group meetings, together with GCIS and the DPSA, to enhance the capacity of government officials to deliver on implementation through shared experiences and good practice.

### *Economic Policy and International Financial Relations*

The *Economic Policy and International Financial Relations* division focused its economic policy work on the need to put South Africa on a higher growth path, and its international work on multilateral debt relief for low-income countries. This was in addition to performing its continuing annual responsibilities related to macroeconomic and financial stability, tax policy proposals for the budget, accessibility and transparency, implementation of the Financial Sector Charter, and drafting and tabling of legislation.

The *Macroeconomic Policy* unit played a key role in the formulation and coordination of appropriate growth-enhancing policies for the country, working to deepen understanding





of bottlenecks in the economy and to identify constraints that hamper growth. During 2005, the unit coordinated the development of a growth diagnostic for South Africa, holding two workshops to facilitate this effort. The unit assisted in developing a key paper titled "A partnership for growth and empowerment: accelerating economic development 2005 - 2014," which was presented to Cabinet at its lekgotla in July 2005, and which forms the basis for the accelerated and shared growth initiative (ASGISA).

The team continues to strengthen its role in policy advice through economic modelling and monitoring. Strides have been made to strengthen the sectoral modelling capabilities within the unit. Monitoring of economic activities is reported in Chapter 2 of the Budget Review, which covers economic developments and outlook over the medium-term expenditure framework period.

The *Macroeconomic Policy* unit represents the National Treasury in the ASGISA task team and in the economic cluster. Various modelling projects have been undertaken as part of this initiative. Much of the work in this area is focused on advising departments about the economic implications of proposals.

Key activities undertaken in 2005/6 included:

- Quarterly macroeconomic forecasts.
- Investigating the potential macroeconomic impact of the 2010 FIFA Soccer World Cup.
- A joint study with the Presidency on the possibility of introducing regulatory impact assessment (RIA) in South Africa. The study was completed at the end of 2005. Consultation is under way with other government departments to inform proposals to be made to Cabinet at the end of 2006.
- Cooperation with the Reserve Bank on a number of issues that entailed the management of inflation expectations, options around inflation targeting and reserve management.
- Continuing research is being carried out in various other areas, including investigating the potential macroeconomic impact of public infrastructure investment, drivers of total factor productivity and benchmarking rand volatility.

The *Tax Policy* unit is responsible for advising the Minister of Finance on tax policy issues that arise at all three spheres of government. The unit designs tax instruments that take into account the principles of good taxes - such as equity, efficiency, certainty and simplicity. It is important that the tax system raises sufficient revenue for the fiscus, supports economic growth and social policy objectives. To ensure an effective interface between tax policy objectives and administration of the tax system, the National Treasury has partnered closely with the South African Revenue Service (SARS), resulting in ever-improving efficiency in tax policy design and collection of revenue.

An important part of the unit's programme is the formulation of tax proposals and drafting the tax chapters of the *Budget Review* and the MTBPS, and together with SARS preparing and tabling the necessary legislation. Proposals on retirement fund tax reform and the taxation of medical aid contributions were completed during the fiscal year for the 2005 Budget. Work also continued on the tax proposals to support the 2010 FIFA Soccer World



Cup to give effect to the tax-related guarantees that government signed as part of the conditions to host the event. Continuing consultation took place with the Departments of Minerals and Energy, Environmental Affairs and Tourism, and Trade and Industry on mining royalties, environmental taxes and incentives, respectively.

The unit also contributed to tax research for the Southern Africa Development Community, and to the Organisation for Economic Cooperation and Development as an observer to its Fiscal Affairs Committee.

The *Tax Policy* unit completed its proposals on phasing out the RSC levy. It also considered provincial tax proposals related to the fuel levy.

The *Financial Sector Policy* unit is responsible for advising the Minister of Finance on policies aimed at promoting the growth, development and stability of the financial sector. This is achieved through interaction and dialogue between the National Treasury, regulatory bodies, consumer groups and the industry at large.

During the year under review, the Financial Sector Policy team represented the National Treasury at various committees, including the Policy Board for Financial Services and Regulation – a statutory body that advises the Minister on the financial services industry and regulatory framework; the Financial and Regulatory Issues Standing Committee – a bilateral body with the Reserve Bank that coordinates common financial regulatory issues; the Standing Committee for the Revision of the Banks Act; the Standing Committee for the Revision of the Payment Systems Act; and the Basle II Steering Committee tasked with implementing new risk management measures in the banking sector.

The unit continued to participate in the work of the Financial Sector Charter Council towards implementing the charter's objectives of broadening access to financial services to low-income individuals and small, medium and micro enterprises.

After receiving comments on the Cooperative Banks and Dedicated Banks Bills, the unit focused on revising the bills to take such comments into account. This process has proved to be more complex than anticipated, and the unit has had to postpone the publication of the revised versions of these bills to the 2006 financial year. The unit has also launched a national working committee for the reform of the cooperative banks. The committee serves as an advisory body for the National Treasury. The committee's outputs include recommendations on the most appropriate prudential regulations for the cooperative banks, and the skills required by its management teams and board members. The committee includes representatives from several national and provincial governments departments, the Reserve Bank, the South African Savings and Credit Union League, and community and trade union representatives.

Research is under way in various other areas, such as drafting a policy and legal position on a South African Deposit Insurance Scheme, and review of the Pension Funds Act (24 of 1956). Regarding the latter, comments were received from stakeholders on the discussion document on retirement fund reform, published in December 2004. Further consultation and work has taken place with a view to issuing a second discussion document during the latter half of 2006.

The unit was also heavily involved in the review of commission regulations and the



brokering of the statement of intent between the Life Offices Association and the Minister of Finance. The statement seeks to implement minima on certain retirement annuities and endowments, helping to ensure that consumers of such products receive a better deal than in the past. Work on commission regulation culminated in the release of a broader discussion document on contractual savings in the life insurance industry, which includes a wider ambit of issues that need to be addressed beyond merely reviewing commission regulations in the terms of the Long Term Insurance Act (52 of 1998).

The unit continues to advise the Minister of Finance on exchange control policy and other related policies. One of the unit's major tasks was overseeing the processes and completion of the exchange control and tax amnesty unit. The unit completed its adjudication process, with 42 679 applications received and adjudicated. A final audit confirms that 42 178 applications received amnesty, and only 20 applications were declined amnesty. The amnesty process raised levies well in excess of R2 billion.

The *Financial Sector Policy* unit prepared further exchange control relaxations as announced in the 2005 MTBPS and the 2006 Budget. These relate to increases in the investment allowance for individuals, and allowing SA companies to become global players, particularly in Africa.

Together with the Financial Intelligence Centre, the unit continues to work on policy issues to combat money laundering and the financing of terrorism.

The *International Economics* unit provides advice and support on issues that contribute to shaping the international development policy agenda, reforming the international financial architecture, and deepening and extending economic linkages among African economies.

Global development policy remained a priority for *International Economics* during the period under review. The unit provided policy support to the Minister of Finance as chair of the Development Committee, a joint World Bank-IMF committee that is the ultimate decision-making body of the two institutions on development issues. The Minister's term as chair of the Development Committee ended at the 2005 Annual Meetings of the World Bank and IMF, and the Minister now represents the Africa group constituency on the Development Committee. Policy advice focused on sustainable debt relief, enhanced aid flows and growth-enhancing strategies that reduce poverty. A framework for monitoring the implementation of the Monterrey Consensus and the Millennium Development Goals was implemented. A principal theme during the Minister's chairmanship of the Development Committee was the voice and representation of developing countries in the Bretton Woods institutions. The unit also supported the Minister of Finance in his participation in the Commission for Africa report (March 2005), which detailed a plan to reduce poverty and attain sustainable development in Africa.

The unit supported the Minister in the effort to commit the G8 to increasing its aid to Africa, which it agreed to do by US\$25 billion per year. While the focus has been on increasing the quantity of aid, improving aid effectiveness is equally important. The unit participated in a meeting of Eastern and Southern African countries to examine the Paris Declaration and its implications and will continue to stress the need for improved aid efficiency and harmonisation, and the provision of sustained, long-term Official Development Assistance (ODA) consistent with country priorities.



South Africa was also an active participant in the G20 in 2005/06. The G20 is a grouping of larger developed and emerging market countries at the level of finance ministers and central bank governors, which meets to discuss issues related to the global economy and world financial markets. One of the key priorities of the G20 was its focus on the reform of the IMF and World Bank. All G20 member countries committed to ensuring the continued role of the Bretton Woods Institutions in the global economy, while agreeing that these institutions need to be reformed to meet the changing needs of their members, including allowing developing countries a greater say in their operations. South Africa was successful in its bid to chair the G20 in 2007, which will require the establishment of a G20 Secretariat at the National Treasury.

In January 2006, South Africa increased its shareholding in the African Development Bank (ADB) by 0,4 per cent, taking it to a total of 4,5 per cent. South Africa continues to contribute to the replenishment of the African Development Fund (ADF), and compensated ADF in a lump sum payment for foregone reflows under the Multilateral Debt Relief Initiative. This has been a significant year of reform of Africa's key institutions, with new leadership at the ADB (July 2005) and United Nations Economic Commission for Africa (October 2005), both of which detailed ambitious reform programmes at their 2005 annual meetings.

The *International Economics* unit continues to engage with the Southern African Development Community (SADC) region in order to achieve its development goals as appearing in the regional indicative strategic development plan. A Draft Finance and Investment Protocol has been completed and will be presented to the summit of heads of state and government. One of the MOUs to be implemented is on macroeconomic convergence. A macroeconomic policy surveillance unit has been established in the SADC Secretariat. Important to note also is that South Africa currently meets all the current macroeconomic convergence criteria in terms of inflation rate, current account balance, debt and fiscal deficits.

The scope of engagement with the Southern African Customs Union (SACU) covers the implementation of the SACU agreement that was signed in 2002 and entered into force in July 2004. The new agreement has implications for the management of the common revenue pool, and the distribution of the pool by means of a new revenue-sharing formula.

The unit also ensured that R14,1 billion was transferred in the last financial year to SACU countries other than South Africa.

### *Intergovernmental Relations*

The *Intergovernmental Relations* division coordinates fiscal relations between the national, provincial and local spheres of government. This is an important function given the nature and design of South Africa's intergovernmental funding arrangements, in which provinces and municipalities were allocated R227,2 billion, or 62,4 per cent of nationally raised revenue, for 2005/06.

In the past financial year *Intergovernmental Relations* played a critical role in putting together consolidated provincial budgets and quarterly expenditure reports that are required in terms of Section 32 of the PFMA, providing Parliament and provincial legislatures with data for exercising oversight more effectively. For the first time, the



2005/06 reports included non-financial performance data, focusing initially on beneficiaries of social security grants. Also for the first time, quarterly reports on a few selected municipal budgets were published during the financial year.

The division's internet-based "Essentials of Budget Formulation" course was run in all nine provinces, and 258 provincial officials from all sectors completed the course successfully.

The division also prepared the annual Division of Revenue Act, including detailed grant frameworks and three-year allocations for each provincial and local government grant, by province and municipality. This assisted in providing sharper definitions of the purpose and intended outputs for each grant and, in clearly spelling out the roles and responsibilities of transferring and receiving officers, these frameworks ensure improved accountability in relation to conditional grant-funded programmes.

*Intergovernmental Relations* played a significant role in ensuring optimal utilisation of financial resources through the Infrastructure Delivery Improvement Programme (IDIP). The division continuously monitored and reported on provincial infrastructure delivery trends, and took determined action in recommending the halt of transfers to provinces where under-spending was anticipated.

During 2005/06 the division stepped up its targeted support initiatives to municipalities for the implementation of the MFMA. Twenty-two advisors with expertise in financial management were deployed to 25 municipalities to support them with the preparation of budgets and reports. In addition, five roving advisers were made available to provinces to assist them with the monitoring of municipal financial management reforms. A further 500 financial management interns were placed in municipalities, ensuring a cadre of new skilled graduates. Municipal capacity has been further bolstered by the National Treasury's financial management grant, training of officials and councillors, guidelines and policy support.

As part of raising awareness and facilitating compliance with the prescripts of the MFMA, 23 circulars and guides were produced and published on the internet, to assist both municipal officials and political office bearers. The MFMA implementation website registered 26 000 hits during the financial year.

The division was responsible for monitoring all provincial and local government budgets, and continued to compile and update a database of all such information. It also coordinated the preparation of the Provincial Budgets and Expenditure Review 2001/02 - 2007/08. This publication went beyond simply providing a comprehensive set of data on provincial budgets and expenditure, to providing analyses of trends in service delivery. A separate publication on local government finances and service delivery trends will be released in 2006.





## SERVICE DELIVERY ACHIEVEMENT

### Programme 2: Economic Planning and Budget Management

Measurable objective: Ensure sound economic, fiscal, financial and tax policies; an equitable division of revenue between the national, provincial and local spheres of government; and coherent and well-balanced departmental plans and budgets.				
Subprogramme	Output	Output performance Measure/service delivery indicator	Actual performance against target	
			Target	Actual
Budget Office	Annual budget framework and division of revenue	Integrity of budget framework	MTBPS – October 2005; framework for 2006 Budget	The MTBPS was tabled in October 2005, and provided the budget policy framework for the 2006 Budget
	Budget Review, Estimates of National Expenditure, appropriation legislation and public finance statistics	Quality of budget documentation	Timely publication, accuracy, scope and quality of content.	The budget was tabled on 15 February 2006, together with all required documentation. The coverage of public entities in the Estimates of National Expenditure was increased to 185 entities.
	Public-private partnership agreements	Increased PPP oversight capacity	Capacity to give advice on municipal PPPs established	Established a municipal desk and assumed responsibility for the MIU's projects in addition to the projects registered in terms of the MFMA. Recruited staff from the MIU and provided technical assistance in kind to municipalities on PPPs.
	International cooperation agreements	Alignment of ODA with government objectives	Introduction of new policy framework	Implemented policy framework and procedural guidelines for management of ODA flows into SA. Eleven annual bilateral consultations were convened in 2005/06 to review progress and continued relevance.
	Africa network of senior budget officials	Number of countries involved	21 African countries affiliated	16 member countries attended the 2 <sup>nd</sup> Budget Reform seminar in Maputo and another 4 are active members



Subprogramme	Output	Output performance Measure/service delivery indicator	Actual performance against target	
			Target	Actual
Public Finance	Sectoral and departmental policy advice	Timely and relevant analysis and advice	Ongoing support for departmental policy and programme development  Assessment of policy priorities for medium term and 2005	Policy analysis and advice continued to contribute to government service delivery improvements in various areas, including: regulatory impact assessment, BEE financing, housing finance, Road Accident Fund restructuring, social assistance grants delivery, higher education finance reform, social health insurance, integrated justice sector programmes, Home Affairs restructuring, government accommodation services
	Expenditure analysis	Quality of expenditure estimates	Introduction of new in-year expenditure monitoring system Extension of budgets to include public entities and consolidated accounts	Analysis of departmental budget submissions provided to Medium Term Expenditure Committee, expenditure review and analysis published in Intergovernmental Fiscal Review and Estimates of National Expenditure (ENE). Public entity accounts included in ENE. In-year expenditure monitoring needs further development.
	Project management support	Improved project and financial management	Growth in project flow and measured progress in service delivery of client departments and agencies	There has been a significant increase in spending on projects and successful project implementation. 51 projects were supplied with support within the TAU implementation cycle. Budgets (TAU, EC and CIDA) were spent appropriately.





Subprogramme	Output	Output performance Measure/service delivery indicator	Actual performance against target	
			Target	Actual
Intergovernmental Relations	Annual Division of Revenue Bill, with explanatory memorandum (Annexure E and appendices)	Quality of the bill and accompanying documents and accuracy of data contained therein	Timely publication, accuracy, scope and quality of content	Bill published on Budget Day (15 February 2006) and enacted as Act 2 of 2006 ( <i>Government Gazette</i> 28700 of 31 March 2006). The process underlying the bill is deeply consultative, with provinces and organised local government. This act gives effect to Section 214 of the Constitution, and promotes cooperative governance and transparency in intergovernmental budget processes.
	Intergovernmental Fiscal Review	Quality and scope of the review	Review published by May 2005	The review was published in September 2005 under the title: <i>Provincial Budgets and Expenditure Review 2001/02 – 2007/08</i> . Publication of the local government review has been postponed to 2006 in view of the local government elections held in March 2006.
	Section 32 quarterly reports on spending trends	Timeliness and accuracy of information	Accurate quarterly reports on provincial budget implementation	Monthly and quarterly monitoring of provincial finances carried out diligently, with quarterly reports gazetted. The gazette numbers are 27856 (29 July 2005), 28182 (28 October 2005), 28448 (30 January 2006) and 28791 (28 April 2006). Analysis of quarterly reports were also made public for the second, third and fourth quarter, on Treasury website and as submissions to finance and budget committees in Parliament.
		Implementation of MFMA	Publication of metropolitan municipal budgets	All municipal budgets have been published



Subprogramme	Output	Output performance Measure/service delivery indicator	Actual performance against target	
			Target	Actual
			Quarterly reports on budget implementation of 6 metropolitan municipalities	In-year reports were published for the first time for 20 municipalities for quarter ending Sept 2005. In-year reports for the second and third quarters were not published due to the poor quality of information. This has been identified as a key area of work for the 2006 financial year, with an effort under way to improve the quality of data.
	Support for municipal financial reforms	Number of pilot municipalities in which financial management programmes/reforms are being implemented in terms of MFMA	Supporting 9 provincial treasuries to assist 6 metropolitan municipalities to implement MFMA	Two training workshops held with 9 provincial treasuries Draft delegations circulated to all provincial DDGs on roles and responsibilities in terms of MFMA 250 graduate interns appointed to 100 municipalities MFMA implementation plans received from 266 municipalities
	Support for provincial financial reforms	Quantity and quality of discussions in CFO forums on financial management	10 provincial sectors	10 sector-specific CFO Forum meetings were held quarterly
	Facilitate infrastructure delivery and improvements in provinces	Provincial infrastructure plans complying with guidelines of the IDJP developed by National Treasury	Targeted appointment of technical experts to assist provincial departments to prepare plans	TA contracts in terms of IDJP phase 1 and extensions successfully completed in March 2006. Phase II initiated, assessment and design into Education and DPW completed, and procurement of TA teams for IDJP Phase II has been finalised.



Subprogramme	Output	Output performance Measure/service delivery indicator	Actual performance against target	
			Target	Actual
Economic Policy and International Financial Relations	Macroeconomic forecasts and framework	Accurate and timely quarterly forecasts	Enhanced quarterly econometric forecasting model and development of the GCE model	Quarterly forecast model re-estimated CGE model developed and utilised in preliminary modelling of 2010 World Cup and social health insurance
	Macroeconomic policy analysis	Timely and relevant analysis and advice	Develop growth strategy	Paper titled "A partnership for growth and empowerment: accelerating economic development 2005 -2014" presented to Cabinet in July 2005 and formed the basis for ASGISA
	Tax policy analysis and advice	Timely and relevant analysis and advice	Retirement fund tax review	Reduced retirement fund tax from 18% to 9% in 2006 Budget
		Alignment of tax policy proposals with macroeconomic and fiscal framework	Mining and Petroleum Royalty Bill - 2 <sup>nd</sup> draft	Preparation of 2 <sup>nd</sup> draft of Mining and Petroleum Royalty Bill near finalisation, and submitted to Cabinet early in 2006 financial year. Ongoing consultations with key stakeholders resulted in delays.
		Gradual and consistent tax policy changes	Policy framework on environmental charges	Policy framework paper released for further public comment on 6 April 2006  Revised tax treatment of medical scheme contributions and medical expenses to improve access and benefits to low-income households and limit the value of this benefit for high-income earners. Introduction of monthly monetary caps.
			Taxation and Growth Colloquium convened	Growth Colloquium convened as well as Treasury paper on growth, which led to ASGISA First instalment of tax changes made to assist small business



Subprogramme	Output	Output performance Measure/service delivery indicator	Actual performance against target	
			Target	Actual
	Financial sector policy advice, legislation and regulations	Timely and relevant analysis and advice	Further relaxations of exchange controls	Further exchange control relaxations on South African banks, private individuals, companies, DFIs and institutional investors as announced in MTBPS and 2006 Budget
	Increased protection for consumers of financial services	Act drafted and passed by Parliament	Develop South African Deposit Insurance Scheme (SADIS) for retail banking depositors	Ongoing research is being carried out on SADIS. Though the legislative framework is complex, it is the intention that a draft bill will be published by the end of 2007/08.
			Retirement funds reform	Second draft of retirement fund reform discussion paper in proceed of being finalised, to be released in 2006
			Regulation of insurance commissions	Publication of discussion paper on greater transparency in cost structure of life industry
	Promote equitable access to efficient financial services	Act redrafted and passed by parliament Regulatory framework developed/number of banks registered	Framework for encouraging second- and third-tier banks	Framework in process of being finalised together with second draft of the Cooperative and Dedicated Banks Bills



Subprogramme	Output	Output performance Measure/service delivery indicator	Actual performance against target	
			Target	Actual
	Increased protection for investors and enhanced financial stability	Estimates of money laundering in the SA financial system decrease	Formulate policy regarding combating of money laundering and financing of terrorism	Treasury is part of an international committee that is researching tools for developing countries to implement Financial Action Task Force standards  Amnesty unit completed adjudication process of more than 41 000 applications. Amnesty unit achieved all its objectives and raised R2,9 billion for social spending, and broadened the tax base.
	Enhance the stability of the financial sector through the FCA	Proposal developed for FCA and implemented/increased financial activity in SA by non-SA firms	Initial scheme developed	Initial work undertaken to draft the initial terms of reference for such a proposal
	Promote the development of the financial sector	Pass Cooperative Banks Bill and Dedicated Bank Bill into an act	Cooperatives Banks and Dedicated Banks Bills	Second draft of both bills being finalised, to be published during 2006/07  Greater access in banking sector through over 2 million Mzansi accounts



Subprogramme	Output	Output performance Measure/service delivery indicator	Actual performance against target	
			Target	Actual
	Integration of African economies	Finance and investment protocol completed and implemented	Finance and investment protocol completed and approved	Managed to put the draft protocol for consideration and signature by summit later this year
		Improved macroeconomic convergence	Macroeconomic convergence programme initiated	A macroeconomic policy surveillance unit established at the SADC Secretariat, and member states are now preparing surveillance reports
		Increased bilateral and regional trade in goods and services	Project and trade expansion developed	
	Reform of the international financial architecture	Less costly multilateral financial instruments suitable for SA	Proposal on each issue developed for bilateral and multilateral discussion	Ongoing engagement with these issues at the IMF, G20 and other relevant forums
		New CCL- type instrument created Governance structures reformed		Proposals are on the table to reform the governance structures of the Bretton Woods institutions. South Africa will play an active role in their annual meetings and G20 on this issue. Consideration also given to developing a new instrument to provide high-access, contingent financing for countries that have strong macroeconomic policies, but which nevertheless remain vulnerable to shocks.



Subprogramme	Output	Output performance Measure/service delivery indicator	Actual performance against target	
			Target	Actual
	Reform of the global development architecture	Financing mechanism for ODA developed and agreed/ODA levels increase to MDG requirements	Financing mechanism narrowed down in multilateral discussions	Supported and contributed to the Multilateral Debt Relief Initiative
		Global Monitoring Report (GMR) adapted to SA guidelines	GMR second report by DEVCOM	Supported and contributed to the International Financing Facility on Immunisation
		Aid harmonisation process completed and measurable	Second review on aid harmonisation	Engaged the author of the 2005 GMR on its structure and content
	International financial relations advice and development	Timely and relevant analysis and advice. South Africa's views successfully reflected in the policies of international development finance institutions.	Proposals developed on highly indebted poor country reform, sovereign debt restructuring mechanisms, best practice capital account and exchange control policy reform  Establish NEPAD capital flows and debt relief initiatives, African Peer Review Mechanism and rules and procedures for macroeconomic convergence in SADC	Participation at donor conference on the Paris Declaration and Aid Effectiveness  Provided stakeholders with relevant and up-to-date policy briefings for their engagement at international fora on development policy issues  Commission for Africa recommendations taken up by G8 and reflected in their communiqué on Africa, including multilateral debt relief and significantly increased aid commitments to Africa  Hosted policy forum on debt relief, shared findings with SADC finance ministers





## Programme 3

# ASSET AND LIABILITY MANAGEMENT

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

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

Programme activities are carried out through five subprogrammes:

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

### Service Delivery Objectives and Indicators

#### Recent outputs

*Liability Management* – Government's borrowing requirement was financed in an environment of strong domestic growth, historically low domestic bond yields and the narrowing of RSA bond yields against major international markets.

The net borrowing requirement was adjusted downwards from R53,4 billion to R5,3 billion, mainly as a result of a lower budget deficit. This was financed through the issuance of domestic short-term loans (R5,7 billion), domestic long-term loans (R23,1 billion), foreign long-term loans (R0,5 billion) and changes in cash and other balances (-R24 billion).



Bonds of R4,5 billion were issued to the Reserve Bank as a final settlement of the R28 billion realised losses on the Gold and Foreign Exchange Contingency Reserve Account.

The domestic debt portfolio was further diversified through the issuance of two new fixed-income bonds and a new floating-rate note contributing R12,1 billion and R2,6 billion respectively towards financing. In addition, the range of Treasury bills was extended to include 9-month bills accounting for R4,7 billion of the net issuance of R5,7 billion in Treasury bills.

Turnover on the Bond Exchange of South Africa declined marginally from R8,4 trillion in 2004 to R8,1 trillion in 2005, mainly as a result of buy-and-hold strategies of investors, increased derivative activities and increased liquidity of the South African rand bonds that are trading outside of South Africa. However, it is expected that the turnover will improve in the next financial year. This is indicated in turnover of the first four months of 2006, which showed a gradual improvement.

In 2005/06, no new foreign capital market loans were issued. A foreign bond was issued during March 2006, and settled in April 2006. South Africa's ever-improving credit story, along with concerted efforts by the National Treasury to broaden the range of potential investment sources, attracted investors from around the world.

During the course of 2005, all three major rating agencies upgraded South Africa's sovereign credit rating. In January, Moody's upgraded South Africa from Baa2 to Baa1, and in August both S&P and Fitch Ratings upgraded the sovereign from BBB to BBB+. These decisions were based on South Africa's record of prudent macroeconomic policy, fiscal and debt management.

Debt service cost as a percentage of GDP continued to decline, reaching a low of 3,26 per cent of GDP at year-end, compared to a budgeted 3,5 per cent of GDP. This decline is the result of prudent macroeconomic policies, lower absolute levels of interest rates, the introduction of lower coupon bonds, a stable currency and active management of the debt portfolio.

*Financial Operations* – Further improvements in cash-management processes contributed to a reduction in the non-interest bearing liquidity buffer in August 2005 from R50 million to R25 million. During 2005, all provinces opened Corporation for Public Deposits accounts as part of the intergovernmental cash coordination facility whereby the optimal use of available cash resources was coordinated centrally between provinces and the National Treasury. This resulted in overall saving of 3 per cent on borrowings and about 1 per cent higher return on investments.

In addition, government drew R36 billion on its cash deposits with commercial banks for deposit in an interest-bearing sterilisation account with the Reserve Bank, which allowed the Bank to sterilise the money market impact of transactions aimed at the accumulation of foreign exchange reserves.

Regarding systems development, the business requirements for the acquisition of a back office system were compiled and tenders invited for the new system.

*Strategy and Risk Management* – In 2005 the emphasis was on reviewing the debt portfolio benchmark, limits on the investment of surplus cash, and monitoring and analysis of country risk.



In terms of market risk developments, floating rate debt (TBs, ILBs and FRNs) comprised 23,5 per cent and fixed-income debt 76,5 per cent, relative to the target of 30 per cent floating and 70 per cent fixed. Increased issuance in inflation-linked bonds and floating rate notes resulted in the debt portfolio gradually moving towards the desired levels. Foreign debt comprised 12,7 per cent and domestic debt 87,3 per cent relative to the target of 20 per cent foreign and 80 per cent domestic. The relatively small proportion of foreign debt in the total debt portfolio has contributed to improving the country's credit rating, and signifies that South Africa continues to enjoy lower levels of foreign vulnerability risk when compared to similarly credit-rated countries. Low levels of bond yields, concentration of issuance in low coupon bonds and increased issuance of inflation-linked bonds resulted in an increase in the weighted modified duration, which determines the volatility of bond portfolio to interest rates, from 4,25 years as of 31 March 2005 to 5,23 years of 31 March 2006. The introduction of two new fixed-income bonds, the R206 (7,50 per cent, 2014) and R207 (7,25 per cent, 2020) resulted in the average term-to-maturity of the debt portfolio increasing from 7,9 years as at 31 March 2005 to 8,1 years at 31 March 2006.

In terms of credit risk, the counterparties were reviewed and government exposures adjusted accordingly. Over the past year limits were adhered to. Country risk factors were analysed and monitored, with emphasis placed on the monitoring and mitigation of risks associated with external vulnerability. In accordance with the objective of reducing external vulnerability, government decided to increase the level of foreign official reserves by R36 billion.

*Asset Management* – Emphasis continues to be on improving the financial performance, increasing the levels of operational efficiency and cost-effectiveness of service provision of the state-owned entities. Over the past year state-owned entities focused on their core functions and plans to dispose of non-core businesses. As strategic drivers of economic growth and development, state-owned entities have started investing financial resources in key infrastructure projects that are intended to attract higher levels of sustainable investment in the economy.

Enhanced financial performance was supported by initiatives that include an assessment of treasury operations of state-owned entities, a review of the mandates of development finance institutions, an evaluation of policies concerning financial distribution and capital structure, and continued investigation of a comprehensive shareholder management model.

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

As a result of government's financial oversight goals, dividends of R2,1 billion were received from state-owned entities, along with special dividends of R1,7 billion from Eskom and Telkom.

Transparency and active participation by the National Treasury in these processes assisted in contributing further to macroeconomic stability in the public sector.



## SERVICE DELIVERY ACHIEVEMENT

### Programme 3: Asset and Liability Management

<b>Measurable objective:</b> Manage government's asset and liability portfolio in a manner that ensures prudent cash and financial management, asset restructuring, and optimal management of the state's domestic and foreign debt.				
<b>Subprogramme</b>	<b>Output</b>	<b>Measure/service deliver indicator</b>	<b>Actual performance against target</b>	
			<b>Target</b>	<b>Achieved</b>
Liability Management	Financing of government's net borrowing requirements	Annual total government borrowing needs fully met	Net positive issuance of R53,4 billion	Target achieved. The NBR was adjusted downwards to R5,3 billion mainly due to a lower budget deficit.
	Sound domestic and foreign debt management policies	Enhanced liquidity: domestic market	R9 trillion bond turnover	R8,1 trillion bond turnover due to reduced domestic issuance by government and parastatals, buy-hold strategies, increased derivatives activity and increased turnover in Euroclear
		Percentage of new investors	Attract 20% new investors in foreign market	35% new investors in foreign market
	Reduce debt service costs	Debt service cost as percentage of GDP declines	3,5% of GDP	3,26% of GDP
	Contribute to development of financial markets	Diversification of funding instruments	Introduction of two new fixed-income bonds and one floating rate note  Develop a fuller Treasury bill yield curve by introducing a one- and nine-month Treasury bill	Target achieved. The two new fixed-income bonds R206 (R4,4 billion) and R207 (R7,7 billion) made up 26,7% of new bond issuance. R2,6 billion of the new floating rate note (R205) was issued.  Short-term loans of R5,7 billion (net) were issued of which the new nine-month TB accounts for R4,7 billion. One-month TB temporarily shelved to allow Reserve Bank to use one-month debentures to mop up liquidity.
	Sound investor relations	Retain current investors and attract new ones	Annual domestic foreign road shows, teleconferences and meetings	Conducted three domestic, one foreign non-deal and one deal road show



Subprogramme	Output	Measure/service deliver indicator	Actual performance against target	
			Target	Achieved
Financial Operations	Sound cash forecasts	Government's liquidity requirements met every time	Forecasting R1 trillion of cash flows	R1,3 trillion of cash flows were forecast and liquidity requirements met
	Optimise return on investment	Reduction of non-interest bearing liquidity buffer	Non-interest-bearing liquidity buffer reduced to R25 million	The non-interest bearing buffer was reduced from R50 million to R25 million by August 2005
	Coordination of intergovernmental cash	All provinces using intergovernmental cash coordination facility	100% of provinces using the facility	The facility was fully operational by May 2005 with all provinces using the facility. The average monthly investment by provinces was R5,6 billion, varying between R9,2 billion and R1,9 billion.
		Saving by national and provincial government	Saving of 2,5% on borrowing costs	Overall saving of 3% on borrowing costs by national and provincial government and about 1% higher return on investments
	Annual financial statements and report	Audit reports	Timeliness of reliable information	Target was successfully achieved. Annual financial statements were submitted timeously to Accountant-General and Auditor-General. Transparency was further improved through information provided to the financial markets in terms of Section 32 of the PFMA and compliance to the Special Data Dissemination Standard of the IMF.
	Fully automated and integrated treasury management systems	Straight-through processing (One point of data captured, visible and available to all other users)	Acquisition of back office system	Partially achieved. Business requirements prepared by the State Information Technology Agency had to be redone, delaying the acquisition by four months.
Strategy and Risk Management	Minimising and mitigating risks emanating from government debt portfolio (market risk)	Performance against benchmarks:	30% floating: 70% fixed	At year-end the composition was 23,5% floating (TBS, CPI and floating rate notes) and 76,5% fixed-income bonds
		<ul style="list-style-type: none"> <li>Floating vs fixed debt</li> <li>Foreign debt vs domestic debt</li> </ul>	20% foreign: 80% domestic	At year-end the split between foreign and domestic was 12,7% vs 87,3%



Subprogramme	Output	Measure/service deliver indicator	Actual performance against target	
			Target	Achieved
Asset Management	Minimising and mitigating counterparty risks emanating from the investment of surplus cash	<ul style="list-style-type: none"> <li>Duration range</li> </ul>	5,3 – 6,0 years	The weighted modified duration of the domestic debt portfolio was 5,23 years at year-end (4,25 years – 31 March 2005) as a result of low levels of bond yields, issuance of low coupon bonds and increased issuance of inflation-linked bonds
		<ul style="list-style-type: none"> <li>Average maturity below 9,75 years</li> </ul>	New bonds introduced in 2011, 2014 and 2020	The weighted average term to maturity was 8,1 years as of 31 March 2006 from 7,9 years as of 31 March 2005
		Adherence to the surplus cash benchmark investment ratios with four commercial banks	20%-29% per counterparty	The ratio ranges between 22% and 27% per counterparty
		Capping of the investments per counterparty	50% of capital and reserves per counterparty	Quarterly risk rating reviews completed
		Good relationship with rating agencies	Arrange rating agencies annual visits to RSA	In January 2006 deposits reached 40% of the four banks capital and reserves
	Appropriate management of contingent liabilities	Capping total government debt plus contingent liabilities as a percentage of GDP	50% of GDP	Target achieved. Analysed rating models of rating agencies and proactively addressing concerns raised.
		Percentage of DFIs reviewed	20% reviewed	45% of GDP
		Percentage of SOEs reviewed	Visit 100% of SOEs' treasury operations	Created new DFI directorate and appointed DFI expert as project coordinator. Terms of reference finalised. Conducted research into DFI system. No DFIs reviewed.
	Guidelines on treasury operations	Adherence by SOEs to the guidelines	30% reviewed	100% of the identified treasury operations have been visited
			Incorporation of guidelines into Treasury regulations	30% reviewed
				This process is awaiting the final outcome of the reviews. Where appropriate these guidelines will be incorporated either in the Treasury regulations or will form part of the





Subprogramme	Output	Measure/service deliver indicator	Actual performance against target	
			Target	Achieved
	SOE dividend and capital policies formulated	Consensus reached with relevant departments	Completed	Done
		Financial modelling of appropriate dividends policies for SOEs	20% modelled	Cabinet approval obtained. The policies have been distributed to SOEs. SOEs requested to provide comments by 30 June 2006, after which Asset and Liability Management can use comparative analysis to work with the SOEs in establishing targets and timelines.
	Prudent management of SOEs	Dividend policy adherence	Approval by Cabinet	Done
		PFMA and King Code compliance and monitoring	Quarterly	Target achieved
	Electronic annual financial statements of SOEs on the SOE register	Successful development of format for electronic filing	Completed	Target achieved
		Level of compliance to electronic submission	Complete format for electronic filing	Target achieved





## Programme 4

# FINANCIAL MANAGEMENT AND SYSTEMS

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

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

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

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

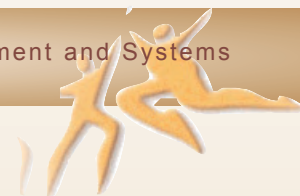
### Service Delivery Objectives and Indicators

#### Recent outputs

*Supply Chain Management* – The Supply Chain Management Framework (now part of the PFMA Treasury Regulations 16A) requires departments, constitutional institutions and Schedule 3A and 3C public entities to establish supply-chain management units within the offices of the respective chief financial officers; to ensure that clear lines of authority and accountability exist; to improve sourcing procedures and processes; and to enhance asset and inventory management. During 2005/06, provincial departments continued with the phased implementation of this framework.

The Municipal Supply Chain Management Regulations, issued in terms of section 168 of the MFMA, were published in *Government Gazette* 27636 dated 30 May 2005. These regulations will be implemented in phases. From 1 October 2005, implementation began with high-capacity municipalities; medium-capacity municipalities commenced implementation beginning on 1 January 2006 and low-capacity municipalities from 1 July 2006. In 2005/06, 157 municipalities and their municipal entities began implementing supply-chain management.

In 2003/04 a strategic procurement guideline and a strategic sourcing methodology were



developed to support the Supply Chain Management Framework in directing government's spending to achieve its broader socioeconomic objectives. This was achieved through a thorough analysis of the end-user and supplier bases, commodity/service dynamics and spending. The *Specialist Functions* division is the custodian of strategic sourcing and is responsible for facilitating transversal term contracts. These are contracts that are being used by various national and provincial departments. During 2005/06 sourcing strategies were applied to 54,3 per cent of transversal contracts, resulting in an overall saving of about R40 million derived from realignment of the vehicle maintenance contracts.

The Broad-Based Black Economic Empowerment Act (53 of 2003) and its associated strategy document highlighted the deficiencies of the Preferential Procurement Policy Framework Act (5 of 2000) (PPPFA) and its regulations to effectively achieve government's BEE objectives. It became clear that the preferential procurement regulations needed to be aligned with the BEE act and strategy. The National Treasury, in consultation with the Department of Trade and Industry, is in the process of reviewing the preferential procurement regulations. Depending on progress made by the Department of Trade and Industry in finalising the BEE Codes of Good Practice, the new system should become effective during the course of the new financial year and will support specific policy priorities and charters to enhance BEE.

In 2005, an electronic reporting mechanism was developed to support the monitoring and reporting process. This mechanism is being rolled out in national and provincial departments. A report on policy outcomes, including value of contracts awarded to companies with BEE status, will be submitted to Cabinet and the Standing Committee on Public Accounts (SCOPA) in the second semester of 2006.

On 11 March 2005, regulations regarding the Register for Tender Defaulters were promulgated in terms of the Prevention and Combating of Corrupt Activities Act (12 of 2004). *Supply Chain Management* has established a Register for Tender Defaulters on which particulars of persons and enterprises convicted of corrupt activities relating to tenders and contracts will be endorsed.

*PFMA Implementation and Coordination* – During the second quarter of 2005, this unit submitted detailed reports to SCOPA and to the Portfolio Committee on Finance on all initiatives undertaken by the National Treasury to assist departments, constitutional institutions and public entities with implementation of the PFMA since its inception. In this regard, several guideline documents have been developed and capacity-building initiatives have been undertaken to help capacitate public sector finance practitioners to effectively implement the act. This coincides with the National Treasury's obligation (in terms of section 6(2)(d) of the PFMA) to assist departments and constitutional institutions in building their capacity for efficient, effective and transparent financial management.

The National Treasury has engaged external training service providers to assist with training for supply chain management, standard chart of accounts, risk management and internal audit. The National Treasury marketed these courses and attendance was driven by demand. A total of 6 688 trainees benefited from the rollout of 282 courses in 2005/06.



In future the South African Management Development Institute (SAMDI) will play a more meaningful financial management training role, using a training strategy developed at the request of the National Treasury. This strategy places greater emphasis on technical financial management training and financial management training for non-financial managers. The National Treasury will foster a close working relationship with and provide assistance to SAMDI in matters related to financial management training. The National Treasury will also facilitate and support knowledge management sharing, participate in the appointment of strategic partners, contribute towards the development and review of curriculum content and provide human resource support to facilitate strategic sessions for financial management training.

A memorandum was submitted to Cabinet in January 2006 detailing the audit outcomes and information on the tabling of annual reports of departments and public entities. In this regard the National Treasury has also finalised a *Guide for Legislative Oversight through Annual Reports* with the intention of providing legislatures with guidance on how to meaningfully evaluate and interrogate annual reports of public sector institutions. The guide was well received and Parliament has developed an operational plan to implement the guideline. It is clear that the legislature has intensified its oversight over annual reports, which augurs well for purposes of greater accountability and transparency.

*Financial Systems* – During 2005, the National Treasury, in conjunction with State Information Technology Agency (SITA), upgraded its mainframe capacity by about 44 per cent. This upgrade resulted in significant improvements in system performance, such as smoother financial month-end and year-end closures in comparison to previous years. SITA also introduced intrusion detection software that helped reduce the amount of illegal traffic, unauthorised access and viruses on the network. Preparation for the annual financial statements has greatly improved for 2005/06 as a result of these actions.

During September 2005, Cabinet approved that the Integrated Financial Management Systems Project would continue with Phase II and Phase III. This approval lays the foundation for the phase-out of existing transversal financial management systems (e.g., BAS, LOGIS, PERSAL and VULINDLELA) currently under the management of the National Treasury, and those under the management of the South African National Defence Force, the South African Police Service, North West and Gauteng Provinces.



## SERVICE DELIVERY ACHIEVEMENT

### Programme 4: Financial Management and Systems

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

Subprogramme	Output	Output performance Measure/service delivery indicator	Actual performance against target	
			Target	Actual
Supply Chain Management	Regulating and monitoring supply chain management policy and managing general supply contracts on behalf of government	Implementation of consistent legislative and policy framework	Phased implementation strategy and reports to Cabinet and SCOPA as from second semester 2005	By 31 March 2006, all national departments were complying with the Supply Chain Management Framework. Provincial departments and various public entities began implementation with effect from 1 April 2005. Municipalities and municipal entities have commenced with a phased implementation approach with effect from 1 July 2005.
		Issue further practice notes for implementing supply-chain management	During 2005	Six practice notes and four circulars were issued in terms of the PFMA, and six circulars were issued in terms of the MFMA during the 2005/06 financial year, to assist accounting officers/authorities with implementation of the Supply Chain Management Framework
	Introduce strategic sourcing principles to enhance value for money	Issue supply-chain management regulations in terms of the MFMA Applicable to at least 60 transversal term contracts	July 2005 Introduce strategic sourcing strategies for 20% of all term contracts	Regulations issued on 30 May 2005 Strategic sourcing has been applied to 54,3% of transversal contracts



Subprogramme	Output	Output performance Measure/service delivery indicator	Actual performance against target	
			Target	Actual
PFMA Implementation and Coordination	Alignment of preferential procurement system with broad-based economic empowerment	Revision of preferential procurement regulations	Promulgation of new preferential procurement regulations by March 2005	Comments on the draft Regulations have been considered and incorporated. Discussions have taken place with the Department of Trade and Industry and these regulations will be promulgated by September 2006.
	Coordinate implementation and training initiatives of National Treasury in relation to the PFMA and monitor implementation of the PFMA in other institutions	Report to Cabinet and SCOPA on progress made with PFMA implementation	June 2005	Reports on progress with PFMA implementation were forwarded to SCOPA and to the Portfolio Committee on Finance during August 2005
		Report to Cabinet on the audit outcomes of national and provincial entities	November 2005	A Memorandum on Audit Outcomes for the 2004/05 financial year was submitted to Cabinet during January 2006
		Number of courses presented to trainees to assist with implementation of financial reforms <ul style="list-style-type: none"> <li>Standard chart of accounts</li> <li>Supply chain management</li> <li>Migration from cash to accrual accounting</li> </ul>	135 courses 120 courses 100 courses	88 courses (1 989 trainees) 113 courses (2 847 trainees) 81 courses (1 852 trainees) internal audit, risk management and other financial management courses
Financial Systems	Implement, maintain and improve financial management systems	Percentage availability of financial management systems during working hours	98% system availability during office hours	98% availability during office hours
		Submission of master systems plan for IFMS to Cabinet	First semester 2005	Cabinet approved master systems plan in September 2005



## Programme 5

# FINANCIAL ACCOUNTING AND REPORTING

**Purpose:** *Financial Accounting and Reporting* seeks to achieve accountability to the general public by promoting transparency and effectiveness in the delivery of public services, especially in the management of revenue, expenditure, assets and liabilities. It sets new government accounting policies and practices, and improves existing ones, to ensure compliance with the generally recognised accounting practice (GRAP); prepares consolidated financial statements; and endeavours to improve the timeliness, accuracy and efficiency of financial reporting.

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

The programme consists of six subprogrammes:

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

## Service Delivery Objectives and Indicators

### Recent outputs

During the period under review, the *Financial Reporting for National Accounts* unit produced a set of consolidated financial information for national government (for 2004/05) that was audited and tabled in Parliament. The tabling in Parliament occurred in compliance with the requirements of the PFMA, which is a testament to the valuable lessons learnt during the previous year's consolidation process. While there are significant challenges to the consolidation process, largely as a result of the application of the cash and accrual bases of accounting in government departments and public entities





respectively, the unit is confident that constant improvement and refinement of the product and process will be its defining features over the short to medium term.

In preparation for the end of the 2005/06 financial year, a standardised financial reporting template was developed through consultation and discussion with various stakeholders, including departments, public entities and the Office of the Auditor-General. The templates incorporated policy improvements to the reporting framework in line with the GRAP standards issued by the Accounting Standards Board (ASB) and the transition to the accrual basis of accounting. The template for the consolidation process was also developed during the year, and will facilitate the consolidation exercise for 2005/06 for national and provincial governments.

With regard to the Municipal Finance Management Act (MFMA), the Office of the Accountant-General (OAG) conducted workshops on the specimen municipal annual financial statements for all three municipal classes, as well as the consolidated annual financial statements specimen for those municipalities that have entities to consolidate.

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

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

The asset management framework policy was implemented through road shows, training sessions and workshops. The unit developed training materials and conducted training sessions to capacitate officials in departments. In addition, to resolve a frequent audit query regarding the lack of asset registers in departments, the OAG aggressively targeted the implementation of registers in various reporting entities. The OAG first assessed the level of readiness of the entity to comply with the framework by consensus, and determined a reasonable time frame for the implementation of an asset register. While the implementation remained the responsibility of the accounting officer, the OAG facilitated the process and monitored its implementation.

The *Internal Audit and Risk Management* unit also falls within the *Financial Management Improvement* unit. The unit focused on implementing the internal audit and risk-management frameworks, and providing support to internal auditors and risk managers across all spheres of government, to improve the capacity and value of these activities in respect of the management of reporting entities. The unit conducted training sessions across government to improve the level of internal audit and risk-management skills. As a result, training materials were developed and some 600 internal auditors and 250 risk-management officials were trained. While the target for internal quality assessment reviews at national and provincial departments was met, the OAG was unable to meet the target for public entities due to the high number of unanticipated requests for support from departments and municipalities.





Audit committee orientation was conducted to enhance the understanding of the role of the audit committee members and the effectiveness of the committee. The OAG's participation on national department audit committees was initially negatively perceived by departments, which hampered progress. Further interventions to meet this target have been initiated, the effects of which will only be measurable during the next financial year. Conversely, provincial departments and municipalities had eagerly requested OAG participation, which was provided. By 31 March 2006, the OAG participated on 50% of the audit committees at provincial departments. An annual public sector internal audit indaba was successfully hosted to create a platform for government internal audit to share knowledge and experiences. The proposal for the public sector audit committee forum had been delayed after consideration of comments and issues raised by internal and external stakeholders, including audit committee members. These issues are being addressed and will be finalised in the new financial year.

Greater focus was placed on improving risk management during the year. A risk-management system was implemented and is being made available for use by all government departments and municipalities. Risk assessments were conducted in government departments to help them identify risks that might affect service delivery, to promote the benefits of risk management and to initiate the process of government-wide profiling of risks. Guidelines for forensic investigations were developed to assist departments when conducting such investigations.



## SERVICE DELIVERY ACHIEVEMENT

### Programme 5: Financial Accounting and Reporting

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

Subprogramme	Output	Output performance Measure/service delivery indicator	Actual performance against target	
			Target	Actual
Financial Reporting for National Accounts	Monthly statement of actual revenue and expenditure with regards to the National Revenue Fund	Timely publishing of accurate reports	Within 30 days after month-end	100% success rate
	Specimen formats for annual financial statements and consolidated annual financial statements, and conduct implementation sessions	Completed formats for annual financial statements that comply with government prescripts	30 July 2005	Completed and published by 30 July 2005
	Consolidated annual financial statements for national government	Accurate and timely audited consolidated annual financial statements for national government	30 September 2005	2004/05 consolidated financial statements finalised and submitted for auditing by 30 September 2005
		Published consolidated annual financial statements	31 October 2005	Consolidated financial statements for 2004/05 were published by 31 October 2005
	Annual financial statements for the RDP Fund	Audited and published annual financial statements for the RDP Fund	31 October annually	100% success rate
Financial Management Improvement	Enhanced framework for the transition from cash to accrual base of accounting	Completed framework for transition complies to the ASB work plan	30 June 2005	100% complete on target date
	Enhanced implementation strategy for transition from cash to accrual basis of accounting	Implementation plan is in line with the framework	30 September 2005	100% complete on target date



Subprogramme	Output	Output performance Measure/service delivery indicator	Actual performance against target	
			Target	Actual
	Accounting policies and practices in support of the framework for the transition from cash to accrual base of accounting	Completed set of accounting policies and practices are in line with GRAP standards	100% alignment to GRAP standards effective dates	100% complete on target date
	Internal audit and risk-management frameworks for national and provincial departments	Percentage compliance with the frameworks	60% compliance by March 2006	80% compliance
	Internal quality assessment reviews in preparation for external review on national and provincial departments, local government and public entities	Report to SCOPA detailing the level of compliance with the internal audit framework	Report on all national and provincial departments, and 20% of public entities by 31 March 2006	100% national and provincial departments reviewed. About 10% of public entities reviewed.
			Local government in line with MFMA implementation plan	Achieved
	Public sector audit committee forum	Proposal to Director-General indicating terms of reference, composition, authority and relationships with other governance structures	30 September 2005	Proposal delayed to allow for greater consultation with stakeholders
	Participation by OAG on audit committees and risk-management committees of national departments	Percentage participation on national departments' audit committees	80% participation by 31 March 2006	50% participation at national departments



## Programme 6

# PROVINCIAL & LOCAL GOVERNMENT TRANSFERS

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

**Measurable objective:**

This programme has two principal objectives –

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

This programme includes three conditional grants:

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

## Service Delivery Objectives and Indicators

### Recent outputs

#### Provincial infrastructure grant

The *provincial infrastructure grant* serves as a catalyst for accelerated public infrastructure investment at the provincial level. The grant was allocated R3,7 billion in 2005/06. In some cases, instalments of the grant (or portions thereof) to some provinces had to be delayed owing to non-compliance with the requirements of the grant. Four provinces received the total amount allocated to them, but R747 million involving a portion of grant allocations to five provinces was withheld. The reasons for stopping these funds included slow spending of infrastructure budgets, which indicated probable underspending, and failure to comply with reporting and planning requirements as set out in the Division of Revenue Act (1 of 2005).

The rapid rise in the allocation of the *provincial infrastructure grant* has contributed to high growth in provincial capital budgets. Total provincial capital expenditure amounted



to R13 billion in 2005/06. Over the three years ending 2005/06, capital expenditure grew at an average annual rate of 18,7 per cent.

Notwithstanding the increases in provincial infrastructure investment, provinces still face challenges in implementing infrastructure projects, although in the 2005/06 financial year underspending was down to R844 million (against their total capital budgets of R13,9 billion) compared to the previous year, when underspending amounted to R1,8 billion (against total capital budgets of R12 billion). The Infrastructure Delivery Improvement Programme (IDIP) is designed to help provinces resolve some of the service delivery challenges they are facing.

### **Infrastructure Delivery Improvement Programme**

The National Treasury, in partnership with the Construction Industry Development Board and Development Bank of Southern Africa, is implementing the IDIP. Its purpose is to identify and address the capacity constraints and problems leading to under-expenditure of capital infrastructure budgets by provincial departments of education, health, roads and public works. The objective of the IDIP is to support improved effectiveness and efficiency of delivery of public sector infrastructure, by institutionalising best practice tools and building capacity over five years. To date, the programme has been piloted in the provincial departments of education.

The IDIP implementation strategy involves the recruitment and placement of technical assistants in departments to guide the processes of institutionalising good practices in the management of infrastructure delivery. The IDIP is expected to influence four key performance areas:

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

The IDIP pilot phase, which started in education in 2004/05, provided lessons that were used to initiate and plan the rollout of phase 2, which covers public works, health and transport. Rollout of this three-year phase commences in 2006/07.

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

The *local government financial management grant* provides for the transfer and monitoring of funds for local government financial management reforms and the phased implementation of the MFMA. Growing awareness and implementation of the MFMA, especially in the high- and medium-capacity municipalities, continued with the transfer of resources to these municipalities to assist them in finalising plans and implementing key areas of the act. The programme also provides for the gearing of international support,



with technical advisors being placed in selected municipalities, ranging from large to small, across the country. In the 2005 MTEF R600 million was allocated to this programme.

The review of internal processes, delegations, preparation of implementation plans, information on long-term contracts, budget reforms, community consultation and the linkages with integrated development plans have been the focal areas for the implementation of the MFMA in the high- and medium-capacity municipalities. However, much work is still required to ensure that these financial and non-financial reforms are made part of daily municipal activities.

To facilitate skills development in financial management, municipalities have used the grant to appoint more than 500 finance management interns from previously disadvantaged backgrounds. The National Treasury will accelerate the capacity-building programme through this grant, developing further training material, guidelines and manuals, hosting mentorship workshops and issuing regulations on the required competencies of financial and other officials, to facilitate the implementation of the MFMA.

#### **Local government restructuring grant**

Metropolitan and other large municipalities have a significant impact on the regional and national economy, and need to modernise the manner in which they deliver services, implement poverty alleviation programmes and promote growth. The *local government restructuring grant* is a demand-driven grant that provides resources to selected municipalities based on their own restructuring plans. The grant continues until 2008 and allocations will be phased out. The 2005/06 financial year saw the move from evaluation of applications to the awarding of funds to successful applicants, and the commencement of monitoring mechanisms required in terms of the Division of Revenue Act.

Multiyear funding was approved for Cape Town (R320 million), eThekweni (R330 million), Tshwane (R320 million) and Nelson Mandela (R222,9 million) during 2004/05 and agreements were finalised during the second quarter of 2005/06. Together with these metropolitan municipalities, monitoring was conducted for Buffalo City, Emfuleni and Mangaung local municipalities during 2005/06. Ongoing monitoring has resulted in satisfactory performances being recorded for Buffalo City, Johannesburg, and Tshwane, while weak compliance was recorded for Mangaung, Emfuleni, Cape Town and Nelson Mandela, resulting in the withholding of R95 million to the latter four municipalities, subject to improved performance during 2006.



## SERVICE DELIVERY ACHIEVEMENT

### Programme 6: Provincial & Local Government Transfers

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

Subprogramme	Output	Output performance Measure/service delivery indicator	Actual performance against target	
			Target	Actual
Provincial infrastructure grant	Monitoring provincial infrastructure development	Transfers in compliance with conditions	Transfers made in accordance with the Division of Revenue Act	Full transfers of the grant were made to four provinces that fully complied with the requirements of the act, and R747 million was withheld, constituting a portion of the grant to five provinces that did not comply fully
		Reporting on compliance, transfers and spending	Quarterly reporting	Provinces reported quarterly, with transfers withheld from those that failed to report, or submitted reports of a poor quality
		Improvement of infrastructure delivery management systems	Implementation of phase 1 (pilot) of IDIP in 9 provincial education departments, 2 health departments and 2 roads departments	Pilot phase completed in 9 provincial education departments, 2 health departments and 2 roads departments, in March 2006
Local government financial management grant	Monitoring of municipal financial management reforms and restructuring	Transfers made according to conditions	Transfers made by 31 March in compliance with the Division of Revenue Act	All funds transferred in compliance with conditions and the Division of Revenue Act
		Regular reporting per grant	Quarterly reporting as per stated criteria and conditions	All quarterly reports evaluated against conditions
		Number of pilot municipalities in which financial management programmes/reforms are being implemented in terms of MFMA	Supporting nine provincial treasuries and assistance to six metropolitan municipalities to implement MFMA	Four workshops held with provincial treasuries and appointment of five roving advisors in provincial treasuries (Limpopo, North West, Free State, Mpumalanga, Eastern Cape) Twenty-two advisors supporting 25 municipalities across the country





Subprogramme	Output	Output performance Measure/service delivery indicator	Actual performance against target	
			Target	Actual
Local government restructuring grant	Funding assistance to restructure and modernise service delivery in large-budget municipalities	Number of approved applications and setting of conditions	Managing and overseeing compliance with conditions of grant by successful municipalities	Four new applications approved. Quarterly evaluation of grant conditions resulted in withholding of R95 million due to non-compliance. Remaining funds will only be transferred upon full compliance with grant conditions, to be verified in fourth-quarter reports.



## Programme 7

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

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

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

There are two subprogrammes:

- *Civil Pensions and Contributions to Funds* provides for the payment of benefits out of pension and other funds to the beneficiaries of various public-sector bodies in terms of relevant statutes, collective-bargaining agreements and other commitments. The subprogramme also provides for the payment of special pensions to persons who have made sacrifices or served the public interest in the establishment of a democratic constitutional order.
- *Military Pensions and Other Benefits* provides for the payment of military pension benefits and medical claims arising from treatment for accepted pensionable disabilities and medical assistive devices, including specialised procedures. The unit's main objective is to pay the correct pension (gratuities and/or annuities) and medical expense benefits to the correct beneficiaries timeously. The benefits are paid in terms of the Military Pensions Act (84 of 1976) to persons disabled in the course of military service. The medical officer makes assessments based on information presented by the specialist (relevant consulting doctor) or reviews assessments where the disability was aggravated as a result of military service.

## Service Delivery Objectives and Indicators

### Recent outputs

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

During the year under review the administration has continued its effort to verify the members' roll of eligible beneficiaries. It has also strengthened its administrative processes to improve the reconciliation of claims received from medical schemes.

Effective 1 July 2005, the Medical Benefit Administration Section implemented the change in contributions paid to Medihelp with regard to the members who retired prior to



1 July 1992. The Registrar of Medical Schemes approved that the pre-1992 members be transferred to the Medihelp Plus option with effect from 1 July 2005.

Delays in the processing of exits from service have contributed to backlogs in the processing of applications for continuation of medical aid subsidies after retirement.

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

During the review period, amendments were effected to the Special Pensions Act to provide for the following:

- Introduction of spouse's pension, orphan's pension and funeral benefits.
- Extension of the closing date for submission of new special pension applications to 31 December 2006.
- Promulgation of regulations to provide for the dissolution of the Special Pensions Board and Special Pensions Review Board.

*Military Pensions and Other Benefits* has, during the review period, implemented the following initiatives:

- Medical treatment is provided through the South African National Defence Force (SANDF) at military hospitals and sickbays around the country. Although the service is of great value to the military pensioners, internal deficiencies with the provision of medical treatment detrimentally affect service delivery. The present procedures and processes are to be investigated in an effort to address deficiencies.
- Began transferring medical treatment from provincial administrations to the Department of Defence. The transfer has been completed for the Western Cape and Gauteng, which were the critical areas of concern. The SANDF structure, however, limits the possible services rendered to pensioners, which resulted in delays in the transfer process.
- Compiled a policy on medical treatment and expenses. The unit initiated the process by drafting an initial in-house policy. A formal policy has been finalised by the appointed health risk managers and was implemented during October 2005.



## SERVICE DELIVERY ACHIEVEMENT

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

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

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



# E D H T

## Programme 8

### FISCAL TRANSFERS

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

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

*Domestic transfers* are made to:

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

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

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

Note that the domestic transfer of R50 million budgeted for the Development Bank of Southern Africa (DBSA) was for the Apex fund, which is now administered by the Department of Trade and Industry. No transfers will be made for this fund in future, and no funds were transferred to the DBSA during 2005/06.

### Service Delivery Objectives and Indicators

#### Recent outputs

Contributions to the *World Bank group* – South Africa participates in replenishing the World Bank group's International Development Association (IDA), which is the resource envelope for development assistance channelled through the bank to low-income



countries. South Africa made the third instalment of R27,7 million to the IDA in January 2006. In addition, in 2006/07 a contribution of R121,7 million will be made to fund South Africa's obligation in terms of the multilateral debt relief initiative. Although this represents a small portion of the US\$20 billion of debt owed by highly indebted poor countries to be written off over the next 20 years, it signals South Africa's commitment to assisting low-income countries to meet the Millennium Development Goals through economic development and poverty alleviation.

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

South Africa has been contributing to ADF replenishments since 1998 – most recently in December 2004. South Africa agreed to contribute a total of R38,07 million to be paid in three equal annual instalments of R12,69 million, beginning in 2005/06 and ending in 2008/09. In addition R51,6 million was transferred to the ADF in March 2006, in fulfilment of our proportional contribution to this initiative, as a single upfront payment for the full 50-year period during which the debt will be written off.

South Africa acquired a further 0,4 per cent shareholding in the ADB, bringing its total shareholding from 4,09 per cent to 4,5 per cent during the financial year. Payments for the purchase of these shares are staggered over 8-10 years. The final payment in terms of the shares that have been acquired to date is due in March 2015.

The *Common Monetary Area* is made up of South Africa, Lesotho, Namibia and Swaziland. Its purpose is to implement a common monetary policy. South Africa compensates the other countries for rands circulating in their respective territories as legal tender in terms of Article 6 of the Multilateral Monetary Agreement. The compensation is based on the understanding that South Africa, as issuing country, benefits from this through seigniorage collection. In 2005/06, R276,5 million was transferred for this purpose.

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

South Africa has committed to contribute US\$1 million per year for 20 years to the International Financial Facility for Immunisation through the *Global Alliance for Vaccinations and Immunisation*. The first contribution of R7 million will be made in 2006/07. The main aim of the International Financial Facility is to reduce the number of vaccine-preventable deaths among children under the age of five to support the achievement of the Millennium Development Goals. The facility's upfront funding mechanism makes aid flows for immunisation programmes and health systems



development more predictable over the next 10 years. Africa will be the main beneficiary of this aid.

### Transfer payments

Name of institution	R'000
Common Monetary Area compensation	244,669
Development Bank of Southern Africa (Apex Fund)	-
World Bank group	-
Highly Indebted Poor Countries	-
African Development Bank	121,569
SA Revenue Service	4,254,302
Financial and Fiscal Commission	19,660
Secret Services	2,330,063
Financial Intelligence Centre	23,617
Commonwealth Fund	2,309
Global Alliance for Vaccines and Immunisation	-
<b>Total:</b>	<b>6,996,189</b>

<sup>1</sup> The rand amount of each instalment is determined by the rand-SDR exchange rate on the date of payment.





**REPORT OF THE AUDIT COMMITTEE**  
**for the year ended 31 March 2006**



## NATIONAL TREASURY VOTE 8

### REPORT OF THE AUDIT COMMITTEE for the year ended 31 March 2006

#### Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2006.

#### Audit Committee Members and Attendance

The Audit Committee consisted of the seven external members listed hereunder and held five meetings for the financial year under review, which included one special meeting.

Audit Committee Meetings 2006	
Name of member	Number of meetings attended
Dr Len Konar *	2 of 3
Mr Johnson N Njeke *	1 of 3
Mr Jeff van Rooyen *	1 of 3
Mr Ignatius Schoole (Chairperson)	5 of 5
Prof. Carolina Koornhof	5 of 5
Ms. Joyce Matlala	4 of 5
Ms. Matsotso Vuso	3 of 5

\*Member resigned during the period under review

#### Audit Committee responsibility

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

#### The effectiveness of internal control

The system of controls has been designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the PFMA and the King II Report on Corporate Governance requirements, the Internal Audit Function provided the Audit Committee and management with assurance that the internal controls are appropriate and effective.

**NATIONAL TREASURY VOTE 8****REPORT OF THE AUDIT COMMITTEE (CONTINUED)  
for the year ended 31 March 2006**

This is achieved by means of the risk management processes, as well as the identification of corrective actions and suggested enhancements to the controls and processes. Accordingly, the Committee reports that the systems of internal control for the period under review were effective and efficient.

**Evaluation of Financial Statements**

The Audit Committee has:

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

The Audit Committee concurs and accepts the Auditor-General's conclusions on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the Report of the Auditor-General.

**Ignatius Schoole**

**Chairperson: Audit Committee**

**Date: 24 July 2006**



## **ANNUAL FINANCIAL STATEMENTS** **for the year ended 31 March 2006**



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## NATIONAL TREASURY VOTE 8

### REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2006

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 Annual appropriation and vote compilation

These annual financial statements (AFS) comprise those funds appropriated by Parliament for the National Treasury as a national department and not on its broader role as the treasury for the country, in accordance with its constitutional or legislated responsibilities. Furthermore, these AFS do not account for the National Revenue Fund (which is accounted for separately) and the payment of equitable share allocations to provinces.

The total appropriation for the National Treasury for the period ending 31 March 2006 amounted to **R14,2 billion** (2004/05 R14 billion) and is divided into two main components namely; the operational budget and transfers to other spheres or agencies of government and post retirement benefits for a limited category of former employees and members of liberation movements. Other revenue received by the Department comprises departmental revenue of **R5,2 billion** (2004/05 R1,9 billion) and local and foreign assistance received in cash of **R11 million** (2004/05: R10 million).

The National Treasury's operational budget is **R657,3 million** (2004/05 R740,8 million), comprising programmes 1 to 5 for which the Department is directly responsible for spending. A total of **R76,4 million** (2004/05: R246,5 million) was not spent against the operational budget mainly due to savings of R61 million for goods and services (slower implementation of the Integrated Financial Management System), R4,4 million on the acquisition of capital assets and an under spending of R11 million due to vacant positions. The aforementioned variances exclude R4,9 million being transfers within the operational budget.

The remaining budget falls under programmes 6, 7 and 8 and amounted to **R13,5 billion** (2004/05 R13,2 billion) and includes transfers to provinces, municipalities, departmental agencies, international or foreign institutions, and the payment post retirement benefits for a limited category of former employees and members of liberation movements. Transfers to provincial and local governments, and other departmental agencies included under programmes 6 and 8 amounted to **R11,4 billion** (2004/05: R11,2 billion).



## NATIONAL TREASURY VOTE 8

### REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2006

Whilst R3,4 billion of the R4,3 billion in conditional grants to provinces and municipalities was transferred in programme 6, an amount of R841,6 million was not transferred due to non-compliance with conditions of the relevant grant. The National Treasury withheld funds of R746,7 million for the Provincial Infrastructure Grant and R95 million in respect of grants to municipalities. More detail is provided in Annexure 1A and 1B.

Foreign transfers in terms of international agreements and pledges amounted to **R371,2 million** (2004/05: R366,9 million). There was a saving of R71,6 million resulting mainly from lower than anticipated payments to the African Development Bank (R32,8 million) and Common Monetary Area (CMA) (R31,8 million). R50 million was not transferred to the Development Bank of Southern Africa because of slower than anticipated take up by the APEX Fund. Expenditure under the Common Monetary Area was lower than anticipated due to slower growth in the total amount of money in circulation during the 2005/06 financial year and secondly, due to lower long-term interest rates.

The annual appropriation in respect of civil and military grants under the *Civil and Military Pensions, Contributions to Funds and Other Benefits* Programme amounted to R2,1 billion (2004/05: R2,1 billion) and provided for amongst others, benefits out of pension and other funds to the beneficiaries of various public sector bodies, military pension benefits and medical claims arising from treatment of disability, medical assistance devices, and other related expenses.

#### 1.2 Programme compilation

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

**Administration** provides strategic management and administrative support to the National Treasury, giving managerial leadership to the work of the Department. The Administration programme comprises the Minister, Deputy Minister, Management and Corporate Services subprogrammes. Corporate Services was allocated, as part of its annual allocation an amount of **R104,1 million** (2004/05: R115,8 million).





## NATIONAL TREASURY VOTE 8

### REPORT OF THE ACCOUNTING OFFICER(CONTINUED) for the year ended 31 March 2006

The remainder of the budget is divided over the other three subprogrammes and totals **R25,6 million** (2004/05: R27,8 million). Expenditure for Administration totalled **R121,3 million** (2004/05: R89,3 million). Expenditure incurred on compensation of employees was **R42,2 million** (2004/05: R36,9 million), goods and services, **R67 million** (2004/05: R48 million). Capital expenditure incurred amounted **R11,5 million** (2004/05: R4,2 million).

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

The total budget for this Programme amounted to **R181,4 million** (2004/05: R150,9 million). Included in the total budget was an additional amount of R7,8 million allocated through the annual rollover process to fund expenditure for the technical consultancy services for the pilot roll out of the Infrastructure Delivery Improvement Programme (IDIP) in provinces which amounted to R6,5 million and an additional R1,3 million to finalise the contracts of consultancies sourced to perform the Economic Impact of Basle II Study and the Foreign Ownership of SA Banks Study. In addition, Virement amounting to R11,4 million was applied in order to fund growth research project in support of the Accelerated and Shared Growth Initiative of SA (ASGISA).

Current expenditure incurred totalled **R159,1 million** (2004/05: R125,6 million) and comprises compensation of employees **R89,9 million** (2004/05: R73, 6 million) and on goods and services **R69,2 million** (2004/05: R52 million). Transfer payments to the Project Development Facility and for economic research (to Economic Research Southern Africa (ERSA) via the University of Cape Town) to the value of R6 million and R5 million have also been provided for under this Programme.

*Asset and Liability Management* provides management of government's financial asset and liability portfolio in a manner that ensures prudent cash management, asset restructuring, financial management and optimal manage-



## NATIONAL TREASURY VOTE 8

### REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2006

ment of government's domestic and foreign debt portfolio. There are five sub-programmes: *Management; Asset Management; Liability Management; Financial Operations and Strategy and Risk Management*. The total adjusted budget amounted to **R30,8 million** (2004/05: R53,9 million).

Expenditure incurred by Asset and Liability Management amounted to **R30,2 million** (2004/05: R26,3 million) and consists mainly of the following expenditure types namely; compensation of employees **R21,9 million** (2004/05: R17,7 million), goods and services **R7,4 million** (2004/05: R7,7 million) and payments for capital expenditure **R841 000** (2004/05: R880 000).

***Financial Management and Systems*** manages and regulates government's supply chain processes, implements and maintains standardised financial systems and co-ordinates the implementation of the Public Finance Management Act (1 of 1999) and related capacity-building initiatives. This Programme consists of four subprogrammes: *Management; Supply Chain Management; PFMA Implementation and Coordination; and Financial Systems*.

The annual appropriation amounted to **R294,2 million** (2004/05: R351,7 million). Expenditure incurred amounted to **R239,2 million** (2004/05: R226,4 million). Expenditure relating to goods and services increased by R6,3 million, resulting from enhancements to current transversal systems and the rollout of the Integrated Financial Management System (IFMS), as approved by Cabinet during 2005.

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

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

The budget amounted to **R58 million** (2004/05: R65,2 million) and consisted



## NATIONAL TREASURY VOTE 8

### REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2006

of an operational budget of **R38,9 million** (2004/05: R48,2 million) and transfers of **R19,1 million** (2004/05: R17 million). The total expenditure incurred by Financial Accounting and Reporting amounted to **R48 million** (2004/05: R31,9 million), an increase of R16,1 million. Expenditure relating to the compensation of employees increased to R17,4 million due to the filling of vacant positions.

Furthermore, this Programme is responsible for the transfer payment to the Office of the Auditor-General in terms of the Public Audit Act (25 of 2004) whereby the National Treasury is obligated to pay audit costs in respect of the auditing of statutory bodies for any financial year concerned where such costs exceeds one per cent of the total expenditure of such bodies.

Expenditure concerning the transfer of audit costs increased from R7,7 million to R13,6 million. This increase is attributable to more claims being submitted for reimbursement by the Office of the Auditor-General.

***Provincial and Local Government Transfers*** manages conditional grants to the provincial and local spheres of government. Transfers on the *Local Government Financial Management and Restructuring Grants* subprogramme amounted to **R453,7 million** (2004/05: R585,9 million). Transfers for the Provincial Infrastructure Grant amounting to **R3,7 billion** (2004/05: R3,4 billion) were effected during the financial year, in accordance with the 2005 Division of Revenue Act (1 of 2005).

In addition, National Treasury has fully complied with the Division of Revenue Act (1 of 2005) by ensuring that all funds transferred to provinces and municipalities were to their primary bank accounts. More information on these transfers is provided in annexures 1A and B.

***Civil and Military Pensions, Contributions to Funds and Other Benefits*** provides for pension and post-retirement medical benefit obligations to former employees of state departments and bodies, and for similar benefits to retired members of the military.

Expenditure for the period under review amounted to **R2,1 billion** (2004/05: R1,9 billion). Furthermore, management has identified various legal issues relating to this programme and is currently assessing the feasibility of conducting whether a more comprehensive investigation by way of a



## NATIONAL TREASURY VOTE 8

### REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2006

legal due diligence, so that these matters might be addressed in a holistic rather than piecemeal manner.

**Fiscal Transfers** make funds available to other international and foreign institutions and governments (including the international development institutions) and public entities and agencies in terms of national legislation. This programme comprises *domestic* and *foreign* transfers.

**Domestic transfers** are made to the APEX Fund (via Development Bank of Southern Africa), the South African Revenue Service, Financial Intelligence Centre and the Financial and Fiscal Commission for the fulfilment of their statutory obligations. In addition, funds are paid to augment the Secret Services account for intelligence gathering. **Foreign transfer** payments have been provided for:

- the World Bank Group;
- the African Development Bank (ADB);
- Common monetary area for compensation of Rands in circulation in Lesotho, Namibia and Swaziland; and
- the Commonwealth Fund for Technical Co-operation.

The transfer to the ADB includes funds to increase South Africa's (SA) shareholding in the ADB as new shares become available for subscription. SA increased its share to 4.5 per cent in 2005/06, and paid R6,2 million for the increase in addition to the R52 million scheduled for the financial year. The share subscriptions are payable over 8 and 10 years, depending on the type of share. The ADB transfer also includes SA's donor contribution of R11,2 million to the African Development Fund, and a once-off donor payment of R51,6 million for the Multilateral Debt-Relief Initiative (MDRI).

A new transfer of US \$1 million per annum for 20 years to the International Finance Facility for Immunisation (IFFIM) to support the work of the Global Alliance for Vaccines and Immunisation (GAVI) was introduced during the 2005/06 financial year. The total foreign transfers made by the National Treasury amounted to **R368,6 million** (2004/05: R365,9 million) of which the transfer to Lesotho, Namibia and Swaziland makes up the largest portion of foreign transfers totalling **R244,7 million** (2004/05: R251 million).

*Domestic transfers* accounted for 94 per cent of the total transfers allocated to the *Fiscal Transfer* Programme and amounted to **R6,7 billion** (2004/05: R6,8 billion) of which the largest transfers went to the South



## NATIONAL TREASURY VOTE 8

### REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2006

African Revenue Service and Secret Services totalling **R4,3 billion** (2004/05: R4,6 billion) and **R2,3 billion** (2004/05: R2,1 billion) respectively.

#### 1.3 Departmental revenue

**Departmental revenue** for the period under review amounted to **R5,2 billion** (2004/05: R1,9 billion), a significant increase attributable to amnesty levies being paid over to the Department during the reporting period. Other revenue received included:

- Loans being covered by guarantees and costs associated with government's issuing of guarantees;
- Interest on government deposits and dividends received from the South African Reserve Bank;
- Interest from tax and loans accounts from the four major commercial banks; and
- Recovery of departmental debt from previous years.

#### 2. Services rendered by the Department

Most of the work of the National Treasury is of a fiscal and financial nature, servicing organs of the State in all three spheres of government and foreign multilateral and national institutions. Only a small part of the work of the National Treasury provides for services related to the payment of pensions and other post retirement medical expenditure.

#### 3. Utilisation of donor funds

Local and foreign assistance received in cash during the year amounted to **R11 million** (2004/05: R9,9 million) relating to various projects. Expenditure incurred amounted to **R10,5 million** (2004/05: R9,5 million).

In addition to the above, the National Treasury transferred funds to external spending agencies amounting to **R20,8 million** (2004/05: R9,1 million) on behalf of the Reconstruction and Development Fund. These amounts are not reflected in the Statement of Financial Performance due to the National Treasury only acting as a conduit for those funds.



## NATIONAL TREASURY VOTE 8

### REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2006

#### 4. Trading entities and public entities

##### 4.1 Trading entity

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

The Project Development Facility (PDF) is a single-function trading entity in National Treasury's PPP unit, created in accordance with the PFMA. Its role is to pay for services provided by consultants (transaction advisors) on contract to a department or public entity for a PPP. After the financial close of the PPP, the funds are recovered from the successful private party bidder.

The PDF is currently committed to funding seven projects. This represents the full commitment of available funds. All the projects meet the PDF criteria for prioritising social services projects. The PDF is currently being amended to allow municipalities to apply for funding for transaction advisors.

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

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

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

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

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

The South African Revenue Service (SARS) performs, as part of its mandate, the following central tasks: collects revenues that are due; ensures maximum compliance with legislation; and provides a customs service that will maximise revenue collection, protects the borders and facilitate trade.





## NATIONAL TREASURY VOTE 8

### REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2006

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

The Financial Services Board is a statutory body in terms of the Financial Services Board Act (97 of 1990). It supervises control over the activities of non-banking financial services and acts in an advisory capacity to the Minister of Finance. The Board is financed by the financial services industry, with no contribution from Government.

The Board supervises those institutions and services, in terms of 16 parliamentary acts, which entrust regulatory functions to the Registrar of Long- and Short-term Insurance, Friendly Societies, Pension Funds, Collective Investment Schemes, Stock Exchanges and Financial Markets and Financial Services Providers.

Functions include regulatory control over insurance companies, pension funds, asset managers, the stock exchange and bond exchange, insider trading, trust property and central security depositories responsible for the safe custody of securities. The Board is also responsible for the financial supervision of the Road Accident Fund.

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

The Financial Intelligence Centre (FIC) was established in terms of the Financial Intelligence Centre Act (2001) and has been operational since February 2002. The FIC operates as a separate state agency.

The core mandate of the FIC is to process, analyse and interpret information disclosed to it by accountable institutions in the private sector. The FIC analyses the information and thereafter makes referrals to law enforcement authorities, intelligence services and SARS for investigation and prosecution if necessary. The FIC is also mandated to coordinate all other anti-money-laundering matters and matters relating to combating the financing of terrorism.

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

The Accounting Standards Board (ASB), established in the latter part of 2002 in accordance with the PFMA (1999), as amended, is mainly responsible for setting the accounting standards of Generally Recognised Accounting Practice (GRAP) in government.





## NATIONAL TREASURY VOTE 8

### REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2006

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

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

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

The Public Investment Corporation (PIC) is a corporate body governed in terms of the Public Investment Corporation Act (23 of 2004). The Corporation was officially launched on 1 April 2005, before which it was known as the Public Investment Commissioners. The PIC's predecessor was a statutory body governed in terms of the Public Investment Commissioners Act (1984).

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

It is effectively self-funded and produces its own annual report, which is tabled in Parliament.

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

Funds to public entities and other institutions in terms of various legal provisions governing financial relations between Government and that particular entity or institution, including international development institutions of which Government is a member, are made available on the *Fiscal Transfers* programme. Kindly refer to annexures 1D to 1G.

Additional to the fiscal transfer programme, funds for the Project Development Facility and the Accounting Standards Board have been provided for under Programme 2 and Programme 5 respectively.



## NATIONAL TREASURY VOTE 8

### REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2006

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

##### **6.1 Internal audit function**

The outsourced service provider successfully concluded the audit work outlined by the annual internal audit plan and issued follow-up reports. All such reports have been tabled at the Audit Committee.

The National Treasury adopted a medium term internal audit strategy whereby the internal audit approach will be shifted from a fully outsourced internal audit function (IAF) to an in-house function. A Chief Directorate Internal Audit has already been established and the vacant position has been filled. The newly appointed Chief Director will drive the IAF strategy of the Department.

As the Department is responsible for various, complex and specialised fields within Government, to ensure continued compliance with the Public Finance Management Act (1 of 1999), approval has been granted to co-source the internal audit work for the next three years.

This approach will ensure that ample time is allowed to: develop an effective IAF organisational structure; employ competent staff; and transfer skills from the co-sourced to the in-house function. The Department already identified a service provider through its bidding processes and negotiations are currently underway to finalise the service level agreement.

##### **6.2 Audit and risk management committees**

The National Treasury's Audit Committee (AC) and Risk Management Committee (RMC) met several times during the reporting period. Both committees operated within approved written terms of reference, which are reviewed and updated according to organisational demands.

##### **6.3 Other governance matters**

In an attempt to enhance the Department's governance framework and to ensure alignment with organisational demands, the National Treasury reviewed and is in the process of enhancing its financial management and human resources policies, prescripts and related business processes. Other governance structures that have been complied with or have been addressed are, amongst others:



## NATIONAL TREASURY VOTE 8

### REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2006

- Conducted risk assessments per division and implemented divisional risk registers;
- Reviewed the Department's Fraud Prevention Plan to ensure its applicability;
- Employees adhered to the Code of Conduct for the Public Service;
- Complied with all the prescribed health and occupational safety requirements;
- Developed an appropriate supply chain management system to replace the current departmental procurement procedures;
- Systems are in place to ensure:
  - The effective, efficient, economical and transparent use of the departmental resources;
  - Proper management, administration, safeguarding and maintenance of the Department's assets and liabilities;
- Complied with all tax, levy, duty, pension and audit commitments as required by the relevant statutes and regulations;
- Settled all contractual obligations and paid all money 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 annual Division of Revenue Act (1 of 2005), prior to transferring funds to provincial or local governments;
- Obtained written assurances from all entities confirming that those entities have implemented effective, efficient and transparent financial management and internal control systems prior to funds being transferred to those entities;
- Submitted all required reports to the relevant authorities; and
- Financial delegations have been reviewed and amended according to the organisational structure.

## 7. New and proposed activities

### 7.1 Growth Project

The National Treasury has stepped up its research budget to focus mainly on supporting government's Accelerated and Shared Growth Initiative of South Africa. This research aims to put SA on a higher growth path to improve the capacity of the economy to generate jobs and lower the unemployment rate.

This project includes contracting in research by both international and local growth experts in an attempt to determine the binding constraints on growth



## NATIONAL TREASURY VOTE 8

### REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2006

in South Africa and to determine policy measures to accelerate growth to higher and more sustainable levels.

#### **7.2 Property Management**

The transfer of accommodation from the Department of Public Works to individual departments will come into effect from 1 April 2006. Expenditure on leases and accommodation charges will form part of Department's goods and services. Provision has been made in the 2006 Medium Term Expenditure Framework for such additional expenditure.

#### **7.3 Neighbourhood Development Partnership Grant**

The Neighbourhood Development Partnership Grant is a newly introduced grant commencing during the 2006/07 financial year that provides for transfers to municipalities for designing partnership projects and co-financing the construction of new and improved community facilities.

#### **7.4 Independent Regulatory Board of Auditors (IRBA)**

The IRBA has been established in terms of section 3 of the Audit Profession Act of 2005 (26 of 2005) with effect from 1 April 2006. The IRBA has replaced the Public Accountants and Auditors Board (PAAB) through the above Act. This will result into a new transfer payment under Programme 5.

#### **7.5 Integrated Financial Management System (IFMS)**

National Treasury has completed the development of the IFMS master plan, user requirements and prospectus and is busy with phase 2. This will involve a detailed design of the architectural platform of the IFMS, the establishment of a primary systems integrator with SITA and the completion of certain public private partnership (PPP) arrangements to share financial and technical risk. Provision has been made in the 2006 Medium Term Expenditure Framework for such additional expenditure.

#### **7.6 2010 World Cup**

To ensure that Governments 2010 World Cup role is fulfilled, the National Treasury has created a specialist 2010 World Cup Unit in the Public Finance Division. The Unit will work closely with the 2010 Unit in the Department of Sport and Recreation to ensure a successful event and will, amongst others:



## NATIONAL TREASURY VOTE 8

### REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2006

- Coordinate key tasks and activities that departments, provinces and municipalities must perform to ensure that essential 2010 World Cup projects are well defined, funded and implemented; and
- Perform certain key finance and budget related activities to ensure that adequate resources are made available for departments, provinces and municipalities to meet their guarantees and other targeted 2010 World Cup projects/obligations which include physical infrastructure for the events, transport infrastructure for the event and for access to tourism sites, provision of specific services (e.g. visas, work permits, communications etc), health and security services and general issues such as support to the tourism and hospitality industry.

#### 8. Asset management

The National Treasury developed an in-house Asset Register during 2002. From the establishment of the register and to ensure that the Department meets all prescribed requirements, the asset management function within the Department has been an ongoing project for the past four years. A dedicated Asset Management Unit was established during 2004 to manage and administer the Department's assets.

Since the establishment of the Unit, significant progress has been made to enhance and improve all functional areas of asset management in National Treasury. During the period under review:

- Functionality of the register have been reviewed to meet those minimum requirements, as prescribed by the Office of the Accountant-General;
- Asset management policies and procedures have been developed;
- A financial value has been assigned to all assets;
- Asset verification has been conducted at all four National Treasury sites; and
- Redundant or obsolete assets have been disposed off in line with the Department's Disposal Policy.

Initiatives by the Office of the Accountant-General to strengthen the understanding of concepts around Asset Management included, but are not limited to; the revision of the Asset Management Framework, developing a practical learner's guide, rolling out training across the country and developing a case study based on challenges facing departments. During March 2006, the case study material was presented to provincial asset management support units and to asset management teams of all national departments. Participants were trained on the generic case study which took the form of activities whereby



## NATIONAL TREASURY VOTE 8

### REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2006

asset personnel were required to analyse situations faced by asset personnel and to provide solutions thereto.

Despite the aforementioned initiatives, departments still appear to experience difficulties with implementation of sound asset management to the extent that the Auditor-General has raised concerns.

#### 9. Events after the reporting date

Payments to the value of **R77,7 million** (2004/05 R146 million) were processed during April and May 2006, which relate to the 2005/06 financial year. These payments have not been included in the annual financial statements for the 2005/06 financial year, which were prepared on the modified cash basis of accounting. Refer to Note 21.

#### 10. Performance information

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

#### 11. Scopa resolutions

There were no new SCOPA resolutions relating to National Treasury from the 2004/05 financial year.

#### 12. Acknowledgements

I would like to express my sincere appreciation to all the members of staff for their continuous dedication, commitment and hard work in ensuring that the mandate of the National Treasury is properly executed.

Approval

The annual financial statements set out on pages 97 to 181 are hereby approved on behalf of the Department.

**LESETJA KGANYAGO**  
**DIRECTOR-GENERAL**  
**DATE:**



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

# REPORT OF THE AUDITOR-GENERAL

on the  
**Annual Financial Statements of the  
National Treasury**  
for  
**the year ended 31 March 2006**



**Published by Authority**





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

### **TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF VOTE 8 - NATIONAL TREASURY**

**for the year ended 31 March 2006**

#### **1. AUDIT ASSIGNMENT**

The financial statements as set out on pages 97 to 181, for the year ended 31 March 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996, read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004). These financial statements are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

#### **2. SCOPE**

The audit was conducted in accordance with the International Standards on Auditing read with General Notice 544 of 2006, issued in Government Gazette no. 28723 of 10 April 2006 and General Notice 808 of 2006, issued in Government Gazette no. 28954 of 23 June 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

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

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

#### **3. BASIS OF ACCOUNTING**

The department's policy is to prepare financial statements on the modified cash basis of accounting determined by the National Treasury, as described in note 1 to the financial statements.

#### **4. AUDIT OPINION**

In my opinion, the financial statements present fairly, in all material respects, the financial position of National Treasury at 31 March 2006 and the results of its operations and its cash flows for the year then ended, in accordance with the modified cash basis of accounting determined by the National Treasury of South Africa, as described in note 1 to the financial statements, and in the manner



## REPORT OF THE AUDITOR-GENERAL

### TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF VOTE 8 - NATIONAL TREASURY (CONTINUED) for the year ended 31 March 2006

required by the Public Finance Management Act, 1999 (Act No.1 of 1999) (PFMA).

#### 5. EMPHASIS OF MATTER

Without qualifying the audit opinion, attention is drawn to the following matters:

#### PERFORMANCE INFORMATION REPORTED ON SERVICE DELIVERY AND OBJECTIVES

I have reviewed the report on performance against predetermined objectives as presented on pages 14 to 72 note hereunder my observations during the current audit cycle on certain of the matters reported which have impacted on the audits I conducted both at National and Provincial level. My observations are set out per programme and sub-programme.

#### PROGRAMME 4: FINANCIAL MANAGEMENT AND SYSTEMS

##### Supply chain management

Certain transversal contracts entered into for the leasing of equipment fulfil the criteria for classification as a finance lease in terms of Treasury Regulations (TR) 13.2 and 32.2. These contracts were not approved as required by section 66 of the PFMA, TR13.2 or TR 32.2. This resulted in many departments and public entities incurring irregular expenditure as defined in the PFMA.

#### 6. CAPITAL ASSETS OF NATIONAL AND PROVINCIAL DEPARTMENTS

The opening balances of capital assets for National and Provincial Departments as required to be disclosed on Annexures 4 and 5 of the Specimen Annual Financial Statements for National and Provincial Departments have not been audited because of the timing of guidance from National Treasury relating to the treatment, valuation and disclosure of these assets. For more detail on this issue I draw your attention to page 91 to 92 of the Accounting Officer's Report.



## REPORT OF THE AUDITOR-GENERAL

### TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF VOTE 8 - NATIONAL TREASURY for the year ended 31 March 2006

#### 7. SPECIAL PENSIONS BOARD

In terms of section 7 of the Special Pensions Act, 1996 (Act No. 69 of 1996) the Special Pensions Board determines who qualifies for benefits and what benefits they qualify for. However, in terms of section 9 of the said Act, the National Treasury is responsible for payment of benefits to beneficiaries who qualify in terms of the said Act. These payments amounted to R251 232 000 during the year under review (2005: R269 191 000).

The Special Pensions Board is the accounting authority and is therefore audited separately from the National Treasury. The validity of said amounts was therefore established during the audit of the annual financial statements of the Special Pensions Board and reported on separately.

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

#### 8. APPRECIATION

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

*Shauket Fakie*

**Auditor-General**

**Pretoria**

**31 July 2005**



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



## NATIONAL TREASURY VOTE 8

### ACCOUNTING POLICIES for the year ended 31 March 2006

The annual 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 annual financial statements and to comply with the statutory requirements of the Public Finance Management Act (1 of 1999) (as amended by Act 29 of 1999), the Treasury Regulations issued in terms of the Act and the Division of Revenue Act (1 of 2005).

#### **1. Presentation of the annual financial statements**

##### **1.1 Basis of preparation**

The annual 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.

A comparison between actual and budgeted amounts per major classification of expenditure is included in the appropriation statement.



## NATIONAL TREASURY VOTE 8

### ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 March 2006

## **2. Revenue**

### **2.1 Appropriated funds**

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

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

### **2.2 Departmental revenue**

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

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

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

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

Fines, penalties and forfeits are compulsory unrequited amounts, which were imposed by a court or quasi-judicial body and collected by the Department. Revenue arising from fines, penalties and forfeits is recognised in the Statement of Financial Performance when the cash is received.

#### **2.2.3 Interest and dividends**

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



## NATIONAL TREASURY VOTE 8

### ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2006

#### 2.2.4 Sale of capital assets

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

#### 2.2.5 Financial transactions in assets and liabilities

Repayments of loans and advances, previously extended to employees and public corporations for policy purposes are recognised as revenue in the Statement of Financial Performance on receipt of the funds. Amounts receivable at the reporting date are disclosed as part of the disclosure notes to the annual financial statements.

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

#### 2.2.6 Gifts, donations and sponsorships

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

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

#### 2.3 Local and foreign aid assistance

Local and foreign aid assistance is recognised in the financial records when notification of the donation is received from the National Treasury or when the Department directly receives the cash from the donor(s). The total cash amount received during the year is reflected in the Statement of Financial Performance as revenue.

All in-kind local and foreign aid assistance are disclosed at fair value in the annexures to the annual financial statements

The cash payments made during the year relating to local and foreign aid



## NATIONAL TREASURY VOTE 8

### ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2006

assistance projects are recognised as expenditure in the Statement of Financial Performance. A receivable is recognised in the Statement of Financial Position to the value amounts expensed prior to the receipt of the funds.

A payable is raised in the Statement of Financial Position where amounts have been inappropriately expensed using local and foreign aid assistance. Unutilised amounts are recognised in the Statement of Financial Position.

### **3. Expenditure**

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

Salaries and wages comprise payments to employees. Salaries and wages 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 expenditure is classified as capital where the employees were involved, on a full time basis, in capital projects during the financial year. Capitalised compensation forms part of one or all of the expenditure for capital assets categories in the Statement of Financial Performance.

All other payments are classified as current expense.

Social contributions include the entities' contribution to social insurance schemes paid on behalf of the employee. Social contributions are recognised as an expense in the Statement of Financial Performance when the final authorisation for payment is effected on the system.

##### **3.1.1 Short term employee benefits**

Short-term employee benefits comprise of leave entitlements, thirteenth cheques and performance bonuses. The cost of short-term employee benefits is expensed as salaries and wages in the Statement of Financial Performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

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





## NATIONAL TREASURY VOTE 8

### ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2006

#### 3.1.2 Long-term employee benefits

##### 3.1.2.1 Termination benefits

Termination benefits such as severance packages are recognised as an expense in the Statement of Financial Performance as a transfer when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

##### 3.1.2.2 Post employment retirement benefits

The Department provides medical benefits for certain of its employees. Employer contributions to the medical funds are expensed when the final authorisation for payment to the fund is effected on the system (by no later than 31 March of each year).

#### 3.2 Goods and services

Payments made 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 services were used on a capital project.

#### 3.3 Financial transactions in assets and liabilities

Debts are written off when identified as irrecoverable. Debts written off are limited to the amount of savings and/or under spending of appropriated funds. The write off occurs at year-end or when funds are available.

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

#### 3.4 Unauthorised expenditure

When discovered, unauthorised expenditure is recognised as an asset in the Statement of Financial Position until such time the expenditure is approved by Parliament, recovered or written off as irrecoverable.

Unauthorised expenditure approved with funding is recognised in the Statement of Financial Performance when the unauthorised expenditure is approved and the related funds are received. Where the amount is approved



## NATIONAL TREASURY VOTE 8

### ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2006

without funding it is recognised as expenditure, subject to availability of savings, in the Statement of Financial Performance on the date of approval.

Where unauthorised expenditure is not approved it is recovered from the responsible person. The amount received is recorded as departmental revenue in the Statement of Financial Position when received.

#### **3.5 Fruitless and wasteful expenditure**

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

The amount recovered from the responsible person is recorded as departmental revenue in the Statement of Financial Performance when the funds are received.

#### **3.6 Irregular expenditure**

Irregular expenditure is recognised as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by National Treasury, it is treated as a current asset until it is recovered or written off as irrecoverable.

The amount recovered from the responsible person is recorded as revenue in the Statement of Financial Performance when the funds are received.

#### **3.7 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).

#### **3.8 Expenditure for capital assets**

Payments made for capital assets 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).



## NATIONAL TREASURY VOTE 8

### ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2006

#### 4. Assets

##### 4.1 Cash and cash equivalents

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

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

##### 4.2 Prepayments and advances

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

##### 4.3 Receivables

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

Revenue receivable not yet collected is included in the disclosure notes. Amounts that are potentially irrecoverable are disclosed as part of the disclosure notes to the annual financial statements.

##### 4.4 Investments

Capitalised investments are shown at cost in the Statement of Financial Position. Any cash flows such as dividends received or proceeds from the sale of the investment are recognised in the Statement of Financial Performance. Any impairment is disclosed as part of the disclosure notes to the annual financial statements.

##### 4.5 Inventory

Inventories on hand at the reporting date are disclosed at cost in the disclosure notes to the annual financial statements.

##### 4.6 Asset Registers

Assets are recorded in an asset register, at cost, on receipt of the item. Cost of an asset is defined as the total cost of acquisition. Assets procured in previous



## NATIONAL TREASURY VOTE 8

### ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2006

financial periods, may be stated at fair value, where determinable, or R1, in instances where the original cost of acquisition or fair value cannot be established. No revaluation or impairment of assets is currently recognised in the asset register.

Annexure 4 and 5 of the disclosure notes, reflect the total movement in the asset register of assets with a cost equal to and exceeding R5000 (therefore capital assets only) for the current financial year. The movement is reflected at the cost as recorded in the asset register and not the carrying value, as depreciation is not recognised in the financial statements under the modified cash basis of accounting. The opening balance as reflected on Annexure 4 and 5 will include items procured in prior accounting periods and the closing balance will represent the total cost of capital assets on hand.

#### **5. Liabilities**

##### **5.1 Payables**

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

##### **5.2 Lease commitments**

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

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

##### **5.3 Accruals**

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



## NATIONAL TREASURY VOTE 8

### ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2006

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

#### 5.4 Contingent liabilities

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

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

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

Contingent liabilities are disclosed as part of the disclosure notes to the annual financial statements.

#### 5.5 Commitments

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

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

### 6. Net assets

#### 6.1 Capitalisation reserve

The capitalisation reserve comprises of financial assets and/or liabilities originating in a prior reporting period but which are recognised in the statement of financial position for the first time in the current reporting period. Amounts are transferred to the National Revenue Fund on disposal, repayment or recovery of such amounts.



## NATIONAL TREASURY VOTE 8

### ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2006

#### 6.2 Recoverable revenue

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

#### 7. Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Department. Senior management includes the Minister and Deputy Minister responsible for the Department, the Director-General, the Deputy Directors-General, the Chief Financial Officer and any key advisors.

Compensation paid to key management personnel including their family members where relevant, are disclosed as part of the disclosure notes to the annual financial statements.

## APPROPRIATION STATEMENT

[illegible]



## NATIONAL TREASURY VOTE 8

Economic classification	Appropriation per economic classification								
	2005/06					Expenditure as % of final appropriation	Final appropriation	Actual expenditure	
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure				
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payment</b>									
Compensation of employees	1,536,489	(10,141)	-	1,526,348	1,456,217	70,131	95.4	1,477,988	1,362,273
Goods and services	438,451	9,847	(5,300)	442,998	381,644	61,354	86.2	530,474	336,296
Financial transactions in assets and liabilities	-	-	-	-	8,035	(8,035)	-	-	615
<b>Transfers and subsidies</b>									
Provinces and municipalities	4,280,124	32	-	4,280,156	3,438,462	841,694	80.3	3,934,856	3,934,753
Departmental agencies and accounts	6,652,817	25	-	6,652,842	6,652,130	712	100.0	6,782,406	6,773,404
Universities and technikons	5,000	-	-	5,000	814	4,186	16.3	795	795
Foreign governments and international organisations	443,896	-	-	443,896	371,235	72,661	83.6	462,046	366,907
Public corporations and private enterprises	50,500	25	5,300	55,825	5,824	50,001	10.4	40,001	-
Non-profit institutions	58	-	-	58	58	-	100.0	56	56
Households	743,699	-	-	743,699	725,519	18,180	97.6	759,930	704,821
<b>Payments for capital assets</b>									
Machinery and equipment	20,460	-	-	20,460	16,482	3,978	80.6	20,638	8,378
Software and other intangible assets	1,301	212	-	1,513	1,051	462	69.5	12,726	1,606
<b>Total annual appropriation per economic classification</b>	<b>14,172,795</b>	<b>-</b>	<b>-</b>	<b>14,172,795</b>	<b>13,057,471</b>	<b>1,115,324</b>	<b>92.1</b>	<b>14,021,916</b>	<b>13,489,904</b>

# NATIONAL TREASURY VOTE 8

## APPROPRIATION STATEMENT - DETAIL PER PROGRAMME 1: ADMINISTRATION

for the year ended 31 March 2006

Programme per subprogramme	2005/06						2004/05		
	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 Minister									
Current payment	837	-	-	837	833	4	99.5	793	791
1.2 Deputy Minister									
Current payment	680	-	-	680	677	3	99.6	626	625
1.3 Management									
Current payment	22,768	3,586	(3,882)	22,472	19,632	2,840	87.4	24,961	13,256
Transfers and subsidies	21	40	-	61	57	4	93.4	29	23
Payment for capital assets	1,427	91	-	1,518	1,454	64	95.8	1,373	917
1.4 Corporate Services									
Current payment	101,021	(3,654)	(5,418)	91,949	88,286	3,663	96.0	92,180	70,254
Transfers and subsidies	317	28	-	345	261	84	75.7	269	255
Payment for capital assets	11,890	(91)	-	11,799	10,081	1,718	85.4	23,367	3,228
Total appropriation per programme	138,961	-	(9,300)	129,661	121,281	8,380	93.5	143,598	89,349

Economic classification	2005/06						2004/05		
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payment</b>									
Compensation of employees	49,416	(1,600)	-	47,816	42,171	5,645	88.2	44,140	36,884
Goods and services	75,890	1,532	(9,300)	68,122	67,030	1,092	98.4	74,420	48,035
Financial transactions in assets and liabilities	-	-	-	-	227	(227)	-	-	7
<b>Transfers and subsidies</b>									
Provinces and municipalities	116	18	-	134	130	4	97.0	131	112
Departmental agencies and accounts	140	25	-	165	164	1	99.4	167	166
Public corporations and private enterprises	-	25	-	25	24	1	96.0	-	-
Households	82	-	-	82	-	82	-	-	-
<b>Payment for capital assets</b>									
Machinery and equipment	12,336	-	-	12,336	10,632	1,704	86.2	12,301	2,804
Software and other intangible assets	981	-	-	981	903	78	92.0	12,439	1,341
<b>Total appropriation per economic classification</b>	<b>138,961</b>	<b>-</b>	<b>(9,300)</b>	<b>129,661</b>	<b>121,281</b>	<b>8,380</b>	<b>93.5</b>	<b>143,598</b>	<b>89,349</b>

# NATIONAL TREASURY VOTE 8

## APPROPRIATION STATEMENT - DETAIL PER PROGRAMME 2: ECONOMIC PLANNING AND BUDGET MANAGEMENT for the year ended 31 March 2006

Programme per subprogramme	2005/06					2004/05			
	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
2.1 Public Finance Current payment Transfers and subsidies Payment for capital assets 2.2 Budget Coordination Current payment Transfers and subsidies Payment for capital assets 2.3 Intergovernmental relations Current payment Transfers and subsidies Payment for capital assets 2.4 Economic Policy Current payment Transfers and subsidies Payment for capital assets Total appropriation per programme	30,223	3,134	-	33,357	33,032	325	99.0	35,426	33,991
	5,587	(4)	-	5,583	1,390	4,193	24.9	866	859
	354	(31)	-	323	300	23	92.9	507	504
	33,669	4,923	-	38,592	37,841	751	98.1	37,029	32,947
	6,069	3	-	6,072	6,066	6	99.9	6,051	6,050
	727	62	-	789	753	36	95.4	1,010	1,001
	51,754	(7,961)	-	43,793	42,282	1,511	96.5	27,788	23,507
	60	-	-	60	57	3	95.0	45	45
	270	(11)	-	259	242	17	93.4	519	482
	40,489	(96)	6,100	46,493	45,985	508	98.9	40,365	35,129
78	1	5,300	5,379	5,375	4	99.9	74	65	
669	(20)	-	649	638	11	98.3	1,184	1,154	
169,949	-	11,400	181,349	173,961	7,388	95.9	150,864	135,734	
Economic classification	2005/06					2004/05			
	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
	96,227	(4,400)	-	91,827	89,905	1,922	97.9	79,683	73,642
	59,908	4,400	6,100	70,408	69,225	1,183	98.3	60,925	51,928
	-	-	-	-	10	(10)	-	-	4
	294	-	-	294	274	20	93.2	241	224
	6,000	-	-	6,000	6,000	-	100.0	6,000	6,000
	5,000	-	-	5,000	814	4,186	16.3	795	795
	500	-	5,300	5,800	5,800	-	100.0	-	-
1,946	-	-	1,946	1,898	48	97.5	3,119	3,044	
74	-	-	74	35	39	47.3	101	97	
Total appropriation per economic classification	169,949	-	11,400	181,349	173,961	7,388	95.9	150,864	135,734

# NATIONAL TREASURY VOTE 8

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

for the year ended 31 March 2006

Programme per subprogramme	2005/06					2004/05			
	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
3.1 Management	7,417	(3,394)	-	4,023	3,926	97	97.6	11,331	2,982
	3	-	-	3	3	-	100.0	4	3
	100	(51)	-	49	32	17	65.3	100	23
3.2 Asset Management	4,447	1,564	-	6,011	6,002	9	99.9	20,573	5,614
	15	-	-	15	15	-	100.0	13	13
	-	-	-	-	-	-	-	8	7
3.3 Liability Management	6,130	1,601	-	7,731	7,701	30	99.6	8,525	7,451
	11	7	-	18	18	-	100.0	15	15
	-	236	-	236	228	8	96.6	-	-
3.4 Financial Operations	6,960	(222)	-	6,738	6,588	150	97.8	7,581	6,208
	11	7	-	18	18	-	100.0	16	15
	1,000	(185)	-	815	566	249	69.4	1,438	850
3.5 Strategic and Risk Management	4,736	417	-	5,153	5,038	115	97.8	4,264	3,071
	13	-	-	13	12	1	92.3	8	8
	-	20	-	20	15	5	75.0	-	-
Total appropriation per programme	30,843	-	-	30,843	30,162	681	97.8	53,876	26,260

Economic classification	2005/06						2004/05		
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payment</b>									
Compensation of employees	22 186	-	-	22 186	21 865	321	98.6	20 074	17 658
Goods and services	7 504	(34)	-	7 470	7 389	81	98.9	32 200	7 668
Financial transactions in assets and liabilities	-	-	-	-	1	(1)	-	-	-
<b>Transfers and subsidies</b>									
Provinces and municipalities	53	14	-	67	66	1	98.5	56	54
<b>Payment for capital assets</b>									
Machinery and equipment	1 100	-	-	1 100	826	274	75.1	1 534	869
Software and other intangible assets	-	20	-	20	15	5	75.0	12	11
<b>Total appropriation per economic classification</b>	<b>30 843</b>	<b>-</b>	<b>-</b>	<b>30 843</b>	<b>30 162</b>	<b>681</b>	<b>97.8</b>	<b>53 876</b>	<b>26 260</b>

# NATIONAL TREASURY VOTE 8

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

for the year ended 31 March 2006

Programme per subprogramme	2005/06					2004/05			
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>4.1 Management</b>									
Current payment	1,194	68	-	1,262	1,069	193	84.7	1,267	1,149
Transfers and subsidies	3	-	-	3	3	-	100.0	3	2
Payment for capital assets	34	11	-	45	44	1	97.8	13	-
<b>4.2 Supply Chain Management</b>									
Current payment	34,164	(60)	-	34,104	27,361	6,743	80.2	37,256	30,399
Transfers and subsidies	37	6	-	43	41	2	95.3	31	31
Payment for capital assets	627	5	-	632	378	254	59.8	677	137
<b>4.3 PFMA Implementation</b>									
Current payment	14,306	20	-	14,326	13,319	1,007	93.0	15,778	5,245
Transfers and subsidies	6	-	-	6	6	-	100.0	5	5
Payment for capital assets	15	-	-	15	-	15	-	-	-
<b>4.4 Financial Systems</b>									
Current payment	243,183	(220)	(2,100)	240,863	194,586	46,277	80.8	294,583	188,561
Transfers and subsidies	48	(6)	-	42	37	5	88.1	70	33
Payment for capital assets	2,659	176	-	2,835	2,337	498	82.4	2,047	854
<b>Total appropriation per programme</b>	<b>296,276</b>	<b>-</b>	<b>(2,100)</b>	<b>294,176</b>	<b>239,181</b>	<b>54,995</b>	<b>81.3</b>	<b>351,730</b>	<b>226,416</b>

Economic classification	2005/06					2004/05			
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payment</b>									
Compensation of employees	31,200	-	-	31,200	28,141	3,059	90.2	37,603	23,487
Goods and services	261,647	(192)	(2,100)	259,355	208,185	51,170	80.3	311,281	201,867
Financial transactions in assets and liabilities	-	-	-	-	9	(9)	-	-	-
<b>Transfers and subsidies</b>									
Provinces and municipalities	94	-	-	94	87	7	92.6	109	71
<b>Payment for capital assets</b>									
Machinery and equipment	3,089	-	-	3,089	2,661	428	86.1	2,563	834
Software and other intangible assets	246	192	-	438	98	340	22.4	174	157
<b>Total appropriation per economic classification</b>	<b>296,276</b>	<b>-</b>	<b>(2,100)</b>	<b>294,176</b>	<b>239,181</b>	<b>54,995</b>	<b>81.3</b>	<b>351,730</b>	<b>226,416</b>

**APPROPRIATION STATEMENT - DETAIL PER PROGRAMME 5: FINANCIAL ACCOUNTING AND REPORTING**  
for the year ended 31 March 2006

Programme per subprogramme	2005/06					2004/05			
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>5.1 Financial Reporting for National Accounts</b>									
Current payment	27,309	656	-	27,965	23,092	4,873	82.6	38,885	18,738
Transfers and subsidies	4,774	-	-	4,774	4,773	1	100.0	310	294
Payment for capital assets	1,814	-	-	1,814	437	1,377	24.1	909	619
<b>5.2 Financial Management Improvement</b>									
Current payment	9,576	(786)	-	8,790	6,020	2,770	68.5	8,017	4,208
Transfers and subsidies	13	-	-	13	12	1	92.3	19	8
Payment for capital assets	175	-	-	175	28	147	16.0	212	208
<b>5.3 Investment of Public Monies</b>									
Transfers and subsidies	1	(1)	-	-	-	-	-	-	-
<b>5.4 Service Charges</b>									
Current payment	27	130	-	157	17	140	10.8	160	160
<b>5.5 Audit Statutory Bodies</b>									
Transfers and subsidies	14,300	2	-	14,302	13,591	711	95.0	16,668	7,667
<b>5.6 Contingent Liabilities</b>									
Transfers and subsidies	1	(1)	-	-	-	-	-	-	-
<b>Total appropriation per programme</b>	<b>57,990</b>	<b>-</b>	<b>-</b>	<b>57,990</b>	<b>47,970</b>	<b>10,020</b>	<b>82.7</b>	<b>65,180</b>	<b>31,902</b>

Economic classification	2005/06					2004/05			
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payment</b>									
Compensation of employees	17,495	-	-	17,495	17,353	142	99.2	15,702	10,644
Goods and services	19,417	-	-	19,417	11,776	7,641	60.6	31,360	12,462
<b>Transfers and subsidies</b>									
Provinces and municipalities	54	-	-	54	52	2	96.3	59	32
Departmental agencies and accounts	19,035	-	-	19,035	18,324	711	96.3	16,938	7,937
<b>Payment for capital assets</b>									
Machinery and equipment	1,989	-	-	1,989	465	1,524	23.4	1,121	827
<b>Total appropriation per economic classification</b>	<b>57,990</b>	<b>-</b>	<b>-</b>	<b>57,990</b>	<b>47,970</b>	<b>10,020</b>	<b>82.7</b>	<b>65,180</b>	<b>31,902</b>

# NATIONAL TREASURY VOTE 8

## APPROPRIATION STATEMENT - DETAIL PER PROGRAMME 6: PROVINCIAL AND LOCAL GOVERNMENT TRANSFERS for the year ended 31 March 2006

Programme per subprogramme	2005/06						2004/05		
	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 Conditional Grants to Provinces Transfers and subsidies <sup>1</sup>	3,730,773	-	-	3,730,773	2,984,113	746,660	80.0	3,348,362	3,348,362
6.2 Conditional Grants to Municipalities Transfers and subsidies <sup>2</sup>	548,740	-	-	548,740	453,740	95,000	82.7	585,898	585,898
Total appropriation per programme	4,279,513	-	-	4,279,513	3,437,853	841,660	80.3	3,934,260	3,934,260

Economic classification	2005/06						2004/05		
	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
Transfers and subsidies									
Provinces and municipalities	4,279,513	-	-	4,279,513	3,437,853	841,660	80.3	3,934,260	3,934,260
Total appropriation per economic classification	4,279,513	-	-	4,279,513	3,437,853	841,660	80.3	3,934,260	3,934,260

<sup>1</sup> R746 million withheld due to slow infrastructure spending by some provinces, as well as non-compliance with grant conditions, as set out in the frameworks for the grant gazetted in Government Gazette No 27487 of 14 April 2005

<sup>2</sup> R95 million withheld due to non-compliance with the conditions of the grant, as set out in the agreements, signed and entered into with each municipality



# NATIONAL TREASURY VOTE 8

## APPROPRIATION STATEMENT - DETAIL PER PROGRAMME 7: CIVIL AND MILITARY PENSIONS, CONTRIBUTIONS TO FUNDS AND OTHER BENEFITS for the year ended 31 March 2006

Programme per subprogramme	2005/06					2004/05			
	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
7.1 Civil Pensions and Contributions to Funds									
Current payment	1,332,033	(620)	-	1,331,413	1,279,795	51,618	96.1	1,299,171	1,212,787
Transfers and subsidies	604,661	(5,500)	-	599,161	581,098	18,063	97.0	615,794	569,832
7.2 Military Pensions and Other Benefits									
Current payment	2,017	620	-	2,637	2,814	(177)	106.7	1,903	2,111
Transfers and subsidies	142,094	5,500	-	147,594	147,167	427	99.7	147,098	136,589
Total appropriation per programme	2,080,805	-	-	2,080,805	2,010,874	69,931	96.6	2,063,966	1,921,319

Economic classification	2005/06						2004/05		
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payment</b>									
Compensation of employees	1,319,965	(4,141)	-	1,315,824	1,256,782	59,042	95.5	1,280,786	1,199,958
Goods and services	14,085	4,141	-	18,226	18,039	187	99.0	20,288	14,336
Financial transactions in assets and liabilities	-	-	-	-	7,788	(7,788)	-	-	604
<b>Transfers and subsidies</b>									
Foreign governments and international organisations	3,080	-	-	3,080	2,688	392	87.3	2,906	1,544
Non-profit institutions	58	-	-	58	58	-	100.0	56	56
Households	743,617	-	-	743,617	725,519	18,098	97.6	759,930	704,821
<b>total appropriation per economic classification</b>	<b>2,080,805</b>	<b>-</b>	<b>-</b>	<b>2,080,805</b>	<b>2,010,874</b>	<b>69,931</b>	<b>96.6</b>	<b>2,063,966</b>	<b>1,921,319</b>

# NATIONAL TREASURY VOTE 8

## APPROPRIATION STATEMENT - DETAIL PER PROGRAMME 8: FISCAL TRANSFERS

for the year ended 31 March 2006

Programme per subprogramme	2005/06					2004/05			
	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 Common Monetary Area (CMA) Compensation Transfers and subsidies	276,500	-	-	276,500	244,669	31,831	88.5	263,028	250,987
8.2 Development Bank of Southern Africa (APEX Fund) Transfers and subsidies	50,000	-	-	50,000	-	50,000	-	40,001	-
8.3 World Bank Group Transfers and subsidies	-	-	-	-	-	-	-	1	-
8.4 Highly Indebted Poor Countries Initiative (HIPC) Transfers and subsidies	-	-	-	-	-	-	-	39,505	39,505
8.5 African Development Bank <sup>1</sup> Transfers and subsidies	154,316	-	-	154,316	121,569	32,747	78.8	154,316	72,581
8.6 South African Revenue Service Transfers and subsidies	4,254,302	-	-	4,254,302	4,254,302	-	100.0	4,602,509	4,602,509
8.7 Financial and Fiscal Commission Transfers and subsidies	19,660	-	-	19,660	19,660	-	100.0	17,869	17,869
8.8 Secret Services Transfers and subsidies	2,330,063	-	-	2,330,063	2,330,063	-	100.0	2,117,057	2,117,057
8.9 Financial Intelligence Centre Transfers and subsidies	23,617	-	-	23,617	23,617	-	100.0	21,866	21,866
8.10 Commonwealth Fund for Technical Cooperation Transfers and subsidies	3,000	-	-	3,000	2,309	691	77.0	2,290	2,290
8.11 Global Alliance for Vaccines and Immunisation <sup>2</sup> Transfers and subsidies	7,000	-	-	7,000	-	7,000	-	-	-
Total appropriation per programme	7,118,458	-	-	7,118,458	6,996,189	122,269	98.3	7,258,442	7,124,664

Economic Classification	2005/06						2004/05		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Transfers and subsidies</b>									
Departmental agencies and accounts	6,627,642	-	-	6,627,642	6,627,642	-	100.0	6,759,301	6,759,301
Foreign governments and international organisations	440,816	-	-	440,816	368,547	72,269	83.6	459,140	365,363
Public corporations and private enterprises	50,000	-	-	50,000	-	50,000	-	40,001	-
<b>Total appropriation per economic classification</b>	<b>7,118,458</b>	<b>-</b>	<b>-</b>	<b>7,118,458</b>	<b>6,996,189</b>	<b>122,269</b>	<b>98.3</b>	<b>7,258,442</b>	<b>7,124,664</b>

<sup>1</sup> The amount of R121,5 million to the ADB includes R52 million for SA's share subscriptions, R62 million to increase the acquisition of additional shares in the ADB, to take SA's total ADB shareholding to 4.5 per cent from 4.09 per cent, R111,2 million donor contribution to replenish the African Development Fund (ADF), and a once-off donor payment of R51,6 million to the ADF for the Multilateral Debt-Relief Initiative (MDRI)

<sup>2</sup> SA has committed to contribute US\$1 million per year for 20 years to the International Finance Facility for Immunisation (IFFIm) through GAVI. The first contribution of US\$1 million (maximum R7 million) was budgeted for the last quarter of 2005/06, but is now expected to be paid in early 2006/07

# NOTES TO THE APPROPRIATION STATEMENT

for the year ended 31 March 2006

## 1. Detail of transfers and subsidies as per Appropriation Act (after virement):

Detail of these transactions can be viewed in note 7 (Transfers and subsidies) and Annexure 1 (A-K) to the annual financial statements.

## 2. Detail of specifically and exclusively appropriated amounts voted (after virement):

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

## 3. Detail on financial transactions in assets and liabilities

Detail of these transactions per programme can be viewed in note 6 (Financial transactions in assets and liabilities) to the annual financial statements.

## 4. Explanations of material variances from amounts voted (after virement):

Per programme	Final appropriation R'000	Actual expenditure R'000	Variance R'000	Variance as a % of final appropriation		Explanations of variances
					%	
Programme 1 : Administration	129,661	121,281	8,380	6.46		Underspending of R8,4 million relates to R5,6 million for vacancies, R1 million for business processes mapping and R1,8 million for capital expenditure (office equipment).
Programme 2 : Economic Planning and Budget Management	181,349	173,961	7,388	4.07		Underspending of R7,4 million relates mainly to the delay in transferring R4,2 million to the University of Cape Town for research, R1,2 million for goods and services and R1,9 million for vacancies.
Programme 3 : Asset and Liability Management	30,843	30,162	681	2.21		Underspending is mainly attributable to vacancies and lower-than-anticipated expenditure on the procurement of equipment.
Programme 4 : Financial Management and Systems	294,176	239,181	54,995	18.69		Underspending of R51,2 million relates mainly to delayed approval of the Integrated Financial Management System (IFMS). The remaining R3 million relates to vacancies.
Programme 5 : Financial Accounting and Reporting	57,990	47,970	10,020	17.28		Savings were effected for lower-than-anticipated payments to the African Development Bank (R32,8 million) and R31,8 million for Common Monetary Area (CMA). Transfers of R50 million for APEX Fund were delayed due to slower-than-anticipated take-up, and the R7 million for immunisation for GAVI will be paid in early 2006/07 as the programme was launched towards the end of the financial year.
<b>Subtotal<sup>1</sup></b>	<b>694,019</b>	<b>612,555</b>	<b>81,464</b>			

<sup>1</sup> Includes transfer payments



## NATIONAL TREASURY VOTE 8

# NOTES TO THE APPROPRIATION STATEMENT (CONTINUED)

for the year ended 31 March 2006

### Explanations of material variances from amounts voted (after virement) (continued):

Per programme	Final appropriation R'000	Actual expenditure R'000	Variance R'000	Variance as a % of final appropriation		Explanations of variances
					%	
Programme 6: Provincial and Local Government Transfers	4,279,513	3,437,853	841,660	19.67		Withholding of conditional grants of R841 million was due to R746 million in transfers to provinces as a result of slow spending as well as non-compliance with grant conditions, and R95 million in transfers to municipalities due to non-compliance with grant conditions.
Programme 7: Civil and Military Pensions, Contributions to Funds and Other Benefits	2,080,805	2,010,874	69,931	3.36		Savings of R69, 6 million were mainly due to changes on the method of payment as a result of changes in medical aid schemes legislation.
Programme 8: Fiscal Transfers	7,118,458	6,996,189	122,269	1.72		Savings were due to non-transfer of R33 million for African Development Bank, R32 million for Common Monetary Area (CMA), R50 million for APEX Fund and R7 million for Vaccination Fund.
<b>Subtotal</b>	<b>13,478,776</b>	<b>12,444,916</b>	<b>1,033,860</b>			
<b>Total</b>	<b>14,172,795</b>	<b>13,057,471</b>	<b>1,115,324</b>			



## NATIONAL TREASURY VOTE 8

**NOTES TO THE APPROPRIATION STATEMENT (CONTINUED)**  
**for the year ended 31 March 2006**

Per economic classification	Final appropriation R'000	Actual expenditure R'000	Variance R'000
<b>Current payment</b>	<b>1,969,346</b>	<b>1,845,896</b>	<b>123,450</b>
Compensation of employees	1,526,348	1,456,217	70,131
Goods and services	442,998	381,644	61,354
Financial transactions in assets and liabilities	-	8,035	(8,035)
<b>Transfers and subsidies</b>	<b>12,181,476</b>	<b>11,194,042</b>	<b>987,434</b>
Provinces and municipalities	4,280,156	3,438,462	841,694
Departmental agencies and accounts	6,652,842	6,652,130	712
Universities and technikons	5,000	814	4,186
Public corporations and private enterprises	55,825	5,824	50,001
Foreign governments and international organisations	443,896	371,235	72,661
Non-profit institutions	58	58	-
Households	743,699	725,519	18,180
<b>Payments for capital assets</b>	<b>21,973</b>	<b>17,533</b>	<b>4,440</b>
Machinery and equipment	20,460	16,482	3,978
Software and other intangible assets	1,513	1,051	462
<b>Total per economic classification</b>	<b>14,172,795</b>	<b>13,057,471</b>	<b>1,115,324</b>



## NATIONAL TREASURY VOTE 8

### STATEMENT OF FINANCIAL PERFORMANCE for the year ended 31 March 2006

	Note	2005/06 R'000	2004/05 R'000
<b>REVENUE</b>			
Annual appropriation	1	14,172,795	14,021,916
Departmental revenue	2	5,170,026	1,941,457
Local and foreign aid assistance	3	11,032	9,967
<b>TOTAL REVENUE</b>		<b>19,353,853</b>	<b>15,973,340</b>
<b>EXPENDITURE</b>			
<b>Current expenditure</b>			
Compensation of employees	4	1,456,217	1,362,273
Goods and services	5	381,644	336,296
Financial transactions in assets and liabilities	6	8,035	615
Local and foreign aid assistance	3	10,425	9,459
<b>Total current expenditure</b>		<b>1,856,321</b>	<b>1,708,643</b>
<b>Transfers and subsidies</b>	7	<b>11,194,042</b>	<b>11,780,736</b>
<b>Expenditure for capital assets</b>			
Machinery and equipment	8	16,482	8,378
Software and other intangible assets	8	1,051	1,606
Local and foreign aid assistance	3	78	25
<b>Total expenditure for capital assets</b>		<b>17,611</b>	<b>10,009</b>
<b>TOTAL EXPENDITURE</b>		<b>13,067,974</b>	<b>13,499,388</b>
<b>SURPLUS FOR THE YEAR</b>		<b>6,285,879</b>	<b>2,473,952</b>
<b>Reconciliation of net surplus for the year</b>			
Voted funds	14	1,115,324	532,012
Departmental revenue	15	5,170,026	1,941,457
Local and foreign aid assistance		529	483
<b>SURPLUS FOR THE YEAR</b>		<b>6,285,879</b>	<b>2,473,952</b>



## NATIONAL TREASURY VOTE 8

# STATEMENT OF FINANCIAL POSITION

for the year ended 31 March 2006

	Note	2005/06 R'000	2004/05 R'000
<b>ASSETS</b>			
<b>Current assets</b>		<b>1,258,077</b>	<b>635,855</b>
Unauthorised expenditure	9	167	167
Cash and cash equivalents	10	1,230,510	566,359
Prepayments and advances	11	443	439
Receivables	12	26,957	68,828
Local and foreign aid assistance receivable	3	-	62
<b>Non-current assets</b>		<b>200,001</b>	<b>200,000</b>
Investments	13	200,001	200,000
<b>TOTAL ASSETS</b>		<b>1,458,078</b>	<b>835,855</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>1,258,064</b>	<b>635,848</b>
Voted funds to be surrendered to the National Revenue Fund	14	1,115,324	532,012
Departmental revenue to be surrendered to the National Revenue Fund	15	104,167	31,429
Payables	16	36,555	70,856
Local and foreign aid assistance repayable	3	1,996	163
Local and foreign aid assistance unutilised	3	22	1,388
<b>TOTAL LIABILITIES</b>		<b>1,258,064</b>	<b>635,848</b>
<b>NET ASSETS</b>		<b>200,014</b>	<b>200,007</b>
<b>Represented by:</b>			
Capitalisation reserve		200,001	200,000
Recoverable revenue	13	13	7
<b>TOTAL NET ASSETS</b>		<b>200,014</b>	<b>200,007</b>





## NATIONAL TREASURY VOTE 8

### STATEMENT OF CHANGES IN NET ASSETS for the year ended 31 March 2006

	2005/06 R'000	2004/05 R'000
<b>CAPITALISATION RESERVE</b>		
Opening balance	200,000	200,000
Transfers	1	-
Other movements	1	-
<b>Closing balance capitalisation reserve</b>	<b>200,001</b>	<b>200,000</b>
<b>RECOVERABLE REVENUE</b>		
Opening balance	7	15
Transfers	6	(8)
Debts recovered (included in departmental revenue)	(56)	(27)
Debts raised	62	19
<b>Closing balance recoverable revenue</b>	<b>13</b>	<b>7</b>
<b>TOTAL NET ASSETS</b>	<b>200,014</b>	<b>200,007</b>



## NATIONAL TREASURY VOTE 8

# CASH FLOW STATEMENT

for the year ended 31 March 2006

	Note	2005/06 R'000	2004/05 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts		19,346,424	15,899,876
Annual appropriated funds received	1	14,172,795	14,021,916
Departmental revenue received		5,162,597	1,867,993
Local and foreign aid assistance received	3	11,032	9,967
Net decrease in working capital		7,566	11,098
Surrendered to National Revenue Fund		(5,629,300)	(2,176,497)
Current payments		(1,856,321)	(1,708,643)
Transfers and subsidies paid		(11,194,042)	(11,780,736)
<b>Net cash flow available from operating activities</b>	17	<b>674,327</b>	<b>245,098</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for capital assets		(17,611)	(10,009)
Proceeds from sale of capital assets	2	-	307
Increase in investments		(1)	-
<b>Net cash flows from investing activities</b>		<b>(17,612)</b>	<b>(9,702)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends received		7,429	73,157
Increase/(decrease) in net assets		7	(8)
<b>Net cash flows from financing activities</b>		<b>7,436</b>	<b>73,149</b>
Net increase in cash and cash equivalents		664,151	308,545
Cash and cash equivalents at the beginning of the year		566,359	257,814
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	18	<b>1,230,510</b>	<b>566,359</b>



## NATIONAL TREASURY VOTE 8

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2006

#### 1. Annual appropriation

Included are funds appropriated in terms of the Appropriation Act for national departments (voted funds)

Programme	Final Appropriation R'000	Actual Funds Received R'000	Appropriation received 2004/05 R'000
Administration	129,661	129,661	143,598
Economic Policy and Budget Management	181,349	181,349	150,864
Asset and Liability Management	30,843	30,843	53,876
Financial Management and Systems	294,176	294,176	351,730
Financial Accounting and Reporting	57,990	57,990	65,180
Provincial and Local Government	4,279,513	4,279,513	3,934,260
Civil and Military Pensions, Contributions to Funds and Other Benefits	2,080,805	2,080,805	2,063,966
Fiscal Transfers	7,118,458	7,118,458	7,258,442
<b>Total appropriation</b>	<b>14,172,795</b>	<b>14,172,795</b>	<b>14,021,916</b>

*National Treasury received and transferred all of the equitable share allocations to provinces which amounted to R134,7 billion (2004/05 R164,1 billion)*

#### 2. Departmental revenue to be surrendered to the revenue fund

	Note	2005/06 R'000	2004/05 R'000
Sales of goods and services other than capital assets	2.1	51,130	43,916
Fines, penalties and forfeits		2,650,000	150,000
Interest and dividends	2.2	2,428,979	1,742,186
Sales of capital assets	2.3	-	307
Financial transactions in assets and liabilities	2.4	39,917	5,048
<b>Total departmental revenue collected</b>		<b>5,170,026</b>	<b>1,941,457</b>

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

Sales of goods and services produced by the department	51,125	43,916
Administrative fees	50,915	43,825
Other sales	210	91
Sales of scrap, waste and other used current goods	5	-
<b>Total sales of goods and services other than capital assets</b>	<b>51,130</b>	<b>43,916</b>

##### 2.2 Interest and dividends

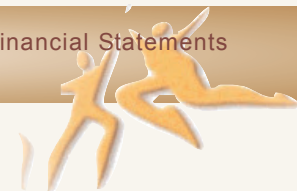
Interest	2,421,550	1,669,029
Dividends	7,429	73,157
<b>Total interest and dividends</b>	<b>2,428,979</b>	<b>1,742,186</b>

##### 2.3 Sale of capital assets

Other capital assets	-	307
<b>Total sale of capital assets</b>	<b>-</b>	<b>307</b>

##### 2.4 Financial transactions in assets and liabilities

<b>Nature of loss recovered</b>		
Loans	-	1,500
Receivables	39,333	2,065
Other receipts	584	1,483
<b>Total financial transactions in assets and liabilities</b>	<b>39,917</b>	<b>5,048</b>



## NATIONAL TREASURY VOTE 8

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2006

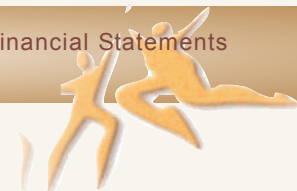
	2005/06 R'000	2004/05 R'000
<b>3. Local and foreign aid assistance</b>		
<b>3.1 Assistance received in cash from RDP</b>		
Opening balance	1,467	1,010
Revenue	11,032	9,937
Expenditure	10,503	9,480
Current	10,425	9,455
Capital	78	25
<b>Closing balance assistance received in cash from RDP</b>	<b>1,996</b>	<b>1,467</b>
<b>3.2 Assistance received in cash - other</b>		
<b>Local</b>		
Opening balance	22	(4)
Revenue	-	30
Expenditure	-	4
Current	-	4
<b>Closing balance assistance received in cash - other</b>	<b>22</b>	<b>22</b>
<b>Total</b>		
Opening balance	1,489	1,006
Revenue	11,032	9,967
Expenditure	10,503	9,484
Current	10,425	9,459
Capital	78	25
<b>Closing balance local and foreign aid assistance</b>	<b>2,018</b>	<b>1,489</b>
<b>Analysis of balance</b>		
Local and foreign aid receivable	-	(62)
Local and foreign aid unutilised	22	1,388
Local and foreign aid payable to RDP fund/donors	1,996	163
<b>Closing balance analysis</b>	<b>2,018</b>	<b>1,489</b>
<b>4. Compensation of employees</b>		
<b>4.1 Salaries and wages</b>		
Basic salary	129,305	105,927
Performance award	12,435	10,099
Service based	3	6
Compensative/circumstantial	9,846	8,660
Periodic payments	-	22
Other non-pensionable allowances	27,052	18,570
<b>Total salaries and wages</b>	<b>178,641</b>	<b>143,284</b>
Average number of employees (Refer to 4.1 and 4.2.1)	697	599
<b>4.2 Social contributions</b>		
<b>4.2.1 Employer contributions</b>		
Pension	14,958	14,284
Medical	5,814	4,729
UIF	1	-
Bargaining council	21	18
<b>Total social contributions</b>	<b>20,794</b>	<b>19,031</b>



## NATIONAL TREASURY VOTE 8

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2006

		2005/06 R'000	2004/05 R'000
<b>4.2.2 Post-retirement benefits</b>			
Medical		1,256,782	1,199,958
<b>Total post-retirement benefits</b>		<b>1,256,782</b>	<b>1,199,958</b>
Average number of pensioners (Refer to 4.2.2)		64 662	100 799
<b>Total compensation of employees</b>		<b>1,456,217</b>	<b>1,362,273</b>
<b>5. Goods and services</b>			
Advertising		3,597	3,040
Attendance fees (including registration fees)		20	47
Bank charges and card fees		114	276
Bursaries (employees)		948	627
Communication		8,013	8,741
Computer services		195,793	189,486
Consultants, contractors and special services		77,449	64,689
Courier and delivery services		222	157
Drivers' licences and permits		-	1
Entertainment		2,049	1,769
External audit fees	5.1	6,358	6,638
Equipment less than R5000		7,069	1,347
Firearm handling fees		1	-
Inventory	5.2	15,722	17,942
Legal fees		3,375	3,199
Maintenance, repairs and running cost		3,126	2,207
Medical services		18	1
Operating leases		1,688	2,380
Personnel agency fees		6,461	6,363
Photographic services		15	16
Plant flowers and other decorations		309	170
Printing and publications		63	319
Professional bodies and membership fees		668	364
Resettlement cost		357	467
Subscriptions		1,204	433
Owned leasehold property expenditure		29	21
Translations and transcriptions		52	9
Travel and subsistence	5.3	23,020	15,716
Venues and facilities		7,369	5,249
Training and staff development		16,535	4,622
<b>Total goods and services</b>		<b>381,644</b>	<b>336,296</b>
<b>5.1 External audit fees</b>			
Regularity audit		5,247	5,934
Transversal systems audit		1,111	704
<b>Total external audit fees</b>		<b>6,358</b>	<b>6,638</b>



## NATIONAL TREASURY VOTE 8

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

### for the year ended 31 March 2006

		2005/06 R'000	2004/05 R'000
<b>5.2 Inventory</b>	<i>Note</i>		
Domestic consumables		648	800
Food and food supplies		345	301
Fuel, oil and gas		107	70
Other consumables		81	131
Parts and other maintenance material		2,179	266
Stationery and printing		12,306	16,093
Restoration and fittings		56	281
<b>Total inventory</b>		<b>15,722</b>	<b>17,942</b>
<b>5.3 Travel and subsistence</b>			
Local		13,367	9,518
Foreign		9,653	6,198
<b>Total travel and subsistence</b>		<b>23,020</b>	<b>15,716</b>
<b>6. Financial transactions in assets and liabilities</b>			
Other material losses written off	6.1	247	5
Debts written off	6.2	7,788	610
<b>Total financial transactions in assets and liabilities</b>		<b>8,035</b>	<b>615</b>
<b>6.1 Other material losses</b>			
Accident damages (departmental vehicles)		203	-
Accident damages (hired vehicles)		19	-
Miscellaneous		25	5
<b>Total other material losses</b>		<b>247</b>	<b>5</b>
<b>6.2 Debts written off</b>			
Nature of debts written off			
Civil and military pensions (bad debts)		7,788	604
Salary overpayments		-	1
Tax debt		-	2
Other		-	3
<b>Total debts written off</b>		<b>7,788</b>	<b>610</b>
<b>7. Transfers and subsidies</b>			
Provinces and municipalities	<i>Annex 1A, 1B &amp; 1C</i>	3,438,462	3,934,753
Departmental agencies and accounts	<i>Annex 1D</i>	6,652,130	6,773,404
Universities and technikons	<i>Annex 1E</i>	814	795
Public corporations and private enterprises	<i>Annex 1F</i>	5,824	-
Foreign governments and international organisations	<i>Annex 1G</i>	371,235	366,907
Non-profit institutions	<i>Annex 1H</i>	58	56
Households	<i>Annex 1I</i>	725,519	704,821
<b>Total transfers and subsidies</b>		<b>11,194,042</b>	<b>11,780,736</b>
<b>8. Expenditure for capital assets</b>			
Machinery and equipment	<i>Annex 4</i>	16,482	8,378
Software and other intangible assets	<i>Annex 5</i>	1,051	168
<b>Total expenditure for capital assets</b>		<b>17,533</b>	<b>8,546</b>

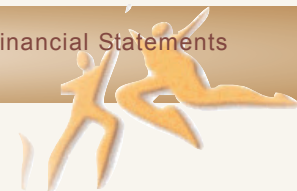


## NATIONAL TREASURY VOTE 8

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2006

		2005/06 R'000	2004/05 R'000			
9.	Unauthorised expenditure					
9.1	Reconciliation of unauthorised expenditure					
	Opening balance	167	167			
	Unauthorised expenditure awaiting authorisation	167	167			
9.2	Analysis of current unauthorised expenditure					
			2005/06 R'000			
	Incident	Disciplinary steps taken / criminal proceedings				
	Consultants (1995/96)	None	69			
	Printing and administrative cost (1998/99)	None	98			
			167			
10.	Cash and cash equivalents	2005/06 R'000	2004/05 R'000			
	Consolidated Paymaster-General account	1,200,874	566,352			
	Cash on hand	7	7			
	Cash with commercial banks	29,629	-			
	Total cash and cash equivalents	1,230,510	566,359			
11.	Prepayments and advances <sup>1</sup>					
	Travel and subsistence	185	83			
	Prepayments	73	356			
	Advances paid to other entities	185	-			
	Total prepayments and advances	443	439			
<sup>1</sup> Due to changes to the disclosure requirements, claims recoverable have been reclassified under receivables (Note 12 below)						
12.	Receivables					
		Less than one year R'000	One to three years R'000	Older than three years R'000	Total 2005/06 R'000	Total 2004/05 R'000
	Note					
	12.1	4,954	7,074	3,351	15,379	6,271
	Households and non-profit institutions					
	12.2	123	86	92	301	246
	Staff debt					
	12.3	245	2	348	595	413
	Other debtors					
	Annex 6	4,675	3,095	2,912	10,682	61,898
	Claims recoverable					
	Total receivables	9,997	10,257	6,703	26,957	68,828
12.1	Households and non-profit institutions					
	Civil and military pensions debt				2,012	782
	Civil and military pensions disallowance				11,696	3,668
	Special pensions disallowance				1,671	1,821
	Total households and non-profit institutions				15,379	6,271
12.2	Staff debt					
	Departmental debt				257	207
	Other staff debt				44	39
	Total staff debt				301	246





## NATIONAL TREASURY VOTE 8

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2006

		2005/06 R'000	2004/05 R'000		
12.3 Other debtors					
Theft and losses		363	393		
Value added tax (SARS)		232	20		
Total other debtors		595	413		
13. Investments (non-current)					
Shares and other equity		200,001	200,000		
Total non-current investments		200,001	200,000		
Shares and other equity (listed at cost)	Note				
Development Bank of South Africa	Annex 2A	200,000	200,000		
Public Investment Corporation Limited	Annex 2A	1	-		
South African Risks Insurance Association (SASRIA)		-	-		
Total non current investments		200,001	200,000		
Analysis of balance					
Opening balance		200,000	200,000		
Non-cash movements		1	-		
Closing balance non current investments		200,001	200,000		
14. Voted funds to be surrendered to the National Revenue Fund					
Opening balance		532,012	244,240		
Transfer from Statement of Financial Performance		1,115,324	532,012		
Paid during the year		(532,012)	(244,240)		
Closing balance voted funds to be surrendered		1,115,324	532,012		
15. Departmental revenue to be surrendered to the National Revenue Fund					
Opening balance		31,429	22,229		
Transfer from Statement of Financial Performance		5,170,026	1,941,457		
Paid during the year		(5,097,288)	(1,932,257)		
Closing balance departmental revenue to be surrendered		104,167	31,429		
16. Payables (current)					
Description	Note	30 Days	30+ Days	Total 2005/06 R'000	Total 2004/05 R'000
Amounts owing to other entities	Annex 7	19,855	-	19,855	64,098
Advances received	16.1	2,404	-	2,404	-
Clearing accounts	16.2	67	-	67	41
Other payables	16.3	4,013	10,216	14,229	6,717
Total payables (current)		26,339	10,216	36,555	70,856
16.1 Advances received					
Licensing (Safetyntet various)				2,404	-
Total advances received				2,404	-



## NATIONAL TREASURY VOTE 8

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2006

	2005/06 R'000	2004/05 R'000
<b>16.2 Clearing accounts</b>		
Income tax	29	11
Pension contribution	-	4
Receivable interest	38	26
<b>Total clearing accounts</b>	<b>67</b>	<b>41</b>
<b>16.3 Other payables</b>		
Recoverable revenue civil and military pensions	9,506	2,156
Recoverable revenue special pensions	711	-
Civil and military pensions	3,032	2,685
Special pensions	944	1,821
Other	36	55
<b>Total other payables</b>	<b>14,229</b>	<b>6,717</b>
<b>17. Net cash flow available from operating activities</b>		
Net surplus as per Statement of Financial Performance	6,285,879	2,473,952
Decrease in current receivables	41,871	754
Increase in prepayments and advances	(4)	(26,462)
(Decrease) / increase in current payables	(34,301)	36,806
Proceeds from sale of capital assets	-	(307)
Surrenders to National Revenue Fund	(5,629,300)	(2,176,497)
Expenditure on capital assets	17,611	10,009
Dividends received	(7,429)	(73,157)
<b>Net cash flow generated by operating activities</b>	<b>674,327</b>	<b>245,098</b>
<b>18. Reconciliation of cash and cash equivalents for cash flow purposes</b>		
Consolidated Paymaster General account	1,200,874	566,352
Cash on hand	7	7
Cash with commercial banks	29,629	-
<b>Total reconciliation of cash and cash equivalents</b>	<b>1,230,510</b>	<b>566,359</b>



## NATIONAL TREASURY VOTE 8

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
(CONTINUED)

for the year ended 31 March 2006

			2005/06 R'000	2004/05 R'000
<b>19. Contingent liabilities</b>				
<b>Liable to</b>	<b>Nature</b>	<b>Note</b>		
Housing loan guarantees	Employees	Annex 3A	854	1,124
Other guarantees	Financial institutions	Annex 3A	16,206,151	16,716,782
Claims against the Department	Tender related claims	Annex 3B	670	-
Other	Various	Annex 3B	1,020,238	1,016,255
<b>Total contingent liabilities</b>			<b>17,227,913</b>	<b>17,734,161</b>
<b>20. Commitments</b>				
<b>Approved and contracted</b>				
Current expenditure			539	7,990
Capital expenditure			689	1,668
<b>Total commitments</b>			<b>1,228</b>	<b>9,658</b>
<b>21. Accruals</b>				
<b>Listed by economic classification</b>	<b>30 Days</b>	<b>30+ Days</b>	<b>Total</b>	<b>Total</b>
Compensation of employees	23,508	7	23,515	84,511
Goods and services	18,257	3,361	21,618	14,088
Transfers and subsidies	2,278	29,863	32,141	47,199
Machinery and equipment	321	67	388	156
<b>Total accruals per economic classification</b>	<b>44,364</b>	<b>33,298</b>	<b>77,662</b>	<b>145,954</b>
<b>Listed by programme level</b>				
Administration			2,218	2,963
Economic Policy and Budget Management			1,742	2,614
Asset and Liability Management			328	137
Financial Management and Systems			15,539	6,878
Financial Accounting and Reporting			680	608
Civil and Military Pensions, Contributions to Funds and Other Benefits			57,155	132,754
<b>Total accruals per programme</b>			<b>77,662</b>	<b>145,954</b>
Confirmed balances with other departments		Annex 7	19,855	64,098
<b>Total confirmed balances</b>			<b>19,855</b>	<b>64,098</b>
<b>22. Employee benefits</b>				
Leave entitlement			4,043	3,759
Thirteenth cheque			4,456	3,720
Performance bonus			13,733	6,515
Capped leave commitments			12,680	12,389
<b>Total employee benefits</b>			<b>34,912</b>	<b>26,383</b>
<b>23. Lease commitments (operating)</b>	<b>Machinery and equipment</b>	<b>Total</b>	<b>Total</b>	
Not later than 1 year	788	788	396	
Later than 1 year and not later than 5 years	478	478	592	
<b>Total present value of operating lease liabilities</b>	<b>1,266</b>	<b>1,266</b>	<b>988</b>	



## NATIONAL TREASURY VOTE 8

### DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2006

		2005/06 R'000	2004/05 R'000
<b>24. Receivables for departmental revenue</b>			
Interest and dividends		79,153	
Financial transactions in assets and liabilities		2,086	
<b>Total receivables for departmental revenue</b>		<b>81,239</b>	
<b>25. Irregular expenditure</b>			
<b>25.1 Reconciliation of irregular expenditure</b>			
Opening balance		176	176
<b>Total irregular expenditure awaiting condonement</b>		<b>176</b>	<b>176</b>
<b>Analysis</b>			
Prior years		176	176
<b>Total analysis</b>		<b>176</b>	<b>176</b>
<b>25.2 Irregular expenditure</b>			
<b>Incident</b>	<b>Disciplinary steps taken/criminal proceedings</b>		
Payment to WEFA	None – pending condonement	41	41
Payment to Deloitte & Touché	None – pending condonement	36	36
Payment to New Africa	None – pending condonement	99	99
		<b>176</b>	<b>176</b>
<b>26. Key management personnel</b>			
<b>Description</b>	<b>Number of individuals</b>		
Political office bearers	2	1,879	1,802
Officials		28,805	23,286
Level 15 to 16	8	6,215	5,703
Level 14	44	22,590	17,583
<b>Total key management personnel</b>		<b>30,684</b>	<b>25,088</b>
<b>27. Provisions and write offs</b>	<i>Note</i>		
Potential irrecoverable debts	27.1	8,346	6,878
Other provisions	27.2	194,937	44,630
<b>Total provisions and write offs</b>		<b>203,283</b>	<b>51,508</b>
<b>27.1 Potential irrecoverable debts</b>		<b>2005/06 R'000</b>	<b>2004/05 R'000</b>
Households and non profit institutions		5,600	4,332
Staff debtors		139	117
Other debtors		40	-
Claims recoverable		2,567	2,429
<b>Total potential irrecoverable debts</b>		<b>8,346</b>	<b>6,878</b>



## NATIONAL TREASURY VOTE 8

**DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**(CONTINUED)**  
**for the year ended 31 March 2006**

<b>27.2 Other provisions</b>	<b>R'000</b>	<b>R'000</b>
Special pensions	39,108	7,439
Medical benefits	-	27,791
Military pensions	923	592
Injury on duty <sup>1</sup>	79,305	4,978
Audit fees <sup>2</sup>	-	3,830
Departmental revenue (refund erroneous receipts)	75,601	-
<b>Total other provisions</b>	<b>194,937</b>	<b>44,630</b>

<sup>1</sup> A court decision has been made stating that post traumatic stress cases are regarded as an occupational injury; therefore a provision has been raised in the current year for possible payouts

<sup>2</sup> To comply with accounting standards, no provision has been made for audit fees



## NATIONAL TREASURY VOTE 8

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2006

### ANNEXURE 1A STATEMENT OF CONDITIONAL GRANTS TO PROVINCES

Name of province	GRANT ALLOCATION			TRANSFER		2004/05 Division of Revenue Act
	Division of Revenue Act	Roll overs	Adjustments	Total available	Actual transfer	
	R'000	R'000	R'000	R'000	R'000	
Eastern Cape	675,330	-	-	675,330	675,330	609,002
Free State	220,921	-	-	220,921	169,556	199,281
Gauteng	369,777	-	-	369,777	92,444	332,292
KwaZulu-Natal	787,803	-	-	787,803	787,803	706,485
Limpopo	660,898	-	-	660,898	342,016	593,328
Mpumalanga	285,533	-	-	285,533	228,427	255,169
Northern Cape	180,529	-	-	180,529	138,555	159,314
North West	321,135	-	-	321,135	321,135	288,366
Western Cape	228,847	-	-	228,847	228,847	205,125
<b>Total conditional grants to provinces <sup>1</sup></b>	<b>3,730,773</b>	<b>-</b>	<b>-</b>	<b>3,730,773</b>	<b>2,984,113</b>	<b>3,348,362</b>

<sup>1</sup> R746 million withheld due to slow infrastructure spending by some provinces, as well as non-compliance with grant conditions, as set out in the frameworks for the grant gazetted

# NATIONAL TREASURY VOTE 8

## ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2006

### ANNEXURE 1B STATEMENT OF CONDITIONAL GRANTS TO MUNICIPALITIES

Name of municipality	GRANT ALLOCATION			TRANSFER		2004/05 Division of Revenue Act
	Division of Revenue Act R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	% of available funds transferred %
Ykheis	250	-	-	250	250	100.0
Aganang	250	-	-	250	250	100.0
Albert Luthuli	250	-	-	250	250	100.0
Alfred Nzo	1,000	-	-	1,000	1,000	100.0
Amajuba	250	-	-	250	250	100.0
Amatole	1,500	-	-	1,500	1,500	100.0
Baviaans	250	-	-	250	250	100.0
Blouberg	250	-	-	250	250	100.0
Blue Crane Route	250	-	-	250	250	100.0
Bohlabela	250	-	-	250	250	100.0
Boland	-	-	-	-	-	-
Buffalo City	37,500	-	-	37,500	37,500	100.0
Cacadu	1,000	-	-	1,000	1,000	100.0
Camdeboo	250	-	-	250	250	100.0
Cape Winelands	2,000	-	-	2,000	2,000	100.0
Cape Town	69,000	-	-	69,000	39,000	56.5
Capricorn	1,000	-	-	1,000	1,000	100.0
Cederberg	250	-	-	250	250	100.0
Chris Hani	1,000	-	-	1,000	1,000	100.0
<b>Subtotal carried forward:</b>	<b>116,500</b>	<b>-</b>	<b>-</b>	<b>116,500</b>	<b>86,500</b>	<b>96,500</b>







## NATIONAL TREASURY VOTE 8

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2006

### ANNEXURE 1B STATEMENT OF CONDITIONAL GRANTS TO MUNICIPALITIES (CONTINUED)

Name of municipality	GRANT ALLOCATION			TRANSFER		2004/05 Division of Revenue Act
	Division of Revenue Act R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	% of available funds transferred %
Subtotal brought forward	116,500	-	-	116,500	86,500	96,500
Dannhauser	250	-	-	250	250	250
Dikgatlong	250	-	-	250	250	250
Dipaleseng	250	-	-	250	250	250
Dr JS Moroka	250	-	-	250	250	250
Drakenstein	2,000	-	-	2,000	2,000	2,000
Eden	1,500	-	-	1,500	1,500	1,500
Edumbe	250	-	-	250	250	250
Ehlanzeni	2,000	-	-	2,000	2,000	2,000
Ekurhuleni	3,000	-	-	3,000	3,000	3,000
Elundini	250	-	-	250	250	250
Emalahleni (Eastern Cape)	250	-	-	250	250	250
Emalahleni (Mpumalanga)	2,000	-	-	2,000	2,000	2,000
Emfuleni	36,000	-	-	36,000	1,000	21,000
Emnambithi/Ladysmith	1,000	-	-	1,000	1,000	1,000
Engcobo	250	-	-	250	250	250
Ethekwini	68,500	-	-	68,500	68,500	53,500
Ezinqolweni	250	-	-	250	250	250
Fetakgomo	250	-	-	250	250	250
<b>Subtotal carried forward:</b>	<b>235,000</b>	<b>-</b>	<b>-</b>	<b>235,000</b>	<b>170,000</b>	<b>185,000</b>

# NATIONAL TREASURY VOTE 8

## ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2006

### ANNEXURE 1B STATEMENT OF CONDITIONAL GRANTS TO MUNICIPALITIES (CONTINUED)

Name of municipality	GRANT ALLOCATION			TRANSFER		
	Division of Revenue Act R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	% of available funds transferred
						Division of Revenue Act R'000
Subtotal brought forward	235,000	-	-	235,000	170,000	185,000
Frances Baard	2,000	-	-	2,000	2,000	2,500
Gamagara	250	-	-	250	250	250
Gariep	250	-	-	250	250	250
George	1,000	-	-	1,000	1,000	1,000
Gert Sibande	1,500	-	-	1,500	1,500	1,500
Govan Mbeki	2,000	-	-	2,000	2,000	2,000
Great Kei	250	-	-	250	250	250
Greater Giyani	250	-	-	250	250	250
Greater Letaba	250	-	-	250	250	250
Greater Marble Hall	250	-	-	250	250	250
Greater Taung	250	-	-	250	250	250
Greater Tubatse	250	-	-	250	250	250
Greater Tzaneen	1,000	-	-	1,000	1,000	1,000
Hantam	250	-	-	250	250	250
Emakhazeni	250	-	-	250	250	250
Hlabisa	250	-	-	250	250	250
Ikwezi	250	-	-	250	250	250
Imbabazane	250	-	-	250	250	250
Impendle	250	-	-	250	250	250
<b>Subtotal carried forward:</b>	<b>246,000</b>	<b>-</b>	<b>-</b>	<b>246,000</b>	<b>181,000</b>	<b>196,500</b>





## NATIONAL TREASURY VOTE 8

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2006

### ANNEXURE 1B STATEMENT OF CONDITIONAL GRANTS TO MUNICIPALITIES (CONTINUED)

Name of municipality	GRANT ALLOCATION			TRANSFER		2004/05 Division of Revenue Act
	Division of Revenue Act R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	% of available funds transferred %
Subtotal brought forward	246,000	-	-	246,000	181,000	196,500
Indaka	250	-	-	250	250	250
Ingwe	250	-	-	250	250	250
Inkwanca	250	-	-	250	250	250
Intsika Yethu	250	-	-	250	250	250
Johannesburg	28,000	-	-	28,000	28,000	43,000
Kagisano	250	-	-	250	250	250
Kay Garib	250	-	-	250	250	250
Kgalagadi	1,000	-	-	1,000	1,000	1,000
Kamiesberg	250	-	-	250	250	250
Kannaland	250	-	-	250	250	250
Kareeberg	250	-	-	250	250	250
Karoo	1,000	-	-	1,000	1,000	1,000
Karoo Hoogland	250	-	-	250	250	250
Kgatelopele	250	-	-	250	250	250
Kgetlengrivier	250	-	-	250	250	250
Khai-Ma	250	-	-	250	250	250
King Sabata Dalindyebo	1,000	-	-	1,000	1,000	1,000
Klerksdorp	1,000	-	-	1,000	1,000	1,750
<b>Subtotal carried forward:</b>	<b>281,250</b>	<b>-</b>	<b>-</b>	<b>281,250</b>	<b>216,250</b>	<b>247,500</b>

# NATIONAL TREASURY VOTE 8

## ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2006

### ANNEXURE 1B STATEMENT OF CONDITIONAL GRANTS TO MUNICIPALITIES (CONTINUED)

Name of municipality	GRANT ALLOCATION			TRANSFER		2004/05 Division of Revenue Act
	Division of Revenue Act R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	% of available funds transferred %
Subtotal brought forward	281,250	-	-	281,250	216,250	247,500
Knysna	1,000	-	-	1,000	1,000	1,000
Kopanong	1,000	-	-	1,000	1,000	1,000
Koukamma	250	-	-	250	250	250
Kwa Sani	250	-	-	250	250	250
Laingsburg	250	-	-	250	250	250
Lejweleputswa	1,000	-	-	1,000	1,000	1,000
Lepelle-Nkumpi	250	-	-	250	250	250
Letsemeng	250	-	-	250	250	250
Mafikeng	1,500	-	-	1,500	1,500	2,750
Mafube	250	-	-	250	250	250
Magareng	250	-	-	250	250	250
Makhado	1,000	-	-	1,000	1,000	1,000
Makhudutamaga	250	-	-	250	250	250
Maletswai	250	-	-	250	250	250
Maluti-A-Phofung	2,000	-	-	2,000	2,000	2,000
Mamusa	250	-	-	250	250	250
Mangaung	12,000	-	-	12,000	2,000	62,000
Mantsope	250	-	-	250	250	250
Maphumulo	250	-	-	250	250	250
<b>Subtotal carried forward:</b>	<b>303,750</b>	<b>-</b>	<b>-</b>	<b>303,750</b>	<b>228,750</b>	<b>321,250</b>





## NATIONAL TREASURY VOTE 8

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2006

### ANNEXURE 1B STATEMENT OF CONDITIONAL GRANTS TO MUNICIPALITIES (CONTINUED)

Name of municipality	GRANT ALLOCATION			TRANSFER		2004/05 Division of Revenue Act
	Division of Revenue Act R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	% of available funds transferred %
Subtotal brought forward	303,750	-	-	303,750	228,750	321,250
Maruleng	250	-	-	250	250	250
Matatiele	250	-	-	250	250	250
Matjhabeng	2,500	-	-	2,500	2,500	2,500
Mbashe	250	-	-	250	250	250
Mbizana	250	-	-	250	250	250
Mbombela	2,500	-	-	2,500	2,500	2,500
Mbonambi	250	-	-	250	250	250
Metsimaholo	2,000	-	-	2,000	2,000	2,000
Metsweding	250	-	-	250	250	250
Mhlontlo	250	-	-	250	250	250
Mier	250	-	-	250	250	250
Modimolle	250	-	-	250	250	250
Mohokare	250	-	-	250	250	250
Molemole	250	-	-	250	250	250
Molopo	250	-	-	250	250	250
Mookgopong	250	-	-	250	250	250
Mopani	250	-	-	250	250	250
Moretele	250	-	-	250	250	250
Moshaweng	250	-	-	250	250	250
<b>Subtotal carried forward:</b>	<b>314,750</b>	<b>-</b>	<b>-</b>	<b>314,750</b>	<b>239,750</b>	<b>332,250</b>

# NATIONAL TREASURY VOTE 8

## ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2006

### ANNEXURE 1B STATEMENT OF CONDITIONAL GRANTS TO MUNICIPALITIES (CONTINUED)

Name of municipality	GRANT ALLOCATION			TRANSFER		2004/05 Division of Revenue Act
	Division of Revenue Act R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	% of available funds transferred %
Subtotal brought forward	314,750	-	-	314,750	239,750	332,250
Mooi Mpofana	250	-	-	250	250	250
Msinga	250	-	-	250	250	250
Msunduzi	2,500	-	-	2,500	2,500	52,500
Mthonjaneni	250	-	-	250	250	250
Mtubatuba	250	-	-	250	250	250
Musina	250	-	-	250	250	250
Mutale	250	-	-	250	250	250
Naledi	250	-	-	250	250	250
Namakwa	1,000	-	-	1,000	1,000	1,000
Ndwedwe	250	-	-	250	250	250
Nelson Mandela	53,500	-	-	53,500	33,500	41,400
Newcastle	1,000	-	-	1,000	1,000	1,000
Ngqushwa	250	-	-	250	250	250
Nkandla	250	-	-	250	250	250
Mkhambathini	250	-	-	250	250	250
Nokeng Tsa Taemane	250	-	-	250	250	250
Nongoma	250	-	-	250	250	250
Nquthu	250	-	-	250	250	250
Ntbankulu	250	-	-	250	250	250
<b>Subtotal carried forward:</b>	<b>376,500</b>	<b>-</b>	<b>-</b>	<b>376,500</b>	<b>281,500</b>	<b>431,900</b>





## NATIONAL TREASURY VOTE 8

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2006

### ANNEXURE 1B STATEMENT OF CONDITIONAL GRANTS TO MUNICIPALITIES (CONTINUED)

Name of municipality	GRANT ALLOCATION			TRANSFER		2004/05 Division of Revenue Act R'000
	Division of Revenue Act R'000	Roll overs	Adjustments R'000	Total available R'000	Actual transfer R'000	% of available funds transferred %
Subtotal brought forward	376,500	-	-	376,500	281,500	431,900
Ntambanana	250	-	-	250	250	250
Nxuba	250	-	-	250	250	250
Nyandeni	250	-	-	250	250	250
O.R. Tambo	2,500	-	-	2,500	2,500	2,500
Okhahlamba	250	-	-	250	250	250
Overberg	1,500	-	-	1,500	1,500	1,500
Overstrand	1,500	-	-	1,500	1,500	1,500
Phumelela	250	-	-	250	250	250
Polokwane	2,500	-	-	2,500	2,500	2,500
Port St John	250	-	-	250	250	250
Potchefstroom	1,000	-	-	1,000	1,000	2,000
Prince Albert	250	-	-	250	250	250
Qaukeni	250	-	-	250	250	250
Randfontein	1,000	-	-	1,000	1,000	1,000
Ratlou	250	-	-	250	250	250
Renosterberg	250	-	-	250	250	250
Richmond	250	-	-	250	250	250
Richtersveld	250	-	-	250	250	250
Rustenburg	1,000	-	-	1,000	1,000	1,000
<b>Subtotal carried forward:</b>	<b>390,500</b>	<b>-</b>	<b>-</b>	<b>390,500</b>	<b>295,500</b>	<b>446,900</b>



# NATIONAL TREASURY VOTE 8

## ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2006

### ANNEXURE 1B STATEMENT OF CONDITIONAL GRANTS TO MUNICIPALITIES (CONTINUED)

Name of municipality	GRANT ALLOCATION			TRANSFER		2004/05 Division of Revenue Act
	Division of Revenue Act R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	% of available funds transferred %
Subtotal brought forward	390,500	-	-	390,500	295,500	446,900
Sakhisizwe	250	-	-	250	250	250
Senqu	250	-	-	250	250	250
Sentraal Karoo	250	-	-	250	250	250
Sisonke	250	-	-	250	250	250
Siyancuma	250	-	-	250	250	250
Siyanda	1,000	-	-	1,000	1,000	1,000
Siyathemba	250	-	-	250	250	250
Sol Plaatje	2,500	-	-	2,500	2,500	2,500
Southern	1,500	-	-	1,500	1,500	1,500
Stellenbosch	1,000	-	-	1,000	1,000	1,000
Steve Tshwete	1,000	-	-	1,000	1,000	1,000
Sunday's River Valley	250	-	-	250	250	250
Swartland	500	-	-	500	500	500
Swellendam	250	-	-	250	250	250
Thabazimbi	500	-	-	500	500	500
The Big 5 False Bay	250	-	-	250	250	250
Thembelihle	250	-	-	250	250	250
Thulamela	2,000	-	-	2,000	2,000	2,000
Tokologo	250	-	-	250	250	250
<b>Subtotal carried forward:</b>	<b>403,250</b>	<b>-</b>	<b>-</b>	<b>403,250</b>	<b>308,250</b>	<b>459,650</b>



## ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

### for the year ended 31 March 2006

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

National Treasury

# NATIONAL TREASURY VOTE 8

## ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2006

### ANNEXURE 1B STATEMENT OF CONDITIONAL GRANTS TO MUNICIPALITIES (CONTINUED)

Name of municipality	GRANT ALLOCATION			TRANSFER		2004/05 Division of Revenue Act
	Division of Revenue Act R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	% of available funds transferred %
Subtotal brought forward	478,750	-	-	478,750	383,750	521,150
Uthukela	250	-	-	250	250	250
Utrecht	250	-	-	250	250	250
Ventersdorp	250	-	-	250	250	250
Vulamehlo	250	-	-	250	250	250
West Coast	1,000	-	-	1,000	1,000	1,000
Xhariep	250	-	-	250	250	250
Zululand	1,500	-	-	1,500	1,500	1,500
<b>Total conditional grants to municipalities</b>	<b>482,500</b>	<b>-</b>	<b>-</b>	<b>482,500</b>	<b>387,500</b>	<b>524,900</b>
Financial Management Grant (DBSA)	66,240	-	-	66,240	66,240	60,998
<b>Total conditional grants to municipalities<sup>2</sup></b>	<b>548,740</b>	<b>-</b>	<b>-</b>	<b>548,740</b>	<b>453,740</b>	<b>585,898</b>

<sup>2</sup> R95 million withheld due to non-compliance with the conditions of the grant, as set out in the agreements signed and entered into with each municipality



## NATIONAL TREASURY VOTE 8

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2006

### ANNEXURE 1C STATEMENT OF UNCONDITIONAL GRANTS AND TRANSFERS TO MUNICIPALITIES

Name of municipality	GRANT ALLOCATION			TRANSFER		2004/05
	Amount R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	% of available funds transferred %
Tshwane – regional council levy	611	-	32	643	609	94.7
<b>Total unconditional grants and transfers to municipalities</b>	<b>611</b>	<b>-</b>	<b>32</b>	<b>643</b>	<b>609</b>	<b>596</b>

# NATIONAL TREASURY VOTE 8

## ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2006

### ANNEXURE 1D STATEMENT OF TRANSFERS TO DEPARTMENTAL AGENCIES AND ACCOUNTS

Agency / account	Transfer allocation				Transfer		2004/05
	Adjusted appropriation Act	Roll overs	Adjustments	Total available	Actual transfer	% of available funds transferred	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
Accounting Standards Board	4,733	-	-	4,733	4,733	100.0	270
Audit Statutory Bodies	14,300	-	2	14,302	13,591	95.0	7,667
Financial and Fiscal Commission	19,660	-	-	19,660	19,660	100.0	17,869
Financial Intelligence Centre	23,617	-	-	23,617	23,617	100.0	21,866
Project Development Facilities	6,000	-	-	6,000	6,000	100.0	6,000
Secret Service	2,330,063	-	-	2,330,063	2,330,063	100.0	2,117,057
Sectoral Education and Training (SETA)	140	-	25	165	164	99.4	166
South African Revenue Services	4,254,302	-	-	4,254,302	4,254,302	100.0	4,602,509
<b>Total transfers to departmental agencies and accounts</b>	<b>6,652,815</b>	<b>-</b>	<b>27</b>	<b>6,652,842</b>	<b>6,652,130</b>		<b>6,773,404</b>



# NATIONAL TREASURY VOTE 8

## ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2006

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

Name of public corporation / private enterprise	Transfer allocation			Transfer			2004/05
	Adjusted appropriation Act	Roll overs	Adjustments	Total available	Actual transfer	% of available funds transferred	
	R'000	R'000	R'000	R'000	R'000	%	
<b>Public corporations</b>							
Development Bank of Southern Africa	50,000	-	-	50,000	-	-	-
<b>Total public corporations</b>	<b>50,000</b>	<b>-</b>	<b>-</b>	<b>50,000</b>	<b>-</b>		<b>-</b>
<b>Private enterprises</b>							
Centre for Development and Enterprise	500	-	5,300	5,800	5,800	100.0	-
Insurance (departmental vehicles)	-	-	25	25	24	96.0	-
<b>Total private enterprises</b>	<b>500</b>	<b>-</b>	<b>5,325</b>	<b>5,825</b>	<b>5,824</b>		<b>-</b>
<b>Total transfers/subsidies to public corporations and private enterprises</b>	<b>50,500</b>	<b>-</b>	<b>5,325</b>	<b>55,825</b>	<b>5,824</b>		<b>-</b>





## NATIONAL TREASURY VOTE 8

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2006

### ANNEXURE 1G STATEMENT OF TRANSFERS TO FOREIGN GOVERNMENT AND INTERNATIONAL ORGANISATIONS

	Transfer allocation			Transfer		2004/05
	Adjusted appropriation Act	Roll overs	Adjustments	Total available	Actual transfer	
	R'000	R'000	R'000	R'000	R'000	
<b>Foreign government / international organisation</b>						
African Development Bank	154,316	-	-	154,316	121,569	72,580
Commonwealth Fund for Technical Cooperation	3,000	-	-	3,000	2,309	2,290
Lesotho, Namibia and Swaziland	276,500	-	-	276,500	244,669	250,987
South African Contribution to Highly Indebted Poor Countries (HIPC)	-	-	-	-	-	39,505
United Kingdom Tax	3,080	-	-	3,080	2,688	1,545
Global Alliance for Vaccines and Immunisation	7,000	-	-	7,000	-	-
<b>Total transfers to foreign government and international organisations</b>	<b>443,896</b>	<b>-</b>	<b>-</b>	<b>443,896</b>	<b>371,235</b>	<b>366,907</b>

# NATIONAL TREASURY VOTE 8

## ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2006

### ANNEXURE 1H STATEMENT OF TRANSFERS TO NON-PROFIT ORGANISATIONS

	Transfer allocation			Transfer		2004/05 Appropriation Act R'000
	Appropriation Act R'000	Roll overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	
					% of available funds transferred %	
Non-profit organisations						
SA Legion	58	-	-	58	58	56
<b>Total transfers to non-profit organisations</b>	<b>58</b>	<b>-</b>	<b>-</b>	<b>58</b>	<b>58</b>	<b>56</b>



**NATIONAL TREASURY VOTE 8**

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**

for the year ended 31 March 2006

**ANNEXURE 11**

**STATEMENT OF TRANSFERS TO HOUSEHOLDS**

	Transfer allocation				Expenditure		2004/05
	Appropriation Act	Roll overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
Households							
Old age grant	724,117	-	-	724,117	706,090	97.5	693,307
Medical aid ex-servicemen	19,500	-	-	19,500	19,429	99.6	11,514
Severance packages (NTD)	82	-	-	82	-	-	-
Total transfers to households	743,699	-	-	743,699	725,519		704,821

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2006



## ANNEXURE 1J STATEMENT OF LOCAL AND FOREIGN AID ASSISTANCE RECEIVED IN CASH

Name of donor	Purpose	Opening balance R'000	Revenue R'000	Expenditure R'000	Closing balance R'000
<b>Local</b>					
Departmental Aids programme	Promotion of departmental HIV and Aids awareness	22	-	-	22
<b>Total local aid assistance received in cash</b>		<b>22</b>	<b>-</b>	<b>-</b>	<b>22</b>
<b>Foreign</b>					
Financial Management Improvement	Assist with raising government's financial management performance and to accomplish this on a sustainable basis	986	4,141	5,127	-
International Development Cooperation Support Programme	Strengthening government's capacity in coordinating and managing donor assistance to South Africa, in line with South Africa's development priorities	380	1,975	1,821	534
Japan Development Corporation Information System	To establish and operationalise a management information system for development assistance to South Africa	7	132	77	62
African Budget Reform Seminar	Financing of the Annual Budget Reform Seminar	156	-	25	131
Technical Assistance Unit	To facilitate the more rapid and effective delivery of the Reconstruction and Development Programme government and donor projects, through the implementation of effective project management structures, procedures and adequate monitoring in key departments by the technical assistance team	(62)	4,000	3,242	696
Collaborative African Budget Reform Initiative	Financing of the Annual Budget Reform Seminar	-	784	211	573
<b>Total foreign aid assistance received in cash</b>		<b>1467</b>	<b>11,032</b>	<b>10,503</b>	<b>1,996</b>
<b>Total local and foreign aid assistance received in cash</b>		<b>1,489</b>	<b>11,032</b>	<b>10,503</b>	<b>2,018</b>



## NATIONAL TREASURY VOTE 8

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2006

### ANNEXURE 1J (CONTINUED) STATEMENT OF LOCAL AND FOREIGN AID ASSISTANCE RECEIVED IN KIND

Name of donor	Purpose	2005/06	2004/05
		R'000	R'000
Department for International Development (DFID)	Support for the implementation of MFMA	1,000	1,000
DFID	Study on Regulatory Impact Analysis (Economic Services)	-	1,000
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	Technical advisor to support the implementation of MFMA	4,100	2,500
UNDP (Sustainable Human Development Facility)	Technical assistance to IDC	720	136,400
USAID	Support for the implementation of MFMA	2,000	3,000
USAID (Chemonics)	Funding to the PPP Unit within the National Treasury	3,258	2,564
USAID (MESPI)	Study aid for students completing identified fields in economics	215	-
USAID	SEGAMESP – fiscal incidence study	-	919
USAID (MESPI)	Study aid for students completing identified fields in economics	1,005	-
USAID (MFR)	Technical expertise to assist in the development of new data systems, monitoring and evaluation procedures, and educational material	2,561	-
USAID and DFID	Evaluation of the impact of various welfare programs to initiate a baseline study of the primary school feeding scheme; and to project future expenditure on social grants.	4,814	-
USAID (US Treasury)	Temporary placement of US Treasury officials at the National to support efforts to formulate and coordinate growth-promoting economic policies	1,600	-
USAID (UWC)	Support to think tanks involved in economic and policy research and Training Research Unit at UWC	147	-
<b>Total local and foreign aid assistance received in kind</b>		<b>21,420</b>	<b>147,383</b>

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2006

## ANNEXURE 1K STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS MADE AND REMISSIONS, REFUNDS AND PAYMENTS MADE AS AN ACT OF GRACE FOR THE YEAR ENDED 31 MARCH 2006

Name of beneficiary	Nature of gift, donation or sponsorship	2005/06	2004/05
		R'000	R'000
Employees	Corporate gifts	12	54
<b>Total gifts, donations and sponsorships made</b>		<b>12</b>	<b>54</b>



## NATIONAL TREASURY VOTE 8

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2006

### ANNEXURE 2A STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO ENTITIES AS AT 31 MARCH 2006

Name of public entity	State entity's PFMA schedule type (year end if not 31 March)	% Held 05/06	% Held 04/05	Number of shares held		Cost of investment		Net asset value of investment <sup>1</sup>		Profit/(Loss) for the year <sup>1</sup>		Losses guaranteed
				2005/06	2004/05	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05	Yes/No
Accounting Standards Board	Schedule 3A	-	-	-	-	-	-	-	-	190	174	No
Development Bank of Southern Africa	Schedule 2	100	100	20,000	20,000	200,000	200,000	13,159,872	11,882,123	1,007,003	603,670	No
Financial Intelligence Centre	Schedule 3A	-	-	-	-	-	-	-	-	1,216	10,825	No
Financial Services Board	Schedule 3A	-	-	-	-	-	-	-	-	31,545	13,780	No
Policy Board for Financial Services and Regulations	Not listed	-	-	-	-	-	-	-	-	-	-	No
Independent Regulatory Board for Auditors (Public Accountants and Auditors Board)	Not listed	-	-	-	-	-	-	-	-	(1,516)	2,205	No
Public Investment Corporation Limited	Schedule 3B	100	-	100	-	-	-	93,785	-	(8,138)	6,533	No
South African Revenue Service	Schedule 3A	-	-	-	-	-	-	-	-	(383,063)	(46,178)	No
South African Special Risks Insurance Association (SASRIA)	Schedule 3B (31 December)	100	100	1	1	-	-	1,610,000	1,461,948	150,000	289,361	Yes
Special Pension Board	Not listed	-	-	-	-	-	-	-	-	-	-	No
Unit Trust Advisory Board	Not listed	-	-	-	-	-	-	-	-	-	-	No
<b>Total investments</b>						<b>200,000</b>	<b>200,000</b>	<b>14,863,657</b>	<b>13,344,071</b>	<b>797,237</b>	<b>880,370</b>	

<sup>1</sup> These are preliminary figures and are unaudited

# NATIONAL TREASURY VOTE 8

## ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2006

### ANNEXURE 2B STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO ENTITIES AS AT 31 MARCH 2006

Name of public entity	Nature of business	Cost of investment <sup>1</sup> R'000		Net asset value of investment <sup>1</sup> R'000		Amounts owing to entities R'000		Amounts owing by entities R'000	
		2005/06	2004/05	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05
Accounting Standards Board	Determine standards of generally recognised accounting practice	-	-	-	-	-	-	-	-
Development Bank of Southern Africa	Promote, facilitate and by funding mobilise socioeconomic development in Southern Africa, while promoting efficiency, fairness, transparency and responsibility	200,000	200,000	13,159,872	11,882,123	-	-	-	-
Financial Intelligence Centre	To assist in the identification of the proceeds of unlawful activities and the combating of money laundering activities.	-	-	-	-	-	-	-	-
Financial Services Board	Supervise compliance with laws regulating financial institutions and the provision of financial services and the matters connected therewith.	-	-	-	-	-	-	-	-
Policy Board for Financial Services and Regulations	Advise the Minister on policy matters relating to financial services and financial regulation.	-	-	-	-	-	-	-	-
Independent Regulatory Board for Auditors (Public Accountants and Auditors Board)	Registration of public accountants and auditors and for the regulation of the training of public accountants and auditors.	-	-	-	-	-	-	-	-
Public Investment Corporation Limited	Invests funds on behalf of the South African public sector	-	-	93,785	-	-	-	-	-
<b>Subtotal carried forward</b>		<b>200,000</b>	<b>200,000</b>	<b>13,253,657</b>	<b>11,882,123</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>





## NATIONAL TREASURY VOTE 8

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2006

### ANNEXURE 2B STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO ENTITIES AS AT 31 MARCH 2006 (CONTINUED)

Name of public entity	Nature of business	Cost of investment <sup>1</sup> R'000		Net asset value of investment <sup>1</sup> R'000		Amounts owing to entities R'000		Amounts owing by entities R'000	
		2005/06	2004/05	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05
Subtotal brought forward		200,000	200,000	13,253,657	11,882,123	-	-	-	-
South African Revenue Service	Efficient and effective collection of revenue.	-	-	-	-	-	-	-	-
South African Special Risks Insurance Association (SASRIA)	Short-term industry as regard special risks and to reduce the state's risk exposure.	-	-	1,610,000	1,461,948	-	-	-	-
Special Pensions Board	Review application for benefits in terms of the Special Pensions Act.	-	-	-	-	-	-	-	-
Unit Trust Advisory Committee	Conduct investigations and advise or make recommendations to the register, or make recommendations to the Minister regarding any matter relating to unit trusts, and shall advise the Minister on any such matter referred to the advisory committee by the Minister.	-	-	-	-	-	-	-	-
<b>Total of investments in and amounts owing by/to entities</b>		<b>200,000</b>	<b>200,000</b>	<b>14,863,657</b>	<b>13,344,071</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1</sup> These are preliminary figures and are unaudited

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2006

## ANNEXURE 3A STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2006 – LOCAL

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2005 <sup>2</sup>	Currency revaluation	Guarantees issued during the year	Guarantees released during the year	Closing balance 31 March 2006	Guaranteed interest for the year ended 31 March 2006	Realised losses not recoverable
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Housing guarantees</b>									
ABSA	Employee housing	181	181	-	-	-	181	-	-
First National Bank	Employee housing	241	241	-	-	(51)	190	-	-
Nedbank	Employee housing	307	307	-	-	(63)	244	-	-
Old Mutual	Employee housing	126	126	-	-	(41)	85	-	-
Standard Bank	Employee housing	269	269	-	-	(115)	154	-	-
<b>Total housing guarantees</b>		<b>1,124</b>	<b>1,124</b>	-	-	<b>(270)</b>	<b>854</b>	-	-
<b>Other local guarantees</b>									
Development Bank of Southern Africa	Former Regional Authorities (former Ciskei)	114,406	27,571	-	-	(2,300)	25,271	22,339	-
Development Bank of Southern Africa	Former Regional Authorities (former Transkei)	144,206	24,008	-	-	(13,841)	10,167	995	-
Development Bank of Southern Africa	Former Regional Authorities (former Kwazulu)	226,676	2,972	-	-	(2,207)	765	46	-
Development Bank of Southern Africa	Former Regional Authorities (former Kangwane)	61,176	8,236	-	-	(3,140)	5,096	372	-
Development Bank of Southern Africa	Former Regional Authorities (former Kwandebele)	55,989	16,610	-	-	-	16,610	2,316	-
Development Bank of Southern Africa	Former Regional Authorities (former Bophuthatswana)	291,122	106,010	-	-	(4,544)	101,466	52,143	-
Development Bank of Southern Africa	Former Regional Authorities (former Venda)	98,526	27,789	-	-	(5,060)	22,729	1,687	-
South African Reserve Bank	Saambou Bank Ltd	7,876,000	4,558,233	-	-	(202,292)	4,355,941	-	-
<b>Total other local guarantees</b>		<b>8,868,101</b>	<b>4,771,429</b>	-	-	<b>(233,384)</b>	<b>4,538,045</b>	<b>79,898</b>	-



## NATIONAL TREASURY VOTE 8

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2006

### ANNEXURE 3A STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2006 – FOREIGN

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount <sup>1</sup> R'000	Opening balance 1 April 2005 <sup>2</sup> R'000	Currency revaluation R'000	Guarantees issued during the year R'000	Guarantees released during the year R'000	Closing balance 31 March 2006 R'000	Guaranteed interest for the year ended 31 March 2006 R'000	Realised losses not recoverable R'000
<b>Foreign guarantees</b>									
Development Bank of Southern Africa	Chiao Tung Bank Co. Ltd.	50,527	34,661	(167)	-	(3,833)	30,661	49	-
Development Bank of Southern Africa	Agence Francaise de Développement	114,548	113,729	(7,987)	-	(8,812)	96,930	1,432	-
Development Bank of Southern Africa	Agence Francaise de Développement	171,821	46,202	(3,245)	-	(28,638)	14,319	212	-
Development Bank of Southern Africa	Kreditanstalt für Wiederaufbau	220,899	236,284	(16,593)	-	-	219,691	1,111	-
Development Bank of Southern Africa	African Development Bank	500,000	450,000	-	-	(94,799)	355,201	8,177	-
Development Bank of Southern Africa	African Development Bank	434,350	327,338	(1,575)	-	(43,435)	282,328	4,009	-
Development Bank of Southern Africa	Nordic Investment Bank	62,050	49,880	(240)	-	(6,205)	43,435	343	-
Development Bank of Southern Africa	Nordic Investment Bank	62,050	47,679	(229)	-	(7,300)	40,150	543	-
Development Bank of Southern Africa	Nordic Investment Bank	62,050	55,015	(265)	-	(7,300)	47,450	641	-
Development Bank of Southern Africa	Kreditanstalt für Wiederaufbau	103,726	111,404	(7,823)	-	-	103,581	524	-
Development Bank of Southern Africa	European Investment Bank	200,000	200,000	-	-	-	200,000	15,464	-
Development Bank of Southern Africa	European Investment Bank	100,000	100,000	-	-	-	100,000	11,942	-
Development Bank of Southern Africa	European Investment Bank	100,000	100,000	-	-	-	100,000	1,521	-
Development Bank of Southern Africa	European Investment Bank	99,212	99,691	(480)	-	(9,019)	90,192	154	-
Development Bank of Southern Africa	European Investment Bank	310,250	280,721	(1,351)	-	-	279,370	547	-
Development Bank of Southern Africa	European Investment Bank	50,000	50,000	-	-	-	50,000	4,760	-
Development Bank of Southern Africa	Kreditanstalt für Wiederaufbau	96,050	101,023	(7,094)	-	-	93,929	475	-
Development Bank of Southern Africa	Eurobonds	8,500,000	8,500,000	-	-	-	8,500,000	10,875	-
Development Bank of Southern Africa	European Investment Bank	496,400	389,302	(1,873)	-	-	387,429	840	-
<b>Subtotal carried forward</b>		<b>11,733,933</b>	<b>11,292,929</b>	<b>(48,922)</b>	<b>-</b>	<b>(209,341)</b>	<b>11,034,666</b>	<b>63,619</b>	<b>-</b>

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2006

## ANNEXURE 3A STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2006 – FOREIGN

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount <sup>1</sup>	Opening balance 1 April 2005 <sup>2</sup>	Currency revaluation	Guarantees issued during the year	Guarantees released during the year	Closing balance 31 March 2006	Guaranteed interest for the year ended 31 March 2006	Realised losses not recoverable
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Subtotal brought forward		11,733,933	11,292,929	(48,922)	-	(209,341)	11,034,666	63,619	-
Development Bank of Southern Africa	Agence Francaise de Développement	128,873	92,405	(6,489)	-	(21,479)	64,437	952	-
Development Bank of Southern Africa	Kreditanstalt für Wiederaufbau	109,496	117,767	(8,270)	-	-	109,497	554	-
Development Bank of Southern Africa	African Development Bank	620,500	311,750	(1,500)	-	-	310,250	4,233	-
<b>Total foreign guarantees</b>		<b>12,592,802</b>	<b>11,814,851</b>	<b>(65,181)</b>	<b>-</b>	<b>(230,820)</b>	<b>11,518,850</b>	<b>69,358</b>	<b>-</b>
<b>Total financial guarantees</b>		<b>21,462,027</b>	<b>16,587,404</b>	<b>(65,181)</b>	<b>-</b>	<b>(464,474)</b>	<b>16,057,749</b>	<b>149,256</b>	<b>-</b>

<sup>1</sup> Increases / decreases i.r.o. foreign guarantees due to currency depreciation or appreciation. Other local and foreign guarantee amounts disclosed in this schedule are unaudited

<sup>2</sup> The opening balance on 1 April 2005 excludes accrued interest amounting to R130,5 million



## NATIONAL TREASURY VOTE 8

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2006

### ANNEXURE 3B STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2006

Nature of liability	Opening balance 01/04/2005 R'000	Liabilities incurred during the year R'000	Liabilities paid/cancelled / reduced during the year R'000	Liabilities recoverable R'000	Closing balance 31/03/2006 R'000
<b>Claims against the department</b>					
Tender related claims	-	670	-	-	670
<b>Total claims against the department</b>	-	<b>670</b>	-	-	<b>670</b>
<b>Other liabilities</b>					
Reinsurance Cover (SASRIA)	1,000,000	-	-	-	1,000,000
Outstanding life certificates	16,255	3,983	-	-	20,238
<b>Total other liabilities</b>	<b>1,016,255</b>	<b>3,983</b>	-	-	<b>1,020,238</b>
<b>Total contingent liabilities</b>	<b>1,016,255</b>	<b>4,653</b>	-	-	<b>1,020,908</b>

## NATIONAL TREASURY VOTE 8

**ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
**for the year ended 31 March 2006**
**ANNEXURE 4****CAPITAL TANGIBLE ASSET MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 MARCH 2006**

	Opening balance R'000	Additions R'000	Disposals R'000	Closing balance R'000
<b>Machinery and equipment</b>	55,929	16,482	-	<b>72,411</b>
Transport assets	2,140	1,189	-	<b>3,329</b>
Other machinery and equipment	53,789	15,293	-	<b>69,082</b>
<b>Total capital asset movements</b>	<b>55,929</b>	<b>16,482</b>	<b>-</b>	<b>72,411</b>

**ANNEXURE 4.1****ADDITIONS MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 MARCH 2006**

	Cash R'000	Capital WIP R'000	In-Kind R'000	Total R'000
<b>Machinery and equipment</b>	<b>16,482</b>	-	-	<b>16,482</b>
Transport assets	1,189	-	-	<b>1,189</b>
Other machinery and equipment	15,293	-	-	<b>15,293</b>
<b>Total capital asset additions</b>	<b>16,482</b>	<b>-</b>	<b>-</b>	<b>16,482</b>

**ANNEXURE 4.3****CAPITAL TANGIBLE ASSET MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 MARCH 2005**

	Additions R'000	Disposals R'000	Total movement R'000
<b>Machinery and equipment</b>	<b>8,378</b>	<b>436</b>	<b>7,942</b>
Transport assets	441	309	<b>132</b>
Other machinery and equipment	7,937	127	<b>7,810</b>
<b>Total capital asset movement</b>	<b>8,378</b>	<b>436</b>	<b>7,942</b>



## NATIONAL TREASURY VOTE 8

### ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2006

#### ANNEXURE 5

##### SOFTWARE AND OTHER INTANGIBLE ASSETS MOVEMENT SCHEDULE AS AT 31 March 2006

	Opening balance R'000	Additions R'000	Disposals R'000	Closing balance R'000
Computer software	168	1,051	-	1,219
<b>Total software movements</b>	<b>168</b>	<b>1,051</b>	<b>-</b>	<b>1,219</b>

#### ANNEXURE 5.1

##### ADDITIONS MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 MARCH 2006

	Cash R'000	In-Kind R'000	Total R'000
Computer software	1,051	-	1,051
<b>Total software additions</b>	<b>1,051</b>	<b>-</b>	<b>1,051</b>

#### ANNEXURE 5.2

##### SOFTWARE AND OTHER INTANGIBLE ASSETS MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 MARCH 2005

	Additions R'000	Disposals R'000	Total movement R'000
Computer software	168	-	168
<b>Total software movement</b>	<b>168</b>	<b>-</b>	<b>168</b>



## NATIONAL TREASURY VOTE 8

### ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2006

#### ANNEXURE 6 INTERGOVERNMENTAL RECEIVABLES

Government entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2006 R'000	31/03/2005 R'000	31/03/2006 R'000	31/03/2005 R'000	31/03/2006 R'000	31/03/2005 R'000
National departments	54		2,060	51,604	2,114	51,604
Eastern Cape	566		1	2,265	567	2,265
Free State	162		-	198	162	198
Gauteng	398			360	398	360
KwaZulu-Natal	963		-	621	963	621
Limpopo	3,336		-	2,446	3,336	2,446
Mpumalanga	-		-	20	-	20
North West	-		-	3	-	3
Northern Cape	158		-	357	158	357
Western Cape	1,025		-	524	1,025	524
Foreign governments	-		1,959	3,500	1,959	3,500
<b>Total intergovernmental receivables</b>	<b>6,662</b>	<b>-</b>	<b>4,020</b>	<b>61,898</b>	<b>10,682</b>	<b>61,898</b>





## NATIONAL TREASURY VOTE 8

### ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2006

#### ANNEXURE 7 INTERGOVERNMENTAL PAYABLES

Government entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2006 R'000	31/03/2005 R'000	31/03/2006 R'000	31/03/2005 R'000	31/03/2006 R'000	31/03/2005 R'000
Department of Justice	-	64,008	-	-	-	64,008
Pensions Administration	-	90	-	-	-	90
Department of Transport	19,855	-	-	-	19,855	-
<b>Total intergovernmental payables</b>	<b>19,855</b>	<b>64,098</b>	<b>-</b>	<b>-</b>	<b>19,855</b>	<b>64,098</b>



**PROJECT DEVELOPMENT  
FACILITY (PDF):**

**A TRADING ENTITY MANAGED  
BY THE PPP UNIT OF NATIONAL  
TREASURY**

---

**Annual Financial Statements**  
**for the year ended 31 March 2006**



**PPP**

unit



Project

Development

Facility



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

### **TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE PROJECT DEVELOPMENT FACILITY**

**for the year ended 31 March 2006**

#### **1. AUDIT ASSIGNMENT**

The financial statements as set out on pages 171 to 180, for the year ended 31 March 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996, read with sections 4 and 20 of the Public Audit Act, 2004 (Act 25 of 2004). These financial statements are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

#### **2. SCOPE**

The audit was conducted in accordance with the International Standards on Auditing read with *General Notice 544 of 2006*, issued in *Government Gazette* no. 28723 of 10 April 2006 and *General Notice 808 of 2006*, issued in *Government Gazette* no. 28954 of 23 June 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

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

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

#### **3. AUDIT OPINION**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Project Development Facility at 31 March 2006 and the results of its operations and its cash flows for the year then ended, in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Public Finance Management Act, 1999 (Act 1 of 1999).



## REPORT OF THE AUDITOR-GENERAL

### TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE PROJECT DEVELOPMENT FACILITY (CONTINUED) for the year ended 31 March 2006

#### 4. APPRECIATION

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

*Shauket Fakie*

**Auditor-General**

**Pretoria**

**31 July 2006**



AUDITOR GENERAL



## PROJECT DEVELOPMENT FACILITY (PDF)

### ACCOUNTING POLICIES for the year ended 31 March 2006

The annual financial statements have been prepared in accordance with Statements of Generally Accepted Accounting Practice and the Public Finance Management Act, (1 of 1999) as amended.

The following are the principle accounting policies of the entity which are, in all material respects, consistent with those applied in the previous year, except as otherwise indicated :

#### 1. Basis for preparation

The financial statements have been prepared on the historical cost basis except financial instruments mentioned below which are carried at amortised costs.

#### 2. Currency

These financial statements are presented in South African Rands since that is the currency in which the majority of the entity's transactions are denominated.

#### 3. Revenue recognition

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

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

#### 4. Financial instruments

Financial instruments carried on the balance sheet include cash and cash equivalents, trade creditors and trade receivables. These instruments are generally carried at their amortised cost. The particular recognition methods adopted are disclosed in the individual notes associated with each item, as set out below.



## **PROJECT DEVELOPMENT FACILITY (PDF)**

### **ACCOUNTING POLICIES (CONTINUED)** **for the year ended 31 March 2006**

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

For the purposes of the cash flow statement, cash and cash equivalents comprise deposits held with banks.

#### **5. Provisions**

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

#### **6. Public sector practices and policies**

##### **6.1 Inter-relationship with other government entities**

The public entity operates as a trading entity of the National Treasury, within the South African Government environment. In line with prevailing government practices the entity is not obliged to pay for certain expenditure such as office space and utilisation of moveable assets.

#### **7. Public Finance Management Act reporting requirements**

Section 40(3)(b)

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



## PROJECT DEVELOPMENT FACILITY (PDF)

### INCOME STATEMENT for the year ended 31 March 2006

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

##### Income Statement for the year ended 31 March 2006

	Notes	2006	2005
		R	R
		<hr/>	<hr/>
<b>Revenue</b>		<b>6 000 000</b>	<b>6 000 000</b>
Operating expenses		(4 987 193)	(2 132 219)
<b>Profit from operations</b>	1	<b>1 012 807</b>	<b>3 867 781</b>
Net finance income	2	610 576	604 807
<b>Net profit for the year</b>		<b>1 623 383</b>	<b>4 472 588</b>





## PROJECT DEVELOPMENT FACILITY (PDF)

### BALANCE SHEET for the year ended 31 March 2006

	Notes	2006	2005
		R	R
<b>ASSETS</b>			
<b>Current assets</b>		12 703 279	10 360 418
Trade and other receivables	3	56 384	50 765
Cash and cash equivalents	4	12 646 895	10 309 653
<b>TOTAL ASSETS</b>		<b>12 703 279</b>	<b>10 360 418</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Reserves</b>			
Accumulated profit		11 982 721	10 359 338
<b>Current liabilities</b>			
Trade and other payables	5	720 558	1 080
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>12 703 279</b>	<b>10 360 418</b>



## PROJECT DEVELOPMENT FACILITY (PDF)

### STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2006

	<b>Accumulated profit R</b>
	<hr/>
<b>Balance at 1 April 2004</b>	<b>5 886 750</b>
Net profit for the year	4 472 588
	<hr/>
<b>Balance at 1 April 2005</b>	<b>10 359 338</b>
Net profit for the year	1 623 383
	<hr/>
<b>Balance at 31 March 2006</b>	<b>11 982 721</b>
	<hr/>



## PROJECT DEVELOPMENT FACILITY (PDF)

### CASH FLOW STATEMENT for the year ended 31 March 2006

	Notes	2006 R	2005 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from government		6 000 000	6 000 000
Cash paid to transaction advisors		(4 267 715)	(2 316 389)
Cash generated from operations	6	1 732 285	3 683 611
Net finance income received	7	604 957	626 042
Net cash from operating activities		<b>2 337 242</b>	<b>4 309 653</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		2 337 242	4 309 653
<b>Cash and cash equivalents at beginning of the year</b>			
		10 309 653	6 000 000
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>			
		<b>12 646 895</b>	<b>10 309 653</b>



## PROJECT DEVELOPMENT FACILITY (PDF)

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2006

	2006	2005
	R	R
<b>1. Profit from operations</b>		
Profit from operations is arrived after taking the following into account:		
Revenue from:		
- Government grants received	6 000 000	6 000 000
Expenditure for:		
- Financial management services	273 600	302 100
- Bank charges	10 166	10 311
- Public private partnership (PPP) Transaction advisor fees	4 703 427	1 819 808
	4 987 193	2 132 219
<b>2. Net finance income</b>		
Interest received – cash and bank deposits	610 576	604 807
<b>3. Trade and other receivables</b>		
Accrued interest	56 384	50 765
<b>4. Cash and cash equivalents</b>		
Bank balance – current account	12 646 895	10 309 653



## PROJECT DEVELOPMENT FACILITY (PDF)

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2006

	2006	2005
	R	R
	<hr/>	<hr/>
<b>5. Trade and other payables</b>		
Trade accounts payable	719 692	-
Accrued expenses	866	1 080
	<hr/>	<hr/>
	720 558	1 080
	<hr/>	<hr/>
<b>6. Reconciliation of net profit for the year to cash generated from operations</b>		
<b>Net profit for the year</b>	<b>1 623 383</b>	<b>4 472 588</b>
Net finance income	(610 576)	(604 807)
	<hr/>	<hr/>
Operating cash flows before working capital changes	1 012 807	3 867 781
Working capital changes:	719 478	(184 170)
	<hr/>	<hr/>
- Increase / (decrease) in trade and other payables	719 478	(184 170)
	<hr/>	<hr/>
<b>Cash generated from operations</b>	<b>1 732 285</b>	<b>3 683 611</b>
	<hr/>	<hr/>



## PROJECT DEVELOPMENT FACILITY (PDF)

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2006

	2006	2005
	R	R
	<hr/>	<hr/>
<b>7. Net finance income received</b>		
Accrued net finance income at beginning of year	50 765	72 000
Net finance income received per income statement	610 576	604 807
Accrued net finance income at the end of the year	(56 384)	(50 765)
Net finance income received	<hr/> 604 957 <hr/>	<hr/> 626 042 <hr/>



## PROJECT DEVELOPMENT FACILITY (PDF)

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2006

#### 8. Contingent liabilities

The accumulated profit of R 11 982 721 is retained for the funding of Transaction Advisor costs associated with establishment of selected Public Private Partnership projects approved for funding during the course of the Project Development Facility's normal course of operations. Funding is disbursed upon the successful achievement of predefined milestones and Treasury Approvals. Movement on PPP projects identified for funding during the period :

	2006	Expensed during the year	2005
	R		R
	R		
Free State New Build Hospitals	1 861 912	-	1 861 912
Vukuzakhe Plant Depot	1 081 011	-	1 081 011
Eastern Cape Pharmaceuticals	1 258 679	472 004	1 730 683
Settlers and Port Alfred Hospitals	322 439	173 621	496 060
Western Cape Rehabilitation Centre	704 128	1 817 077	2 521 205
Western Cape Swellendam Hospital	280 725	280 725	561 450
Department of Labour ICT Convergence	-	1 960 000	1 960 000
<b>Total</b>	<b>5 508 894</b>	<b>4 703 427</b>	<b>10 212 321</b>

Commitments arising from future funding of the above identified projects will be financed from the current accumulated profit of R 11 982 721, as well as future government grants.



## PROJECT DEVELOPMENT FACILITY (PDF)

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2006

	2006	2005
	R	R
<b>9. Commitments</b>		
<b>Operating commitments</b>		
<b>Payable within the next 12 months:</b>		
- Contractual commitments	<u>68 400</u>	<u>273 600</u>
<b>Payable between 2 and 5 years:</b>		
- Contractual commitments	<u>-</u>	<u>273 600</u>

The current service provider contract expires on the 6<sup>th</sup> of May 2006. The Project Development Facility will issue a letter of extension for a period of 3 months to PricewaterhouseCoopers Inc. to continue their current duties to enable the Project Development Facility to issue a request for proposal for the continued outsourced financial management of the Project Development Facility.

**10. Taxation**

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





# **HUMAN RESOURCES MANAGEMENT STATISTICAL REPORT**



## HUMAN RESOURCES MANAGEMENT STATISTICAL REPORT

### 1. SERVICE DELIVERY

#### Service delivery environment

The National Treasury service delivery environment is supported by our mission and objectives, which aim to promote economic development, good governance, social progress and rising living standards. Our policies are aimed at advancing economic growth, broad-based empowerment and the elimination of poverty. Key factors that play a prominent role in our service delivery environment are reported on below.

#### Fiscal reform

Since the introduction of a three-year MTEF, considerable progress has been made in stabilising the expenditure-planning framework, and improving the links between policy and spending plans.

The National Treasury's ongoing budget and fiscal reforms are aimed at ensuring optimal resource allocation, promoting sustainable growth and development, and reducing poverty. The National Treasury continues to develop monitoring and reporting systems to increase transparency and accountability, thereby improving service delivery.

A financial management priority is to develop public sector accounting policies to improve the quality, accuracy and usefulness of government's financial statements. Over the past year, the National Treasury has helped to implement improved financial reporting formats for national and provincial government. This is part of the process of migrating to Generally Recognised Accounting Practice standards in terms of section 216 of the Constitution.

#### Macroeconomic policies

Government's macroeconomic policies are aimed at meeting the challenges of South Africa's social and economic development in the context of an increasingly interdependent global environment. This includes deepening South Africa's financial markets, gradually liberalising exchange controls, improving oversight of the financial sector, improving consumer protection, and combating money laundering and the financing of terrorism. The National Treasury is actively engaged in the development of the region through cooperation with Southern African Development Community countries on issues such as taxation, investment and regional economic integration. This work feeds directly and indirectly into the New Partnership for Africa's Development. In the domestic economy, macroeconomic policy and regulations are aimed at increasing the efficiency of domestic markets, and at reforms that mitigate the effects of the dual economy.



### **Intergovernmental fiscal relations**

Building a solid intergovernmental financial and fiscal relations system is important for service delivery and efficient government spending. A major area of progress and development has been the National Treasury's relationship with other spheres of government. New frameworks for allocating grants to provinces and local government provide sharper definitions of the purpose and intended outputs for each grant. This increases transparency and is expected to lead to further improvements in service delivery.

The system of intergovernmental fiscal relations will be further developed by rationalising grants to ensure that there are fewer but better administered grants, such as the recently integrated municipal infrastructure grant, which consolidates a number of previous municipal grants.

With the turnaround in provincial infrastructure investment, the main focus over the medium term will be to use infrastructure delivery to accomplish other government objectives. The priority will be to facilitate employment through labour-based and labour-intensive projects. Future initiatives will focus on institutionalising good practice in infrastructure planning, supply chain management (procurement) and delivery of infrastructure.

At the local government level, the priority will be to reinforce budget reform and financial management. Building on the solid legal foundation of the Municipal Finance Management Act (MFMA), municipalities will get targeted support to improve their financial management capacity and to strengthen the link between policy, planning and budgets. These reforms are being implemented in high and medium capacity municipalities. This will ensure even greater transparency in resource allocation and reporting and will, over time, further improve accountability and service delivery.

### **Implementing the PFMA and MFMA**

Successful implementation of the Public Finance Management Act (PFMA) since 2000 has laid a solid foundation for the rollout of the MFMA. The implementation of the MFMA, which seeks to introduce financial management reforms at local government level, started in July 2004. Both the PFMA and the MFMA are key elements in transforming public sector financial management, one of the National Treasury's key objectives. SAMDI has implemented a Financial Management Training Strategy that is aimed at commissioning and rolling out large scale training interventions to improve the capacity of public sector finance practitioners. This aforementioned Strategy was developed in consultation with the National Treasury. The National Treasury is also in the process of developing an Integrated Financial Management System (IFMS), which will eventually replace all the transversal systems that are currently in place. This project is aimed at improving government's financial management and human resource management systems.



### **Appropriate tax policies**

In formulating tax policy, there is a need to align the generally accepted principles of a good tax system with government's current macroeconomic and fiscal policy objectives. In designing tax policy, cooperation between the South African Revenue Service (SARS) and National Treasury is of utmost importance, as is daily interaction with the corporate sector and the general taxpaying public.

Since 1994, consistent tax policy and administrative practices have been initiated, aiming to broaden the tax base by improving tax administration and eliminating ineffective tax incentives. This has led to electronic filing and payments, a capital gains tax, residence-based (as opposed to source-based) taxation, and a risk-management approach to compliance. Expert committees composed of staff from the National Treasury and SARS draft tax legislation with a clear focus on efficient and internationally competitive taxation strategies. Anti-avoidance provisions are included during the drafting to make sure that there is better compliance.

### **Managing public sector debt**

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

### **International financial relations**

The National Treasury continues to engage actively with multilateral institutions, including the International Monetary Fund, the World Bank, the G20, the G24 and the United Nations. Over the period ahead priority issues will include development policies for African economies and increasing the level of aid flows.

### **Organisational environment**

The National Treasury's current organisational structure was set up in phases and is now operational. To ensure future sustainability, the structure will be reviewed over the medium term. The review of the organisational structure will result in a reassessment of the staff component and recorded vacancies.



## 2. EXPENDITURE

Departments budget in terms of clearly defined programmes. The following tables summarise final audited expenditure by programme (Table 2.1) and by salary band (Table 2.2), and include the amounts spent on personnel costs.

**Table 2.1 Personnel costs by programme, 2005/06**

Programme	Total Expenditure (R'000)	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Professional and special services (R'000)	Personnel cost as a percent of total expenditure	Average personnel cost per employee (R'000)
<b>Programme 1</b> Administration	121,054	42,171	2,738	17,021	34.8	226
<b>Programme 2</b> Economic Planning and Budget Management	174,104	89,905	1,565	38,934	51.6	314
<b>Programme 3</b> Asset and Liability Management	30,162	21,865	620	536	72.5	317
<b>Programme 4</b> Financial Management and Systems	239,172	28,141	11,367	650	11.8	258
<b>Programme 5</b> Financial Accounting and Reporting	47,970	17,353	244	2,421	36.2	294
<b>Programme 6</b> Provincial and Local Government Transfers	3,437,853	0	0	0	0	0
<b>Programme 7</b> Civil and Military Pensions, Contributions for Funds and Other Benefits	2,003,085	0	0	18,039	0	0
<b>Programme 8</b> Fiscal Transfers	6,996,189	0	0	0	0	0
Statutory	0	0	0	0	0	0
Specialist Functions	8,035	0	0	0	0	0
<b>Total</b>	<b>13,057,624</b>	<b>199,435</b>	<b>16,534</b>	<b>77,601</b>		

**Table 2.2 - Personnel costs by salary band, 2005/06**

Salary band	Personnel expenditure (R'000)	% of total personnel cost	Average personnel cost per employee (R'000)
Lower skilled (Levels 1-2)	73	0.0	73
Skilled (Levels 3-5)	4,347	2.2	81
Highly skilled production (Levels 6-8)	28,291	14.2	141
Highly skilled supervision (Levels 9-12)	75,056	37.6	264
Senior management (Levels 13-16)	91,668	46.0	539
<b>Total</b>	<b>199,435</b>	<b>100.0</b>	<b>281</b>

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, homeowners allowances and medical assistance. In each case, the table provides an indication of the percentage of the personnel budget that was used for these items.

**Table 2.3 - Salaries, overtime, homeowners allowances and medical assistance by programme, 2005/06**

Programme	Salaries		Overtime		Homeowners allowance		Medical Assistance	
	Amount (R'000)	Salaries as a % of personnel cost	Amount (R'000)	Overtime as a % of personnel cost	Amount (R'000)	HOA as a % of personnel cost	Amount (R'000)	Medical assistance as a % of personnel cost
Programme 1	27,622	65.5	117	0.3	351	0.8	1,454	3.4
Programme 2	57,395	63.8	23	0.0	424	0.5	2,445	2.7
Programme 3	14,224	65.1	0	0.0	102	0.5	645	2.9
Programme 4	18,967	67.4	0	0.0	155	0.6	969	3.4
Programme 5	11,098	64.0	0	0.0	123	0.7	301	1.7
<b>Total</b>	<b>129,306</b>		<b>140</b>		<b>1,155</b>		<b>5,814</b>	



**Table 2.4 Salaries, overtime, homeowners allowances and medical assistance by salary bands, 2005/06**

Salary band	Salaries		Overtime		Homeowners allowance		Medical assistance	
	Amount (R'000)	Salaries as a % of personnel cost	Amount (R'000)	Overtime as a % of personnel cost	Amount (R'000)	HOA as a % of personnel cost	Amount (R'000)	Medical Assistance as a % of personnel cost
Lower skilled (Levels 1-2)	42	57.5	0	0.0	3	4.1	11	15.1
Skilled (Levels 3-5)	3,019	69.5	4	0.1	58	1.3	180	4.1
Highly skilled production (Levels 6-8)	20,632	72.9	65	0.2	294	1.0	1146	4.1
Highly skilled supervision (Levels 9-12)	53,554	71.4	70	0.1	391	0.5	2293	3.1
Senior management (Levels 13-16)	50,925	56.7	0	0.0	409	0.5	2031	2.3
<b>Total</b>	<b>129,306</b>		<b>139</b>		<b>1155</b>		<b>5,661</b>	

### 3. EMPLOYMENT AND VACANCIES

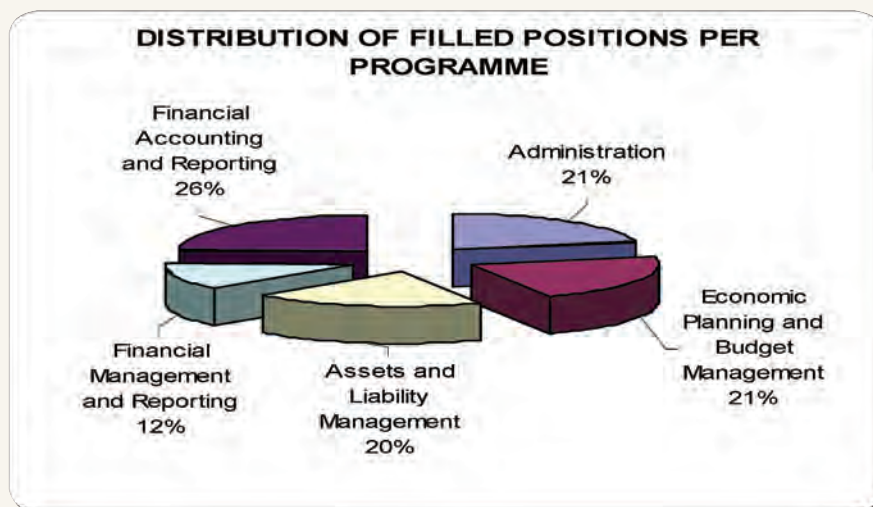
The following tables summarise the number of posts on the establishment, the number of employees, the vacancy rate, and whether there are any staff that are additional to the establishment. This information is presented in terms of three key variables: programme (Table 3.1), salary band (Table 3.2) and, in both tables, the vacancy rate, which reflects the percentage of posts that are not filled.

**Table 3.1 - Employment and vacancies by programme, 31 March 2006**

Programme	Number of posts	Number of posts filled	Vacancy Rate	Number of posts filled additional to the establishment
Programme 1	204*	165*	13%	22 (9 excess)
Programme 2	328	241	13%	45
Programme 3	83	63	17%	6
Programme 4	211	102	52%	7 (6 excess)
Programme 5	59	43	0%	16
<b>Total</b>	<b>885*</b>	<b>614*</b>	<b>21%</b>	<b>96 (15 excess)</b>

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

*Excess employees not included with the determination of the vacancy rate*

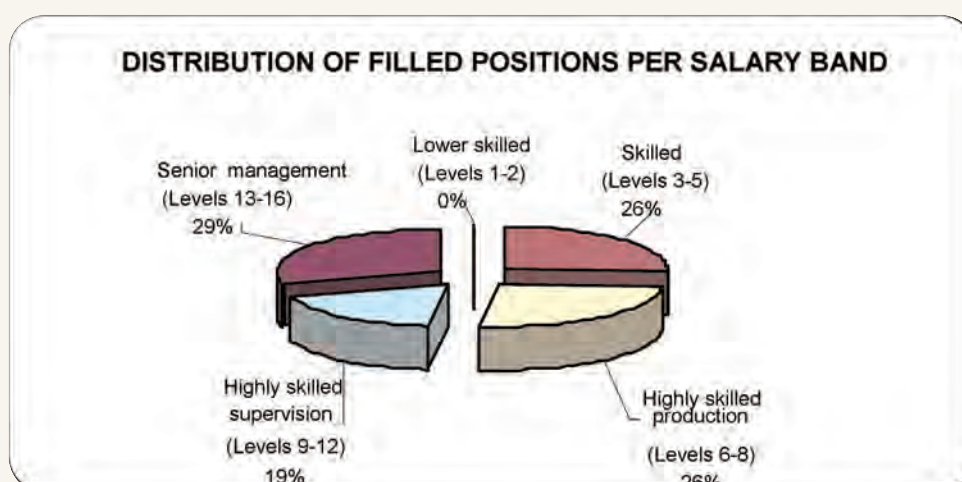


**Table 3.2 Employment and vacancies by salary bands, 31 March 2006**

Salary band	Number of posts	Number of posts filled	Vacancy rate %	Number of posts filled additional to the establishment
Lower skilled (Levels 1-2)	0	0	0%	1 (1 excess)
Skilled (Levels 3-5)	57	50	9%	4 (2 excess)
Highly skilled production (Levels 6-8)	241	143	21%	58 (11 excess)
Highly skilled supervision (Levels 9-12)	393	271	28%	13
Senior management (Levels 13-16)	194*	150*	13%	20 (1 excess)
<b>Total</b>	<b>855*</b>	<b>614*</b>	<b>21%</b>	<b>96 (15 excess)</b>

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

Excess employees not included with the determination of the vacancy rate







#### 4. JOB EVALUATION

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 2005 to 31 March 2006**

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)	57	1	2%	0	0%	0	0%
Highly skilled production (Levels 6-8)	241	32	13%	12	37%	0	0%
Highly skilled supervision (Levels 9-12)	393	51	13%	21	41%	0	0%
Senior Management Service Band A	143	13	9%	0	0%	0	0%
Senior Management Service Band B	38	6	16%	0	0%	0	0%
Senior Management Service Band C	10	1	10%	0	0%	0	0%
Senior Management Service Band D	3*	0	0%	0	0%	0	0%
<b>Total</b>	<b>885*</b>	<b>104</b>	<b>12%</b>	<b>33</b>	<b>32%</b>	<b>0</b>	<b>0%</b>

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

Table 4.2 provides a summary of the number of employees whose salary positions were upgraded due to their posts being upgraded. The number of employees may differ from the number of posts upgraded, since not all employees are automatically absorbed into the new posts, and some of the posts upgraded may also be vacant.

**Table 4.2 Profile of employees whose salary positions were upgraded due to their posts being upgraded, 1 April 2005 to 31 March 2006**

Beneficiaries	African	Asian	Coloured	White	Total
Female	3	0	0	5	8
Male	0	0	0	3	3
<b>Total</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>11</b>
<b>Employees with a disability</b>					<b>0</b>



The following table summarises the number of cases where remuneration levels exceeded the grade determined by job evaluation. Reasons for the deviation are provided in each case.

**Table 4.3 - Employees whose salary level exceeds the grade determined by job evaluation, 1 April 2005 to 31 March 2006 (in terms of PSR 1.V.C.3)**

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
Chief director	1	14	15	Retention
	10	13	Between 14 & 15	Retention/recruitment
Director	3	13	14	Retention
	21	13	Between 13 & 14	Retention/recruitment
Deputy director	1	11	13	Retention
	9	11	12	Retention/absorption
Assistant director	2	10	11	Retention
Office assistant	1	4	6	Absorption
Total number of employees whose salaries exceeded the level determined by job evaluation in 2005/06				48
Percentage of total employment				6.8%

Table 4.4 summarises the beneficiaries of the above in terms of race, gender, and disability.

**Table 4.4 - Profile of employees whose salary level exceed the grade determined by job evaluation, 1 April 2005 to 31 March 2006 (in terms of PSR 1.V.C.3)**

Beneficiaries	African	Asian	Coloured	White	Total
Female	1	3	2	7	13
Male	6	9	2	18	35
Total	7	12	4	25	48

Total number of employees whose salaries exceeded the grades determined by job evaluation in 2004/05: 15

## 5. EMPLOYMENT CHANGES

This section provides information on changes in employment over the financial year.

Turnover rates provide an indication of trends in the employment profile of the department. The following table (5.1) provides a summary of turnover rates by salary band.



**Table 5.1 - Annual turnover rates by salary band for the period 1 April 2005 to 31 March 2006**

Salary band	Number of employees per band as on 1 April 2005	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate %
Lower skilled (Levels 1-2)	4	0	0	0
Skilled (Levels 3-5)	58	6	2	3
Highly skilled production(Levels 6-8)	205	61	45	17
Highly skilled supervision(Levels 9-12)	242	70	43	14
Senior Management Service Band A	100	20	18	15
Senior Management Service Band B	36	7	5	12
Senior Management Service Band C	7	4	0	0
Senior Management Service Band D	3	0	0	0
<b>Total</b>	<b>655*</b>	<b>168</b>	<b>113</b>	<b>14</b>

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

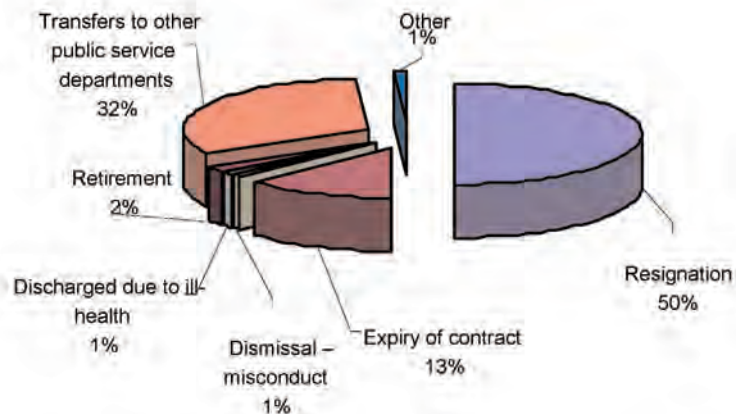
Table 5.2 identifies the major reasons why staff left the department.

**Table 5.2 - Reasons why staff are leaving the department**

Termination Type	Number	% of total
Death	0	0%
Resignation	57	50%
Expiry of contract	15	13%
Dismissal – operational changes	0	0%
Dismissal – misconduct	1	1%
Dismissal – inefficiency	0	0%
Discharged due to ill-health	1	1%
Retirement	2	2%
Transfers to other public service departments	36	32%
Other	1	1%
<b>Total</b>	<b>113</b>	
Total number of employees who left as a % of the total employment		<b>16%</b>



### REASONS FOR TERMINATION OF SERVICE (PERCENTAGE PROFILE)

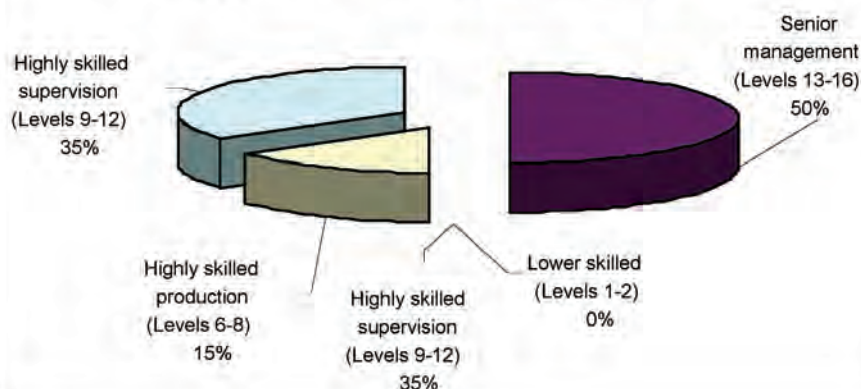


**Table 5.3 - Promotions by salary band**

Salary band	Employees 1 April 2005	Promotions to another salary level	Salary band promotions as a % of employees by salary level	Progressions to another notch within a salary level	Notch progressions as a % of employees by salary band
Lower skilled (Levels 1-2)	4	0	0%	1	25%
Skilled (Levels 3-5)	58	0	0%	40	69%
Highly skilled production (Levels 6-8)	205	3	1%	86	42%
Highly skilled supervision (Levels 9-12)	242	7	3%	111	46%
Senior management (Levels 13-16)	146	10	7%	39	27%
<b>Total</b>	<b>655*</b>	<b>20</b>	<b>3%</b>	<b>277</b>	<b>42%</b>

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

### PROMOTIONS TO ANOTHER SALARY LEVEL AS A PERCENTAGE (%) OF TOTAL (20)





## 6. EMPLOYMENT EQUITY

The tables in this section are based on the formats prescribed by the Employment Equity Act (55 of 1998).

**Table 6.1 - Total number of employees (including employees with disabilities) in each of the following occupational categories as of 31 March 2006**

Occupational categories (SASCO)	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	44	13	16	35	17	5	8	22	160*
Professionals	80	14	14	52	100	7	15	72	354
Technicians and associate professionals	0	0	0	0	0	0	0	0	0
Clerks	23	3	2	3	63	10	4	41	149
Service and sales workers	7	0	0	0	11	1	0	0	19
Skilled agriculture and fishery workers	0	0	0	0	0	0	0	0	0
Craft and related trades workers	0	0	0	0	0	0	0	0	0
Plant and machine operators and assemblers	6	0	0	0	0	0	0	0	6
Elementary occupations	7	0	0	2	13	0	0	0	22
<b>Total</b>	<b>167*</b>	<b>30</b>	<b>32</b>	<b>92</b>	<b>204</b>	<b>23</b>	<b>27</b>	<b>135</b>	<b>710*</b>
<b>Employees with disabilities</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>7</b>

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

**RACE DISTRIBUTION  
2004/2005**



**RACE DISTRIBUTION  
2005/2006**



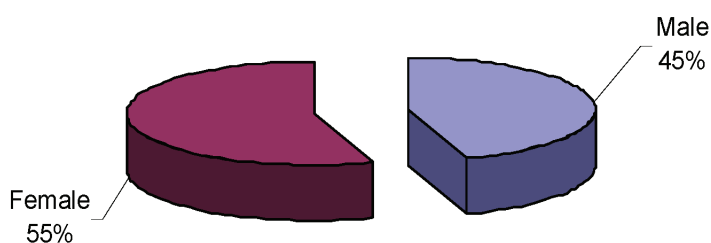


**Table 6.2 - Total number of employees (including employees with disabilities) in each of the following occupational bands as of 31 March 2006**

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	11	7	4	19	4	3	2	2	52*
Senior management	27	7	14	21	18	4	4	23	118
Professionally qualified and experienced specialists and mid-management	68	9	12	42	70	4	14	65	284
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	39	4	2	8	87	10	7	44	201
Semi-skilled and discretionary decision-making	22	3	0	2	24	2	0	1	54
Unskilled and defined decision-making	0	0	0	0	1	0	0	0	1
<b>Total</b>	<b>167*</b>	<b>30</b>	<b>32</b>	<b>92</b>	<b>204</b>	<b>23</b>	<b>27</b>	<b>135</b>	<b>710*</b>

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

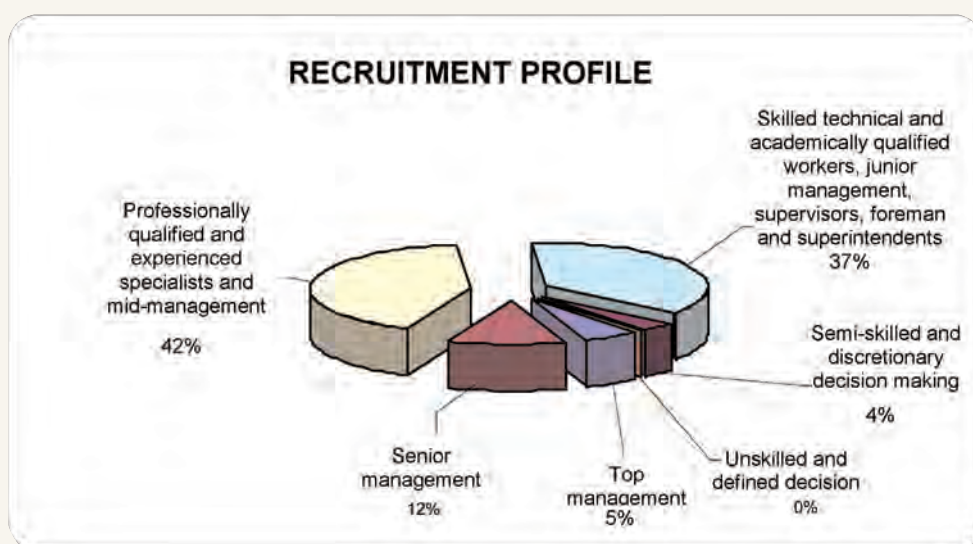
**GENDER DISTRIBUTION**





**Table 6.3 - Recruitment for the period 1 April 2005 to 31 March 2006**

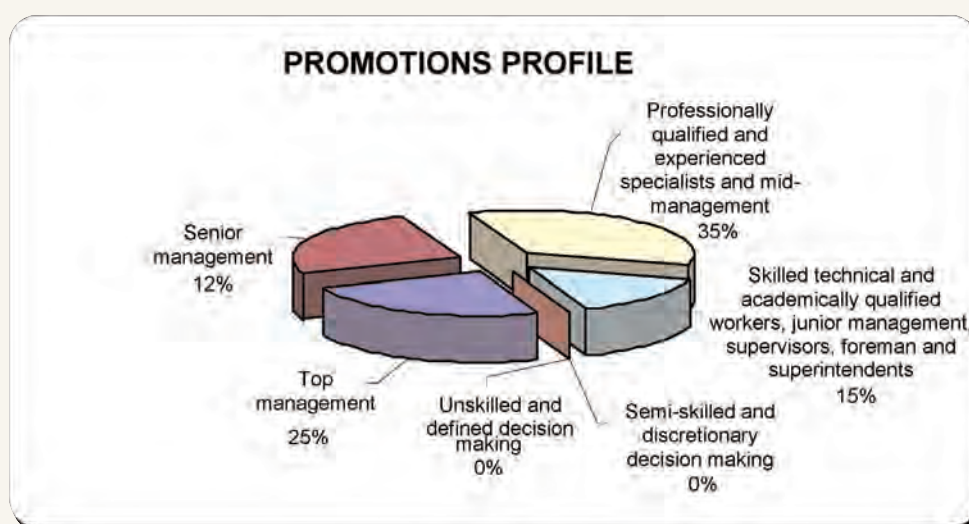
Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	0	0	0	3	1	1	2	2	9
Senior management	7	1	2	3	5	0	1	3	22
Professionally qualified and experienced specialists and mid-management	21	1	2	5	27	2	6	6	70
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	16	2	2	2	34	1	3	1	61
Semi-skilled and discretionary decision-making	2	1	0	0	3	0	0	0	6
Unskilled and defined decision-making	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>46</b>	<b>5</b>	<b>6</b>	<b>13</b>	<b>70</b>	<b>4</b>	<b>12</b>	<b>12</b>	<b>168</b>
Employees with disabilities	0	0	0	0	0	0	0	0	0





**Table 6.4 - Promotions for the period 1 April 2005 to 31 March 2006**

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	1	1	0	3	0	0	0	0	5
Senior management	1	1	0	0	2	0	0	1	5
Professionally qualified and experienced specialists and mid-management	0	0	0	0	4	0	1	2	7
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	0	0	0	0	1	1	0	1	3
Semi-skilled and discretionary decision-making	0	0	0	0	0	0	0	0	0
Unskilled and defined decision-making	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>3</b>	<b>7</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>20</b>
Employees with disabilities	0	0	0	0	0	0	0	0	0

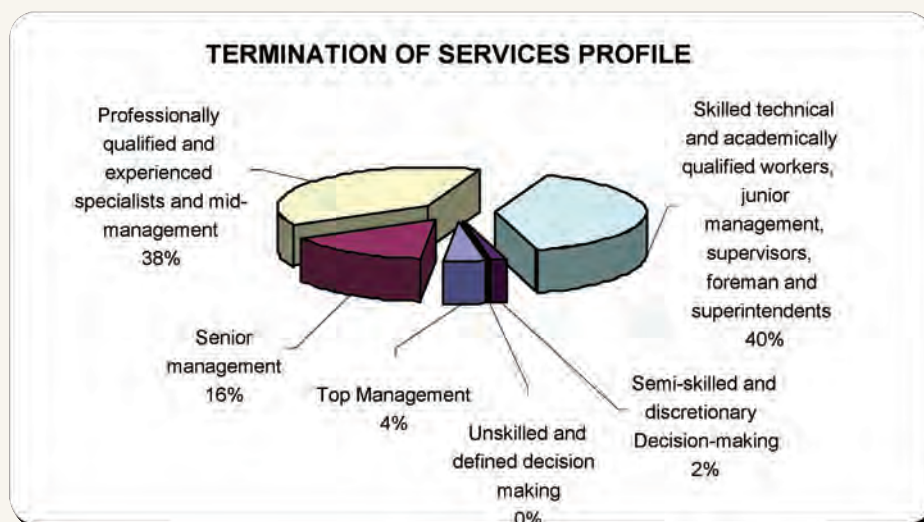






**Table 6.5 - Terminations for the period 1 April 2005 to 31 March 2006**

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	3	0	0	1	0	0	0	1	5
Senior management	2	2	3	2	5	0	1	3	18
Professionally qualified and experienced specialists and mid-management	11	1	1	4	18	0	3	5	43
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	12	1	0	1	26	1	2	2	45
Semi-skilled and discretionary decision-making	1	0	0	0	0	1	0	0	2
Unskilled and defined decision-making	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>29</b>	<b>4</b>	<b>4</b>	<b>8</b>	<b>49</b>	<b>2</b>	<b>6</b>	<b>11</b>	<b>113</b>
Employees with disabilities	0	0	0	0	2	0	0	0	0



**Table 6.6 - Disciplinary action for the period 1 April 2005 to 31 March 2006**

	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
<b>Disciplinary action</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Table 6.7 - Skills development for the period 1 April 2005 to 31 March 2006**

Occupational categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	33	11	17	34	20	5	6	23	149
Professionals	60	12	13	45	75	4	7	62	278
Technicians and associate professionals	12	2	1	8	20	2	5	12	62
Clerks	26	3	1	3	74	11	3	40	161
Service and sales workers	9	1	0	0	10	1	0	0	21
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	5	0	0	0	0	0	0	0	5
Elementary occupations	7	2	0	0	12	0	0	0	21
<b>Total</b>	<b>152</b>	<b>31</b>	<b>32</b>	<b>90</b>	<b>211</b>	<b>23</b>	<b>21</b>	<b>137</b>	<b>697</b>
Employees with disabilities	1	0	0	3	0	0	0	3	7

## 7. PERFORMANCE REWARDS

To encourage good performance, the department granted performance rewards during the year under review. The information is presented in terms of race and gender (Table 7.1), and salary bands (Table 7.2).

**Table 7.1 - Performance rewards by race and gender, 1 April 2005 to 31 March 2006**

	Beneficiary profile			Cost	
	Number of beneficiaries	Total number of employees in group	% of total within group	Cost (R'000)	Average cost per employee
<b>African</b>	<b>227</b>	<b>332</b>	<b>68%</b>	<b>4,957</b>	<b>22</b>
Male	99	147	67%	2,440	25
Female	128	185	69%	2,517	20
<b>Asian</b>	<b>33</b>	<b>53</b>	<b>62%</b>	<b>1,218</b>	<b>37</b>
Male	23	32	72%	915	40
Female	10	21	48%	303	30
<b>Coloured</b>	<b>41</b>	<b>53</b>	<b>77%</b>	<b>980</b>	<b>24</b>
Male	20	31	65%	533	27
Female	21	22	95%	447	21
<b>White</b>	<b>187</b>	<b>217</b>	<b>86%</b>	<b>5,280</b>	<b>28</b>
Male	75	88	85%	2,282	30
Female	112	129	87%	2,998	27
<b>Total</b>	<b>488</b>	<b>655</b>	<b>75%</b>	<b>12,435</b>	<b>25</b>



**Table 7.2 - Performance rewards by salary band for personnel below Senior Management Service, 1 April 2005 to 31 March 2006**

Salary band	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)	1	1	100%	7	7	0.004
Skilled (Levels 3-5)	50	58	86%	471	9	0.24
Highly skilled production (Levels 6-8)	122	200	61%	2,194	18	1.12
Highly skilled supervision (Levels 9-12)	175	242	72%	4,928	28	2.49
<b>Total</b>	<b>348</b>	<b>501</b>	<b>69%</b>	<b>7,600</b>	<b>22</b>	<b>3.9</b>

**Table 7.3 - Performance-related rewards (cash bonus), by salary band, for Senior Management Service**

Salary band	Beneficiary profile			Total cost (R'000)	Average cost per employee	Total cost as a % of the total personnel expenditure
	Number of beneficiaries	Number of employees	% of total within band			
Band A	101	111	91%	3,151	31	1.6
Band B	32	33	97%	1,279	40	0.7
Band C	7	7	100%	405	58	0.2
Band D	0	3	0%	0	0	0.0
<b>Total</b>	<b>140</b>	<b>154</b>	<b>91%</b>	<b>4,835</b>	<b>35</b>	<b>2.4</b>

## 8. FOREIGN WORKERS

The tables below summarise the employment of foreign nationals in the department in terms of salary bands and by major occupation. The tables also summarise changes in the total number of foreign workers in each salary band and by each major occupation.

**Table 8.1 - Foreign workers, 1 April 2005 to 31 March 2006, by salary band**

Salary band	1 April 2005		31 March 2006		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	14	0	0	0	0%
Highly skilled supervision (Levels 9-12)	3	33	5	36	2	67%
Senior management (Levels 13-16)	6	67	9	64	3	50%
<b>Total</b>	<b>9</b>	<b>100</b>	<b>14</b>	<b>100</b>	<b>5</b>	<b>56%</b>

**Table 8.2 - Foreign workers, 1 April 2005 to 31 March 2006, by major occupation**

Major Occupation	1 April 2005		31 March 2006		Change	
	Number	% of total	Number	% of total	Number	% change
Deputy director-general	0	0%	2	14%	2	200%
Chief director	2	22%	3	21%	1	50%
Director	4	45%	4	29%	0	0%
Deputy director	3	33%	4	29%	1	33%
Operational	0	0%	1	7%	1	100%
<b>Total</b>	<b>9</b>	<b>100%</b>	<b>14</b>	<b>100%</b>	<b>5</b>	<b>56%</b>

## 9. LEAVE UTILISATION FOR THE PERIOD 1 JANUARY 2005 TO 31 DECEMBER 2005

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 2005 to 31 December 2005**

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)	7	100%	1	0.2%	7	1
Skilled (Levels 3-5)	297	89%	66	13.2%	5	97
Highly skilled production (Levels 6-8)	1,065	71%	157	31.5%	7	447
Highly skilled supervision (Levels 9-12)	1,036	71%	200	40.1%	5	824
Senior management (Levels 13-16)	395	69%	75	15%	5	685
<b>Total</b>	<b>2,800</b>	<b>78%</b>	<b>499</b>	<b>100%</b>	<b>6</b>	<b>2,054</b>

**Table 9.2 - Disability leave (temporary and permanent), 1 January 2005 to 31 December 2005**

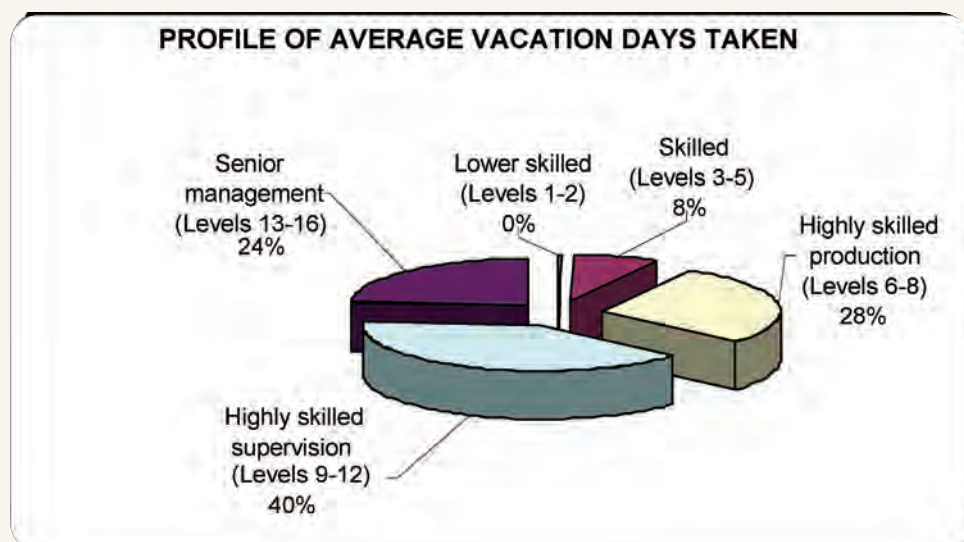
Salary band	Total days taken	% days with medical certification	Number of employees using disability leave	% of total employees using disability leave	Average days per employee	Estimated cost (R'000)
Lower skilled (Levels 1-2)	0	0	0	0	0	0
Skilled (Levels 3-5)	36	100	3	27.3	12	8
Highly skilled production (Levels 6-8)	74	100	5	45.5	15	33
Highly skilled supervision (Levels 9-12)	156	100	3	27.3	52	117
Senior management (Levels 13-16)	0	0	0	0	0	0
<b>Total</b>	<b>266</b>	<b>100</b>	<b>11</b>	<b>100</b>	<b>24</b>	<b>158</b>



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 2005 to 31 December 2005**

Salary band	Total days taken	Average per employee
Lower skilled (Levels 1-2)	26	26
Skilled Levels (3-5)	1,130	21
Highly skilled production (Levels 6-8)	4,036	18
Highly skilled supervision (Levels 9-12)	5,588	19
Senior management (Levels 13-16)	3,383	18
<b>Total</b>	<b>14,163</b>	<b>19</b>



**Table 9.4 - Capped leave, 1 January 2005 to 31 December 2005**

Salary band	Total days of capped leave taken	Average number of days taken per employee	Average capped leave per employee as at 31 December 2005
Lower skilled (Levels 1-2)	0	0	0
Skilled Levels 3-5)	0	0	0
Highly skilled production (Levels 6-8)	45	3	26
Highly skilled supervision (Levels 9-12)	58	4	39
Senior management (Levels 13-16)	31	5	72
<b>Total</b>	<b>134</b>	<b>4</b>	<b>44</b>



Table 9.5 summarises payments made to employees as a result of leave that was not taken.

**Table 9.5 - Leave payouts for the period 1 April 2005 to 31 March 2006**

REASON	Total amount (R'000)	Number of employees	Average payment per employee
Leave payout for 2005/06 due to non-utilisation of leave for the previous cycle	0	0	0
Capped leave payouts on termination of service for 2005/06	99	11	9,000
Current leave payout on termination of service for 2005/06	209	42	4,976
<b>Total</b>	<b>308</b>	<b>53</b>	<b>5,811</b>

## 10. HIV AND AIDS & HEALTH PROMOTION PROGRAMMES

**Table 10.1 - Steps taken to reduce the risk of occupational exposure**

Units/categories of employees identified to be at high risk of contracting HIV & related diseases (if any)	Key steps taken to reduce the risk
There are no employees who have been identified as being directly at risk of contracting HIV and other related diseases due to occupational exposure	HIV and AIDS information sessions and the commemoration of AIDS-related activities
	An HIV and AIDS committee has been establishment
	Male and female condoms are available to employees
	Professional counselling to those infected and affected by HIV and AIDS



**Table 10.2 - Details of health promotion and HIV and AIDS programmes**

Question	Yes	No	Details, if yes
1. Has the department designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001? If so, provide her/his name and position.	X		CD: HRM, Mr RO Khwinana
2. Does the department have a dedicated unit or has it designated specific staff members to promote the health and well being of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose.	X		Employee Assistance Programme, R410,000
3. Has the department introduced an employee assistance or health promotion programme for your employees? If so, indicate the key elements/services of this programme.	X		<ul style="list-style-type: none"> <li>• Professional counselling</li> <li>• Awareness programmes</li> <li>• Workshop and training on wellness and HIV &amp; AIDS related issues</li> <li>• Health bytes</li> <li>• Executive wellness programme</li> <li>• Sport activities</li> <li>• Commemoration on National Health calendar events</li> </ul>
4. Has the department established (a) committee(s) as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholder(s) that they represent.	X		<p><b>Corporate Services:</b></p> <ul style="list-style-type: none"> <li>• Obadiah Khwinana</li> <li>• Thabo Mogane</li> <li>• Betty Malope</li> <li>• Dalu Majeke</li> </ul> <p><b>Specialist Functions:</b></p> <ul style="list-style-type: none"> <li>• Innocentia Machaba</li> <li>• Thabile Khame</li> </ul> <p><b>Office of the Accountant-General:</b></p> <ul style="list-style-type: none"> <li>• Marius Klue</li> </ul> <p><b>Intergovernmental Relations:</b></p> <ul style="list-style-type: none"> <li>• Rakgadi Motseto</li> <li>• Dimakatso Mabaso</li> </ul> <p><b>Public Finance:</b></p> <ul style="list-style-type: none"> <li>• Rezah Atcha</li> </ul> <p><b>Office of the Director-General:</b></p> <ul style="list-style-type: none"> <li>• Sheridan Pillay</li> <li>• Zain Khan</li> </ul> <p><b>Asset and Liability Management:</b></p> <ul style="list-style-type: none"> <li>• Stephans Makua</li> </ul> <p><b>Economic Policy and International Financial Relations:</b></p> <ul style="list-style-type: none"> <li>• Thabsile Shezi</li> </ul>



### Details of health promotion and HIV and AIDS programmes (Continued)

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		<ul style="list-style-type: none"> <li>• HIV &amp; AIDS</li> <li>• Smoking</li> <li>• Employee Assistance Programme</li> </ul>
6. Has the department introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures.	X		Non discriminatory and disciplinary measures are entailed in the HIV & AIDS policy
7. Does the department encourage its employees to undergo voluntary counselling and testing? If so, list the results that you have you achieved.	X		An employee assistance programme is available for counselling purposes. Employees undergo voluntary counselling and testing. A list of the burning issues arising from the counselling sessions is received, and interventions are put in place to provide information.
8. Has the department developed measures/indicators to monitor and evaluate the impact of its health promotion programme? If so, list these measures/indicators.	X		<ul style="list-style-type: none"> <li>• Attendance records of National Health calendar events</li> <li>• Employee assistance programme marketing and awareness session increased.</li> <li>• Financial fitness training sessions were held</li> <li>• Emotional Intelligence training sessions were held</li> </ul>

## 11. LABOUR RELATIONS

The following collective agreements were entered into with trade unions within the department.

**Table 11.1 - Collective agreements, 1 April 2005 to 31 March 2006**

Subject Matter	Date
N/A	

If there were no agreements, then use the following table

Total collective agreements	None
-----------------------------	------

The following table summarises the outcome of disciplinary hearings conducted within the department for the year under review.





**Table 11.2 - Misconduct and disciplinary hearings finalised, 1 April 2005 to 31 March 2006**

Outcomes of disciplinary hearings	Number	% of total
Correctional counselling	0	0%
Verbal warning	2	14.29%
Written warning	12	85.71%
Final written warning	0	0%
Suspended without pay	0	0%
Fine	0	0%
Demotion	0	0%
Dismissal	0	0%
Not guilty	0	0%
Case withdrawn	0	0%
<b>Total</b>	<b>14</b>	<b>100%</b>

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

Disciplinary hearings – 2005/06	None
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**Table 11.3 - Types of misconduct addressed at disciplinary hearings**

Type of misconduct	Number	% of total
None		

**Table 11.4 - Grievances lodged for the period 1 April 2005 to 31 March 2006**

	Number	% of total
Number of grievances resolved	<b>17</b>	<b>94%</b>
Number of grievances not resolved	<b>1</b>	<b>6%</b>
Total number of grievances lodged	<b>18</b>	

**Table 11.5 - Disputes lodged with Councils for the period 1 April 2005 to 31 March 2006**

	Number	% of Total
Number of disputes upheld	<b>1</b>	<b>25%</b>
Number of disputes dismissed	<b>1</b>	<b>25%</b>
Total number of disputes lodged	<b>4</b>	

**Table 11.6 - Strike actions for the period 1 April 2005 to 31 March 2006**

<i>Total number of person working days lost</i>	
Total cost (R'000) of working days lost	<b>0.8</b>
Amount (R'000) recovered as a result of no work no pay	<b>0.8</b>

**Table 11.7 - Precautionary suspensions for the period 1 April 2005 to 31 March 2006**

**TABLE 11.7 – Precautionary suspensions for the period 1 April 2005 to 31 March 2006**

Number of people suspended	<b>1</b>
Number of people whose suspension exceeded 30 days	<b>1</b>
Average number of days suspended	<b>182</b>
Cost (R'000) of suspensions	<b>164</b>

## 12. SKILLS DEVELOPMENT

This section highlights the efforts of the department with regard to skills development.

**Table 12.1 - Training needs identified 1 April 2005 to 31 March 2006**

Occupational Categories	Gender	Number of employees as at 1 April 2005	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	54	0	45	0	45
	Male	103	0	90	0	90
Professionals	Female	69	0	75	0	75
	Male	74	0	75	0	75
Technicians and associate professionals	Female	122	0	100	0	100
	Male	57	0	50	0	50
Clerks	Female	84	16	16	0	16
	Male	39	26	26	0	26
Service and sales workers	Female	11	0	45	0	45
	Male	12	0	25	0	25
Skilled agriculture and fishery workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Craft and related trades workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Plant and machine operators and assemblers	Female	5	0	7	0	7
	Male	5	0	20	0	20
Elementary occupations	Female	12	0	11	0	11
	Male	8	0	7	0	7
Subtotal	Female	<b>357</b>	<b>0</b>	<b>299</b>	<b>0</b>	<b>299</b>
	Male	<b>298</b>	<b>0</b>	<b>293</b>	<b>0</b>	<b>293</b>
<b>Total</b>		<b>655</b>	<b>0</b>	<b>592</b>	<b>0</b>	<b>592</b>



**Table 12.2 - Training provided 1 April 2005 to 31 March 2006**

Occupational categories	Gender	Number of employees as at 1 April 2005	Training provided within the reporting period			
			Learnerships	Skills programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	54	0	54	0	54
	Male	103	0	99	0	99
Professionals	Female	69	0	85	0	85
	Male	74	0	84	0	84
Technicians and associate professionals	Female	122	0	118	0	118
	Male	57	0	60	0	60
Clerks	Female	84	16	36	0	36
	Male	39	26	6	0	6
Service and sales workers	Female	11	0	54	0	54
	Male	12	0	29	0	29
Skilled agriculture and fishery workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Craft and related trades workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Plant and machine operators and assemblers	Female	5	0	7	0	7
	Male	5	0	20	0	20
Elementary occupations	Female	12	0	11	0	11
	Male	8	0	7	0	7
Sub Total	Female	357	16	365	0	365
	Male	298	26	305	0	305
Total		655	42	670	0	670

### 13. INJURY ON DUTY

**Table 13.1 - Injury on duty, 1 April 2005 to 31 March 2006**

Nature of injury on duty	Number	% of total
Required basic medical attention only	3	100%
Temporary total disablement	0	0%
Permanent disablement	0	0%
Fatal	0	0%
Total	3	100%



## 14. UTILISATION OF CONSULTANTS

**Table 14.1 - Report on consultant appointments using appropriated funds, 2005/06**

Project title	Total number of consultants that worked on the project	Duration: workdays	Contract value in rand (R'000)
Appointment of a consultant to manage and strategically advise on the Standard Chart of Accounts implementation and related reporting reforms	1	146	1,400
Appointment of a consultant to assist in the processes of procuring suitable service providers for the South African Military Health Services PPP project	1	30	20
Assistance in guiding and supporting the national and provincial sector departments in preparing their conditional grants plans for 2006/07 – Agriculture	1	27	108
Technical assistance on Gautrain rapid link and SA Agulhas replacement project	1	52	187
Technical assistance in guiding the development of the municipal infrastructure delivery and management improvement programme	1	30	44
Assessment of the impact of the National Environmental Management Act on PPP Projects	1	83	42
Financial Intelligence Centre information technology system development	1	133	235
Assistance with the compilation of consolidated economic accounts for the Estimates of National Expenditure 2006 and Budget Review 2006	1	30	90
Human resources consultant to develop HR policies and procedures	1	180	60
Enhancing developing country representation in the Bretton Woods institutions	2	270	34
Assistance with the coordination and production of the Estimates of National Expenditure 2006 and Budget Review 2006 expenditure chapter	1	30	100
Consultancy services to guide and support the conditional grant business planning process for 2006/07 within seven sector departments	6	120	1,480
Implementation of social assistance conditional grants 2005/06	1	31	105
Appointment of a consultant to prepare an "issues document" that lists priorities and describes critical issues relating to South African life insurance that should inform and assist the national government.	1	14	200



## Report on consultant appointments using appropriated funds, 2005/06 (Continued)

Project title	Total number of consultants that worked on the project	Duration: workdays	Contract value in rand (R'000)
Development of a conceptual framework for performance information	1	120	100
Appointment of a municipal property expert to provide the National Treasury with inputs and advice on the development of regulations on the disposal of municipal land assets, required in terms of the Municipal Finance Management Act.	1	120	66
Appointment of a consultant to develop a talent management framework for National Treasury	4	120	3,200
Appointment of consultancy services to research the VAT treatment of certain merit goods and services (i.e. books, medicines and medical services) and to review the current VAT relief provision	7	356	793
USAID support of PPP unit	4	752	USAID – 2,916
<b>Total number of projects</b>	<b>Total individual consultants</b>	<b>Total duration: workdays</b>	<b>Total contract value in rand (R'000)</b>
<b>19</b>	<b>37</b>	<b>2644</b>	<b>11,182</b>

**Table 14.2 - Analysis of consultant appointments using appropriated funds, in terms of historically disadvantaged individuals (HDIs)**

Project title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of consultants from HDI groups that worked on the project
Appointment of a consultant to manage and strategically advise on the Standard Chart of Accounts implementation and related reporting reforms	100	100	1
Appointment of a consultant to assist in the processes of procuring suitable service providers for the South African Military Health Services PPP Project	100	100	1
Assistance in guiding and supporting the national and provincial sector departments in preparing their conditional grants plans for 2006/07 – Agriculture	100	100	1
Technical assistance on Gautrain rapid link and SA Agulhas replacement project	100	100	1
Technical assistance in guiding the development of the municipal infrastructure delivery and management improvement programme	0	0	0



### Analysis of consultant appointments using appropriated funds, in terms of historically disadvantaged individuals (HDIs) (Continued)

Project title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of Consultants from HDI groups that worked on the project
Assessment of the impact of the National Environmental Management Act on PPP projects	50	50	1
Financial Intelligence Centre information technology system development	0	0	0
Assistance with the compilation of consolidated economic accounts for the Estimates of National Expenditure 2006 and Budget Review 2006	100	100	1
Human resources consultant to develop HR policies and procedures	100	100	1
Enhancing developing country representation in the Bretton Woods institutions.	100	100	1
USAID support of PPP unit	N/A	N/A	3



**Table 14.3 - Report on consultant appointments using donor funds**

Project title	Total number of consultants that worked on the project	Duration: workdays	Donor and contract value in rand (R'000)
Infrastructure cluster	1	264	1,179
Social services cluster	1	264	1,079
IE unit strategic facilitation phase II	1	3	8
TAU Gestalt methodology	1	5	7
TAU knowledge management	1	10	36
TAU strategic work plan	1	8	58
Conditional grants	1	10	25
CPFSP WP3 assessment	1	15	52
Development initiatives	1	5	15
Local economic dev: Eastern Cape	1	10	37
DoE strat plan support	1	5	22
Gov & admin cluster	1	176	968
TAU packaging of data	2	10	40
Support to FIC	1	15	59
TAU Gestalt methodology	1	10	40
Conditional grants	1	10	34
IDIP review of phase 1 reports	1	15	48
Appraisal & approval: mega projects	1	15	58
MIDMIP	1	10	38
Doc for community facilities fund	1	15	59
NEMA: PPP unit	1	13	55
TAU strategic planning	1	5	25
MPCC business plan	1	10	41
Appraisal & approval: mega projects	1	12	40
CPFSP structured closure phase 1	1	12	40
IDIP strategic review	1	15	57
TAU newsletter & booklet	1	5	10
Victim empowerment	1	7	38
IDCSP	3	657	844
SHD	1	219	1,364
<b>Total number of projects</b>	<b>Total individual consultants</b>	<b>Total duration: workdays</b>	<b>Total contract value in rand</b>
30	33	1,830	6,368



**Table 14.4 - Analysis of consultant appointments using donor funds, in terms of historically disadvantaged individuals (HDIs)**

Project title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of consultants from HDI groups that worked on the project
Infrastructure cluster	40	19	0
Social services cluster	100	100	1
IE unit strategic facilitation phase II	100	100	1
TAU Gestalt methodology	50	50	1
TAU knowledge management	100	100	1
TAU strategic work plan	17	53	1
Conditional grants	40	19	0
CPFSP WP3 assessment	100	100	1
Development initiatives	100	100	1
Local economic dev: Eastern Cape	100	100	1
DoE strategy plan support	100	100	0
Gov & admin cluster	100	100	1
TAU packaging of data	40	19	0
TAU Gestalt methodology	50	50	1
Conditional grants	40	19	0
IDIP review of phase 1 reports	100	100	1
Appraisal & approval: mega projects	100	100	1
NEMA: PPP unit	40	19	0
TAU strategic planning	17	53	1
Appraisal & approval: mega projects	100	100	1
CPFSP structured closure phase 1	100	100	1
IDIP strategic review	100	100	1
TAU newsletter & booklet	40	19	0





## ANNEXURES

### Annexure 1: Abbreviations

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



HDI	Historically Disadvantaged Individual
HEDCOM	Heads of Education Departments Committee
HIPC	Highly Indebted Poor Countries
HSRC	Human Sciences Research Council
IAS	International Accounting Standards
IDC	International Development Cooperation
IFAC	International Federation of Accountants
IFMS	Integrated Financial Management Systems
IJS	Integrated Justice Sector
ILP	Inflation linked bond
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
IOSCO	International Organisation of Securities Commissions
IPFA	Institute for Public Finance and Auditing
IPSAS	International Public Sector Accounting Standards
ISDA	International Swaps and Derivatives Association
LRAD	Land Reform for Agricultural Development
MFI	Micro-Finance Intermediaries
MFMA	Municipal Financial Management Act
MFMTAP	Municipal Finance Management Technical Assistance Project
MOU	Memorandum of Understanding
MSP	Master Systems Plan
MTEF	Medium-Term Expenditure Framework
NCOP	National Council of Provinces
NEDLAC	National Economic Development and Labour Council
NEPAD	New Partnership for Africa's Development
NIA	National Intelligence Agency
NOFP	Net Open Forward Position
NPA	National Ports Authority
OAG	Office of the Auditor-General
PIC	Public Investment Commissioners
PFAI	Provident Fund for Associated Institutions
PFMA	Public Finance Management Act
PPP	Public-Private Partnerships
PPPEA	Preferential Procurement Policy Act
RDP	Reconstruction and Development Programme
RISDP	Regional Indicative Strategic Development Plan
RMF	Risk Management Framework
SACU	Southern African Customs Union
SADC	Southern African Development Community
SAFCOL	SA Forestry Company Limited



SAPS	South African Police Services
SAPO	South African Post Office
SARB	South African Reserve Bank
SARS	South African Revenue Service
SASRIA	South African Special Risks Insurance Association
SCM	Supply Chain Management
SCOA	Standard Chart of Accounts
SETA	Sector Education and Training Authority
SITA	State Information Technology Agency
SCOPA	Standing Committee on Public Accounts
SMMEs	Small, Medium and Micro-Enterprises
SOEs	State-owned Enterprises
STRIPS	Separate Trading of Registered Interest and Principal Securities
WTO	World Trade Organisation



## **Annexure 2: Institutions associated with the National Treasury**

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

### **Accounting Standards Board**

Section 87 of the Public Finance Management Act (1 of 1999)

### **Coin Liabilities**

SA Reserve Bank subsidiary

### **Corporation for Public Deposits**

Corporation for Public Deposits Act (46 of 1984)

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

Development Bank of Southern Africa Act (13 of 1997)

### **Financial and Fiscal Commission**

Financial and Fiscal Commission Act (99 of 1997)

### **Financial Services Board**

Financial Services Board Act (97 of 1990)

The following report to it:

Pension Fund

Financial Markets Advisory Board

Pension Funds Advisory Board

### **Financial Intelligence Centre**

Financial Intelligence Centre Act (38 of 2001)

### **Independent Development Trust**

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

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

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

### **Public Investment Commissioners**

Public Commissioners Investment Act (45 of 1984)

### **Registrar of Banks**

Reports to SA Reserve Bank

### **SA Banknote Company**

SA Reserve Bank subsidiary

### **SA Mint Company**

SA Reserve Bank subsidiary

### **South African Reserve Bank**

SA Reserve Bank Act (90 of 1989)

### **South African Revenue Services**

SA Revenue Service Act (34 of 1997)

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

