



National Treasury

Annual Report
2004/2005





Republic of South Africa

National Treasury

Annual Report
2004/2005

Mr TA Manuel
Minister of Finance

I have the honour of submitting the Annual Report of the National Treasury for the period 1 April 2004 to 31 March 2005.

L Kganyago
Director-General

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

Tel: +27 12 315 5948
Fax: +27 12 315 5160

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ACCOUNTING OFFICER'S OVERVIEW

The period covered by this annual report has been marked by significant economic milestones. During this period, the economy grew at 4.1 per cent per annum, the first time that the level of 4 per cent has been exceeded in the past four years (since 2000/01). Furthermore, inflation, running at 2.0 per cent has been kept well in check, and exchange rates on our currency have avoided the marked volatility of the past. While criticism had previously been levelled at what some have termed "jobless growth", this is no longer the case. Between 1 April 2004 and 31 December 2005, 597,000 new job opportunities were created. Consumer and producer confidence was also recorded at high levels during this period.

All these factors point to an economy, which, to borrow a phrase from our Minister, "is pumping". While National Treasury would not make the mistake of claiming "easy victories" in this regard, it is nevertheless heartening to know that through sound macro-economic policies and fiscal discipline, the Department has been able to play its role in contributing to the optimistic "vibe" that currently surrounds the economy and, indeed, the country in general.

But why stop there though? During National Treasury's interaction with the President's International Investment Council and the Commission for Africa, it has become increasingly evident that South Africa has the potential of achieving economic growth rates in excess of 6 per cent per annum. While the situation that pertains in the mining industry and certain sectors within manufacturing provides a reality check, the aim is nevertheless to strive for growth levels, that had previously been deemed by many to be unattainable. Efforts in this regard are being further reinforced by our Government's emphasis on greater investment in infrastructure, employment creation and service delivery.

An important aspect of the economy's development is to improve access to financial services by a substantial portion of the population located in the lower-income levels. This resulted in major work being undertaken on the Dedicated Banks and Cooperative Banks Bills. These pieces of legislation seek to create the opportunity for the establishment of second-and third-tier banks. Third-tier banks would be able to provide basic banking services such as opening savings accounts but, would be limited in terms of available investment vehicles. Second tier banks would have a more flexible regulatory regime, allowing them to provide loans and providing them with a wider array of investment vehicles. Public comments on these Bills were received during the period leading up to January 2005. Roadshows were also undertaken to various village banks in all the provinces to explain the Bills' objectives. These roadshows were also used as forums for collecting comments at community levels in both urban and rural areas. Public support and appreciation has been evident throughout this process.

Staying with the financial sector, a Financial Sector Charter Council was established during 2004 and is making good progress towards establishing the structures necessary to oversee implementation of the Charter. The commitment of banks to provide affordable and accessible banking to people in the LSM (living standards measures) segment of 1 to 5 was evidenced by the four major South African Banks and the Post Bank launching the



Lesetja Kganyago
*Director-General:
National Treasury*



Mzansi account in October 2004. Among the other initiatives on which banks have expended much effort are the development of strategies to provide housing loans to large numbers of low-income people, development programmes focusing on black advancement, increased procurement of goods and services from black empowerment companies and financing black economic-empowerment transactions.

Initiatives in the financial sector were further reinforced vis-a-vis work undertaken by the Assets and Liability Management Division. This is evident from the introduction of the retail bond, which has encouraged South Africans to save and which has raised R1, 3bn in its initial year of operation, against the backdrop of declining interest rates.

Further, with regard to Assets and Liability Management, introduction of the Intergovernmental Cash Coordination system for the management of cash transfers to and from provinces has seen the reduction of government risk exposure through the pooling of cash resources managed by the South African Reserve Bank and accessibility surplus funding. As for state-owned entities, the introduction of an enhanced shareholder value model for the restructuring of these entities has been a key milestone. This model provides for the payment of dividends to the state, an aspect that had previously been absent.

Regarding its international work programme, the National Treasury continued to engage actively with the International Monetary Fund, World Bank Group, the G20, G24, ADB, Commission for Africa (CFA), NEPAD, SACU and SADC, among others. The global programmes witnessed critical policy changes on the development architecture front. Debt sustainability for low-income countries was raised in the context of concerns regarding the excessive build-up of new debt owing to potentially large financing needs associated with meeting the Millennium Development Goals. The recent commitment by the G8 to cancel outstanding debt of HIPC's to the IMF, World Bank and African Development Bank has been welcomed and could mark a new era in development assistance to alleviate poverty in poor countries.

South Africa also participated in the World Bank's International Development Association (IDA) and ADB's African Development Fund (ADF) replenishments, which marked significant financing for development. The Board of Governors of the IDA approved the fourteenth replenishment of the IDA's resources in terms of which \$34 billion would be made available to the world's 81 poorest countries during the next three years. Of this amount, about \$18 billion will come from new contributions from 40 donor countries. This represents, an increase of almost 25 per cent in overall resources over the previous replenishment, and is the largest expansion of IDA resources in two decades. This increase in IDA resources is a major step forward in the international community's efforts to fight poverty and achieve the Millennium Development Goals. In the case of the ADF, in December 2004 donors agreed to contribute US\$ 3 billion to increase its grants and loans by at least 45 per cent. National Treasury intends strengthening its engagement in international programmes, focusing on influencing the global and regional policy agendas to improve development policies for African economies.

Relations between the various spheres of government received a major boost with the coming into effect of the Municipal Finance Management Act (MFMA) on 1 July 2004. While teething problems are to be expected, all indications at this early stage are that the MFMA is likely to prove as effective as the Public Finance Management Act (PFMA) in

ensuring accountability for the efficient and effective management of resources within the public sector sphere. The emphasis of both the MFMA and the PFMA is to let managers manage within clearly defined parameters of accountability. The approach is both pragmatic and realistic. In addition, the PFMA, has elicited international praise and interest. Representatives from various countries have visited the National Treasury to study the PFMA and its implementation. Some countries are even considering utilising the PFMA as a model for the public finance legislation that they wish to pass.

Accountability has been further enhanced through continued implementation of Generally Recognised Accounting Practices (GRAP). Primary responsibility in this regard rests with the Office of the Accountant General. GRAP is also paving the way for a move away from cash-based accounting towards the more effective system of accrual accounting within Government.

While on the Office of the Accountant General (OAG), it is important to note that this office has been able to produce timely consolidated financial statements for Government for the 2004/05 financial year. Furthermore, the OAG also made significant inroads into the backlog of financial statements that had accumulated during previous financial years under former Accountants-General as a result of capacity constraints. This resulted in the finalisation of consolidated financial statements for the financial years between 1999 and 2003, and consolidated financial information for the 2003/04 financial year.

On the personnel front, National Treasury has been successful in filling 209 posts during the past financial year, despite being faced with tough competition in the labour market. Even with the natural attrition of personnel leaving the Department, this has resulted in an overall decrease in the vacancy rate from 43 per cent in 2003/04 to 15 per cent in 2004/05. Another significant development is that the department has increasingly become a learning organisation. One of the key elements is the internship programme. Forty interns were employed by National Treasury during the 2004/05 financial year. A number of these went on to find longer-term employment within the Department. The National Treasury is in the process of becoming the first port of call for aspirant young graduates, especially those wishing to commence their careers in the economics sphere.

The National Treasury Annual Report, 2004/05 clearly demonstrates our achievements over the past financial year, as assessed against the strategic plan for this period. The audited financial statements contained in the report account for the utilisation of resources appropriated by Parliament for the 2004/05 financial year. Finally, the annual report outlines the challenges that are likely to impact on future work programmes and resource allocations.



Lesetja Kganyago
Director-General: National Treasury

THE MINISTRY

The year 2005 marks the ninth year in which Minister Trevor Manuel has served as Minister of Finance. He has, since his appointment, helped in guiding the South African economy through various global economic crises and stayed the course to achieve macro-economic stability. In 2005 we are witnessing continued optimism and an unprecedented degree of confidence in our economic outlook. In the years ahead the Minister's attentions will be focused on achieving the desired levels of economic growth needed to address the challenges of underdevelopment and poverty.

For the period under review Deputy Minister Jabu Moleketi ably supported Minister Manuel. We are fortunate to have profited from their dynamic leadership, which is both complementary of each other and visionary in outlook. The political leadership of the National Treasury is counterbalanced with a competent technical team under the management of the Director-General, Lesetja Kganyago.

The success of the National Treasury is measured not only by the dynamism of its leadership, but also by the caliber of its staff and their commitment, dedication and loyalty. The Ministry itself is a highly pressurized environment, where a core team of dedicated and committed individuals ensures that the Minister and Deputy Minister's operational needs are met. The National Treasury continues to attract a cadre of young and talented thinkers in the fields of development finance and economics. Human Resource development remains a top priority of the National Treasury for skills retention; the Treasury therefore actively strives to foster intellectual stimulating environment where dialogue and debate are encouraged.

Both Minister Manuel and Deputy Minister Moleketi are actively engaged in various international fora as part of South Africa's commitment to create a more equitable world order, and to champion the voice of Africa, especially in multilateral institutions such as the IMF, World Bank and African Development Bank. Through the African Peer Review Mechanism and under the auspices of NEPAD, Africa has taken up its rightful place on an equal footing with our development partners to address the developmental challenges that confront us as Africans.

Africa's renaissance lies in achieving the underlying principles of NEPAD, namely good governance, conflict resolution and economic integration. South Africa will continue to champion these principles, both on the Continent and to the rest of the world. We are particularly encouraged by the G8 commitments on debt relief, as it will free up resources for African governments to spend on poverty alleviation and social upliftment programmes.



Trevor A Manuel, MP
Minister of Finance

International visits undertaken by the Minister of Finance during the 2004/05 financial year

16 - 21 May 2004	Visit to Washington DC and San Francisco, United States, to meet with Executive Directors at the World Bank and to address a conference at Stanford University Graduate School of Business.
23 - 26 May 2004	Visit to Kampala, Uganda, to attend the Africa Group 1 Constituency meeting and the African Development Bank Annual Meeting
2 - 5 June 2004	Visit to Maputo, Mozambique, to attend the World Economic Forum Africa Economic Summit
30 June - 01 July 2004	Visit to Maseru, Lesotho, to attend a Southern African Customs Union Council of Ministers Meeting
30 - 31 August 2004	Accompanied President Mbeki on a state visit to the Democratic Republic of Congo
20 - 23 September 2004	Visit to London, United Kingdom, on Commission for Africa business and to address a fundraiser for Rhodes University
28 September - 09 October 2004	Visit to Washington D.C., US, to attend the Annual Meetings of the World Bank, to Ottawa, Canada, for a CfA meeting with the Minister of Finance of Canada and the Chancellor of the Exchequer, and to Addis Ababa, Ethiopia, for a meeting of the Commission for Africa.
18 - 22 November 2004	Visit to Berlin, Germany, for a meeting of G20 Finance Ministers and Central Bank Governors.
01 - 04 December 2004	Visit to Brighton to deliver a Distinguished Development Lecture at Sussex University
25 - 30 January 2005	Visit to Davos, Switzerland, to attend the Annual Meetings of the World Economic Forum
03 - 06 February 2005	Visit to Brussels, Belgium, for a Commission for Africa Seminar with European Parliamentarians, and to London, UK, for a meeting with G7 Finance Ministers and Ministers of Finance of China, Brazil and India.
10 March - 12 March 2005	Visit to London for the launch of the Commission for Africa Report.

International visits undertaken by the Deputy Minister of Finance during the 2004/05 financial year

24 - 28 May 2004	Visit to Shanghai, China, to attend IMF/World Bank Global Conference on Scaling up Poverty Reduction
4 - 08 July 2004	Visit to Zurich, Switzerland, attend the FIFA World Cup meeting
18 - 20 Augustus 2004	Visit to Mauritius to attend the Eastern Southern African Anti-Money Laundering Group (ESAAMLG) of the Council of Ministers meeting
13 - 16 September 2004	Trip to Berlin, Germany, with Minister of Sport and Minister in the Presidency
27 September - 5 October 2004	Visit to Washington D.C, US, to attend the Annual meetings of the World Bank
18 - 22 October 2004	Visit to Netherlands to meet overseas investors with PIC CEO
10 - 12 November 2004	Visit to Mauritius attend the SADC Finance Ministers' meeting
13 - 19 November 2004	Visit to Belgium accompanying the President of South Africa
8 - 9 December 2004	Visit to Walvis Bay, Namibia, attend SACU Council of Ministers meeting
05 - 08 February 2005	Visit to Sudan attend the SPLM Leadership workshop

VISION

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

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

MISSION AND OBJECTIVES

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

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

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

We promote transparency and effective financial management.

VALUES

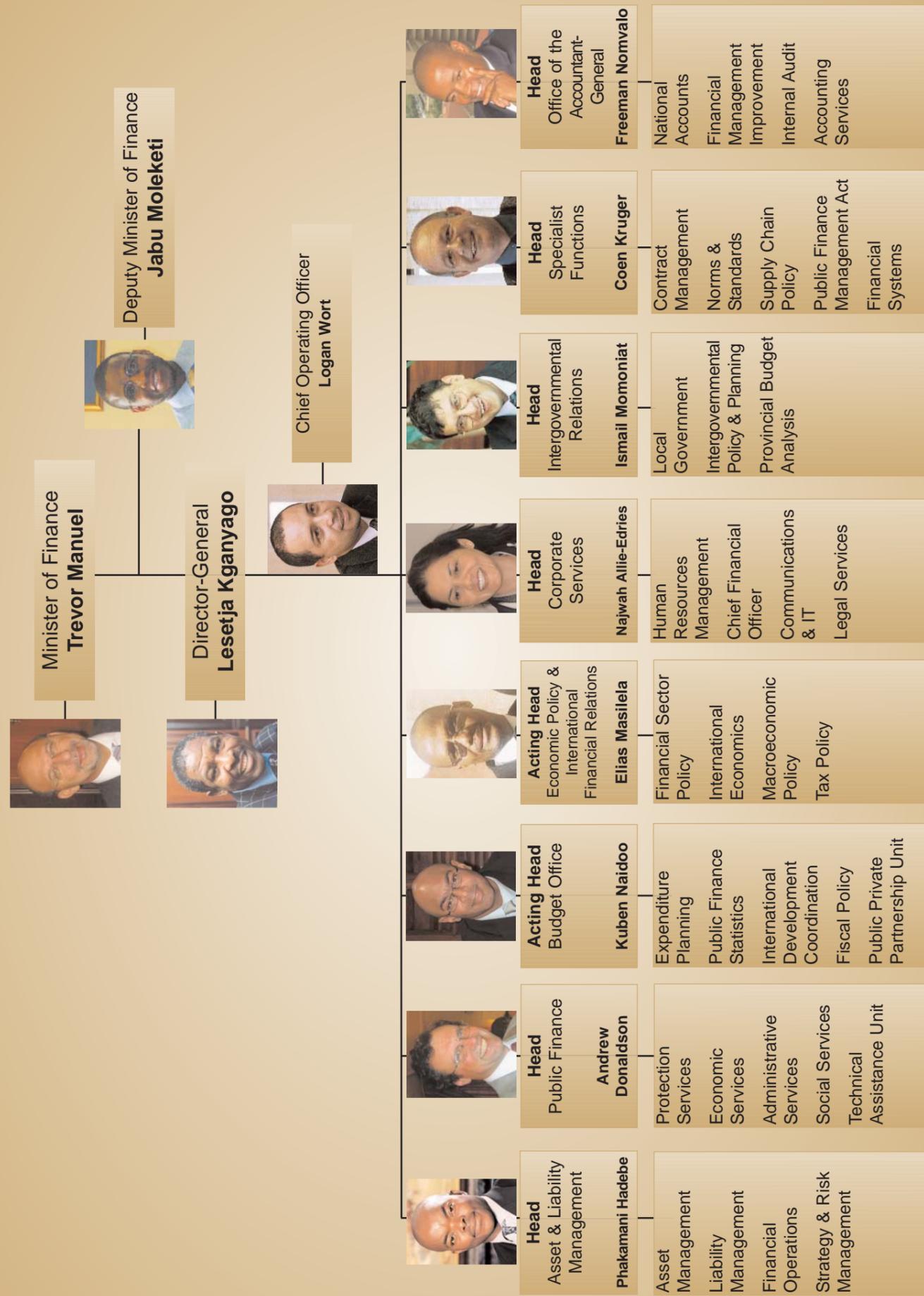
As custodians of the nation's financial resources, the National Treasury acknowledges the authority of Parliament through whom we are accountable to the nation.

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

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

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

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



MINISTER'S STATEMENT ON POLICY AND COMMITMENT

The preamble to our Constitution commits us to "improve the quality of life of all citizens and free the potential of each person." Our policies in the National Treasury are to ensure that our macro-economic management creates an environment conducive to achieving a better life for all our citizens. Our commitment is to build a democracy that truly cares, to engage all of Government in a battle against poverty, underdevelopment and dehumanisation.

As a government we are in tune with the aspirations of our people. Through our imbisos and mmagotlas we are profoundly aware of the need for employment, for broader participation in economic activity, for relief from the trap of persistent poverty, for housing, better education, reliable health services. These challenges have disciplined our policies and budget plans over the last ten years, and they remain firmly in mind in the growth and development strategy for the decade ahead.

Since 1996 we have persevered on a path to achieve macro-economic stability, evidenced today by sustained levels of economic growth, declining inflation, predictable and stable interest rate and an overall optimism about our economic outlook. On the strength of this success, we are able to be bolder yet in the years ahead. We are mindful that macro-economic stability is a necessary precondition, but not the only condition required for achieving the desired levels of economic growth. Whilst maintaining economic stability, our focus has now shifted to our micro-economic reform strategy to assist us in addressing the rigidities that are still prevalent in our economy.

As the National Treasury we will continue to improve on the structure and resilience of the public finances and its coordination with government's fiscal policy. The commitments we make to align government spending with broader policy objectives will require of us to build on our inter departmental co-operation to facilitate implementation by all government agencies.

Our costs of borrowing have been significantly reduced because of management improvements and concomitant improved credit ratings for South Africa. Key new responsibilities for Asset and Liability management over the next year include the development of a monitoring system for the treasuries of state owned enterprises and efforts to improve the articulation and alignment of our development finance institutions.

In the year ahead we will continue to overhaul government's procurement and supply chain management policies, standardize the financial systems of national and provincial government through the revamped Integrated Financial Management System and continue to implement the Public Finance Management and Municipal Finance Management Acts.

The key challenges for Provincial and Local Government relate to the matching of appropriations with actual spending. We have set a high priority on regular quarterly reports on infrastructure expenditure and maintenance to counteract the slow pace of infrastructure spending. A further challenge for Local Government, where the formula for equitable shares has been improved and where the Municipal Finance Management Act is being rolled out, is to improve on the efficiency of financial management.



LEGISLATIVE MANDATE

The fight against poverty is not solely a South African challenge; it must be waged in the international arena. We have to remain active and engaged in a series of international fora - in the IMF and World Bank and the Development Committee that oversees these institutions' strategic thinking; in the World Customs Organisation, in the G 20 on financial stability; in the United Nations, in the OECD, which for us is a learning centre; and in the World Trade Organisation, in support of the Ministry of Trade and Industry. We will continue to do battle to have our voices heard, we will continue to carry a democratic and progressive message into the forums of international discourse with which we engage.

On the continent we are involved with the building of stronger institutions - both pan-African such as the African Development Bank and the African Union, and sub-regionally, as in the case of SADC or SACU. We are called upon from time to time to assist with capacity building. Further we are afforded the opportunity to engage in advocacy on behalf of the Continent - my participation in the Commission for Africa was a great opportunity for learning and sharing and preparing the African case for the G8 meeting held at Gleneagles in July 2005.



Trevor A Manuel, MP
Minister of Finance

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

Parliamentary Services

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

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

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

The key functions of Parliamentary Services include:

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

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 2004/2005 financial year to date:

1. **Appropriation Act, (15 of 2004)**
Bill enacted: Appropriation Bill [B3 -2004]
English text signed by the President. Assented to on 22 July 2004
Published in Government Gazette No. 26611 dated 27 July 2004
2. **Taxation Laws Amendment Act, (16 of 2004)**
Bill enacted: Taxation Laws Amendment Bill [B8 - 2004]
English text signed by the President. Assented to on 22 July 2004
Published in Government Gazette No. 26612 dated 27 July 2004
3. **Government Employees Pension Law Amendment Act, (21 of 2004)**
Bill enacted: Government Employees Pension Law Amendment Bill [B15 - 2004]
English text signed by the President. Assented to on 8 November 2004
Published in Government Gazette No.26978
4. **National Payment System Amendment Act, (22 of 2004)**
Bill enacted: National Payment System Amendments Bill [B14D - 2004]
English text signed by the President, Assented to on 28 October 2004
Published in Government Gazette No.26949 dated 30 October 2004
5. **Public Investment Corporation Act, (23 of 2004)**
Bill enacted: Public Investment Corporation Bill [B6B - 2004]
English text signed by the President. Assented to on 11 December 2004
Published in Government Gazette No. 27100 dated 15 December 2004
6. **Finance Act, (26 of 2004)**
Bill enacted: Finance Bill [B13 - 2004]
English text signed by the President. Assented to on 28 November 2004
Published in Government Gazette No. 27041

7. **Securities Services Act, (36 of 2004)**
Bill enacted: Securities Services Bill [B19B - 2004]
English text signed by the President, Assented to on 18 January 2005
Published in Government Gazette No. 27190 dated 24 January 2005
8. **Financial Services Ombud Schemes Act, (37 of 2004)**
Bill enacted: Financial Services Ombud Schemes Bill [B20 - 2004]
English text signed by the President. Assented to on 4 February 2005
Published in Government Gazette No. 27265 dated 9 February 2005
9. **Adjustments Appropriation Act, (27 of 2004)**
Bill enacted: Adjustments Appropriation Bill [B21 - 2004]
English text signed by the President. Assented to on 1 December 2004
Published in Government Gazette No. 27060
10. **Revenue Laws Amendment Act, (32 of 2004)**
Bill enacted: Revenue Laws Amendment Bill [B 24 - 2004]
English text signed by the President. Assented to on 18 January 2005
Published in Government Gazette No. 27188 dated 24 January 2005
11. **Second Revenue Laws Amendment Act, (34 of 2004)**
Bill enacted: Second Revenue Laws Amendment Bill [B25 - 2004]
English text signed by the President. Assented to on 18 January 2005
Published in Government Gazette No. 27189 dated 24 January 2005
12. **Division of Revenue Act, (1 of 2005)**
Bill enacted: Division of Revenue Bill [B8B - 2005]
English text signed by the President. Assented to on 30 March 2005
Published in Government Gazette No. 27443 dated 1 April 2005
Assented to on 30 March and published in the Gazette on 31 March 2004

PROGRAMME 1

ADMINISTRATION

Purpose: Administration provides strategic management, policy advice and administrative support to the National Treasury.

Measurable objective: The programme aims to provide effective leadership, management and administrative support to the core business divisions through continuous refinement of organisational strategy and structure, in compliance with applicable legislation and best practices.

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 manages the *Administration* programme. The division is responsible for financial management and administration within the National Treasury and aims to create a productive and creative working environment that enhances departmental efficiency. The division has developed a Client Charter and has conducted a client survey. The results of the survey will be used for the drafting of implementation plans to improve service delivery. The *Corporate Services* division consists of six units - *Human Resources Management, Financial Management, Legal Services, Security Management, Facilities Management, and Communication and Information Technology* - that provide the backbone support-service operations to the core business of the National Treasury.

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 (1 of 1999) (PFMA). Despite the resignation of the Chief Financial Officer during the financial year of 2004, the unit managed to achieve its key objectives. Its main outputs for the year included performing secretariat duties for both the Audit Committee (AC) and Risk Management Committee (RMC), as well as implementing recommendations and decisions emanating from these committees, in particular, issues that impact materially on compliance with legislation and mitigation of risk.

Also, significant progress has been achieved on the streamlining of procurement and supply-chain processes. For example, the unit has reduced turnaround times to an average

of 26 days for invoice payment, while at the same time significantly improving controls and the processing of requisitions and orders. Greater transparency has been enforced in the movement of requisitions, orders, invoices and payment of supplier accounts, which, in turn, has reduced external and internal queries. Further achievements for the year relate to refinement in managing contract performance through effective overall management of service-level agreements with all suppliers and service providers. To date, 58 contracts have been awarded, with 45 of these contracts going to HDI companies, 42 to companies with majority BEE ownership and 16 contracts to women-owned companies.

To ensure better tracking of assets, an asset-management function has been established, which includes maintaining an accurate record of assets. With assistance from the Information Technology (IT) directorate, there is now better tracking of all IT equipment through tagging and configuration before installation on site. Tighter controls have also been implemented to ensure compliance with the Division of Revenue Act in the case of transfer of funds. Also, there was strong reigning-in of weaknesses in the controls over medical expenditure, which were raised as an emphasis of matter in the Auditor-General's report for the 2003/04 financial year. As from 1 July 2005, a system for effective internal control will be activated.

The *Human Resources Management* unit focussed on positioning the National Treasury as an employer of choice during 2004/05 financial year. To achieve this, the National Treasury implemented a competency-based recruitment system, undertook headhunting and developed networks with professional bodies and universities. Also, a core behavioural competency framework has been developed, which outlines critical competencies for the National Treasury to assess the potential of senior management employees during recruitment.

As a result of the above initiatives, 209 employees were appointed and/or transferred to the National Treasury. Through an internship programme, 40 trainees were appointed, and 17 were retained from 28 interns, who were appointed during the 2003/04 financial year. In support of individual learning plans, a number of in-house training programmes were implemented to further enhance the skills within the Department. To address retention challenges faced by the National Treasury, additional employee benefits, such as negotiated rates and products from various banks, were also implemented. To ensure high employee satisfaction at the National Treasury, a culture and client survey was conducted during June and July 2004, and its recommendations will be implemented in the next financial year 2005/06.

A Client Charter to further improve the unit's performance and service delivery has been developed. Furthermore, a number of human-resources policies have been developed to fine-tune the human resources processes, systems and procedures in line with best practice and legal requirements. The unit also complied with all the legislative requirements.

Legal Services is responsible for providing a comprehensive and diverse legal support service to the Minister, Deputy Minister and all the divisions of National Treasury within

the confines of constitutional and legal prescripts. During the year under review, the unit became involved in the successful passage of the Division of Revenue Act (1 of 2005); Financial Services Ombudsman Schemes Act (37 of 2004); and in the drafting of the Public Private Partnership Regulations. Also, the unit has had to comment on a number of Bills and regulations for example, the Immigration Regulations, Kickboxing Regulations, National Ports Authority Bill and Sectional Titles Bill, and draft the President's Minute for the appointment of the Governor of the Reserve Bank as well as its Board of Directors.

The work of the *Legal Services* unit is often varied and, as a result, it became involved in providing training on the legislative process to National Treasury employees, advising the National Treasury on the Government's shareholder rights in Telkom in view of the possible of exit of Thintana as a shareholder. The unit also drafted legal documentation for the implementation of the retail bonds, provided legal advice to the Guarantee Certification Committee of the National Treasury, advised on the memo and articles of association of the Public Investment Corporation, assisted in resolving legal issues arising out of the retrenchment of the former employees of the Public Investment Corporation; and successfully defended the Minister on various matters.

Over the past year approximately 40 significant litigious matters were dealt with involving the following:

- Constitutional challenge of the Exchange Control Act and Regulations, Customs and Excise Act, Regional Services Council's Act, Insider Trading Act;
- Award of tenders by the State Tender Board;
- Labour; and
- Contracts

The *Information Technology* unit has continued to build on its excellent service delivery to all stakeholders, with systems availability surpassing expectations and the successful upgrading of network operating systems. The Centurion premises have been upgraded to a fault-tolerant data network, which includes voice infrastructure. With the implementation of an effective anti-virus system, external threats have been minimised and disaster-recovery plans have proven to be effective. Over the past year, to improve service delivery, the unit assisted in the successful implementation of the RSA Retail Bonds, Standard Chart of Accounts, Amnesty Unit web application and the acquisition of a central service desk tool for the Corporate Services division is in the final stages. In conjunction with the State Information Technology Agency, the project of implementing a mobile computing environment is to be finalised during 2005.

During the 2004/05 financial year, the *Security and Facilities Management* unit was separated into *Security Management* and *Facilities Management*. The *Security Management* unit's structure was reviewed to enforce all prescripts and standards set by national institutions, such as the National Intelligence Agency (NIA), the South African Police Service (SAPS) and the National Archives of South Africa (NASA). Considerable progress has been made in complying with the Minimum Information Security Standards

(MISS) policy, and at least 111 employees within the National Treasury have been awarded security clearance certificates. Security breaches have also been reduced by 50 per cent as a result of the upgrading of the electronic security system at the 40 Church Square building, regular communication and the implementation of the Security Awareness programme by the NIA. About 176 National Treasury employees have attended this Programme. A security manual, which guides the staff and clients on security practices, has also been drafted and will be circulated once approved.

The *Security Management* unit continued to strive towards ensuring a healthy, safe and secure business environment during various events, such as the Ministers' Lekgotla, the Third World Roundtable conference and so on, that were hosted by the National Treasury.

The *Facilities Management* unit filled two vacancies that are critical to ensuring customer satisfaction. Key developments during the 2004/05 financial year included the successful refurbishment of four floors for the Economic Policy and International Financial Relations division, the relocation of the Communications unit to 40 Church Square, and the refurbishment of office space at the SITA building in Centurion.

The *Communications* unit, reporting to the office of the COO, continues to act as a strong media liaison portal for the Ministry and the National Treasury. In the past financial year, the unit has been successful in organising a Town Hall meeting with the objective of bringing the Budget to the people in Cape Town, which was attended by more than 200 people. The unit undertook two media lock-ups during the Medium Term Budget Policy Statement (MTBPS) and two during the Budget period for Pretoria and Cape Town. The unit also coordinated the "Bring a Girl Child to Work Day" within the National Treasury and assisted other divisions with media-related issues such as editing, sending out agenda, setting press releases and statements, and placement of edited speeches on the website. The Communications unit also works closely with other government Departments and participates in intergovernmental communications fora by attending pre-Cabinet and cluster meetings.

Service Delivery Achievement

Programme 1: Administration

Subprogramme	Output	Output performance Measurement/Service delivery Indicators	Actual performance against target		
			Target	Actual	
Corporate Services	Ensure full compliance with PFMA	Report audit	Unqualified audit	Achieved	
	Implement the transformation programme through restructuring and enhanced HR systems	% of policies and procedures finalised	100% finalisation of policies and procedures by 31 March 2004.	83% implemented 20% being consulted 17% being developed	
	Improve leverage of IT investment	% implementation of new and updated IT systems	100% implementation of technical designs by June 2004	Achieved	
	Provide diverse legal and legislative services	Meet divisional legal services needs in terms of time and quality	Throughout 2004/05 as required by divisions	Achieved	
		Draft Bills of quality, introduced on time	As determined by the relevant divisions	Achieved	
		Cost-effective litigation		Achieved	
		Services Charter and streamlining of processes and procedures	31 December 2004	Charter drafted, client survey conducted Currently planning for implementation of survey recommendations	
		Ensure that National Treasury is an employer of choice	Develop policy and systems to attract, motivate, develop and retain talent	31 December 2004	Strategies implemented

Subprogramme	Output	Output performance Measurement/Service delivery Indicators	Actual performance against target	
			Target	Actual
		Healthy and safe hygienic business environment	Structure and system in place by 31 December 2004	Emergency plan in terms of the Occupational Health and Safety Act is in final draft.
		Modern facilities (work area, refurbished building, security system etc)		Refurbishment of four floors in Vreemden Street building.

PROGRAMME 2

ECONOMIC PLANNING AND BUDGET MANAGEMENT

Purpose: To provide 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; and
- *Economic Policy* is responsible for macroeconomic analysis and policy advice, the management of international financial relations, tax policy analysis, and financial sector policy advice. The division also coordinates its activities with the Reserve Bank on the supervision and regulations of banking and exchange control, the Financial Services Board (FSB) in relation to non-banking financial services, and the Financial Intelligence Centre (FIC) in relation to anti-money-laundering measures and combating the financing of terrorism.

Service Delivery Objectives and Indicators

Recent outputs

Budget Office

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 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 options for extending medical scheme membership, pay progression and personnel mobility. 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; fiscal sustainability, debt finance and budget deficit trends; and the contribution of fiscal policy and the budget to 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, liaison with the Department of Trade and Industry on critical infrastructure planning and budgeting, and participation in the National Economic Development and Labour Council (NEDLAC) Public Finance Chamber.

Much of the *Medium-Term Expenditure Planning* unit's work is focused on the coordination of the Budget process in preparation of the annual Estimates of National Expenditure. Key activities over the past year were mainly on supporting national Departments' refinement of "measurable objectives" to accompany expenditure estimates for the main subdivisions of parliamentary appropriations. Further improvements were made on the Treasury Guidelines for preparing budget submissions and published budget documents by Departments.

To improve reporting, the team participated, including the National Treasury, the Auditor-General and the DPSA, in the preparation of a framework to guide performance reporting across the Government. Work was accomplished jointly with the Presidency and other central administration departments to strengthen overall planning, monitoring and evaluation of public service delivery. Also, policy options and spending reviews were compiled to assist the Ministers' Committee on the Budget in the assessment of medium-term expenditure priorities.

South Africa's approach to expenditure planning and budget coordination has attracted considerable international interest. A Collaborative African Budget Reform Initiative (CABRI) was launched in 2004, bringing together representatives of the Finance Ministries of several African countries to share experiences and strengthen budget reform programmes.

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, its work focused primarily on:

- Developing a policy framework and procedural guidelines for the management of ODA flows into South Africa;
- Enhancing ODA coordination, both at macro and implementing-agency level;
- Assisting in the establishment of the South African Development Counsellors Forum, which is coordinated and headed by the IDC unit;

- Participating in annual consultations on progress of implementation and programming - 15 such consultations were undertaken in the year under review;
- Building capacity for ODA management in terms of both formal training at agency level and strategic engagement around ODA issues with core stakeholders;
- Contributing to ODA reform in line with internationally agreed policy principles and strategies, such as the harmonisation and alignment of aid, recipient empowerment and institutional reform; and
- Enhancing ODA information management through the establishment of a central ODA management information system, the Development Cooperation Information System (DCIS).

The *Public Finance Statistics* unit focuses mainly on the production of appropriately classified fiscal data for the publications of Treasury in support of the PFMA and for submission to the International Monetary Fund (IMF) in terms of international agreements.

The implementation on 1 April 2004 of the new *Economic Reporting Format and Standard Chart of Accounts* (SCOA) was accompanied by a concerted change-management effort during 2004/05. To date, approximately 700 chart-related queries have been successfully resolved by the Technical Committee and 2 900 financial practitioners have attended the training workshops. A single-day strategic workshop has been successfully piloted and will be offered to senior managers in the public service.

The main highlights of the *Public Finance Statistics* unit during 2004/05 included:

- Addressing transitional issues by National Statistics related to the implementation of Standard Chart of Accounts (SCOA) in April 2004;
- Managing the national database, which is critical for compiling the Estimates of National Expenditure;
- Maintaining the database of provincial statistics and providing high-quality inputs to the various National Treasury publications. Provincial Statistics also completed significant improvements to the database structure;
- Undertaking further reclassification of statistics of close to 130 provincial departments in collaboration with the South African Reserve Bank; and
- Developing and facilitating a course on working data for the members of Provincial Statistics and establishing a database workgroup to enhance peer learning and capacity building between provinces.

General Government Statistics has increased the number of public entities under budget coverage by 44% in the past year. This will help in the preparation of consolidated statistics for the General Government accounts. Work has also been undertaken on impact analysis of changes to VAT legislation on the public entities listed in Schedules 3A and 3B of the Public Finance Management Act (1 of 1999). In addition, General Government Statistics actively participated in the Public Entities Review project organised by the National Treasury

The *Public-Private Partnership (PPP)* unit regulates PPPs in terms of Treasury Regulation 16 to the PFMA, and in terms of PPP regulations to the Municipal Finance Management Act (56 of 2003). The municipal PPP regulations were introduced in early 2005, giving rise to a new set of responsibilities for the Unit.

In 2004, the unit launched the PPP Manual and Standardised PPP Provisions for institutions implementing service-delivery PPPs in terms of the PFMA. These comprehensive documents establish best practice benchmarks for overall management of South African PPPs, and include the Code of Good Practice for Black Economic Empowerment (BEE) in PPPs.

Two important BEE initiatives were launched by the unit in 2004/05. The first resulted in a new financing facility offered by the Development Bank of Southern Africa to black shareholders in PPP projects, and supported pre-qualified black parties with independent legal and financial advice. The second is an internship programme for young black post-graduates, which will increase the number of black advisors in the PPP market. By early 2005, 10 interns were placed in transaction advisor teams on PPP projects and will be employed for a two-year period in the PPP unit.

The *Project Development Facility* (PDF), which was established as a National Treasury trading account by the PPP unit in 2003, had committed more than R12 million in transaction advisory support to institutions undertaking PPPs by the end of 2004/05. A capacity survey of five provincial treasuries was completed to assess their ability to appraise PPPs and other large capital projects. Moreover, case studies on four pioneering PPP projects had also been commissioned in 2004/05. Sector-specific PPP workshops were held to focus on projects and processes in health, fleet management, ICT and tourism during 2004/05. These involved more than 1 000 delegates from the public and private sectors.

By the end of the 2004/05 financial year, the PPP unit records showed 53 registered PPP projects in various stages of the project cycle. Projects entering the procurement phase at the start of 2005/06 included, among others, Gautrain Rapid Rail, Gauteng government precinct, Department of Foreign Affairs head office, South African Revenue Services container scanners, Eastern Cape pharmaceutical supply chain, Limpopo Ellisras, Phalaborwa, Duiwelskloof co-location hospitals and linen services, and Western Cape Hermanus, Swellendam, and Lentegeur hospitals.

Public Finance

The *Public Finance* division is responsible for liaising with other national Departments on policy, planning, budgeting and financial management, and provides analysis. It also provides advice on Budget submissions for consideration by the Medium Term Expenditure Committee and the Ministers' Committee on the Budget.

During the 2004/05 financial year, Economic Services policy analysis and advice focused on enhancing coordination and improving human settlements by encouraging banks to lend in low-income areas, to ensure that low-cost housing financing does not lead to systemic risks for the financial sector, and developing a framework for funding community infrastructure. Significant progress has been made in the restructuring of

the Postbank, with the signing of a memorandum of understanding between the Minister of Communications and Minister of Finance to ensure the Postbank is on sound financial footing and appropriate governance arrangements are in place.

- In mid-2004/05, a new micro-credit scheme for agriculture was proposed by the Department of Agriculture. The Economic Services team assisted with commentary on the early draft of the business plan for the micro-credit scheme. It is envisaged that this scheme will be operational by mid 2005. The National Treasury has initiated a study on the impact of the land-reform programme on agricultural development. In addition, studies have been undertaken by the Human Sciences Research Council (HSRC) and PLAAS in some provinces to provide in-depth analysis of progress made to date and to assess policy instruments to ensure emerging farmers are productive and profitable.
- A conditional grant to underwrite post-settlement support of emerging farmers by provincial agriculture departments was introduced in the 2004 Budget, and consultation with World Bank experts helped remove barriers to the subdivision of agricultural land and addressed distorting features of the property tax environment.

Administrative Services consists of three divisions that are responsible for central government Departments (including Home Affairs and Foreign Affairs), financial and administrative departments (including National Treasury and Statistics SA) and the Departments of Public Works; Provincial and Local Government; and the South African Management Development Institute (SAMDI).

Areas in which the team played a significant role during 2004/05, were:

- Home Affairs - Supported the Department of Home Affairs in the review of tariffs charged for services rendered by the Department;
- Provincial and Local Government - Provided guidance for budget planning following the decision to bring forward the implementation of the Municipal Infrastructure Grant (MIG);
- Public Works - Coordinated four areas of the Expanded Public Works Programme namely the Social, Economic, Environment and Infrastructure sectors, in a drive to create new jobs and reduce poverty. Provided support for the Tshwane inner-city project, which aims to improve the head office accommodation of 28 national Departments; and
- Statistics SA - Provided technical support relating to the revision of baseline allocations to accommodate a community survey in 2007.

The Justice and Protection Services team was responsible for three constitutional institutions (the SA Human Rights Commission, the Commission on Gender Equality and the Public Protector) and four public entities (the Legal Aid Board, the Special Investigating Unit, the Castle Control Board and Armscor). The team has been instru-

mental in guiding and providing technical assistance in key project proposals of departments. These included:

- Clearing the suspense account of Justice and Constitutional Development;
- The establishment of an Interdepartmental Joint Budget Task Team to assess the adequacy of the budget of Justice and Constitutional Development;
- Monitoring the planning and financing of Correctional Services capital projects, and assessing PPP prisons;
- A review of the cost estimates of the strategic armaments procurement programme and proposals for adjustments;
- Facilitating negotiations regarding the transfer of excess Defence Force personnel to the Protection and Security Services Division of the SAPS;
- Initiating a process to amend the Defence Special Account Act (6 of 1974) to align it with current financial policies; and
- Advice on measures to effect budget reforms in the Intelligence Services Departments.

The unit further leads a *Justice Crime Prevention System (JCPS)* cluster initiative to build a common database and a model to predict detainee numbers, to identify practical steps to reduce prison overcrowding and eliminate the Integrated Justice Cluster (IJS) blockages. A valuable IJS seminar was held during 2004/05 regarding IT development and its role in the improvement of service delivery, providing an opportunity for the exchange of ideas between researchers and departmental planners.

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

The main areas of focus for the team were:

- Strengthening support for education by aligning the activities of interdepartmental and intergovernmental processes around sectoral priorities with the budget allocation process. Consequently, the 2005 Budget substantially increased funding for educator remuneration (educator pay progression and incentive schemes), recapitalised Further Education and Training colleges and further strengthened the National Student Financial Aid Scheme;
- In the area of health services, the team assisted the analysis and refinement of provincial health budgets, and the assessment of the Health Department's Report on *Modernising Tertiary Health Services*. Other key areas of focus were reviewing conditional grant funding, evaluating proposals for Social Health Insurance, reviewing the public sector medical scheme, supporting the transfer of forensic

pathology services to provincial health departments, analysing and advising on medicines regulations, assisting in the tender processes for anti-retroviral medicines and monitoring and supporting public entities such as the Medical Research Council, the National Health Laboratory Service, the Compensation Fund for Occupational Diseases and PPPs in the health sector;

- Work in the area of social development concentrated largely on the establishment of interim funding mechanisms to prepare for the transfer of the social assistance function to national Government and the South African Social Security Agency in 2006. This spanned the development of credible provincial allocations by grant type per province, the setting up of dedicated financing flows (bank accounts and related accounting arrangements) for the two new conditional grants (the Social Assistance Grant Transfer conditional grant and the Social Assistance Administration conditional grant) and support for the development of a monitoring framework for the conditional grants. A key focus was on understanding the trends in disability grants better, and to support efforts to improve administration of these grants. This was done through a joint initiative with the Department of Social Development (the Disability Management Initiative) and inputs into Cabinet deliberations on the definition of disabilities. The unit also participated in extensive processes around the Children's Bill and the Older Person's Bill and, more broadly, supported efforts to develop frameworks for the provision and funding of welfare services;
- On labour issues, focus was on supporting two key policy and strategy processes, namely the Child Labour Action Programme and the review of the National Skills Strategy. This meant extensive interaction on the viability of providing greater autonomy to the Unemployment Insurance Fund, which included assessing adequate levels of reserves to be held by the Fund; and
- Key activities that were dealt with by the *Sport and Recreation* unit revolved around the incorporation of the South African Sports Commission into the national Department and support for the FIFA World Cup to be hosted in South Africa in 2010.

The *Technical Assistance* unit (TAU), co-funded by the European Union, provides technical and (project) management and advisory support to a variety of government initiatives and donor-funded programmes that are aimed at capacity building and promoting good governance.

Among others, the unit's work during the year under review included:

- Assistance to the Department of Education with the transfer of the primary-school nutrition programme from provincial health departments;
- Assistance to the Department of Education on the school-building programme which is supported by the European Union;

- Design and implementation of an Infrastructure Delivery Management System to strengthen overall infrastructure investment and maintenance projects, particularly in the nine provincial departments of education;
- Implementation of a municipal economic development strategy on economic linkages (for example, value-added in tourism or agriculture) as reflected in local integrated development plans;
- Assistance with tendering processes and project coordination for the implementation of the DNA Laboratory of the SAPS, which is supported by the EU;
- Support to EU-funded local economic development programmes in KwaZulu-Natal department of economic affairs and tourism and the provincial treasury in the Eastern Cape;
- Support to the National Treasury on the Soccer World Cup;
- Support for the establishment of the South African Social Security Agency; and
- Support to the EU-funded higher education AIDS programme.

A large part of the unit's budget and donor funding in 2004/05 was devoted to the establishment and development of the Infrastructure Delivery Improvement Programme in the Intergovernmental Relations branch. This initiative was implemented in partnership with the Construction Industry Development Board and the Development Bank of South Africa. 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 *Macroeconomic Policy* unit's main responsibility is to track and monitor the general health of the South African economy and to provide forecasts using econometric and other models. In 2004, the unit focused on strengthening understanding of bottlenecks in the economy and identifying constraints that hamper growth and alternative solutions to the problem.

Particular attention was given to the transport, mining, construction and financial sectors.

- The findings of the six studies on administered prices that were undertaken in 2003 were consolidated and recommendations were forwarded to Cabinet and accepted in October 2004. Briefly, the recommendations included continuing work on administered prices by the interdepartmental task team and proposing the adoption of a forward-looking approach to price setting. The *Macroeconomic Policy* unit also worked closely with Statistics South Africa in developing a discussion document on the definition of administered prices and the administered prices index. The document was published for public comment and comments received at the end of October 2004. The index of Administered Prices will be officially launched in the second half of 2005.

- During 2004, the unit forged closer cooperation with the South African Reserve Bank on a number of issues that entailed the management of inflation expectations, options around inflation targeting and reserve management. Other areas were the full application of the CGE model during 2004, including a CGE workshop, mostly in areas of policy concerned with analysis of the distributional impacts of the rand's appreciation, the fuel levy and other tax proposals. Partnerships have also been formed with the World Bank and other national institutions that have CGE models.
- The unit has continued to monitor the attainment of the Growth and Development Summit (GDS) targets, and is involved in task teams responsible for the implementation of the Financial Sector Charter through a representative in the Charter Council, and together with the Economic Services unit work closely with the Department of Housing on the mortgage securitisation for low-income households. Extensive work is being done through the unit's involvement in the Economic and Employment Cluster towards the achievement of a more integrated approach to economic growth and engagements with NEDLAC constituencies also in the areas of policy options to grow savings, definition of administered prices and fine-tuning the administration prices index, and mining recovery plan. Other issues included an analysis of the dichotomous nature of the South African Labour Market; and a review of the skills-employment-wage nexus

The *Tax Policy* unit is responsible for advising the Minister of Finance on tax policy issues that arise at all three levels of Government. The unit has to design 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 agreed social policy objectives. In order 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 the collection of revenue. To complement this unique relationship, the unit consults widely within and outside government to ensure efficient and effective tax policy choices.

An important part of the unit's programme is the formulation of tax proposals and the drafting of Chapters 4 of the annual Budget Review and the MTBPS. Research on retirement fund tax reform and the taxation of medical aid contributions was initiated during the fiscal year 2004/05. South Africa won the bid to host the 2010 FIFA Soccer World Cup and work commenced to give effect to the tax related guarantees that Government signed as part of the conditions to host the World Cup. Consultation with the Departments of Water Affairs and Forestry, Environmental Affairs and Tourism, Minerals and Energy, and Trade and Industry on various policy issues regarding user charges, earmarked levies and environmental charges were concluded.

Ongoing inputs were provided into the Southern Africa Development Community's (SADC) process to draft a Finance and Investment Protocol, which includes agreements on the coordination of taxes within the region. As an observer to the Fiscal Affairs Committee of the OECD, inputs were provided to debates on tax policy issues at this level.

The *Tax Policy* unit also undertook the following key activities during 2004/05:

- Revenue estimation for the MTBPS and the annual Budget and the publication of monthly revenue reports;
- Inputs into the drafting of two taxation amendment Bills and presentations to the Parliamentary Portfolio Committee on Finance;
- Review of the tax treatment of motor vehicles allowances with a view to limit the abuse of the deemed kilometre provisions;
- Redrafting of the Mineral and Petroleum Royalty Bill, incorporating comments received on the first draft;
- Completion of a draft policy paper on Environmental Fiscal Reform based on comments and inputs received following the publication of a discussion document on this topic in 2003; and
- The unit provided inputs into proposals to reform or replace the RSC levies and comments on the new Municipal Property Rates Bill.

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 in review, the *Financial Sector Policy* unit 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 SARB that coordinates common financial regulatory issues; the Standing Committee for the Revision of the Banks Act; and the Basle II Steering Committee tasked with implementing new risk management measures in the banking sector.

The unit also participated vigorously 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. The latter objective has been achieved thus far by the introduction of legislation designed to introduce second- and third-tier banks that will provide basic banking services in the form of the Co-operative Banks and Dedicated Banks Bills.

Ongoing research is being carried out in various other areas, such as drafting a policy and legal position on a South African Deposit Insurance Scheme, reviewing the Pension Funds Act (24 of 1956) and the enactment both of the Securities Services Bill and Financial Services Ombud Schemes Bill. The former consolidates legislation of institutions in the securities industry, regulates financial markets to international standards and improves investor protection. The latter gives legal recognition to ombud schemes in the financial services industry, and ensures that the financial services consumer has an expeditious and cost-effective mechanism to address complaints.

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

The unit continues to advise to the Minister on exchange-control policy, following the major exchange-control reforms in late 2004. This, among others, pertained to the abolition of exchange-control limits on outward foreign-direct investments, repatriation of foreign-earned dividends, and freedom for individuals to invest in foreign companies listed on the JSE Securities Exchange. Since the announcement of the amnesty window by the Minister in 2003, the unit has been responsible for the exchange-control and tax-amnesty process. It is anticipated that the Amnesty unit will complete the adjudication of all applications by the end of September 2005.

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

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

Regional policy remains a key focus of the work of the unit. This includes work in the Southern African Development Community (SADC), the Southern African Customs Union (SACU) and the Common Monetary Area (CMA). Among the projects on regional integration, the past year saw an effort to operationalise a revised SACU agreement covering management and institutional issues, signed in 2002 following eight years of negotiations.

The SADC region has adopted a development framework called the "Regional Indicative Strategic Development Plan" (RISDP), which sets out strategic priorities and provides a framework for the integration of the economies, with the objective of fostering sustainable development. Work on the Finance and Investment Protocol is at an advanced stage. The Protocol aims at regional macroeconomic stability and convergence, encouraging savings and stimulating investment flows in the region.

At continental level, the National Treasury was involved in technical support for the creation of the African Peer Review Mechanism (APRM), which came into effect on 17 February 2004. The first country reports of the APRM, covering Ghana and Rwanda, were tabled at the NEPAD Heads of State Implementation Committee in Abuja in June 2005. That effort to improve policies and the investment climate in Africa has been further supplemented by National Treasury's advocacy of stronger technical cooperation among African policy makers in the area of finance, economic development and planning.

In January 2005, the National Treasury hosted a successful conference of African Finance Ministers to develop a common position on actions that the international community and Africa should undertake to advance Africa's development.

Through the Minister's participation in the UK-led Commission for Africa, the National Treasury has been engaging all sectors of the international community to take a fresh look at Africa's economic development and the role of the international community in this

regard. The Commission for Africa report, launched on 11 March 2005 in London and Addis Ababa, therefore, represents a comprehensive review of Africa's development and the underlying causes for underdevelopment. Furthermore, the Commission proposes a coherent and practical package of recommendations for the achievement of the Millennium Development Goals (MDGs) by 2015.

Over the last three years, there has been a continued and significant rise in Official Development Assistance (ODA). Total ODA rose by 7 per cent in real terms in 2003 and by a further 5 per cent in 2004. Over the past year, the National Treasury participated successfully in the replenishment negotiations of the International Development Association-14 (IDA) and African Development Fund-10 (ADF) Both funds received substantially more resources. When the ADF-10 replenishment process was concluded, at the fourth meeting in Copenhagen, Denmark, in December 2004, donors, including South Africa, had committed to increase their overall level of support to the Fund by 45 per cent.

The National Treasury participated in various G20 meetings during 2004/05. The G20 Finance Ministers meeting in Berlin in November 2004 has endorsed the Principles for Stable Capital Flows and Fair Debt Restructuring in Emerging Markets, which sets out guidelines to be adhered to in the event of a sovereign debt crisis for debtor countries and their creditors. The G20 Accord for Sustained Growth, which outlines how to foster economic growth, was also endorsed.

An important facet of the National Treasury's economic relations is its participation in international workshops and seminars. In December 2004, the National Treasury hosted a G24 workshop on Constraints to Growth in Africa, where policymakers and academics from the African continent presented papers on topics such as microfinance and mechanisms for stabilising commodity markets. The *International Economics* unit also presented a paper on South Africa's demographic challenges at a G20 seminar on Demography and Growth.

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 provides guidance on development issues. Policy advice focused on sustainable debt relief, enhanced aid flows and growth-enhancing strategies that reduce poverty. A framework for monitoring the implementation of the Monterrey Consensus and the Millennium Development Goals was implemented.

The unit also played a significant role in strengthening inputs and participation at the International Development Association (IDA) meetings of the World Bank. At the International Monetary and Financial Committee (IMFC) meetings, the Minister of Finance represented the Africa Group Constituency and participated in discussions on the global economy, the role that the IMF should be playing in low-income countries, and how the IMF can improve its economic surveillance function.

A further responsibility of the unit is to organise the IMF's annual Article IV consultation, which involves an assessment by an IMF mission of the state of our economy. South Africa once again received a favourable report from the IMF after this consultation in 2004. Finally, the *International Economics* unit is an active participant in the Economic

Development and Co-operation Committee of the IRPS Cluster, which meets on a monthly basis to share information between Departments dealing with international economic relations.

Intergovernmental Relations

The *Intergovernmental Relations* division coordinates fiscal relations between the national, provincial and local government spheres - a key role in South Africa's intergovernmental fiscal system. Over 62,3 per cent of non-interest allocations on the national Budget consist of transfers to provincial and local governments, thereby placing them at the forefront of social and basic service delivery. These allocations totalled R200,1 billion in 2004/05.

Intergovernmental Relations plays a key role in functional areas such as managing the intergovernmental fiscal frameworks, analysing and ensuring oversight of provincial and local government budgets and intergovernmental grants, and implementing financial management reforms at both the provincial and local spheres of government.

During the course of the 2004/05 financial year, the division facilitated comprehensive reviews of both the provincial and local government equitable share formulae, which culminated in new formulae being introduced in the 2005 Budget. 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.

With the development of the frameworks for the allocation of grants to provinces and local government has 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 thus ensure that accountability in relation to conditional grant funded programmes has been improved.

The implementation of the Municipal Finance Management Act (56 of 2003) the 2004/05 financial year marked the start of the formal process of extending several of the reforms implemented at national and provincial levels to municipalities. In addition to providing direct financial assistance to all municipalities, targeted support was provided to municipalities to improve their financial management capacity and to strengthen the link between policy, planning, budgeting and reporting. This targeted support was given with the provision of international advisors to provide technical assistance to certain municipalities, through the Municipal Finance Management Technical Assistance Programme (MFMTAP).

The implementation of the MFMA has not been without its challenges. The classification of the 284 municipalities into different categories of management capacity - 50 high, 107 medium and 127 low - indicates the level of readiness of the municipalities to implement the MFMA. Furthermore, the provision of capacity to provincial treasuries to enable them to assume a more direct role in financial management has been slow. Training workshops have been conducted by the National Treasury for provincial treasury officials, and the division has also successfully accredited a NQF level 6 qualification for municipal financial managers. As part of the competency-testing requirement by the

MFMA, a validation board has been set up in the National Treasury to review all training material and at least three training modules will be rolled out shortly. To enhance capacity in municipalities, more than 250 graduate interns have been appointed on two-year contracts at municipalities.

The phased implementation approach allows for the high-capacity municipalities to sequence reforms in a particular timeline, followed by the medium- and low-capacity municipalities. Peer learning and the sharing of implementation tools has led to beneficial results for the sequencing process by, for example, linking planning, budgeting and improved community consultation. Other notable improvements have been in the better quality and credible budgets tabled in many of the high-capacity municipalities. Work has also begun on improving in-year reporting and timely reporting by municipalities.

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 was also responsible for the publication of *Trends in Intergovernmental Finances* (a shortened version of the annual *Intergovernmental Fiscal Review*), which provided a consolidated review of how the nine provinces and 284 municipalities funded the delivery of social and basic services to our communities. The wealth of information it provides is aimed at promoting better accountability by providing valuable information to the public, elected officials, public servants and policy researchers in order to improve the quality and delivery of public services.

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.

Sub programme	Output	Output performance Measurement/delivery indicators	Actual performance against target	Actual
Budget Office	Annual budget framework and division of revenue	Integrity of budget framework	MITBSB – October 2004; framework for 2005 Budget	The MITBSB was tabled on 28 October 2004, and provided the budget policy framework for the 2005 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 23 February 2005, together with all required budget documentation. The coverage of public entities in the Estimates of National Expenditure was again increased markedly.
	Public-private partnership agreements	Value for money and risk transfer in partnerships	Introduction of project development facility	53 projects were registered with the PPP Unit at the end of 2004/05. PPP Manual and Standardised Provisions were published in 2004. Project development facility (PDF) was successfully introduced.
	International cooperation agreements	Contribution to RDP objectives	Introduction of ODA Information system	Policy framework and procedural guidelines for management of ODA introduced. Development Cooperation Information System (DCIS) has been introduced. About 15 annual bilateral consultations were convened in 2004/05.

Sub programme	Output	Output performance Measurement/delivery indicators	Actual performance against target	Actual
Public Finance	Structural and departmental policy advice	Timely and relevant analysis and advice	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: land reform, housing finance, transport restructuring, social assistance grants delivery, education and training finance, Integrated Justice sector programmes, Home Affairs restructuring, government accommodation services.
	Expenditure analysis	Quality of expenditure estimates	Introduction of new in-year expenditure monitoring system	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. In-year expenditure monitoring published in monthly reports.
	Project management support	Improved project and financial management	Growth in project flow and measured progress in service delivery of client departments and agencies	New EU Agreement now under implementation. Major Infrastructure Delivery Improvement Programme initiated. Significant increase in spending on projects and successful project implementation.
Intergovernmental Relations	Annual Division of Revenue Bill	Produce on Budget day, with allocations by province and municipality	Bill published on Budget day (23 February 2005) and enacted as Act 1 of 2005 (Government Gazette 27443 of 1 April 2005). The process underlying the Bill is deeply consultative, with province and organised local government. This Act gives effect to Section 214 of the Constitution, and promotes co-operative governance and transparency in intergovernmental budget processes.	

Sub-programme	Output	Output performance indicators	Actual performance against target	
			Target	Actual
Sub-programme	Explanatory memorandum to the annual Division of Revenue Bill	Produced on Budget day, to accompany Division of Revenue Bill, explaining fiscal framework and all grants to provincial and local government	Published on Budget day	Explanatory memorandum published on Budget day (28 February 2006). The memorandum is an essential document on the formulae and criteria used for all grants to provinces and local government, with clear measurable outputs for conditional grants. It also contains three-year allocations for all grants, by province or municipality. Furthermore, it details the Government's response to the annual recommendations of the FFC
	In-governmental Fiscal Review	Quality of data on provincial and municipal budgets, and an analysis of trends on such budgets, and for key sectors like education, health, social development, water and electricity	2004 Review published by June 2004	An abbreviated version, called <i>Review in Review</i> , published in November 2004, was published on 1 September 2004. The decision to table the 2004 Review in September was taken in view of the elections held in April 2004, and the anticipated changes to provincial budgets after the elections
	In-governmental financial and fiscal trends	In-year budget implementation information through quarterly publication of provincial and local government budgets	Quarterly publication of provincial budgets	Monthly and quarterly monitoring of provincial finances carried out diligently, with quarterly reports gazetted. The reports numbers are 26630 (30 July 2004), 26846 (29 October 2004), 27228 (28 January 2005) and 27551 (28 April 2005). 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

Sub-programme	Output	Output performance indicators	Actual performance against target	
			Target	Actual
Sub-programme	Annual production of information via In-governmental Fiscal Review (dealt with above)	Annual production of information via In-governmental Fiscal Review (dealt with above)	Quarterly publication of 10 municipal budgets	Information on municipal capital and operating budgets published in Trends in In-governmental Finances and other government publications. Review and feedback to all municipalities submitting budgets
	Support for provincial and municipal financial development	No. of provinces and municipalities in which financial management programmes/reforms have been implemented	9 provinces and 87 pilot municipalities	Customisation of provincial strategic and support plan formulae for 7 sectors and uniform budget and programme structures for 10 sectors
	Macroeconomic forecasts and framework	Accurate and timely quarterly forecasts	Enhanced quarterly economic forecasting model and development of the GCE model	Reforms are being implemented in 35 municipalities, assisted by international advisors. All municipalities have been provided with guiding circles, supporting documentation and areas of priority. An MIPMA website has been established, and has registered more than 23,000 hits
Macroeconomic Policy unit	Macroeconomic policy analysis	Timely and relevant analysis and advice		Achieved (see macroeconomic text above)

Subprogramme	Output	Output performance Measure/services delivery indicators	Actual performance against target	Actual
Tax Policy unit	Tax policy analysis and advice	Timely and relevant analysis and advice	<p>Target: Promotion of a fair and equitable tax system</p>	<p>Revenue estimation for the MTBPS and the annual Budget and the publication of monthly revenue reports. The implementation of tax relief measures by adjustments to the personal income tax brackets, primary and secondary rebates, freeholds in the case of transfer duties and abolition of certain stamp duties; A review of the tax treatment of motor vehicles alongside with a view to limit the abuse of the deemed kilometers provisions; The implementation of employee equity schemes in support of broad-based empowerment initiatives and a review of equity-based incentive schemes for highly paid individuals to limit tax avoidance; Refinement of the VAT treatment of government grants to Public Entities; Adjustments of the specific excise duty rates on tobacco products and alcoholic beverages and adjustments in fuel taxes; Restructuring of the Mineral and Petroleum Royalty Bill, incorporating comments received on the first draft; Completion of a draft policy paper on Environmental Fiscal Reform</p>

Subprogramme	Output	Output performance Measure/services delivery indicators	Actual performance against target	Actual
Financial Supervision Policy unit	Financial sector policy advice, legislation and regulations	Timely and relevant analysis and advice	<p>Target: The promotion of a more equitable and efficient financial sector</p>	<p>Financial Services Ombud Schemes Bill promulgated beginning of 2005. Securities Services Bill promulgated beginning of 2005 Co-operative Banks Bill and Dedicated Banks Bill published for comment, in November 2004 and scheduled for Parliamentary hearings in October 2005 The Financial Advisory and Intermediary Services Act implemented in its totality on 30 September 2004 Workshop on framework for integration of financial regulation held in November 2004 Position paper on South African Deposit Insurance Scheme completed Rethinking fund reform discussed on paper published for comment in December 2004 Study on Competition in South African Banking completed in May 2004. Exchange control reforms announced in MTBPS in October 2004 Technical support to the creation of the African Peer Review Mechanism (APRM) Hosted a successful conference of African Finance Ministers Conducted a study on the Impact of the African Growth and Opportunity on Agriculture in Africa and one on the BACU arrangement Organised the IMF's annual Africa IV consultation</p>
International Economic unit	International financial relation advice and development	Timely and relevant analysis and advice	<p>South Africa's views successfully reflected in policies of international development</p>	

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 management, asset restructuring and financial management, and optimal management of the Government's domestic and foreign debt portfolio.

Programme activities are carried out through five subprogrammes:

- *Management* is responsible for managing the Office of the Head of the Division;
- *Liability Management* provides for the Government's funding requirements and ensures prudent management of both 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 the Government's liquidity requirements, and ensures that all Government debt transactions are accounted for timeously and are reported in terms of the reporting requirements of the Public Finance Management Act (PFMA) (1 of 1999) including all other 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 Asset and Liability Management division are in line with the agreed framework; and
- *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 Treasury Regulations. It also provides for the coordination of the issuance of guarantees.

Service Delivery Objectives and Indicators

Recent outputs

In 2004/05, the Asset and Liability Management (ALM) division operated in an environment of a strong domestic bond market on the back of a stronger rand, lower domestic inflation, lower interest rates and declining bond yields in major international markets. Prudent debt management in a volatile environment also contributed to the strong performance of the Government bond markets. Although the demand for fixed income assets remained strong, turnover on the Bond Exchange of South Africa declined by R2,3 trillion to R8,4 trillion in 2004 in line with global trends.

Liability Management: Despite the declining liquidity and growing volatility in the market, ALM was able to successfully finance the net borrowing requirement of R30,4 billion for 2004/05 through the issuance of domestic short-term loans (R6,1 billion), domestic long-term loans (R33,4 billion), foreign loans (R4,5 billion) and the run down of cash balances (-R13,6 billion).

Foreign-debt-management strategies over the past year were focussed on the refinancing of maturing debt and the financing of the arms procurement loan agreements. During May 2004, a US\$ 1,0 billion, 10-year global bond, maturing in 2014, was issued at a coupon of 6,5 per cent - the lowest to be achieved by the RSA in the US market. In addition, the transaction also attracted demand from investors who had not previously participated in the purchase of South Africa's bonds.

The RSA sovereign credit rating was upgraded by Moody's Investors Service and placed on a positive review by Fitch Ratings. This contributed to a further narrowing of the RSA sovereign risk premium on foreign debt.

In terms of the Gold and Foreign Exchange Contingency Reserve Account Defrayal Act, Government had to issue R28 billion nil coupon bonds to the South African Reserve Bank (SARB) over the period 2002/03 to 2005/06 to defray realised losses on the GFECRA. During 2004/05, R9,5 billion of nil coupon bonds were issued to the SARB leaving R4,5 billion to be settled in the next financial year.

With the successful launch of the Retail Bonds on 24 May 2004, R1,3 billion was raised in the financial year 2004/05. The current retail bond portfolio consists of two-year, three-year and five-year bonds. Investments in retail bonds comprised of 23 454 investment transactions that represented 16 172 investors. Most of the investments were on the two-year bonds (57,1%) and the five-year bonds (28,5%).

Financial Operations: Optimal use of available cash resources continued to be coordinated centrally between provinces and the National Treasury. During 2004/05, all provinces opened Corporation for Public Deposit accounts as part of their provincial revenue fund accounts. This improved coordination ensured that borrowing costs were reduced by about 2,5 per cent and significantly mitigated against credit risk.

Cash management processes were enhanced through the introduction of a new receipt cycle for government Departments, electronic retrieval of the daily expenditure flows and the roll-up of government bank account balances. As a result, Government's daily non-interest bearing liquidity buffer with the SARB was reduced from R100 million to R50 million. In addition, Government earned R1 595,3 million interest on its investment of surplus funds with the commercial banks and the SARB.

On the systems development front, a request for information on the integrated public-debt-management system was issued to the market. A state-owned entity register was developed and implemented. In addition, the research and benchmarking of integrated sovereign debt management offices was completed. Regarding debt information reporting, all debt transactions were recorded timeously, and done in compliance with the Special Data Dissemination Standards of the International Monetary Fund - further establishing the country as a credible borrower.

Strategy and Risk Management: The scope of Strategy and Risk Management has widened from an exclusive focus on market risk analysis of Government's debt portfolio to a government-wide risk-management approach. This approach recognises that financial weaknesses can only be detected by taking a broader view on risk management, including an analysis of all risks that impact on the Budget. These risks have been classified as market risk, credit risk and country risk and have been prioritised in terms of their impact on the objectives and goals of the National Treasury.

A risk profile of Government's debt portfolio has been prepared in which various categories of market risk have been analysed, including: i) a liquidity gap analyses; ii) an interest rate sensitivity analyses; iii) a currency risk analyses; and iv) a duration gap analyses. In addition, various market scenarios have been simulated to establish the sensitivity of Government's debt portfolio to market changes. A draft market risk policy document has been prepared and will be finalised following the market risk benchmarking exercise.

A credit risk management policy has been developed together with the operational guidelines for the management and investment of surplus cash. These guidelines are informed by a credit risk rating analyses of the major South African banks and reviewed on a regular basis. A risk profile of Government's explicit contingent liabilities (Government guarantees) has been prepared, which aims to establish the significance of credit risk in Government's risk portfolio and to monitor its changes over time.

A country-risk benchmarking and risk-rating exercise was undertaken and will be reviewed regularly to identify those risk factors most likely to impact on the country's credit rating. Changes in these risk factors will also be monitored over time. Among the country risk factors analysed are political risk factors (qualitative assessment) as well as economic and financial risk factors (quantitative assessment). The Funding Strategy, as approved by the Minister, is underpinned by market, credit and country risk considerations.

Asset Management: In 2004 the emphasis of asset management by the National Treasury has been on improving financial performance, enhancing shareholder value and improving service delivery and operational efficiencies of state-owned entities. Currently, a review of the mandates of the Development Finance Institutions (DFIs) is being undertaken to enhance service delivery efficiency and ensure coordination among DFIs. With regard to Treasury operations, a set of Best Practice Guidelines for Treasury Management of state-owned entities (SOEs) has been compiled and distributed to the relevant SOEs. The reviews of individual treasuries in line with best practice principles are still continuing. A draft Financial Distribution Policy and a Capital Structure Policy have been compiled and stakeholder Departments are currently being consulted.

As Registrar of Public Entities, 10 public entities were listed, eight delisted and name changes to three were effected. On 2 March 2005, this function was transferred to the Public Entities Governance unit in the Budget Office. In compliance with sections 52 and 55(1) of the PFMA, 100 per cent of the national Government business enterprises listed under Schedule 2 of the PFMA submitted annual reports and corporate plans. However, 93 per cent of Schedule 3B entities submitted their annual reports and 90 per cent their

corporate plans. The public entities that did not comply were reported to the Office of the Auditor-General and to the Parliamentary Standing Committee on Public Accounts (SCOPA).

During the period under review, the Guarantee Certification Committee (GCC) recommended the approval of R6.7 billion in guarantees, increased public entities' borrowing limits by R2 billion and indemnities.

In 2004/05, Programme 3 highlighted three Public Entities whose developments require special mentioning. These are the SAPO, Transnet and Safcol.

Firstly, the Minister of Communications and the Minister of Finance have signed the timetable of the corporatisation of the Post Bank. National Treasury has transferred a Post Bank equity injection of R750 million to the Department of Communications.

Secondly, Transnet has presented a four-point turnaround strategy to the National Treasury, according to which the corporation will concentrate on core operations like rail, port and pipeline business. Moreover, the corporation has unveiled a substantial capital investment programme of R49, 0 billion, which is to be implemented over the next five years. Both Ministers of Finance and Public Enterprise have approved the corporate plans submitted by Transnet.

Lastly, regarding the restructuring of Safcol, the Competition Commission is currently dealing with the issue, and there is a pending review as well of the allocation of shares.

Service Delivery Achievement

Programme 3: Asset and Liability Management

Measurable objective: Manage Government's asset and liability portfolio in a manner that ensures prudent cash management, asset restructuring, financial management and optimal management of the Government's domestic and foreign debt portfolio			
Subprogramme	Output	Output performance Measurement/delivery Indicators	Actual performance against target
Liability Management	Financing the deficit	Meet government borrowing requirement	Actual Net issue of R30,4 billion. Lower issues due to lower borrowing requirement
	Maintain presence in foreign markets	Annual issuance in foreign markets	Target Net issue of debt of R45,2 billion
	Eliminate GFECRA issues	Annual reduction of GFECRA issues	Actual Issued equivalent of \$1,0 billion R9,6 billion nil coupon bonds issued to SARB, R2,4 billion more for monetary management purposes
	Diversification of borrowing Instruments	Introduction of new funding Instruments	Actual Retail bonds of R1,3 billion issued and a full yield curve of CPI bonds established
	Intergovernmental cash coordination	Phase 1 – All provinces having accounts with Corporation for Public Deposits (CPD)	Actual All provinces opened CPD accounts
Financial Operations	Reviewed Cash Management Strategy	Cash Management Framework	Actual Several cash management initiatives implemented and further research being undertaken
	Account for and report on debt transactions	Measured by annual audit and achieve deadline	Actual Targets achieved
	Systems integration and information management	Analysis, design and deployment of an integrated public debt management system	Actual Request for information submitted and buy these requirements party completed
		Phase II development and deployment of the state-owned entities (SOEs) and the state's contingent liability register	Actual SOE register completed and contingent liability register party completed
			Actual BITA business case development, tendering and deployment

Measurable objective: Manage Government's asset and liability portfolio in a manner that ensures prudent cash management, asset restructuring, financial management and optimal management of the Government's domestic and foreign debt portfolio			
Subprogramme	Output	Output performance Measurement/delivery Indicators	Actual performance against target
Strategy and Risk Management	Review of Integrated sovereign debt management office	Review of Integrated sovereign debt management office	Actual Targets achieved
	Development of a Government-wide Risk Management Framework	Approved Risk Management Framework	Actual Targets achieved
	Development of a Credit Risk Management Policy	Approved policy	Actual Targets achieved
	Review of the Market Risk Management Policy	Revised document for Market Risk Policy	Actual Targets achieved
	Development of a Risk Management Policy on Contingent Liabilities	Firm policy on Contingent Liabilities	Actual Targets achieved
	Produce a quarterly debt profile review to monitor risks that arise out of the debt portfolio	Quarterly debt profile review	Actual Targets achieved
	Acquire a Risk Management System	Real-time system in place	Actual Targets achieved
	Review of Development Finance Institutions	Review operations and mandates	Actual Targets achieved
	Review of Treasury operations	Review operations of all SOE's	Actual Targets achieved
	Formulate SOE dividend policy	All encompassing SOE dividend Policy	Actual Targets achieved
Asset Management	Review of Development Finance Institutions	Review operations and mandates	Actual Targets achieved
	Review of Treasury operations	Review operations of all SOE's	Actual Targets achieved
	Formulate SOE dividend policy	All encompassing SOE dividend Policy	Actual Targets achieved
	Review of Development Finance Institutions	Review operations and mandates	Actual Targets achieved
	Review of Treasury operations	Review operations of all SOE's	Actual Targets achieved
	Formulate SOE dividend policy	All encompassing SOE dividend Policy	Actual Targets achieved
	Review of Development Finance Institutions	Review operations and mandates	Actual Targets achieved
	Review of Treasury operations	Review operations of all SOE's	Actual Targets achieved
	Formulate SOE dividend policy	All encompassing SOE dividend Policy	Actual Targets achieved
	Review of Development Finance Institutions	Review operations and mandates	Actual Targets 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), (1 of 1999) 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, facilitates and manages transversal term contracts on behalf of Government;
- PFMA Implementation and Coordination provides for National Treasury's role in coordinating implementation of the PFMA and related training initiatives; and
- 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: Since 1995, Government has initiated reforms to its procurement policies, systems and processes, which focus on the promotion of good governance and the introduction of a preference system to address certain socio-economic objectives. These are embedded in section 76(4)(c) of PFMA, and section 112 of the Municipal Finance Management Act (56 of 2003) (MFMA) and in the Preferential Procurement Policy Framework Act (5 of 2000) (PPFA).

As part of the reforms, a Strategic Procurement Guideline and a Strategic Sourcing Methodology were developed during the 2003/2004 financial year to support the Framework for Supply Chain Management in directing Government's spend to achieve broader socio-economic objectives. This was achieved through a thorough analysis of the end-user and supplier bases, commodity/service dynamics and spend. As a result, these principles have been applied to assess transversal contracts, to identify strategic sourcing projects and to monitor the success of completed projects. During 2004/05 financial year, sourcing strategies were applied to 24 per cent of the transversal contracts. However, owing to some contracts renewal dates spilling over into the new financial year, it was possible to apply these new sourcing strategies to only 17 per cent of the transversal contracts in the period under review.

Subprogramme	Output	Output performance indicators	Actual performance against target	Actual
	Prudent management of contingent liabilities	Perform due diligence on contingent liabilities	Accurate and reliable data on contingent liabilities	The guarantee register was updated, and a comprehensive Contingent Liability Register, which is compliant with the IMF's Data Dissemination System is being developed
	Identify, classify and list of public entities	Quarterly publications and annual report to SCOPA	Publication in the Government Gazette and Treasury website of all listed entities	National Treasury listed 10, deleted 8 and amended nine entities to 3 Public Entities. The updated lists were published on National Treasury's website
	Compliance with PFMA/ Protocol on Corporate Governance	S62, S64, S65, S68 of PFMA - Submission of annual reports; Submission of Corporate Plan by Sections 2 and 3B entities	To ensure that SOEs comply with PFMA and protocol on Corporate Governance	100% of Schedule 2 public entities submitted their annual reports and corporate plans. 83% of Schedule 3B submitted their annual reports, and 80% submitted their corporate plans
	Postal Offices	S70 - Issue of Guarantee by Cabinet Minister with concurrence of the Minister of Finance	Serve as guarantor to the Guarantee Certification Committee (GCC) every quarter	Six GCC meetings were held during the period under review. The GCC recommended approval of 3 guarantees and 2 indemnities
	Postal Offices	Disclosure of remuneration of directors and executive management	Ensure compliance with Protocol on Corporate Governance	80% of Schedule 2 and 3B public entities disclosed remuneration of directors and executive management
	Postal Offices	Corporatisation of the Post Bank as subsidiary of Post Office	Regulatory Framework for Postbank	Timetable for the corporatisation of the Postbank has been signed by the Minister of Communications and Minister of Finance and R750 million equity injection into the Postbank has been transferred to DoC
	Transport	Broader Transport Restructuring Policy	Endorsement of the Transport and state model	The strategy has been approved by the Department of Public Enterprises and the National Treasury
	Forestry	Restructuring of Bafzal	Allocation of shares to BEE, NEF, and ESOPs	Bafzal is in the process of establishing a Trust to warehouse shares for identified personnel that qualify for allocation under the Employee Share Option Scheme

The *Supply Chain Management Framework* issued during December 2003 requires Departments, constitutional institutions and Schedule 3A and 3C public entities to, among others, establish supply-chain management units under the direction of their respective chief financial officers, ensure that clear lines of authority and accountability exist, improve sourcing procedures and processes and enhance asset and inventory management. In this regard, it can be reported that as at 31 March 2005, all national Departments were complying fully with the requirements of the Framework. Provincial departments have commenced with implementation of the Framework from 1 April 2005, while the National Treasury and the various provincial treasuries are assisting the various public entities with its implementation.

National Treasury facilitated *Supply Chain Management* training for all national Departments, provincial treasuries and provincial departments during the 2004/05 financial year, with a total of 1 050 officials participating.

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 and will take effect from 1 July 2005. These regulations will be implemented in phases. From 1 October 2005, implementation will begin with high-capacity municipalities, while medium- and low capacity municipalities will commence with implementation from 1 January 2006 and 1 July 2006 respectively. The National Treasury and the respective provincial treasuries will assist the various municipalities and municipal entities with implementation of these regulations.

The Broad Based Black Economic Empowerment Act, (53 of 2003) (BBBEE) and its Strategy Document highlighted certain deficiencies in the Preferential Procurement Policy Framework Act, including its regulations to effectively achieve Government's BEE objectives. As a result, it has become clear that the Preferential Procurement Regulations needed to be aligned with the BBBEE Act and the related strategy. A task team between National Treasury and the Department of Trade and Industry was established to incorporate comments received on the draft amended Preferential Procurement Policy Framework Act regulations. It is anticipated that the new system will become effective during the 2005/06 financial year and will contribute towards achieving specific policy priorities and charters to enhance the BBBEE.

PFMA Implementation: During July 2004, the PFMA Implementation unit submitted memoranda to Cabinet and the Standing Committee on Public Accounts detailing progress made with PFMA implementation in Departments, constitutional institutions and public entities. In general, Departments appear to be making good progress with PFMA compliance. However, two elements remain critical for successful implementation of the PFMA, and these relate to the existence of properly trained personnel within Departments and the commitment of accounting officers to effectively implement the letter and spirit of the PFMA. A further memorandum was submitted to Cabinet during November 2004 that provided details of audit outcomes and the timeous tabling of annual reports in respect of Departments, constitutional institutions and public entities.

The Treasury Regulations (issued in terms of section 76 of the PFMA) were amended and published in the Government Gazette 27388 dated 15 March 2005. These amendments

were mainly of a legal technical nature, related to financial reforms that have been implemented and incorporating approved regulations and addressing audit concerns raised by the Auditor-General. The Validation Board, established to accredit financial management training material, has to date accredited 76 courses from 16 service providers. Such accreditations ensure qualitative control over training material so that participating trainees acquire the requisite skills and to ensure that departments receive value for money from courses attended by their personnel.

National Treasury's Service Level Agreement with the Institute for Public Finance and Auditing (IPFA) has produced positive results, with a substantial number of trainees benefiting. In this regard, a total of 194 courses were rolled out to 4 408 trainees; this included 110 Standard Chart of Accounts courses that were presented to 2 566 trainees free of charge.

With effect from 1 July 2005, the IPFA's training initiatives will be coordinated by a newly established trading arm that will operate in accordance with business principles. This resulted in National Treasury's Service Level Agreement with IPFA being terminated. The National Treasury will, however, continue with vigorous training interventions related to supply-chain management, risk management, internal audit and accounting-related courses. These specific training interventions will be coordinated and rolled out in the most economic way, which will include free tuition to officials of national and provincial institutions.

As from 1 April 2005, SAMDI has employed a new Financial Management Training Strategy to align courses with the actual needs of clients. This entails, among others, conducting departmental training needs analyses in order to better service the direct training needs of their clients and to ensure better service delivery. This strategy includes a greater emphasis being placed on technical financial management training and financial management training for non-financial managers. SAMDI's database of training service providers will be updated using information that has been transferred from the National Treasury's Validation Board.

Financial Systems: During December 2004, the Budget Council endorsed a proposal to replace the current transversal financial systems, including those managed independently by the SANDF, SAPS, North West province, Limpopo province and Gauteng province. The proposal outlines the phased implementation and replacement of existing financial systems over a five-year period. Specific deliverables will, however, be provided within one year from commencement of the project's Phase III.

Although the current financial systems availability targets have been met, slow response times were experienced during month-end and year-end closure periods, which resulted in some frustration to the users. Migration from the Financial Management System (FMS) to the Basic Accounting System (BAS) resulted in unprecedented high transaction volumes, which were not catered for. Further, network downtimes owing to virus attacks, illegal traffic and unauthorised access also contributed to the performance problems of these systems. Certain steps have, however, been initiated to alleviate these problems and these steps were taken in conjunction with SITA as the supplier of Government's hosting services.

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 Measurement delivery indicators	Actual performance against target
Supply-Chain Management	Regulate and monitor supply chain management policy in Government and manage general supply contracts on behalf of Government	Implement consistent legislative and policy framework	Phased implementation strategy to be continued during 2004
		Repeal the State Tender Board Act and dismantle the State Tender Board	During 2004
		Issue practice notes and guidelines for supply chain management	During 2004
	Monitoring of PFMA policy outcomes and maintenance of a supply chain database	Number of contracts awarded to HDIs	20% of contracts awarded to HDIs

Subprogramme	Output	Output performance Measurement delivery indicators	Actual performance against target	
			Target	Actual
PFMA Implementation and Coordination	Introduce strategic sourcing principles to enhance value for money	Value of contracts awarded to HDIs	Reports submitted to Cabinet in September	Policy outcomes will be monitored and further amendments will be made to legislation and reported to Cabinet as and when required
			Introduce strategic sourcing strategies for 80% of all term contracts	Strategic sourcing has been applied to 17% of contracts. A further 13% of contracts have been investigated for strategic sourcing initiatives
			Promulgation of new Preferential Procurement Regulations by July 2004	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 2005
PFMA Implementation and Coordination	Alignment of Preferential Procurement system with broad based black economic empowerment	Report to Cabinet and SCOPA on progress made with PFMA implementation	30 September 2004 and 31 March 2005	Reports on Progress with PFMA implementation and on Audit Outcomes for 2003/04 were submitted to Cabinet during July 2004 and November 2004 respectively
			100%	100%
			20 courses	184 courses ¹⁾
Financial Systems	Coordination of the implementation and training initiatives of the National Treasury as well as monitoring implementation of the PFMA in other institutions	Percentage of training material evaluated for relevance	88% availability Monday to Friday from 07h30 to 16h30	88% availability
			Adoption of MIS2 by Budget Council and Cabinet	Budget Council approval obtained during December 2004
			Approval of MIS2 by Budget Council and Cabinet during April - June 2004	Currently awaiting Cabinet approval

1) The department has not yet implemented an e-procurement approach, which will be implemented in the 2005/06 financial year.

PROGRAMME 5

FINANCIAL ACCOUNTING AND REPORTING

Purpose: The *Financial Accounting and Reporting* programme seeks to achieve accountability, transparency and effectiveness in public service delivery, by setting new and improving existing government accounting policies and practices according to the Standards of Generally Recognised Accounting Practices (GRAP), and for the better management of revenue, expenditure, assets and liabilities.

Measurable objective: The programme aims to improve the quality of financial accounting and reporting through the development of appropriate accounting policies and financial practices to improve disclosure.

The Office of the Accountant-General (OAG) consists of the following subprogrammes:

- *Financial Reporting for National Accounts* is responsible for the accounting of the National Revenue Fund (NRF), the Reconstruction and Development Programme (RDP) Fund and banking services for national Government. It is responsible for preparing specimen financial statements for the public sector and guidelines thereto, and to prepare consolidated financial information for national Government;
- *Financial Management Improvement* includes improving financial management by developing, implementing and reporting on accounting, internal audit and risk management standards, policies and guidelines. It also assists the Institute of Public Finance and Auditing as well as participates in the formulation of standards of GRAP with the Accounting Standards Board;
- *Investment of Public Monies* accommodates augmentation of the Public Investment Commissioners' bank account;
- *Service Charges (Commercial Banks)* provides for bank service charges that the PMG Office incurs;
- *Audit* provides compensation for shortfalls of statutory bodies and municipalities in certain instances in terms of the Auditor-General Act (12 of 1995); and
- *Contingent Liabilities* makes provision 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 (56 of 1989), and loans and advances to such insurers in terms of the Act.

Service Delivery Objectives and Indicators

Recent outputs

Financial Reporting for National Accounts: During the year ending in March 2005, and for the first time, a set of consolidated financial information for national Government (for the 2003/04 financial year) was produced, audited and tabled in Parliament. The tabling had been delayed by a number of teething problems experienced during the process of consolidation. These have been resolved and the OAG is confident that in future the consolidation process will proceed smoothly.

In preparation for the end of the 2004/05 financial year, a standardised financial reporting template has been prepared and published after a rigorous consultation process with stakeholders who included Departments, public entities and the OAG. These templates

will improve reporting by Departments and entities as well as facilitate the consolidation exercise for 2004/05 financial year for national and provincial governments.

In the 2004/05 financial year, greater emphasis was placed on training and support to reporting entities countrywide through roadshows, workshops and direct contact. The OAG directly assisted national and provincial departments in the completion of their financial statements and annual reports for the financial year ending 31 March 2005. This was made possible in part by 12 new appointments to this subprogramme during the financial year comprising eight permanent staff and four interns.

Financial Management Improvement: During the year ending March 2005, the generic accrual accounting policies for all entities were finalised. These policies will undergo continuous enhancement as the transformation from cash to accrual accounting continues. The Asset Management Framework policy, a framework for recognition of assets, was finalised during July 2004 and the implementation drive commenced during October and November 2004. An Asset Management Learner Guide has been developed to facilitate the implementation of the Asset Management Framework.

Additionally, improved cash policies as well as guidelines for compliance with these policies were developed for inclusion in the guideline for the preparation of the Annual Financial Statements for National and Provincial Departments. The Asset Management policy reforms, as well as the other accounting reforms, will be the basis for the OAG roll-out of the cash-to-accrual accounting transformation during the coming year by the OAG.

The unit currently is reviewing comments from stakeholders on the consultation paper and the Implementation Strategy regarding the migration from cash to accrual accounting.

Capacity within the *Internal Audit and Risk Management* unit was increased from July 2004 with the appointment of four staff members at senior management level. The internal audit and risk management frameworks - aimed at providing guidance on risk management and internal audit across national and provincial departments - were finalised and approved. The roll-out of the frameworks will be undertaken within the next reporting period.

With increased capacity, the unit has been able to conduct internal audit reviews across national and provincial departments to ensure compliance with the PFMA, Treasury regulations and the Internal Audit Professional Standards issued by the Institute of Internal Auditors. The unit also successfully hosted the first Public Sector Internal Audit Indaba to facilitate knowledge-sharing among internal auditors in Government and to clarify the role of internal auditing in public service delivery and accountability.

Initiatives to enhance risk management in Government were also undertaken during the year to March 2005. These included the enhancement of the Risk Management Framework, a survey on the status of risk management within the national Departments and the development of risk management training materials. The survey results and the training materials developed in conjunction with the Institute for Public Finance and Auditing (IPFA) will be used as the platform for developing appropriate strategies to assist Departments with capacity-building initiatives in the coming financial year.

Service Delivery Achievement

Programme 5: Financial Accounting and Reporting

Measurable objective: Improve the quality of financial accounting and reporting by ensuring that appropriate policies and procedures are developed and implemented.		Actual performance against target		
Subprogramme	Output	Output performance Measures/services delivery indicators	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 20 days after month end	
	Bi-monthly forms for annual financial statements and consolidated annual financial statements	Complete 2004/05 forms for annual financial statements and consolidated annual financial statements in compliance with PFMA, MFMA, GRAP, Treasury Regulations, etc	30 August 2004	Completed and published by 25 March 2005 owing to numerous amendments that had to be made to the forms
	Consolidated annual financial statements for national Government for 2003/04	Accurate and timely Audited Consolidated Annual Financial Statements for national Government	30 September 2004	2003/04 Consolidated financial statements audited and tabled in Parliament by 31 March 2005. Delayed due to problems during the consolidation process
	Finalising the 1999 – 2003 Consolidated Financial statements	Accurate and timely Audited Consolidated Annual Financial Statements for national Government	30 September 2004	Consolidated financial statements for 1999/00 to 2002/03 were finalised and audited by 14 December 2004
	Banking activities to the national government – (Bank statements and confirm validity of payments)	Accurate Bank statements issued timely	2 nd day of the month	100% accurate tabs
Financial Management Improvement	Framework for the transition from cash to accrual basis of accounting	Bank statements reconciled to cash book timely	Daily	100 % complete on target date
	Detail implementation plan for transition from cash to accrual basis of accounting	Completed framework for transition complete to the A&S workshop and adheres to local and international best practices	31 October 2004	100 % complete on target date

Measurable objective: Improve the quality of financial accounting and reporting by ensuring that appropriate policies and procedures are developed and implemented.		Actual performance against target		
Subprogramme	Output	Output performance Measures/services delivery indicators	Actual	
Subprogramme	Skills assessment report based on a representative sample of national Departments	Report identifying skills gap for key financial accounting personnel in national Departments	30 September 2004	100 % complete on target date
	Accounting policies and practices in support of the framework for the transition from cash to accrual basis of accounting	Completed set of accounting policies and practices are in line with the GRAP standards and adhere to local as well as international best practices	31 October 2004 to DG for approval 100% alignment to GRAP standards effective date	100 % complete on target date
	Prescribe the Internal Audit and Risk Management Frameworks for National and Provincial departments	Accounting policies and practices implemented	100% alignment to framework for transition from cash to accrual basis of accounting	100 % complete on target date
	Facilitation of knowledge sharing among the Internal Auditors	Approved frameworks are in line with international standards, King II report and the principles of comparability, understandability, relevance and reliability	31 December 2004	Achieved
	Internal Quality Assessment Reviews (IQAR) in preparation for the QAR on national and provincial Departments	Hosting a public sector internal audit Indaba	31 March 2005	28 February 2005
		IQAR reports highlighting the level of compliance to the frameworks	IQAR done on 100% of both national and 50% of provincial departments done by 31 March 2005	31 March 2005

PROGRAMME 6

PROVINCIAL AND LOCAL GOVERNMENT TRANSFERS

Purpose: The Provincial and Local Government Transfers programme is responsible for managing the conditional grants, which are additional allocations to the equitable share allocations, to the provincial and local spheres of government, and do not cover the many other conditional grants administered by other national Departments.

Measurable objective:

- a) To enhance the pace and quality of provincial infrastructure investment and maintenance of assets; and
- b) To promote financial management reforms in municipalities, 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 (56 of 2003) (MFMA); and
- 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

The *Provincial Infrastructure Grant* was introduced five years ago with an allocation of R300 million. The grant serves as a catalyst for accelerated public infrastructure investment at the provincial level. The grant was allocated R3,3 billion in 2004/05. The component of the grant, that funded the rehabilitation of infrastructure damaged by floods, has been phased out. Although 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, the full allocation was transferred with each province receiving its share 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 the high growth in capital budgets among provinces. Total provincial capital expenditure amounted to R10,2 billion in 2004/05. Over the three years ending 2004/05, capital expenditure grew at an average annual rate of 15,0 per cent a year.

Notwithstanding the increases in provincial infrastructure investment, provinces still face challenges in implementing infrastructure projects. In the 2004/05 financial year they

underspent their capital budgets by about R1,8 billion (against their total capital budgets of R12 billion). The Infrastructure Delivery Improvement Programme (which is explained below) is intended to assist provinces resolve some of the service delivery challenges they are facing.

In 2001 the National Treasury, in partnership with the Construction Industry Development Board (CIDB) formulated an Infrastructure Delivery Improvement Programme (IDIP) in order to address challenges facing provinces in the delivery of infrastructure, which they are implementing together with the Department of Public Works and the Development Bank of Southern Africa. The IDIP consists of three key components in the form of an Infrastructure Delivery Management System (DMS), a toolkit for infrastructure delivery management; a capacity-building programme targeting infrastructure delivering line departments; and the development of a monitoring and reporting system for infrastructure projects.

The implementation of the pilot phase IDIP started in July 2004 with the recruitment and placement of Technical Assistants (TAs) in participating provincial departments. There are four key performance areas that the IDIP is expected to influence, and these involve the development of appropriate capacity for infrastructure planning and delivery management (people, skills and systems); infrastructure plans on the needs, supplies, backlogs and prioritisation of projects; contracts, or service-level agreements, that provide clear measures of performance of Implementing Agents including Public Works and contractors; and the improvement in the quality of information reported on infrastructure projects.

Since implementation in July 2004, 13 Technical Assistants (TAs) have been appointed from the private sector and inducted in the toolkit. These TAs have also been assigned to the following departments; Departments of Education (all provinces), Departments of Health (Limpopo and Free State) and Departments of Transport (Eastern Cape and KwaZulu-Natal). The contract period of TAs on the pilot phase is 190 days, which equates to approximately nine months. Ten of the 13 TAs completed their contract period during May 2005 while the remaining three completing theirs in July 2005. By March 2005, all TAs had submitted and presented their inception reports and are currently assisting in developing infrastructure plans for the next financial year, including other aspects of the programme tailored to address capacity and systems gaps that they identified in the departments in which they are deployed.

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 MFMA, which was introduced in 2003. In 2000 a pilot project was started to develop means of implementing the principles contained in the Act in selected municipalities. National roll-out began in 2003 and by the end of 2004 all municipalities were participating in the programme. The programme provides for the gearing of international support and direct allocations to municipalities. The 2004 MTEF provides for R198,0 million, R198,7 million and R198,7 million.

Twenty-four of the 30 largest municipalities have attempted multi-year budgeting and made significant progress in other areas of financial reforms, including the testing of new

reporting formats. Some municipalities that were among the first to implement the financial management have commenced with the new budget process - they have hosted community meetings for the 2004 budget; produced quality annual reports that speak to financial and non-financial information and performance.

The 2004 MTEF allocations for the grant include the funding of the Municipal Finance Management Technical Assistance Programme. The agreement with the International Bank for Reconstruction and Development to provide technical assistance in implementing municipal financial management reforms has entered phase three with 30 advisors now placed in municipalities for a period of two years, from 16 during 2003. This number will expand over the medium term. Furthermore, to facilitate skills development in financial management, municipalities have used the grant to appoint more than 250 finance management interns, from previously disadvantaged backgrounds. The National Treasury will accelerate its capacity-building programme through this grant, developing further training material, guidelines and manuals, and issuing guiding regulations to facilitate the implementation of the Act.

Metropolitan and other large municipalities have a significant impact on the regional and national economy, and need to modernise the way they deliver services, collect revenue and promote growth. The *Local Government Restructuring Grant* is a demand-driven grant with municipalities applying for such grant based on their own restructuring plans. Though slow to get off the ground, the grant has been awarded to six municipalities - these are Johannesburg (R525 million), Mangaung (R130 million), Msunduzi (R130 million), Cacadu district (R48 million), Buffalo City (R130 million) and Emfuleni (R130 million). These are multi-year allocations, paid in terms of a grant agreement. Over the MTEF period, R1 billion has been allocated to the restructuring grant, R350 million in 2005/06, R350 million in 2006/07 and R350 million in 2007/08. The grant is expected to be phased out in 2007/08 as four new applications were approved in 2004/05 and the remaining funding was allocated.

Implementation reviews were undertaken in Cacadu District Municipality, Msunduzi Municipality and Mangaung Municipality during 2004/05. Msunduzi Municipality has successfully turned around its previously ailing financial position by improving billing systems and revenue collection, whereas Cacadu District Municipality has managed to downsize its operations since the loss of the RSC levies to the Metro and is currently providing capacity support to the smaller local municipalities in the district. Mangaung Municipality will continue to report on some of its outstanding benchmarks relating to revenue collection and personnel cost containment during 2005/06.

Multi-year 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 will be finalised during the second quarter of 2005/06. Ongoing monitoring for Buffalo City, Emfuleni and the City of Joburg will be undertaken during 2005/06.

Service Delivery Achievement

Programme 6: Provincial and Local Government Transfers

Measurable objective: The Provincial and Local Government Transfers programme is responsible for managing the conditional grants, which are additional allocations to the equitable share allocations, to the provincial and local spheres of government, and do not cover the many other conditional grants administered by other national Departments.	Sub-programme	Output	Output performance Measurement/case delivery Indicators	Actual performance as against target	
				Target	Actual
Provincial Infrastructure Grant	Local Government Financial Management Grant	Framework for the grant	Grant framework with clearly defined purpose, outputs and conditions of the grant, as well as a schedule for payments, in Division of Revenue Bill	Publication on Budget day	Division of Revenue Bill and Explanatory memorandum to the annual Division of Revenue Bill published on Budget day (23 February 2006)
		Assistance in implementation of budget and financial management reforms in pilot municipalities	Improvement of infrastructure delivery management systems, through implementation of Infrastructure Delivery Improvement Programme (IDIP) in provinces	Implementation of phase 1 (pilot) of IDIP in 9 provincial education departments, 2 health departments and 2 roads departments	The pilot phases of IDIP was launched in August 2004 with the appointment of consultant and experienced Technical Assistants (TA) in all provincial departments of education, two health departments and two roads departments. The phases commenced with an inception report from each TA detailing the status quo in the department, the gaps that need to be addressed as well as the proposed work plan to be followed by the TA.
			Grant framework with clearly defined purpose, outputs and conditions of the grant, as well as a schedule for payments, in Division of Revenue Bill	Publication by Budget day	Division of Revenue Bill published on Budget day (23 February 2006) and attached as Act 1 of 2006 (Government Gazette 27443 of 1 April 2006)

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 bodies 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 various statutes, collective-bargaining agreements and other commitments. The subprogramme also provides for the payment of special pensions to persons who have made sacrifices or served the public interest in the establishment of a democratic constitutional order.
- *Military Pensions and Other Benefits*, provides for the payment of military pension benefits and medical claims arising from treatment for disability, medical assistive devices, and other related expenses, in keeping with statutory requirements and commitments. The main objective of the unit is to pay the correct pension (gratuities and/or annuities) and medical expense benefits to the correct beneficiaries timeously. The benefits are paid to persons disabled in the course of military service or where the disablement had been aggravated as a result of military service.

Service Delivery Objectives and Indicators

Recent outputs

Civil Pensions and Contributions to Funds, while ensuring the continued timeous payment of government contributions to medical-aid schemes in respect of civil pensioners, surviving spouses, dependants and civil pensioners, who were not members of medical schemes during their period of service (by special concession), has embarked on several initiatives. It also ensures payment to medical schemes in respect of pensioners and widows of the former Development Boards and the National Film Board. The subprogramme has as its aim to implement a new medical-scheme fee structure to ensure compliance with industry standards and the Medical Schemes Act.

One of the critical projects at *Medical Benefit Administration* is the change in medical benefits payable to Medihelp members who retired before June 1992. Legal proceedings between Medihelp and the Registrar of Medical Schemes are ongoing. The audit done on these cases during May 2005 indicated that 1 600 members must be reconciled and their records finalised. This is also still in progress.

Subprogramme	Output	Output performance indicators	Actual performance against target	
			Target	Actual
Local Government Restructuring Grant	Assistance to restructure and modernise service delivery	Number of pilot municipalities in which financial management programmes/ reforms are being implemented	Advisors deployed to 30 pilot municipalities	Reforms are being implemented in 35 municipalities, assisted by international advisors
			Managing and overseeing compliance with conditions of grant by successful municipalities	Quarterly reports have been evaluated and annual review visits undertaken in all the restructuring grant municipalities. Grants for Mergaun and Johannesburg have been delayed due to slow compliance
			Reviewing new applications	Four applications have been evaluated, reviewed and approved. Negotiations on beneficiaries are currently in progress

A special callcentre has been established to handle enquiries for the abovementioned pensioners regarding the new method of payment.

The subprogramme has initiated a pre-auditing of medical documents process, which has yielded positive results to eliminate errors. The matter of arrear claims is being addressed by the timeous completion of medical documents. New processes will be followed to address the numerous correspondences.

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

Special Pensions amendments of 2003 (Special Pension Act 21 of 2003 and Act 30 of 2003) authorised the Special Pensions Board to condone late applications and this resulted in more people who previously applied after the closing date becoming eligible for Special Pensions benefit consideration.

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

- Transfer of medical treatment from Provincial Administrations to the Department of Defence. The transfer of medical treatment to the Department of Defence is in progress. The transfer has been completed for the Western Cape and Gauteng provinces, which were the critical areas of concern. The SANDF structure, however, limits the possible services rendered to the pensioners, which resulted in delays in the transfer process.
- Compile a policy on medical treatment and expenses. The unit initiated the process by drafting an initial in-house policy. The process is now continuing with the appointment of a Health Risk Manager (SOMA) to assist in completing and formalising the policy.

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 measurement indicators	Actual performance against target								
Civil Pensions and Contributions to Funds	Payment of pension benefits and contributions to funds (including Special Pensions)	Beneficiaries to be paid monthly	<table border="1"> <tr> <th>Target</th> <th>Actual</th> </tr> <tr> <td>Payment to be made on the first working day of each month</td> <td>Payment was made on the first working day of each month</td> </tr> <tr> <td>Payment to be made by the end of the month following the month in which the expenses were incurred</td> <td>Payment was made by the end of the month following the month in which the expenses were incurred</td> </tr> <tr> <td>Payment to be made by the 7th working day of each month</td> <td>Payment was made by the 7th working day of each month</td> </tr> </table>	Target	Actual	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 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 to be made by the 7th working day of each month	Payment was made by the 7th working day of each month
	Target	Actual									
	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 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 to be made by the 7th working day of each month	Payment was made by the 7th working day of each month										
Payment of contributions to medical aid schemes	Members to be paid monthly										
Payment of risk and administration fees to the Political Office Benefit Pension Fund	Payment of risk and administration fees to members on a monthly basis										
Medical Benefit Administration	Change of medical benefits for pre-92 Medical members	Finalisation and reconciliation of 1800 member records	Legal proceedings between Medihelp and the Registrar of Medical Societies are ongoing								
Military Pensions and Other Benefits	Addressing pre-1992 queries	Adequate dissemination of information	A new call-centre has been established to handle pre-1992 enquiries								
	Payment of military pension benefits	Beneficiaries to be paid monthly	Payment to be made on the 1st 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								

PROGRAMME 8

FISCAL TRANSFERS

Subprogramme	Output	Output performance Measurement delivery Indicators	Actual performance against target	
			Target	Actual
	Transfer of medical treatment from Provincial Administrations to the Department of Defence	Create structures that will facilitate the transfer of medical treatment to the Department of Defence	To implement the transfer of medical treatment in Gauteng and the Western Cape	This transfer of medical treatment in the Western Cape and Gauteng were implemented
	Compile a policy on medical treatment and expenses	The appointment of a Health Risk Manager and the adoption of medical treatment policy	Proper regulation of claims, payments and supplier administration	This in-house medical treatment policy has been drafted and a process is under way to appoint a Health Risk Manager
	Incorporate Injury on Duty causes for ex-TEVC Staff	Attend to all exemption cases	Finalisation of all ICD cases for ex-TEVC Staff	This project has been successfully addressed with a few exceptions
	Establish a relationship with the Compensation Commissioner	Efficient and streamlined communication for the processing of payments	Enhance the efficiency of the relationship with the Compensation Commissioner	Interaction with the Compensation Commissioner and employer departments occurs on a daily basis. An electronic interface with the Compensation Commissioner is being considered
	Reactivate all outstanding life certificates.	Activation of all life certificates	Efficient administration of life certificates	The project has been completed successfully
	Capture military personnel information from Index files	The commencement of data capturing	Completion of the capturing of military personnel information	The project is currently in process
	Review the Service Level Agreement with the SANDF	Renewal of Service Level Agreement	Deliver a comprehensive service regarding the highly populated areas within province	The Gauteng and Western Cape provinces have been awarded to. SLA renewal negotiations have commenced

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 Government is a member.

Measurable objective: To meet certain international and other statutory financial obligations and 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 Development Fund of the Development Bank of Southern Africa for the micro-credit initiative;
- 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;
- The Secret Services Account, used to finance the activities of the National Intelligence Agency, the South African Secret Service, and certain activities of the Detective Service of the South African Police Service; and
- The Financial Intelligence Centre charged with assisting in combating money laundering and strengthening financial regulation capacity.

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

- The International Development Association (IDA);
- The African Development Bank (ADB);
- The G24; and
- The Highly Indebted Poor Countries Initiative (HIPC).

Service Delivery Objectives and Indicators

Recent outputs

South Africa participates in replenishing the International Development Association (IDA), and the money contributed is primarily earmarked for use in the development of the African continent. This is the key reason that motivates in favour of South Africa's participation in meeting the organisation's funding requirements. South Africa's third instalment to IDA13 was made on 15 January 2005 and amounted to R27,7 million.

South Africa has contributed R24,7 million to the replenishment of the *African Development Fund* of the *African Development Bank*. The amount was paid in three equal instalments of R8,2 million, with the final payment made in January 2005.



An amount of R105 663.50 was remitted towards the G24 Secretariat and its research programme. During November 2004, South Africa hosted in conjunction with the G24 Secretariat, a workshop looking broadly at the key constraints on development and growth in sub-Saharan Africa.

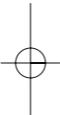
In 2000, the South African Government committed to contributing SDR20 million, an equivalent of R250 million¹, to the *Highly Indebted Poor Country (HIPC)* initiative of the International Monetary Fund and World Bank. According to the agreement, South Africa's contribution was to make five equal annual instalments commencing in May 2000. The final instalment of R39,5 million was paid in May 2004.

Transfer payments

Transfer Payments

Name of institution	R*000
Common Monetary Area Compensation (CMA)	250,987
Development Bank of Southern Africa	-
World Bank Group	-
Highly Indebted Poor Countries	39,504
African Development Bank	72,581
SA Revenue Services	4,602,509
Financial and Fiscal Commission	17,869
Secret Services	2,117,057
Financial Intelligence Centre	21,866
Commonwealth Fund	2,290
Total:	7,124,663

¹ The real amount of each instalment is determined by the rand-ZAR exchange rate on the date of payment.





REPORT OF THE AUDIT COMMITTEE
for the year ended 31 March 2005



NATIONAL TREASURY

REPORT OF THE AUDIT COMMITTEE
 for the year ended 31 March 2005

Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2005.

Audit Committee Members and Attendance

The Audit Committee consisted of seven external members listed hereunder and held four meetings for the financial year under review.

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

Audit Committee Meetings 2005			
Name of member	Attended	Apologies	Total
Mr Ignatius Sehoole	3	1	4
Mr Jeff van Rooyen	2	2	4
Mr Johnson Njeke	2	2	4
Dr Len Konar	4	0	4
Prof. Carolina Koomhof	4	0	4
Ms. Joyce Matlala	4	0	4
Ms. Matsotso Vuso	4	0	4

Note: In addition to the above four scheduled meetings, there was an additional special meeting held on 19 August 2005 for the induction of members appointed on 30 January 2004.

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 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 internal controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. From the various reports issued by the Internal Audit Function, the Audit Report on the Annual Financial Statements, and management letter of the Auditor-General, it was noted that no significant or material non-compliance with prescribed policies and procedures have been reported. In line with the PFMA and the King II Report on Corporate

NATIONAL TREASURY

REPORT OF THE AUDIT COMMITTEE (CONTINUED)
 for the year ended 31 March 2005

Governance, the Internal Audit Function provided the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. Accordingly, the committee reports that the systems of internal controls for the period under review were effective and efficient.

Evaluation of Financial Statements

The Audit Committee has:

- Reviewed and discussed the audited annual financial statements to be included in the annual report with the Office of the Auditor-General and the Accounting Officer;
- Reviewed the Auditor-General's management letter and management's response thereto;
- Reviewed accounting policies; and
- 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 Sehoole

Chairperson: Audit Committee

Date: 23 August 2005

ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2005

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NATIONAL TREASURY VOTE 8

REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2005

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

These financial statements focus on the voted budget of the National Treasury as a department, and not on the broader role of the National Treasury with regard to all its constitutional and legislated responsibilities. These financial statements therefore do not deal with the National Revenue Fund. These financial statements also do not deal with all the revenue collected for the National Revenue Fund (which is managed by the National Treasury) amounting to **R337,9 billion** (2003/04: R299,4 billion) as separate financial statements are prepared for that fund. The equitable share allocations to provinces amounting to **R164,1 billion** (2003/04 R144,7 billion) which are direct charges, as well as allocations made to other national departments and public entities are also excluded from this report. Each department or entity receiving funds will submit its own financial statements to account for such allocations received from the National Revenue Fund.

The financial statements for the National Treasury vote amounted to **R14,022 billion** (2003/04 R12,593 million), as appropriated by Parliament. A substantial part of this voted budget (R13,261 billion) or 95 percent are transfers or payments made to other organs of state or public entities, so the actual operating budget of the National Treasury is relatively small at R761 million (2003/04 R706,2 million).

Annual appropriation, other departmental revenue and Vote compilation

The National Treasury's total revenue for the financial year ended 31 March 2005 amounted to **R15,974 billion** (2003/04: R14,732 billion). This comprises the annual adjusted appropriation amounting to R14,022 billion, departmental revenue of R1,942 billion and local and foreign assistance received in cash of R10,9 million.

The main spending component of the National Treasury's budget vote is its operational budget of R761 million, comprising Programmes 1 to 5 for which the department is directly responsible for spending. This is a relatively small compared to the rest of the budget (Programmes 6, 7 and 8) comprising R13,261 billion, which comprises largely of transfers to provinces, municipalities, departmental agencies, foreign institutions and to households.

NATIONAL TREASURY VOTE 8

REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2005

The operational budget comprises: compensation of employees, goods and services, and acquisition of capital assets which amounted to **R761 million** (2003/04: R706,2 million) an increase of about 14.1 per cent. A total of **R251,8 million** (2003/04: R189,2 million) was not spent against the operational budget, largely due to savings of R109 million on the acquisition of financial management systems, savings in respect of consultants, receipt of less claims than anticipated with regard to audit fees, underspending due to vacant positions not being filled and delays in finalising the refurbishment of the Centurion Building.

The largest part of the National Treasury vote is for transfers (Programmes 6, 7 and 8), dealing with transfers to provinces, municipalities, departmental agencies and foreign institutions, which increased from R11,887 billion in the 2003/04 financial year to R13,610 billion in 2004/05. This was mainly attributable to an increase in the provincial and local government grants so that infrastructure backlogs could be addressed and additional transfers to the Secret Services and the South African Revenue Services as well as the inclusion of Swaziland to the Common Monetary Area (CMA). Foreign transfer payments amounting to R366,9 million (2003/04: R429,3 million) have been made to various foreign institutions in terms of international agreements.

Transfers to households under the *Civil and Military Pensions, Contributions to Funds and Other Benefits* Programme amounted to **R704,8 million** (2003/04: R1,009 billion). Expenditure items include the payment of 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 for disability, medical assistance-devices, and other related expenses. A saving of **R55,109 million** (2003/04: R70,5 million) has been recorded due to lower than anticipated payments for special pensions and medical scheme claims.

The full amount under programme 6 was transferred. A total amount of R277 million was not transferred under Programmes 7 and 8, either because of savings or because the receiving institution or programme was not ready to implement the activities required from the transfer.

Programme compilation

The Department consists of 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.*

NATIONAL TREASURY VOTE 8

REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2005

Administration provides strategic management and administrative support to the National Treasury. The Administration programme comprises the Minister, Deputy Minister, Management and Corporate Services subprogrammes. The Corporate Services Division has been allocated the major portion of this programme's budget amounting to **R115,8 million** (2003/04: R93,8 million). The remainder of the budget is spread over the other three subprogrammes and totals **R27,8 million** (2003/04: R18,1 million). Included in the total budget was an additional amount of R25,9 million allocated to this Programme during the adjustment budget through the annual rollover process to enable the completion of the Centurion Building's refurbishment by the Department.

Expenditure for *Administration* totalled **R89,4 million** (2003/04: R90,4 million), representing 0.63 percent of the total expenditure of National Treasury. Expenditure incurred on compensation of employees was **R36,9 million** (2003/04: R31,2 million), goods and services, **R48 million** (2003/04: R45,1 million), and payments for capital expenditure **R4,2 million** (2003/04: R8,8 million).

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

The total budget for this programme amounted to **R150,9 million** (2003/04: R125,3 million). Expenditure incurred by the *Economic Planning and Budget Management Programme* totalled **R135,7 million** (2003/04: R106,4 million), an increase of R29,3 million in comparison to the previous financial year. This is due to an increase in analytical and advisory capacity and the improvements in the quality of economic and fiscal planning.

Expenditure incurred on compensation of employees was **R73,6 million** (2003/04: R58,2 million) and on goods and services was **R52 million** (2003/04: R39,3 million). In addition to the normal operational expenses, this Programme oversees and manages the transfer payments to the Project Development Facility to the value of **R6 million** (2003/04: R6 million).

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

NATIONAL TREASURY VOTE 8

REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2005

The total adjusted budget for this Programme amounted to **R53,8 million** (2003/04: R69,8 million) due to an additional allocation of R7,6 million being made available through the adjustment budget process. The rollover consists of R5 million for the review of National Treasury's operation of state-owned entities and R2,6 million for the completion of the debt management system.

Expenditure incurred by Assets and Liability Management amounted to **R26,3 million** (2003/04: R51,9 million) and consists mainly of the following expenditure types namely; compensation of employees **R17,7 million** (2003/04: R13,8 million) and goods and services **R7,7 million** (2003/04: R37 million). The increase in compensation of employees is mainly due to capacity building and filling of vacant positions.

Financial Management and Systems manages and regulates Government's procurement and supply chain processes, implements and maintains standardised financial systems, and co-ordinates the implementation of the Public Finance Management Act (PFMA) and associated capacity-building initiatives. This programme consists of four sub-programmes: Management; Supply Chain Management; PFMA Implementation and Coordination; and Financial Systems.

The annual appropriation for this Programme amounted to **R351,7 million** (2003/04: R344 million) In addition to the above, the PFMA Implementation and Co-ordination subprogramme's baseline has been decreased due to funds being shifted to South African Management Development Institute (SAMDI) to assist with the rollout of financial management training.

Expenditure incurred by the *Financial Management and Systems* amounted to **R226,4 million** (2003/04: R234,3 million). Expenditure relating to goods and services decreased by R11,2 million, a decrease of about 5,2 per cent from the previous year. This decrease is mainly attributable to the discontinuation of the Financial Management System (FMS) and related support infrastructures, and the reorganisation of the external service providers pertaining to the financial systems.

Financial Accounting and Reporting seeks to achieve accountability to the 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, government accounting policies and practices to ensure compliance with the standards of GRAP, prepares consolidated financial statements, and endeavours to improve the timeliness, accuracy and efficiency of financial reporting. The programme consists of six sub programmes: *Financial Reporting for National Accounts; Financial Management Improvement; Investment of Public Monies; Service Charges (Commercial Banks); Audit Statutory Bodies; and Contingent Liabilities: Reinsurance Liabilities.*

NATIONAL TREASURY VOTE 8

REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2005

The budget for this Programme amounted to R65,2 million (2003/04: R63,3 million) and consisted of an operational budget of **R48,2 million** (2003/04: R48,1 million) and transfers of **R17 million** (2003/04: R15,2 million). The total expenditure incurred by *Financial Accounting and Reporting* amounted to **R31,9 million** (2003/04: R44,7 million), a decrease of R12,8 million. Expenditure relating to the compensation of employees increased to R10,6 million.

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 decreased from R11,2 million to R7,7 million. This decrease is attributable to less claims being submitted for reimbursement by the Office of the Auditor-General.

Provincial and Local Government Transfers designs, manages and monitors National Treasury's own conditional transfers to provincial and local governments. Transfers on the Local Government Financial Management and Restructuring Grants subprogramme amounted to **R585,9 million** (2003/04: R704,8 million). Transfers for the Provincial Infrastructure Grant amounting to **R3,348 billion** (2003/04: R2,535 billion) was effected during the financial year, in accordance with the 2004 Division of Revenue Act (No. 5 of 2004). 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 decreased by 16 per cent and the National Treasury spent **R1,921 billion** (2003/04: R2,288 billion) to defray expenditure relating to pension and other benefit payments. An action plan detailing all actions to be taken was prepared and tabled at the Audit Committee for scrutiny and approval. The Audit Committee members in conjunction with the Director-General continuously monitor the progress made against the action plan.

Significant progress has been made to resolve the emphasis of matter raised by the Office of the Auditor-General in the 2003/04 audit report. Due to the change in focus in resolving the pre-1992 medical benefits, National Treasury continued to pay full costs of medical claims without a formal service level agreement (SLA) during the year under review. A ruling in 2003 by the Council for Medical Schemes determined that these members were not on a registered medical benefit option.

NATIONAL TREASURY VOTE 8

REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2005

Numerous engagements occurred between the Council for Medical Schemes (CMS), Medihelp and National Treasury from 2003 in an attempt to resolve the matter. Medihelp's application to place the pre-1992 members on a closed medical benefit option was refused by the CMS, and a lengthy dispute was entered into. Based on these engagements and Medihelp's appeal being turned down, it was decided not to formalise any existing arrangement with a contract or an SLA. Medihelp was eventually instructed on 23 March 2005 by the CMS to place the pre-1992 members on a registered benefit option. A decision was taken by National Treasury that as from 1 July 2005, National Treasury would only pay the members' monthly medical contribution for the pre-1992 members. Medihelp was informed of this and responded with legal action. The court judgment issued on 13 June 2005 was in favour of National Treasury's decision.

National Treasury's legal obligation is, therefore, to pay full membership fees to a registered benefit option, and this has been implemented from 1 July 2005. Furthermore, management has adequately addressed the weaknesses reported by the Office of the Auditor-General in the 2003/04 audit report pertaining to other related controls.

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

Domestic transfers are made to the 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 transfers payments are made to: the Highly Indebted Poor Countries initiative, which provides debt relief to poor countries in terms of a bilateral agreement between the donor countries and the International Monetary Fund; the World Bank Group; the African Development Bank; Lesotho, Namibia and Swaziland (Common Monetary Area Compensation subprogramme) for the Rand Monetary Area Agreement; and the Commonwealth Fund for Technical Co-operation.

Domestic transfers account for 94 per cent of the total transfers allocated to the Fiscal Transfer Programme. Domestic transfers amounted to **R6,774 billion** (2003/04: R5,624 billion) of which the largest transfers went to the South African Revenue Services and Secret Services totalling R4,603 billion and R2,117 billion respectively. The R40 million allocated to the Apex Fund was retained by the National Treasury as it was initially envisaged that the National

NATIONAL TREASURY VOTE 8

REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2005

Treasury would set up the Fund. In the first half of 2004, it was resolved that the responsibility for the Apex Fund should be transferred to the Department of Trade and Industry. To this end, it was agreed that the National Treasury would retain the funds until the Apex Fund was formally set up. By the end of the financial year the Department of Trade and Industry and National Treasury were still finalising all arrangements regarding the business plan for the Fund, registering it as a legal entity. In the absence of a legal entity, the funds have not been transferred to the Department of Trade and Industry as no spending could take place. The Department of Trade and Industry has since announced the launch of the APEX fund in the first two months of the 2005/06 financial year. Once the Apex Fund has been formally registered, the funds will be transferred from the National Treasury to the Department of Trade and Industry.

The total Foreign transfers made by the National Treasury amounted to **R366,9 million** (2003/04: R429,3 million). For transfers to Lesotho, Namibia and Swaziland to the amount was **R251 million** (2003/04: R292,8 million) which included the newly introduced transfer to Swaziland amounting to R65,2 million.

Cabinet has approved a request by National Treasury to increase South Africa's shareholding in the African Development Bank (ADB) - up to a doubling of the current level. Resources for that purpose have been allocated to the budget for fiscal transfer to the ADB. Until now, only a small number of shares have been available (as it has depended on other countries giving up shareholding or defaulting on the payment thereof), this has prevented South Africa from utilising the allocated resources. South Africa holds a relatively small number of shares compared to the size of the country's economy, and will accordingly be granted preference if and when additional shares become available. Expenditure under the Common Monetary Area was lower than anticipated due to slower growth in the total amount of money in circulation during the 2004/05 financial year and secondly, due to lower long-term interest rates.

Departmental revenue to the value of **R1,942 billion** (2003/04: R2,131 billion) received included administrative fees arising from:

- 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, and
- interest from tax and loans accounts from the four major commercial banks.

Other revenue includes the repayment of loans by the Auditor-General, recovery of departmental debt from previous years and amnesty levies of R150 million through the foreign exchange amnesty and adjudication process.

NATIONAL TREASURY VOTE 8

REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2005

Summary of Variance

The total variance of R532,012 million can be explained as follows:

For programmes 1 to 5, savings related expenditure on consultants and on systems amounted to R130 million and under expenditure related to delayed projects and vacant positions amounted to R146,587 million. The under-spending represents a 19.3 percent variance. The savings for programmes 7 and 8 amounted to the R276,425 million, which represents a variance of 2.1 per cent.

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. Capacity constraints

Though the National Treasury has performed its responsibilities, it has done so by imposing very high performance requirements on its current staff. The National Treasury finds great difficulty in recruiting all the personnel that it needs, as such skills are not easily available and are expensive due to private sector demand.

4. Utilisation of donor funds

Local and foreign assistance received in cash during the year amounted to **R10,9 million** (2003/04: R7 million) relating to various projects. Expenditure incurred amounted to **R9,5 million** (2003/04: R5,7 million). Assistance in kind for the 2004/05 financial year amounted to an estimated **R147,4 million** (2003/04: R46,1 million).

The National Treasury transferred funds to external spending agencies amounting to R9,09 million on behalf of the Reconstruction and Development Fund. These amounts are not reflected in the Statement of Financial Performance due 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 2005

5. Public and trading entities

5.1 Public entities

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

- **South African Revenue Services**

The South African Revenue Service Act (1997) gives the South African Revenue Service (SARS) the mandate to collect national taxes from eligible taxpayers, and to collect customs duties at borders, ports and airports.

- **Development Bank of Southern Africa**

The Development Bank of Southern Africa (DBSA), a development finance institution wholly owned by government, is a Schedule 2 public entity governed by the Development Bank of Southern Africa Act (1997).

- **Financial Intelligence Centre**

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 function of the FIC is to process, analyse and interpret information disclosed to it from banks, accountants and lawyers, as well as reporting institutions such as dealers in Kruger coins and dealers in motor vehicles.

- **Financial Services Board**

The Financial Services Board (FSB) is a statutory body established in terms of the Financial Services Board Act (1990). It supervises the activities of non-banking financial institutions and 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 institutions and services in terms of 16 Acts. Functions include regulatory control over insider trading and the participation bonds industry, certain trust and depository institutions, and central security depositories responsible for the safe custody of securities. The board is also responsible for the financial supervision of the Road Accident Fund.

- **Public Investment Commissioners**

The Public Investment Commissioners (PIC) is a statutory body governed up to 31 March 2005 in terms of the Public Investment Commissioners Act (1984) - a new Act (Public Investment Corporation Act (2004)) estab-

NATIONAL TREASURY VOTE 8

REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2005

lishes the PIC as a separate juristic person. The PIC is effectively self-funded, and invests and manages funds on behalf of various public sector bodies, including the Government Employees Pension Fund (GEPF).

- **Accounting Standards Board**

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.

5.2 Trading entities and other national government business enterprises

- **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.

During the last financial year the PDF did not receive any funds as projects were still at the procurement stage.

- **South African Special Risks Insurance Association (SASRIA)**

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

6. Organisations to whom transfer payments have been made

The National Treasury, through its Fiscal Transfers programme, makes funds available to public authorities and other institutions in terms of various legal provisions governing financial relations between government and the particular authority or institution, including international development institutions of which government is a member. Kindly refer to annexures 1C, E and F.

NATIONAL TREASURY VOTE 8**REPORT OF THE ACCOUNTING OFFICER (CONTINUED)
for the year ended 31 March 2005****7. Performance information including corporate governance arrangements**

The National Treasury has a fully functional Audit Committee (AC) and Risk Management Committee (RMC). Both Committees operate within approved written terms of reference and meet regularly during the year.

As it is required in terms of Treasury Regulation 3.2.7 for the Internal Audit Function to prepare and execute a rolling 3-year strategic internal audit plan, the Internal Audit Function (IAF) issued audit reports relating to the financial management and control environment of each division. In addition to the above-mentioned financial management audits, the IAF issued an Informational Technology Audit Report detailing IT systems control and other related weaknesses.

Furthermore, the National Treasury, as part of its Risk Management Framework regularly, in conjunction with the IAF, conducts risk assessments at divisional level. All identified risks are included in the Department's newly developed Risk Control Register. It is envisaged that responsible managers within each division be identified to ensure that such risks are continuously monitored and appropriate actions taken/implemented on a timely basis.

The outsourced IAF's contract was originally awarded for a period of two-years and expired on 31 August 2004. An extension of the contract was granted for an additional 14 months due the IAF being required to complete the audit work as contemplated by the rolling 3-year strategic internal audit plan.

Further enhancements concerning the National Treasury's internal control environment concluded during the year under review relate to the improvement of the financial system controls environment and secondly, disposal prescripts regarding moveable assets. In addition to the above, the National Treasury will review all financial prescripts, related policies and procedures for all financial matters in the coming year to ensure their applicability and alignment with best practices.

8. New activities

One of the major new activities undertaken by the National Treasury is the implementation of the Municipal Finance Management Act (MFMA), which took effect on 1 July 2004. Though its implementation has been phased in, the National Treasury was required to provide training, guidelines and regulations to assist 284 municipalities.

An Infrastructure Investment Improvement Programme has been designed to assist provincial departments of education, health, roads and public works to

NATIONAL TREASURY VOTE 8**REPORT OF THE ACCOUNTING OFFICER (CONTINUED)
for the year ended 31 March 2005**

improve and modernise their planning and project management capacity. This project was in response to problems of slow spending on capital projects by various provincial departments.

The National Treasury introduced a three-year research programme, focusing on growth, employment and broadening participation in the South African economy and to provide assistance with consultation and development of practical proposals for a collaborative Southern African Economic Research Programme. The project will include consultation with the economic research community relating to the possible establishment of an economic research entity.

9. Events after the reporting date

Payments to the value of R146 million (2003/04 R99 million) were processed during April 2005, which relate to the 2004/05 financial year. These payments have not been included in the annual financial statements for the 2004/05 financial year, which were prepared on the modified cash basis of accounting.

10. Standing Committee on Public Accounts (SCOPA) resolutions

There were no new SCOPA resolutions relating to National Treasury from the 2003/04 financial year.

11. Acknowledgements

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

Approval

The Annual Financial Statements set out on pages 87 to 156 have been approved by the Accounting Officer.



Lesetja Kganyago
Director-General: National Treasury
Date: 31 May 2005



REPORT OF THE AUDITOR-GENERAL

on the
**Annual Financial Statements of the
National Treasury**
for
the year ended 31 March 2005



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 2005

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 87 to 156, for the year ended 31 March 2005, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. NATURE AND SCOPE

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

An audit includes:

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

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

The audit was completed in accordance with Auditor-General Directive No. 1 of 2005.

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

REPORT OF THE AUDITOR-GENERAL

TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF VOTE 8 - NATIONAL TREASURY (CONTINUED) for the year ended 31 March 2005

3. AUDIT OPINION

In my opinion, the financial statements fairly present, in all material respects, the financial position of the National Treasury at 31 March 2005 and the results of its operations and cash flows for the year then ended, in accordance with prescribed accounting practice and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999).

4. 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 the payment of benefits to beneficiaries who qualify in terms of the said Act. These payments amounted to R269 191 000 during the year under review (2004: R215 129 000).

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

5. APPRECIATION

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

S A Fokas

Auditor-General

Pretoria

31 July 2005



AUDITOR-GENERAL

NATIONAL TREASURY VOTE 8

ACCOUNTING POLICIES for the year ended 31 March 2005

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 (1999), the Treasury Regulations for Departments and Constitutional Institutions issued in terms of the Act and the Division of Revenue Act (2004).

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. Under the accrual basis of accounting, transactions and other events are recognised when incurred and not when cash is received or paid.

2. Revenue

Appropriated funds

Voted funds are the amounts appropriated to the Department in accordance with the final budget known as the Adjusted Estimates of National Expenditure. Unexpended voted funds are surrendered to the National Revenue Fund, unless otherwise stated.

Departmental revenue

Sale of goods and services other than capital assets

This comprises the proceeds from the sale of goods and/or services produced by the entity. Revenue is recognised in the Statement of Financial Performance on receipt of the funds.

Fines, penalties and forfeits

Fines, penalties and forfeits are compulsory receipts imposed by court or quasi-judicial body. Revenue is recognised in the Statement of Financial Performance on receipt of the funds.

Interest and dividends

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

NATIONAL TREASURY VOTE 8

ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2005

Sale of capital assets

The proceeds from the sale of capital assets is recognised as revenue in the Statement of Financial Performance on receipt of the funds.

Financial transactions in assets and liabilities

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

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

Local and foreign aid assistance

Local and foreign aid assistance is recognised in the Statement of Financial Performance on receipt of funds. Where amounts are expensed before funds are received, a receivable is raised. Where amounts have been inappropriately expensed using local and foreign aid assistance, a payable is raised. In the situation where the Department is allowed to retain surplus funds, these funds are shown as revenue.

3. Expenditure

Compensation of employees

Voted funds are the amounts appropriated to the Department in accordance with the final budget known as the Adjusted Estimates of National Expenditure. Unexpended voted funds are surrendered to the National 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. The expenditure is classified as capital where the employees were involved, on a full time basis, on capital projects during the financial year. All other payments are classified as current expense.

Social contributions include the Department's 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.

NATIONAL TREASURY VOTE 8

ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2005

Short-term employee benefits

The cost of short-term employee benefits is expensed in the Statement of Financial Performance in the reporting period when the final authorisation for payment is effected on the system. Short-term employee benefits, that give rise to a present legal or constructive obligation are disclosed as a disclosure note to the Annual Financial Statements and are not recognised in the Statement of Financial Performance.

Long-term employee benefits and other post employment benefits

Termination benefits

Termination benefits are recognised and expensed only when the final authorisation for payment is effected on the system.

Medical benefits

The Department provides medical benefits for its employees through defined benefit plans. Employer contributions to the fund are incurred when the final authorisation for payment is effected on the system. No provision is made for medical benefits in the Annual Financial Statements of the Department.

Post employment retirement benefits

The Department provides retirement benefits for certain of its employees through a defined benefit plan for Government employees. These benefits are funded by both employer and employee contributions. Employer contributions to the fund are expensed when the final authorisation for payment to the fund is effected on the system. No provision is made for retirement benefits in the Annual Financial Statements of the Department. Any potential liabilities are disclosed in the Annual Financial Statements of the National Revenue Fund and not in the Annual Financial Statements of the employer department.

Other employee benefits

Obligations arising from leave entitlement, thirteenth cheque and performance bonus that are reflected in the disclosure notes have not been paid for at year-end.

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. The expense is classified as capital if the goods and services were used on a capital project.

NATIONAL TREASURY VOTE 8

ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2005

Financial transactions in assets and liabilities

Financial transactions in assets and liabilities include bad debts written off. Debts are written off when identified as irrecoverable. Debts written off are limited to the amount of savings and/or under spending available to the Department. The write off occurs at year-end or when funds are available. No provision is made for irrecoverable amounts.

Unauthorised expenditure

Unauthorised expenditure, is defined as:

- The overspending of the Vote or a main division within the Vote, or
- Expenditure that was not made in accordance with the purpose of the Vote or, in the case of a main division, not in accordance with the purpose of the main division.

Such expenditure is treated as a current asset in the Statement of Financial Position until such expenditure is approved by the relevant authority, recovered or written off as irrecoverable.

Irregular expenditure

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

- The PFMA, or
- The State Tender Board Act, or any regulations made in terms of this Act, or

It is treated as expenditure in the Statement of Financial Performance. If such expenditure is not condoned and it is possibly recoverable, it is disclosed as receivable in the Statement of Financial Position at year-end.

Fruitless and wasteful expenditure

Fruitless and wasteful expenditure, is defined as expenditure that was made in vain and would have been avoided had reasonable care been exercised, therefore:

- It must be recovered from a responsible employee (a debtor account should be raised), or
- The Vote, if responsibility cannot be determined.

Such expenditure is treated as a current asset in the Statement of Financial Position until such expenditure is recovered from the responsible employee or written off as irrecoverable.

NATIONAL TREASURY VOTE 8

ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2005

4. Transfers and subsidies

Transfers and subsidies include all irrecoverable payments made by the Department. Transfers and subsidies are recognised as an expense when the final authorisation for payment is effected on the system.

5. Expenditure for capital assets

Capital assets are assets that can be used repeatedly and continuously in production for more than one year. 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.

6. Investments

Investments include; investments in associates; joint ventures; investments in controlled entities and other investments.

Investments are shown at cost. On disposal of an investment, the surplus/(deficit) is recognised as revenue in the Statement of Financial Performance.

7. Receivables

Receivables are not normally recognised under the modified cash basis of accounting. However, receivables included in the Statement of Financial Position arise from cash payments that are recoverable from another party, when the payments are made.

Receivables for services delivered are not recognised in the Statement of Financial Position as a current asset or as income in the Statement of Financial Performance, as the Annual Financial Statements are prepared on a modified cash basis of accounting, but are disclosed separately as part of the disclosure notes to enhance the usefulness of the Annual Financial Statements.

8. Cash and cash equivalents

Cash and cash equivalents consists of cash on hand and balances with banks, short term investments in money market instruments and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

NATIONAL TREASURY VOTE 8

ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2005

9. Payables

Payables are not normally recognised under the modified cash basis of accounting. However, payables included in the Statement of Financial Position arise from advances received that are due to the National Revenue Fund or another party.

10. Lease commitments

Lease commitments for the period remaining from the reporting date until the end of the lease contract are disclosed as part of the disclosure notes to the Annual Financial Statements. These commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance as the Annual Financial Statements are prepared on the cash basis of accounting.

Operating lease expenditure is expensed when the payment is made.

11. Accruals

This amount represents goods/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. These amounts are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance as the Annual Financial Statements are prepared on a modified cash basis of accounting, but are however disclosed as part of the disclosure notes.

12. Contingent liability

This 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 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 not recognised in the Statement of Financial Position, but the information is disclosed as part of the disclosure notes.

NATIONAL TREASURY VOTE 8

ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2005

13. Commitments

This amount represents goods/services that have been approved and/or contracted, but no delivery has taken place at the reporting date. These amounts are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance as the Annual Financial Statements are prepared on a modified cash basis of accounting, but are however disclosed as part of the disclosure notes.

14. Capitalisation reserve

The capitalisation reserve represents an amount equal to the value of the investment and/or loans capitalised. On disposal, repayment or recovery, such amounts are transferred to the National Revenue Fund.

15. Recoverable revenue

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

16. Comparative figures

Where necessary, comparative figures have been restated to conform to the changes in the presentation in the current year. The comparative figures shown in these Annual Financial Statements are limited to the figures shown in the previous year's audited Annual Financial Statements and such other comparative figures that the department may reasonably have available for reporting. Reclassification of expenditure has occurred due to the implementation of the Standard Chart of Accounts. It is not practical to present comparative amounts in the Cash Flow Statements, as this would involve reclassification of amounts dating back to the 2002/03 year end.

APPROPRIATION STATEMENT
for the year ended 31 March 2005

Programme	Appropriation per programme						2004/05		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000
1. Administration	119,678	(1,099)	(27)	118,680	94,928	33,934	71.9	94,408	79,849
Current payment	281	(10)	27	288	278	20	93.3	6,698	4,717
Transfers and subsidee	23,641	1,099	-	24,740	4,145	20,895	18.9	20,928	8,842
2. Economic Planning and Budget Management	141,403	(798)	-	140,605	138,674	15,634	98.3	114,107	67,449
Current payment	6,241	70	725	7,036	7,019	17	99.9	7,908	7,821
Transfers and subsidee	2,468	725	-	3,220	3,141	79	97.5	3,245	1,396
3. Asset and Liability Management	52,266	(14)	-	52,274	38,326	29,948	48.4	69,092	60,780
Current payment	42	14	-	56	64	2	98.4	198	166
Transfers and subsidee	1,848	-	-	1,848	890	699	68.9	1,841	931
4. Financial Management and Systems	348,864	-	-	348,864	288,364	123,850	84.9	339,498	230,361
Current payment	109	-	-	109	71	36	69.1	263	91
Transfers and subsidee	3,482	-	(726)	2,757	691	1,748	68.2	4,162	691
5. Financial Accounting and Reporting	47,068	(24)	-	47,082	23,108	23,986	49.1	47,147	29,230
Current payment	19,997	10	-	19,997	7,999	9,029	48.9	19,208	16,098
Transfers and subsidee	1,107	14	-	1,121	627	294	73.9	671	421
6. Provincial and Local Government Transfers	3,934,280	-	-	3,934,280	3,894,290	-	100.0	3,894,318	3,899,318
7. Civil and Military Pensions, Contributions to Funds and Other Benefits	1,972,368	-	(71,281)	1,901,074	1,214,998	89,179	63.4	1,399,069	1,278,947
Current payment	891,641	-	71,281	792,962	709,421	89,471	62.9	1,060,518	1,012,908
8. Fiscal Transfers	7,259,442	-	-	7,259,442	7,134,994	133,779	98.2	8,148,162	8,099,542
Total	14,927,978	-	-	14,927,978	13,489,904	632,072	89.2	12,983,298	12,094,063
Reconciliation with Statement of Financial Performance									
Departmental revenue received				1,941,487				2,191,297	
Local and foreign aid assistance received				15,673				7,062	
Actual amounts per Statement of Financial Performance (Total revenue)				18,974,348				18,771,748	
Local and foreign aid assistance					9,464				9,706
Actual amounts per Statement of Financial Performance (Total expenditure)					13,489,904			12,094,063	

NATIONAL TREASURY VOTE 8
APPROPRIATION STATEMENT (CONTINUED)
for the year ended 31 March 2005

Economic classification	Appropriation per economic classification						2004/05		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000
Current payments	1,868,664	(416)	(78,281)	1,477,689	1,362,273	116,716	62.2	1,612,499	1,369,436
Contribution to employees	929,008	(1,007)	6,973	930,474	399,298	194,179	63.4	605,871	379,100
Goods and services					515	(515)	-	-	1,000
Financial transactions in assets and liabilities									
Transfers and subsidee									
Provinces and municipalities									
Departmental agencies and accounts									
Universities and Technicals									
Foreign governments and international organisations									
Public corporations and private enterprises									
Non-profit institutions									
Households									
Payment for capital assets									
Machinery and equipment									
Software and other intangible assets									
Total	14,927,978	-	-	14,927,978	13,489,904	632,072	89.2	12,983,298	12,094,063

APPROPRIATION STATEMENT - DETAIL PER PROGRAMME 1
for the year ended 31 March 2005

Programme per subprogramme	2004/05					2005/04				
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000	
1.1 Minister	761	2	-	763	761	2	64.7	746	747	
Current payment										
Deputy Minister	660	41	-	626	620	1	64.9	601	602	
1.2 Current payment	20,004	(43)	-	24,951	13,296	11,706	63.1	15,232	12,296	
Transfers and subsidies	20	-	-	20	23	6	70.3	112	107	
Payment for capital assets	1,373	-	-	1,373	917	466	66.9	1,366	465	
1.4 Corporate Services	93,266	(1,096)	(27)	92,143	70,264	21,879	76.2	67,762	63,264	
Current payment	262	(10)	27	279	290	14	64.9	4,448	4,510	
Transfers and subsidies	22,266	1,096	-	23,362	3,228	20,134	13.9	19,874	8,347	
Payment for capital assets										
Total	143,898	-	-	143,898	69,348	74,550	62.3	111,699	60,403	

Programme per subprogramme	2004/05					2005/04				
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000	
Economic classification										
Current payments	44,878	(838)	-	44,140	36,864	7,286	83.8	38,188	31,174	
Goods and services	74,858	(281)	(27)	74,420	46,030	28,390	64.8	49,236	43,185	
Financial transactions in assets and liabilities	-	-	-	-	7	(7)	-	-	487	
Transfers and subsidies	141	(10)	-	131	112	18	86.0	144	82	
Provision and municipalities	140	-	27	167	166	1	98.4	133	118	
Departmental agencies and accounts	-	-	-	-	-	-	-	8,281	4,907	
Households	-	-	-	-	-	-	-	-	-	
Payment for capital assets	-	-	-	-	-	-	-	-	-	
Buildings and other fixed structures	12,243	86	-	12,329	2,904	9,425	23.8	19,200	8,378	
Machinery and equipment	11,368	1,041	-	12,409	1,341	11,068	10.8	1,724	484	
Software and other intangible assets										
Total	143,898	-	-	143,898	69,348	74,550	62.3	111,699	60,403	

APPROPRIATION STATEMENT - DETAIL PER PROGRAMME 2
for the year ended 31 March 2005

Programme per subprogramme	2004/05					2005/04				
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000	
2.1 Public Finance	26,222	(760)	-	25,462	33,961	1,499	66.9	30,234	20,316	
Current payment	71	70	728	869	699	7	69.2	498	442	
Transfers and subsidies	668	(81)	-	587	904	3	96.4	692	134	
Payment for capital assets										
2.2 Budget Co-ordination	32,253	4,736	-	37,025	32,947	4,078	86.0	28,122	23,861	
Current payment	6,061	-	-	6,061	6,060	1	100.0	6,068	6,049	
Transfers and subsidies	748	281	-	1,029	1,001	8	98.1	498	289	
Payment for capital assets										
2.3 Intergovernmental Relations	32,023	(4,736)	-	27,287	23,607	4,281	84.8	21,108	16,146	
Current payment	48	-	-	48	48	-	100.0	108	84	
Transfers and subsidies	436	80	-	516	462	37	92.8	748	461	
Payment for capital assets										
2.4 Economic Policy	40,366	-	-	40,366	36,128	4,238	87.0	34,842	27,866	
Current payment	74	-	-	74	68	6	87.8	1,281	1,076	
Transfers and subsidies	748	436	-	1,184	1,164	30	97.8	1,308	442	
Payment for capital assets										
Total	160,168	-	728	160,896	136,794	16,132	80.0	126,268	106,436	

Programme per subprogramme	2004/05					2005/04				
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000	
Economic classification										
Current	79,666	(3)	-	79,663	73,842	6,041	62.4	69,031	58,176	
Compensation to employees	61,717	(762)	-	60,925	51,628	6,067	65.2	45,059	36,266	
Goods and services	-	-	-	-	4	(4)	-	-	5	
Financial transactions in assets and liabilities	-	-	-	-	-	-	-	-	-	
Transfers and subsidies	241	-	-	241	624	17	62.9	282	176	
Provision and municipalities	6,000	-	-	6,000	6,000	-	100.0	6,000	6,000	
Departmental agencies and accounts	-	-	-	-	798	-	100.0	-	1,000	
Universities and Technikon	-	70	728	798	-	-	-	-	-	
Foreign governments and international organisations	-	-	-	-	-	-	-	374	974	
Public corporations and private enterprises	-	-	-	-	-	-	-	302	71	
Households	-	-	-	-	-	-	-	-	-	
Payment for capital assets	2,463	634	-	3,116	3,049	75	97.9	3,128	1,949	
Machinery and equipment	-	101	-	101	97	4	96.0	182	17	
Software and other intangible assets										
Total	160,168	-	728	160,896	136,794	16,132	80.0	126,268	106,436	

APPROPRIATION STATEMENT - DETAIL PER PROGRAMME 3
for the year ended 31 March 2005

Programme per subprogramme	2004/05										2003/04	
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation	Final Appropriation R'000	Actual Payment R'000	Final Appropriation R'000	Actual Payment R'000	
3.1 Management	16,972	(7,641)	-	11,331	2,962	8,369	26.3	39,615	31,120	31,120		
Current payment	3	1	-	4	3	1	75.0	3	2	2		
Transfers and subsidies	100	-	-	100	23	77	23.0	77	16	16		
Payment for capital assets	-	-	-	-	-	-	-	-	-	-		
3.2 Asset Management	12,722	7,801	-	20,523	6,614	14,609	27.3	6,629	4,600	4,600		
Current payment	-	13	-	13	13	-	100.0	13	18	18		
Transfers and subsidies	7	1	-	8	7	1	87.5	8	67	67		
Payment for capital assets	-	-	-	-	-	-	-	-	-	-		
3.3 Liability Management	6,029	(1)	-	6,028	7,451	1,074	67.4	9,623	6,760	6,760		
Current payment	13	2	-	15	16	-	100.0	12	11	11		
Transfers and subsidies	-	-	-	-	-	-	-	206	210	210		
Payment for capital assets	-	-	-	-	-	-	-	-	-	-		
3.4 Financial Operations	7,804	(229)	-	7,575	9,206	1,373	61.8	7,602	9,923	9,923		
Current payment	16	(8)	-	8	16	1	63.8	127	127	127		
Transfers and subsidies	1,436	(1)	-	1,435	900	689	69.1	910	913	913		
Payment for capital assets	-	-	-	-	-	-	-	-	-	-		
3.6 Strategic and Risk Management	4,284	-	-	4,284	3,071	1,193	72.0	4,023	2,963	2,963		
Current payment	6	-	-	6	6	-	100.0	35	28	28		
Transfers and subsidies	-	-	-	-	-	-	-	190	126	126		
Payment for capital assets	-	-	-	-	-	-	-	-	-	-		
Total	63,878	-	-	63,878	29,390	27,818	46.7	69,831	61,997	61,997		

APPROPRIATION STATEMENT - DETAIL PER PROGRAMME 4
for the year ended 31 March 2005

Programme per subprogramme	2004/05										2003/04	
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation	Final Appropriation R'000	Actual Payment R'000	Final Appropriation R'000	Actual Payment R'000	
4.1 Management	1,217	80	-	1,297	1,148	119	90.7	1,144	1,027	1,027		
Current payment	3	-	-	3	2	1	66.7	3	3	3		
Transfers and subsidies	13	-	-	13	-	13	-	81	60	60		
Payment for capital assets	-	-	-	-	-	-	-	-	-	-		
4.2 Supply Chain Management	37,306	(49)	-	37,256	30,396	6,907	81.6	31,667	18,310	18,310		
Current payment	34	(8)	-	26	31	-	100.0	31	43	43		
Transfers and subsidies	677	-	-	677	137	640	20.2	649	34	34		
Payment for capital assets	-	-	-	-	-	-	-	-	-	-		
4.3 IT&A Implementation	16,776	-	-	16,776	5,346	10,633	32.2	14,259	10,204	10,204		
Current payment	3	2	-	5	6	-	100.0	6	6	6		
Transfers and subsidies	-	-	-	-	-	-	-	94	66	66		
Payment for capital assets	-	-	-	-	-	-	-	-	-	-		
4.4 Financial Systems	264,694	(7)	-	264,687	186,961	106,022	64.0	262,366	202,766	202,766		
Current payment	68	1	-	69	33	37	47.3	162	40	40		
Transfers and subsidies	2,772	-	(726)	2,047	804	1,193	41.7	3,448	656	656		
Payment for capital assets	-	-	-	-	-	-	-	-	-	-		
Total	362,465	-	(726)	361,739	228,418	128,914	64.4	343,960	254,319	254,319		

Programme per subprogramme	2004/05										2003/04	
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation	Final Appropriation R'000	Actual Payment R'000	Final Appropriation R'000	Actual Payment R'000	
Economic classification	37,003	-	-	37,003	23,487	14,116	63.5	35,190	20,269	35,190		
Current	311,281	-	-	311,281	201,867	109,414	64.9	304,306	213,071	304,306		
Compensation to employees	-	-	-	-	-	-	-	-	-	-		
Goods and services	-	-	-	-	-	-	-	-	-	-		
Financial transactions in assets and liabilities	-	-	-	-	-	-	-	-	-	-		
Transfers and subsidies	100	-	-	100	71	36	60.1	66	62	62		
Provisions and municipalities	-	-	-	-	-	-	-	170	29	29		
Households	-	-	-	-	-	-	-	-	-	-		
Payment for capital assets	3,462	(174)	(726)	2,833	634	1,726	32.5	2,691	661	661		
Machinery and equipment	-	174	-	174	107	17	60.2	1,071	-	-		
Software and other intangible assets	-	-	-	-	-	-	-	-	-	-		
Total	362,468	-	(726)	361,739	228,418	128,914	64.4	343,966	254,319	254,319		

APPROPRIATION STATEMENT - DETAIL PER PROGRAMME 5
for the year ended 31 March 2005

Programme per subprogramme	2004/05						2003/04						
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000
6.1 Financial Reporting for National Accounts													
Current payment	35,038	(23)	-	35,065	19,738	20,147	46.2	35,065	19,738	29,440	46.2	29,440	19,212
Transfers and subsidies	300	10	-	310	204	16	94.8	310	204	3,820	94.8	3,820	3,807
Payment for capital assets	930	(21)	-	909	818	290	90.1	909	818	669	90.1	669	368
6.2 Financial Statement Improvements													
Current payment	5,146	(128)	-	4,917	4,208	3,800	82.5	4,917	4,208	10,082	82.5	10,082	2,394
Transfers and subsidies	18	35	-	19	8	11	42.1	19	8	0	42.1	0	4
Payment for capital assets	177	-	-	177	208	4	98.1	177	208	102	98.1	102	68
6.3 Investment of Public Monies													
Transfers and subsidies	-	-	-	-	-	-	-	-	-	-	-	-	-
6.4 Service Charge													
Current payment	33	127	-	160	160	-	100.0	160	160	7,824	100.0	7,824	7,824
6.8 Audit Statutory Bodies													
Transfers and subsidies	15,568	-	-	15,568	7,667	9,001	46.0	15,568	7,667	11,279	46.0	11,279	11,198
6.9 Contingent Liabilities													
Current payment	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	65,180	-	-	65,180	31,902	33,278	48.9	65,180	31,902	63,328	48.9	63,328	44,717

Programme per subprogramme	2004/05						2003/04						
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000
Economic classification													
Current													
Compensation to employees	18,278	428	-	18,706	10,844	5,008	57.8	18,706	10,844	10,788	57.8	10,788	3,833
Goods and services	31,810	(480)	-	31,330	12,462	19,868	39.7	31,330	12,462	35,392	39.7	35,392	20,297
Transfers and subsidies	44	10	-	54	32	27	64.2	54	32	68	64.2	68	12
Provision and municipalities	270	-	-	270	270	-	100.0	270	270	3,842	100.0	3,842	3,842
Departmental agencies and accounts	18,888	-	-	18,888	7,887	9,001	46.0	18,888	7,887	11,280	46.0	11,280	11,198
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-	17	-	17	17
Households	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment for capital assets	1,107	14	-	1,121	827	294	73.8	1,121	827	947	73.8	947	421
Machinery and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	68,180	-	-	68,180	31,902	33,278	48.9	68,180	31,902	63,328	48.9	63,328	44,717

APPROPRIATION STATEMENT - DETAIL PER PROGRAMME 6
for the year ended 31 March 2005

Programme per subprogramme	2004/05						2003/04						
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000
6.1 Conditional Grants to Provinces													
Transfers and subsidies	3,346,382	-	-	3,346,382	3,346,382	-	100.0	3,346,382	3,346,382	2,634,489	100.0	2,634,489	2,634,489
6.2 Conditional Grants to Municipalities													
Transfers and subsidies	890,568	-	-	890,568	890,568	-	100.0	890,568	890,568	749,830	100.0	749,830	704,890
Total	4,236,950	-	-	4,236,950	4,236,950	-	100.0	4,236,950	4,236,950	3,384,319	100.0	3,384,319	3,339,379

Programme per subprogramme	2004/05						2003/04						
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000
Economic classification													
Transfers and subsidies													
Provinces and municipalities	3,934,280	-	-	3,934,280	3,934,280	-	100.0	3,934,280	3,934,280	3,284,318	100.0	3,284,318	3,236,318
Total	3,934,280	-	-	3,934,280	3,934,280	-	100.0	3,934,280	3,934,280	3,284,318	100.0	3,284,318	3,236,318

APPROPRIATION STATEMENT - DETAIL PER PROGRAMME 7
for the year ended 31 March 2005

Programme per subprogramme	2004/05					2003/04			
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000
7.1 Civil Pensions and Contributions to Funds									
Current payment	1,370,432	-	(71,201)	1,299,171	1,212,787	86,384	93.4	1,364,205	1,273,928
Transfers and subsidies	603,044	-	32,260	610,764	609,632	41,132	98.0	640,813	674,917
7.2 Military Pensions and other Benefits									
Current payment	1,929	-	-	1,929	2,111	(208)	110.0	1,705	2,041
Transfers and subsidies	135,097	-	0.001	147,068	135,059	10,009	92.0	137,803	137,889
Total	2,003,958	-	-	2,063,963	1,927,319	142,647	93.1	2,445,869	2,388,482

Programme per subprogramme	2004/05					2003/04			
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000
Economic classification									
Current									
Compensation to employees	1,358,037	-	(78,201)	1,280,785	1,199,958	80,828	93.7	1,344,032	1,259,073
Goods and services	13,200	-	7,000	20,200	14,330	5,870	70.7	22,031	16,330
Financial transactions in assets and liabilities	-	-	-	-	604	(604)	-	-	604
Transfers and subsidies	2,908	-	-	2,908	1,044	1,864	35.9	3,267	2,734
Foreign governments and international organisations	50	-	1	51	50	1	100.0	52	52
Non-profit institutions	666,660	-	71,200	737,860	704,321	33,539	95.6	1,040,197	1,026,730
Households	2,063,958	-	-	2,063,958	1,927,319	142,647	93.1	2,445,869	2,388,482

APPROPRIATION STATEMENT - DETAIL PER PROGRAMME 8
for the year ended 31 March 2005

Programme per subprogramme	2004/05					2003/04			
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000
8.1 Common Monetary Area Competition (CMA)									
Transfers and subsidies	253,028	-	-	253,028	250,987	12,041	99.4	304,832	282,830
8.2 Development Bank of Southern Africa									
Transfers and subsidies	40,001	-	-	40,001	-	40,001	-	40,001	-
8.3 World Bank Group									
Transfers and subsidies	1	-	-	1	-	1	-	1	-
8.4 Highly Indebted Poor Countries Initiative (HIPO)									
Transfers and subsidies	36,000	-	-	36,000	36,000	-	100.0	36,000	44,700
8.5 African Development Bank									
Transfers and subsidies	104,316	-	-	104,316	72,081	32,235	69.1	129,867	90,430
8.6 South African Revenue Service									
Transfers and subsidies	4,802,028	-	-	4,802,028	4,802,028	-	100.0	3,792,027	3,782,027
8.7 Planning and Fiscal Commission									
Transfers and subsidies	17,869	-	-	17,869	17,869	-	100.0	12,879	12,879
8.8 Budget Services									
Transfers and subsidies	2,117,057	-	-	2,117,057	2,117,057	-	100.0	1,771,265	1,771,265
8.9 Planning Intelligence Centre									
Transfers and subsidies	21,869	-	-	21,869	21,869	-	100.0	37,000	37,000
8.10 Commonwealth Fund for Technical Cooperation									
Transfers and subsidies	2,250	-	-	2,250	2,250	-	100.0	3,000	2,890
Total	7,259,442	-	-	7,259,442	7,184,684	153,779	98.2	8,145,152	8,098,642

Programme per subprogramme	2004/05					2003/04			
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Payment R'000	Variance R'000	Payment as % of final appropriation %	Final Appropriation R'000	Actual Payment R'000
Economic classification									
Transfers and subsidies	8,759,301	-	-	8,759,301	8,759,301	-	100.0	8,812,851	8,812,851
Departmental agencies and accounts	459,140	-	-	459,140	385,383	73,757	84.1	482,200	426,681
Foreign governments and international organisations	40,001	-	-	40,001	40,001	-	100.0	40,001	-
Total	9,258,442	-	-	9,258,442	9,184,684	153,779	98.2	9,345,052	9,269,532

NATIONAL TREASURY VOTE 8

NOTES TO THE APPROPRIATION STATEMENT
 for the year ended 31 March 2005

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

Detail of these transactions can be viewed in note 8 (Transfers and subsidies) and Annexure 1 (A - H) 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):

4.1	Per Programme	Voted Funds after Virement	Actual Expenditure	Variances R'000	%
	Administration	143,585	59,349	54,249	82.2
		Underpending was mainly due to the delay in the refurbishment of the Centurion offices and re-scoping of the Document Management System Project. A review of the structures for the Information Technology Unit and the Security Unit contributed to a underpending in compensation of employees.			
	Economic policy and budget management	150,564	135,734	15,130	90.0
		Programme 2 divisions continue to experience difficulty in attracting qualified professional staff, resulting in underpending against the personnel budget and slower progress than anticipated in budgeted research and consultancy projects.			
	Asset and liability management	53,576	26,260	27,616	48.7
		The underpending of R 25,2 million is due to two projects State Owned Enterprises (SOEs) Treasury Operations and Mandate of Development Finance Institutions (DFIs) being done in house, following the Minister's Committee resolution. The balance is in respect of personnel cost savings. The establishment of the division as at 31 March 2005 is 95 per cent filled.			
	Financial management and systems	351,730	228,418	125,314	64.4
		Large savings of R109 million were effected as a result of the restructuring of the Chief Directorate: Financial Systems. This included the renegotiation and transformation of the previous supplier contracts into new, more cost-effective service level agreements. The remaining underpending relates mostly to compensation of employees.			

NATIONAL TREASURY VOTE 8

NOTES TO THE APPROPRIATION STATEMENT (CONTINUED)
 for the year ended 31 March 2005

4.1	Per Programme	Voted Funds after Virement	Actual Expenditure	Variances R'000	%
	Financial accounting and reporting	65,180	31,902	33,278	48.9
		Savings of R 11 million were effected in respect of consultants and lower claims than anticipated with regard to audit fees. The balance of the variance relates to underpending on vacant posts, which have been subsequently filled.			
	Civil and military pensions, contributions to funds and other benefits	2,083,068	1,921,319	142,847	93.1
		Savings of R 142,8 million was mainly due to unpredictability of medical expenditure of retirees.			
	Fiscal transfers	7,258,442	7,124,664	133,778	98.2
		Refer to the Report of the Accounting Officer for a detailed explanation of underpending.			

4.2	Per Economic classification	Variance 2004/05 R'000
	Current payments:	
	Compensation of employees	116,716
	Goods and services	194,178
	Financial transactions in assets and liabilities	(815)
	Transfers and subsidies:	
	Provinces and municipalities	103
	Departmental agencies and accounts	1
	Public corporations and private enterprises	49,002
	Foreign governments and international organisations	95,139
	Households	56,109
	Payment for capital assets:	
	Machinery and equipment	12,260
	Software and other intangible assets	11,120
	Total:	632,012

NATIONAL TREASURY VOTE 8

STATEMENT OF FINANCIAL PERFORMANCE
 for the year ended 31 March 2005

	Notes	2004/05 R'000	2003/04 R'000
REVENUE			
Annual appropriation	1	14,021,916	12,593,298
Departmental revenue	2	1,941,457	2,131,387
Local and foreign aid assistance	3	10,973	7,062
TOTAL REVENUE		16,974,346	14,731,748
EXPENDITURE			
Current expenditure			
Compensation of employees	4	1,362,273	1,385,436
Goods and services	5	336,298	376,100
Financial transactions in assets and liabilities	6	615	1,050
Local and foreign aid assistance	3	9,459	6,497
Total current expenditure		1,708,645	1,769,083
Transfers and subsidies	6	11,790,736	10,318,046
Expenditure for capital assets			
Machinery and equipment	9	8,378	11,734
Software and other intangible assets	9	1,606	887
Local and foreign aid assistance	3	25	209
Total expenditure for capital assets		10,009	12,830
TOTAL EXPENDITURE		13,499,390	12,099,959
NET SURPLUS FOR THE YEAR		2,474,956	2,631,789
Reconciliation of net surplus for the year			
Voted funds to be surrendered to the National Revenue Fund	14	532,012	499,243
Departmental revenue to be surrendered to the National Revenue Fund	15	1,941,457	2,131,387
Local and foreign aid assistance	3	1,469	1,356
NET SURPLUS FOR THE YEAR		2,474,956	2,631,789

NATIONAL TREASURY VOTE 8

STATEMENT OF FINANCIAL POSITION
 for the year ended 31 March 2005

	Notes	2004/05 R'000	2003/04 R'000
ASSETS			
Current assets			
Unauthorised expenditure	7	167	167
Cash and cash equivalents	10	599,369	267,914
Prepayments and advances	11	82,337	35,876
Receivables	12	6,930	7,554
Local and foreign aid assistance receivable	3	62	4
Non-current assets		200,000	200,000
Investments	13	200,000	200,000
TOTAL ASSETS		838,868	601,544
LIABILITIES			
Current liabilities			
Voted funds to be surrendered to the National Revenue Fund	14	532,012	244,240
Departmental revenue to be surrendered to the National Revenue Fund	15	31,429	22,229
Payables	16	70,856	34,050
Local and foreign aid assistance repayable	3	163	-
Local and foreign aid assistance unutilised	3	1,368	1,010
TOTAL LIABILITIES		636,828	301,529
NET ASSETS		200,007	200,015
Represented by:			
Capitalisation reserve		200,000	200,000
Recoverable revenue	7	7	15
TOTAL NET ASSETS		200,007	200,015

NATIONAL TREASURY VOTE 8

STATEMENT OF CHANGES IN NET ASSETS
 for the year ended 31 March 2005

	Notes	2004/05 R'000	2003/04 R'000
Capitalisation reserve			
Opening balance		200,000	200,000
Closing balance		<u>200,000</u>	<u>200,000</u>
Recoverable revenue			
Opening balance		15	35
Debts recovered (Included in departmental revenue)		(27)	(24)
Debts raised		19	4
Closing balance		<u>7</u>	<u>15</u>
TOTAL		<u><u>200,007</u></u>	<u><u>200,015</u></u>

NATIONAL TREASURY VOTE 8

CASH FLOW STATEMENT
 for the year ended 31 March 2005

	Notes	2004/05 R'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Revenue		15,973,033
Annual appropriated funds received		14,021,918
Departmental revenue received		1,941,150
Local and foreign aid assistance received	9	<u>967</u>
Payments		(13,469,379)
Current payments		(1,708,643)
Transfers and subsidies paid		<u>(11,760,736)</u>
Net decrease in working capital		11,098
	17	<u>2,494,752</u>
Surrendered to National Revenue Fund	18	<u>(2,176,467)</u>
Net cash flow available from operating activities		<u><u>318,286</u></u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Expenditure for capital assets		(10,008)
Proceeds from sale of capital assets	2	<u>307</u>
Net cash flows used in investing activities		<u><u>(9,702)</u></u>
CASH FLOWS USED IN FINANCING ACTIVITIES		
Decrease in loans received		<u>(8)</u>
Net cash flows used in financing activities		<u><u>(8)</u></u>
Net increase in cash and cash equivalents		308,545
Cash and cash equivalents at the beginning of the year		257,814
Cash and cash equivalents at end of year	10	<u><u>566,359</u></u>

NATIONAL TREASURY VOTE 8

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2005

1. Annual Appropriation

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

Programme	Final Appropriation	Actual Funds Received	Variance	Total Appropriation 2003/04
	R'000	R'000	R'000	R'000
Administration	143,595	89,349	54,246	111,680
Economic policy and budget management	150,864	135,734	15,130	125,283
Asset and liability management	53,576	28,260	27,616	69,531
Financial management and systems	351,730	228,416	125,314	343,950
Financial accounting and reporting	65,180	31,602	33,278	63,323
Provincial and local government transfers	3,934,280	3,934,280	-	3,284,315
Civil and military pensions, contributions to funds and other benefits	2,063,955	1,621,316	142,647	2,449,569
Fiscal transfers	7,255,442	7,124,654	133,778	6,145,152
Total	14,021,818	13,458,904	532,012	12,593,295

National Treasury has fully complied with the Division of Revenue Act (No. 5 of 2004) by ensuring that all funds transferred to provinces and municipalities were to their primary bank accounts, and that provinces and municipalities complied with the conditions for the grants administered by National Treasury. No funds were withheld though some payments were delayed until conditions for the grants had been met.

No specific outputs are required for the Provincial Infrastructure Grant. Specific outputs achieved for the Local Government Financial Management Grants include the tabling of the three-year budgets consistent with the IDPs, submission of in-year reports against budgets and filling of key positions. The Local Government Restructuring Grant is a discretionary grant subject to application and agreement on benchmarks in respect of an eligible municipality.

2. Departmental revenue to be surrendered to the National Revenue Fund	Notes	2004/05	2003/04
		R'000	R'000
Sales of goods and services other than capital assets		43,516	12,295
Fines, penalties and forfeits		150,000	100,000
Interest, dividends and rent on land		1,742,186	2,009,569
Sales of capital assets		307	-
Financial transactions in assets and liabilities	2.1	5,048	9,523
Total departmental revenue collected		1,941,467	2,131,387

NATIONAL TREASURY VOTE 8

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2005

2.1 Financial transactions in assets and liabilities	2004/05 R'000	2003/04 R'000
Nature of loss recovered		
Cheques written back	428	199
Other	4,820	9,324
Total financial transactions in assets and liabilities	5,048	9,523

3. Local and foreign aid assistance

3.1 Assistance received in cash	Opening Balance R'000	Revenue R'000	Expenditure ⁽¹⁾ R'000	Closing Balance R'000
Name of donor and purpose				
Local				
Departmental aids programme	(4)	30	(4)	22
Foreign				
Financial management improvement programme (FMIP)	841	6,572	(6,427)	956
International development co-operation support programme (EUIDC)	162	2,050	(1,832)	350
Japan development corporation information system (JICADGIS)	7	-	-	7
African budget reform seminar	-	315	(159)	156
Technical assistance unit (EUTATI)	-	1,000	(1,062)	(62)
Total assistance received in cash	1,008	9,957	(9,484)	1,459

⁽¹⁾ Amount includes both capital and current expenditure.

Analysis of balance	2004/05 R'000	2003/04 R'000
Local and foreign aid receivable	(82)	(4)
Local and foreign aid unutilised	1,388	1,010
Local and foreign aid payable to RDP fund/donors	163	-
Closing balance	1,459	1,006

3.2 Foreign assistance received in kind

Name of donor and purpose	2004/05 R'000	2003/04 R'000
USAID – Support Government's efforts to formulate and coordinate growth promoting economic policies	-	39,413
Department of International Development (DFID) – Study on regulatory impact analysis	1,000	-
Department of International Development – Improved implementation of economic management for poverty elimination	-	3,639
European Union – International technical assistance	-	1,893
USAID – PPP Unit support	2,584	-
Sub total	3,584	44,945

NATIONAL TREASURY VOTE 8

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
 for the year ended 31 March 2005

	2004/05 R'000	2003/04 R'000
Foreign assistance received in kind (Continued)		
Sub total carried forward	3,584	44,846
USAID: SEGAMESP – fiscal incidence study	818	-
USAID – technical advisor to support implementation of MFMA	3,000	-
German Technical Assistance - Technical advisor to support implementation of MFMA	2,500	-
Department of International Development (DFID) - Technical advisor to support implementation of MFMA	1,000	-
UNDP Sustainable Human Development - Technical assistance to IDC	138,400	1,151
Total foreign aid assistance received in kind	147,383	46,098
4. Compensation of employees		
4.1 Salaries and Wages		
Basic salary	105,927	83,670
Performance award	10,099	4,436
Service Based	8	8
Compensative/circumstantial	8,680	7,834
Periodic payments	22	271
Other non-pensionable allowances	18,570	15,350
Total salaries and wages	143,284	111,697
Average number of employees (Refer to 4.1 and 4.2.1)	599	484
4.2 Social contributions		
4.2.1 Short-term employee benefits		
Pension	14,284	11,571
Medical	4,729	4,112
UIF	-	3
Bargaining council	18	10
Total short-term employee benefits	19,031	15,796
4.2.2 Post employment retirement benefits		
Medical	1,198,955	1,259,073
Total post employment retirement benefits	1,198,955	1,259,073
Total compensation of employees	1,362,273	1,386,436
Average number of pensioners (Refer to 4.2.2)	100 798	110 285
5. Goods and services		
Advertising	3,040	1,855
Attendance fees (including registration fees)	47	-
Bank charges and card fees	276	7,899
Bonuses (employees)	527	239
Communication	5,741	5,772
Computer services	189,486	215,083
Consultants, contractors and special services	64,889	86,246
Courier and delivery services	167	140
Sub total	287,083	316,136

NATIONAL TREASURY VOTE 8

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
 for the year ended 31 March 2005

	Notes	2004/05 R'000	2003/04 R'000
Goods and services (continued)			
Sub total carried forward		287,083	316,136
Drivers' licences and permits		1	-
Entertainment		1,769	1,458
External audit fees	5.1	8,635	8,826
Equipment less than R5000		1,347	3,261
Inventory	5.2	17,842	8,637
Legal fees		3,199	4,739
Maintenance, repairs and running cost		2,207	1,234
Medical Services		1	-
Operating leases		2,380	1,590
Personnel agency fees		8,363	8,618
Photographic services		18	-
Plant, flowers and other decorations		170	-
Printing and publications		319	-
Professional bodies and membership fees		364	340
Resettlement cost		467	2,012
Subscriptions		433	-
Owned leasehold property expenditure		21	-
Translations and transcriptions		9	17
Travel and subsistence	5.3	15,715	16,482
Venues and facilities		5,249	3,943
Training and staff development		4,622	11
Total goods and services		336,295	376,100
5.1 External audit fees			
Regularity audits		6,636	4,627
Performance audits		-	584
Other audits		-	1,415
Total external audit fees		6,635	6,626
5.2 Inventory (purchased during the year)			
Domestic consumables		500	345
Food and food supplies		301	305
Fuel, oil and gas		70	-
Other consumables		131	-
Parts and other maintenance material		285	141
Stationery and printing		16,093	7,845
Restoration and fittings		281	-
Total inventory		17,842	8,637
5.3 Travel and subsistence			
Local		8,515	9,254
Foreign		6,195	5,226
Total travel and subsistence		15,715	15,482

NATIONAL TREASURY VOTE 8

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
 for the year ended 31 March 2005

	Notes	2004/05 R'000	2003/04 R'000
6. Financial transactions in assets and liabilities			
Other material losses written off	6.1	809	998
Debts written off	6.2	8	54
Total financial transactions in assets and liabilities		815	1,050
6.1 Other material losses written off			
Nature of losses			
Vehicle accidents		-	20
Cash		-	1
Civil and military pensions (bad debts)		504	554
Miscellaneous		5	421
Total losses written off		809	998
6.2 Bad debts written off			
Nature of debts written off			
Salary overpayments		1	18
State guarantees		-	23
Tax debt		2	-
Other		3	13
Total bad debts written off		6	54
7. Unauthorised expenditure			
7.1 Reconciliation of unauthorised expenditure			
Opening balance		167	167
Expenditure awaiting authorisation		167	167
7.2 Unauthorised expenditure			
Incident	Disciplinary steps taken / criminal proceedings		
Consultants (1995/98)	None		69
Printing and administrative costs (1998/99)	None		98
			167
8. Transfers and subsidies	Notes	2004/05 R'000	2003/04 R'000
Provinces and municipalities	Annex 1A, 1B	3,834,753	3,239,701
Departmental agencies and accounts	Annex 1C	6,765,737	5,622,911
Universities and Technikon	Annex 1D	796	-
Foreign governments and international organisations	Annex 1E	368,907	429,316
Public corporations and private enterprises	Annex 1F	7,667	11,569
Non-profit organisations	Annex 1G	66	52
Households	Annex 1H	704,521	1,014,488
Total transfers and subsidies		11,780,738	10,318,048

NATIONAL TREASURY VOTE 8

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
 for the year ended 31 March 2005

	Notes	2004/05 R'000	2003/04 R'000			
B. Expenditure for capital assets						
Machinery and equipment	Annex 4	8,378	11,734			
Software and other intangible assets	Annex 5	1,806	887			
Total expenditure for capital assets		10,184	12,621			
Total excludes capital expenditure relating to local and foreign aid, refer note 3.						
10. Cash and cash equivalents						
Consolidated Paymaster General Account		566,352	257,607			
Cash on hand	7	7	7			
Total cash and cash equivalents		566,359	257,614			
11. Prepayments and advances						
Travel and subsistence		83	209			
Advances paid to other entities		-	246			
Claims recoverable		62,254	35,418			
Total prepayments and advances		62,337	35,673			
12. Receivables						
		Less than one year	One to three years	Older than three years		
Staff debtors	12.1	65	75	106	246	434
Clearing accounts	12.2	34	178	206	413	634
Other debtors	12.3	1,720	1,739	2,812	6,271	6,718
Total receivables		1,819	1,892	3,124	6,930	7,684
Amounts of R6,9 million included above may not be recoverable, but have been provided for, refer note 22.5.						
Incorrect payments were made between 1980 and 2005 to Injury on Duty Pensioners due to the status of these pensioners being incorrectly recorded from 1980 to 1998 because of a programme limitation. This resulted in cumulative overpayments of R12,9 million.						
12.1 Staff debtors		2004/05 R'000	2003/04 R'000			
Departmental debt		207	389			
Other staff debt		39	35			
Total staff debtors		246	434			
12.2 Clearing accounts						
Value added tax (SARS)		20	-			
Theft and losses suspense		393	413			
Disallowances		-	121			
Total clearing accounts		413	634			
		2004/05	2003/04			

NATIONAL TREASURY VOTE 8

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
 for the year ended 31 March 2005

12.3 Other debtors	Notes	R'000	R'000
Civil and military pensions debt		782	959
Civil and military pensions disallowances		3,505	3,559
Special pensions disallowances		1,821	2,171
Total other debtors		5,271	5,716
13. Investments			
Investees	Nature of investment		
Development Bank of Southern Africa	Controlled entity	Annex 2A, 2.B	200,000
Public Investment Corporation	Controlled entity	Annex 2A, 2.B	-
South African Special Risks Insurance Association (SABRIA)	Controlled entity	Annex 2A, 2.B	-
Total investments		200,000	200,000
14. Voted funds to be surrendered to the National Revenue Fund			
Opening balance		244,240	509,794
Transfer from Statement of Financial Performance		532,012	499,243
Voted funds requested and surrendered during the year		-	(255,003)
Paid during the year		(244,240)	(509,794)
Closing balance		532,012	244,240
15. Departmental revenue to be surrendered to the National Revenue Fund			
Opening balance		22,229	29,039
Transfer from Statement of Financial Performance		1,941,457	2,131,357
Paid during the year		(1,932,257)	(2,138,194)
Closing balance		31,429	22,229
16. Payables			
Amounts owing to other departments	Annex B	64,068	64,068
Advances received	16.1	-	4,959
Other payables	16.2	8,759	29,092
Total payables		70,856	98,120
16.1 Advances received			
National and provincial departments: BAS implementation and support		-	4,974
National and provincial departments: LOGIS implementation and support		-	284
Total advances received		-	4,959

NATIONAL TREASURY VOTE 8

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
 for the year ended 31 March 2005

16.2 Other payables	Notes	2004/05 R'000	2003/04 R'000
Income tax deduction payable		11	55
Pension contribution payable		4	3
VAT foreign aid assistance		-	164
Recoverable revenue civil and military pensions		2,158	2,256
Receivable interest		26	29
Civil and military pensions		2,685	10,371
Special pensions		1,821	18,119
Other		55	53
Total other payables		8,788	29,092
17. Reconciliation of net cash flow from operating activities to surplus			
Net surplus as per Statement of Financial Performance		2,474,958	
Decrease in receivables		754	
Increase in prepayments and advances		(28,482)	
Decrease in payables		38,508	
Proceeds from sale of equipment		(307)	
Capital expenditure		10,009	
Other non cash items		(1,006)	
Net cash flow generated by operating activities		2,484,752	
18. Appropriated funds and departmental revenue surrendered			
Appropriated funds surrendered		244,240	509,794
Departmental revenue surrendered		1,932,257	2,138,194
Total appropriated funds and departmental revenue surrendered		2,176,497	2,647,988

NATIONAL TREASURY VOTE 8

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2005

These amounts are not recognised in the Annual Financial Statements and are disclosed to enhance the usefulness of the Annual Financial Statements.

19. Contingent liabilities		Notes	2004/05 R'000	2003/04 R'000
Nature	Liable to			
Motor vehicle guarantees	Employees	Annex 3	-	423
Housing loan guarantees	Employees	Annex 3	1,124	1,052
Local and foreign guarantees	Financial institutions	Annex 3	16,284,648	16,466,077
Claims			-	10,186
Reinsurance cover	SABRIA		1,000,000	1,000,000
Outstanding life certificates	Pensioners		3,439	-
Capped leave commitments	Employees		12,389	12,036
Total contingent liabilities			17,301,500	17,491,778

An actuarial valuation had not been performed for the items relating to military and special pensions, injury on duty, other benefits and medical claims. Management's best estimate based on available information has been included in note 19 and 21.

20. Commitments			2004/05 R'000	2003/04 R'000
Current expenditure				
Approved and contracted			7,990	1,070
Sub total			7,990	1,070
Capital expenditure				
Approved and contracted			1,588	2,448
Sub total			1,588	2,448
Total commitments			9,578	3,518
21. Accruals				
Listed by economic classification	30 Days			
Compensation of employees	84,511		84,511	-
Goods and services	14,088		14,088	4,218
Transfers and subsidies	47,199		47,199	94,747
Machinery and equipment	159		159	50
Total accruals by economic classification	145,954		145,954	99,013
Listed by programme level				
Administration			2,863	1,729
Economic policy and budget management			2,614	550
Asset and liability management			137	58
Financial management and systems			6,578	700
Financial accounting and reporting			508	58
Civil and military pensions, contributions to funds and other benefits			132,754	95,890
Total accruals by programme level			145,954	99,013

NATIONAL TREASURY VOTE 8

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2005

22. Provisions		Notes	2004/05 R'000	2003/04 R'000
Special pensions		22.1	7,439	74,703
Medical benefits		22.2	27,791	55,274
Military pensions		22.3	592	593
Injury on duty		22.4	4,978	5,800
Doubtful debts		22.5	6,876	-
Audit fees		22.6	3,830	-
Total provisions			51,606	136,370
22.1 Special pensions				
Opening balance			74,703	-
(Decrease) / increase in provision during the year			(67,264)	74,703
Closing balance			7,439	74,703
22.2 Medical benefits				
Opening balance			55,274	-
(Decrease) / increase in provision during the year			(27,483)	55,274
Closing balance			27,791	55,274
22.3 Military pensions				
Opening balance			593	-
(Decrease) / increase in provision during the year			(1)	593
Closing balance			592	593
22.4 Injury on duty				
Opening balance			5,800	-
(Decrease) / increase in provision during the year			(822)	5,800
Closing balance			4,978	5,800
22.5 Doubtful debts				
Opening balance			-	-
Increase in provision made during the year			6,876	-
Closing balance			6,876	-
22.6 Audit fees				
Opening balance			-	-
Increase in provision made during the year			3,830	-
Closing balance			3,830	-
23. Employee benefits				
Leave entitlement			3,759	3,099
Thirteenth cheque			3,720	3,040
Performance bonus			6,515	5,565
Total employee benefits			13,994	12,704

NATIONAL TREASURY VOTE 8

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2005

		2004/05 R'000	2003/04 R'000
24. Lease commitments			
	Machinery and equipment		
24.1 Operating leases			
Not later than 1 year	386	335	355
Later than 1 year and not later than 3 years	517	578	343
Later than three years	75	75	-
Total present value of lease liabilities	988	988	698
25. Irregular expenditure			
25.1 Reconciliation of irregular expenditure			
Opening balance		178	178
Irregular expenditure awaiting condonement		178	178
Analyse			
Prior years (2000/01)		178	178
		178	178
25.2 Irregular expenditure			
	Disciplinary steps taken/criminal proceedings		
Incident			
Payment to WEFA as sole supplier of economic information (2000/01)	None – pending condonement		41
Payment to Deloitte & Touche for legal services rendered (2000/01)	None – pending condonement		38
Payment to New Africa for distribution of the Peoples Guide (2000/01)	None – pending condonement		99
			178
28. Senior management personnel	Number of Individuals	2004/05 R'000	2003/04 R'000
Minister	1	970	940
Deputy Ministers	1	832	875
Director-General	1	978	820
Deputy Directors-General	8	4,728	4,995
Total		7,508	7,430

NATIONAL TREASURY VOTE 8

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2005

ANNEXURE 1A
STATEMENT OF CONDITIONAL GRANTS PAID TO PROVINCES

Name of province	GRANT ALLOCATION		TRANSFER		2003/04 Division of Revenue Act R'000
	Reil Over R'000	ECRA Adjustments R'000	Total Available R'000	Actual Transfer R'000	
Eastern Cape			608,003	608,003	459,673
Free State			199,281	199,281	182,980
Gauteng			332,282	332,282	235,802
KwaZulu-Natal			708,485	708,485	600,302
Limpopo			563,828	563,828	540,482
Mpumalanga			258,189	258,189	215,086
Northern Cape			189,314	189,314	72,304
North West			288,388	288,388	204,479
Western Cape			205,128	205,128	145,190
Total transfers to provinces			3,248,382	3,248,382	2,834,488

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2005

ANNEXURE 1B
STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES

Name of municipality	GRANT ALLOCATION			TRANSFER			20/03/04 Division of Revenue Act R'000
	Division of Revenue Act R'000	Rail Over R'000	DORA Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available Funds Transferred %	
Local government financial management grant							
Khais	250	-	-	250	250	100.0	-
Abqulujel	-	-	-	-	-	-	1,000
Aganang	250	-	-	250	250	100.0	-
Albert Luthuli	200	-	-	200	200	100.0	-
Alfred Nzo	1,000	-	-	1,000	1,000	100.0	1,500
Amathethi	-	-	-	-	-	-	1,000
Amajuba	250	-	-	250	250	100.0	-
Amatole	1,500	-	-	1,500	1,500	100.0	2,500
Ba-Phalaborwa	-	-	-	-	-	-	1,000
Barlona	250	-	-	250	250	100.0	-
Beaufort West	-	-	-	-	-	-	1,000
Bele-Bele	-	-	-	-	-	-	1,000
Benignus	-	-	-	-	-	-	1,000
Bloubaerg	250	-	-	250	250	100.0	-
Blue Crane Route	200	-	-	200	200	100.0	-
Bohlabela	250	-	-	250	250	100.0	-
Bojanala Platinum	-	-	-	-	-	-	1,000
Boland	2,000	-	-	2,000	2,000	100.0	2,000
Bojwintia	-	-	-	-	2,000	-	1,000
Sub total:	6,500	-	-	6,500	6,500	-	14,000

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2005

ANNEXURE 1B
STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES

Name of municipality	GRANT ALLOCATION			TRANSFER			20/03/04 Division of Revenue Act R'000
	Division of Revenue Act R'000	Rail Over R'000	DORA Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available Funds Transferred %	
Local government financial management grant							
Khais	250	-	-	250	250	100.0	-
Abqulujel	-	-	-	-	-	-	1,000
Aganang	250	-	-	250	250	100.0	-
Albert Luthuli	200	-	-	200	200	100.0	-
Alfred Nzo	1,000	-	-	1,000	1,000	100.0	1,500
Amathethi	-	-	-	-	-	-	1,000
Amajuba	250	-	-	250	250	100.0	-
Amatole	1,500	-	-	1,500	1,500	100.0	2,500
Ba-Phalaborwa	-	-	-	-	-	-	1,000
Barlona	250	-	-	250	250	100.0	-
Beaufort West	-	-	-	-	-	-	1,000
Bele-Bele	-	-	-	-	-	-	1,000
Benignus	-	-	-	-	-	-	1,000
Bloubaerg	250	-	-	250	250	100.0	-
Blue Crane Route	200	-	-	200	200	100.0	-
Bohlabela	250	-	-	250	250	100.0	-
Bojanala Platinum	-	-	-	-	-	-	1,000
Boland	2,000	-	-	2,000	2,000	100.0	2,000
Bojwintia	-	-	-	-	2,000	-	1,000
Sub total:	6,500	-	-	6,500	6,500	-	14,000

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2005

ANNEXURE 1B
STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES (Continued)

Name of municipality	GRANT ALLOCATION			TRANSFER		2004/05 Division of Revenue Act R'000
	Division of Revenue Act R'000	Pool Divvies R'000	DORA Adjustments R'000	Total Available R'000	Actual Transfer R'000	
Sub total carried forward	6,800	-	-	6,800	6,500	100.0
Broads Rivers/Watlands	-	-	-	-	-	1,000
Breda Valley	-	-	-	-	-	1,000
Buffalo City	2,500	-	-	2,500	2,500	100.0
Bushbuckridge	-	-	-	-	-	1,000
Cacadu	1,000	-	-	1,000	1,000	100.0
Carnarvon	280	-	-	280	280	100.0
Cape Agulhas	-	-	-	-	-	1,000
Cape Town	4,000	-	-	4,000	4,000	100.0
Cephas	1,000	-	-	1,000	1,000	100.0
Cederberg	250	-	-	250	250	100.0
Central	-	-	-	-	-	1,000
Chris Hani	1,000	-	-	1,000	1,000	100.0
Danielluis	200	-	-	200	200	100.0
Darussalam	-	-	-	-	-	1,000
Dikgatong	250	-	-	250	250	100.0
Dipheteng	250	-	-	250	250	100.0
Ditabotla	-	-	-	-	-	1,000
Dr J.B. Morko	280	-	-	280	280	100.0
Drakensberg	2,000	-	-	2,000	2,000	100.0
Sub total:	19,800	-	-	19,800	18,900	100.0
						315,000

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2005

ANNEXURE 1B
STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES (Continued)

Name of municipality	GRANT ALLOCATION			TRANSFER		2005/06 Division of Revenue Act R'000
	Division of Revenue Act R'000	Pool Divvies R'000	DORA Adjustments R'000	Total Available R'000	Actual Transfer R'000	
Sub total carried forward	19,800	-	-	19,800	19,800	100.0
Eden	1,500	-	-	1,500	1,500	100.0
Edumbe	200	-	-	200	200	100.0
Elizabet	2,000	-	-	2,000	2,000	100.0
Elurhuleni	3,000	-	-	3,000	3,000	100.0
Elundini	250	-	-	250	250	100.0
Emalahleni	280	-	-	280	280	100.0
Emalahleni	2,000	-	-	2,000	2,000	100.0
Emmabutha	1,000	-	-	1,000	1,000	100.0
Emmabutha subyamth	1,000	-	-	1,000	1,000	100.0
Emthamleni	-	-	-	-	-	1,000
Endondakusuka	-	-	-	-	-	1,000
Enluneni	-	-	-	-	-	1,000
Engcobo	250	-	-	250	250	100.0
EThekweni	3,500	-	-	3,500	3,500	100.0
Ezingolweni	250	-	-	250	250	100.0
Fenagomo	250	-	-	250	250	100.0
Frikkens Burg	2,500	-	-	2,500	2,500	100.0
Gamaqene	250	-	-	250	250	100.0
Garkap	200	-	-	200	200	100.0
Gq: Sogonyama	-	-	-	-	-	1,000
Sub total:	39,000	-	-	39,000	39,000	100.0
						664,000

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2005

ANNEXURE 1B
STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES (Continued)

Name of municipality	GRANT ALLOCATION				TRANSFER		2003/04 Division of Revenue Act R'000
	Division of Revenue Act R'000	Pool Overt R'000	DORA Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available Funds Transferred %	
Sub total carried forward	87,800	-	-	87,800	87,800	-	78,000
Koyana	1,000	-	-	1,000	1,000	100.0	1,000
Koqabed	-	-	-	-	-	-	1,000
Koparong	1,000	-	-	1,000	1,000	100.0	1,000
Kouga	-	-	-	-	-	-	1,000
Koukamma	250	-	-	250	250	100.0	-
Kunguriri	-	-	-	-	-	-	1,000
Kwa Bani	250	-	-	250	250	100.0	-
KwaBukuzi	-	-	-	-	-	-	1,000
Lingsburg	250	-	-	250	250	100.0	1,000
Leflalecubwa	1,000	-	-	1,000	1,000	100.0	1,000
Letaba	-	-	-	-	-	-	1,000
Letaba-Tsemane	-	-	-	-	-	-	1,000
Lesotho-Makumbi	250	-	-	250	250	100.0	-
Lesotho	-	-	-	-	-	-	1,000
Lesotho	-	-	-	-	-	-	1,000
Letsemaeng	250	-	-	250	250	100.0	-
Luthuli	-	-	-	-	-	-	1,000
Mantleng	-	-	-	-	-	-	1,000
Mafikeng	2,750	-	-	2,750	2,750	100.0	-
Mantlaca	250	-	-	250	250	100.0	-
Sub total:	64,750	-	-	64,750	64,750	100.0	64,000

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2005

ANNEXURE 1B
STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES (Continued)

Name of municipality	GRANT ALLOCATION				TRANSFER		2003/04 Division of Revenue Act R'000
	Division of Revenue Act R'000	Pool Overt R'000	DORA Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available Funds Transferred %	
Sub total carried forward	64,750	-	-	64,750	64,750	-	64,000
Mogalese	-	-	-	-	-	-	1,000
Mogalese	250	-	-	250	250	100.0	-
Mokara	-	-	-	-	-	-	1,000
Mokhotlong	1,000	-	-	1,000	1,000	100.0	-
Mokhotlong	250	-	-	250	250	100.0	-
Molekwa	250	-	-	250	250	100.0	-
Molutsi-Phofung	2,000	-	-	2,000	2,000	100.0	-
Morija	250	-	-	250	250	100.0	-
Mungwani	2,000	-	-	2,000	2,000	100.0	-
Musina	250	-	-	250	250	100.0	-
Muthama	250	-	-	250	250	100.0	-
Muthama Hills	-	-	-	-	-	-	1,000
Muthama	250	-	-	250	250	100.0	-
Muthama	-	-	-	-	-	-	1,000
Muthama	250	-	-	250	250	100.0	-
Muthama	2,500	-	-	2,500	2,500	100.0	-
Muthama	-	-	-	-	-	-	1,000
Muthama	250	-	-	250	250	100.0	-
Muthama	250	-	-	250	250	100.0	-
Sub total:	74,750	-	-	74,750	74,750	100.0	107,000

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2005

ANNEXURE 1B
STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES (Continued)

Name of municipality	GRANT ALLOCATION			TRANSFER		2009/10 Division of Revenue Act R'000
	Division of Revenue Act R'000	Pool Covers R'000	ECRA Adjustments R'000	Total Available R'000	Actual Transfer R'000	
Sub total carried forward	119,800	-	-	119,800	119,800	100.0
Bengu	250	-	-	250	250	100.0
Semautu Karoo	280	-	-	280	280	100.0
Sarisa	-	-	-	-	-	-
Sitochi	280	-	-	280	280	100.0
Siyancuma	280	-	-	280	280	100.0
Siyanda	1,000	-	-	1,000	1,000	100.0
Siyabombi	200	-	-	200	200	100.0
Soi Plesile	2,500	-	-	2,500	2,500	100.0
Southern	1,000	-	-	1,000	1,000	100.0
Stellenbosch	1,000	-	-	1,000	1,000	100.0
Stevie Thwala (Middleburg)	1,000	-	-	1,000	1,000	100.0
Sundays River Valley	250	-	-	250	250	100.0
Swardland	500	-	-	500	500	100.0
Swellendam	250	-	-	250	250	100.0
Theba's Crows	-	-	-	-	-	-
Thebaazimbi	600	-	-	600	600	100.0
Thebo Makhanyane	-	-	-	-	-	-
The Big 5 Felines Bay	280	-	-	280	280	100.0
Thebellile	280	-	-	280	280	100.0
Theveneskloof	-	-	-	-	-	-
Sub total:	119,800	-	-	119,800	119,800	100.0

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2005

ANNEXURE 1B
STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES (Continued)

Name of municipality	GRANT ALLOCATION			TRANSFER		2009/10 Division of Revenue Act R'000
	Division of Revenue Act R'000	Pool Covers R'000	ECRA Adjustments R'000	Total Available R'000	Actual Transfer R'000	
Sub total carried forward	119,800	-	-	119,800	119,800	100.0
Thembile	-	-	-	-	-	-
Thulamela	2,000	-	-	2,000	2,000	100.0
Tokologo	250	-	-	250	250	100.0
Tsarabane	300	-	-	300	290	100.0
Tsiwane	3,000	-	-	3,000	3,000	100.0
Tshepo	280	-	-	280	280	100.0
Tswaing	250	-	-	250	250	100.0
Tswelopele	280	-	-	280	280	100.0
Uburiebovo	250	-	-	250	250	100.0
Uburu	1,000	-	-	1,000	1,000	100.0
Ugu	-	-	-	-	-	-
Ukhahlamba	1,000	-	-	1,000	1,000	100.0
Ukundl	-	-	-	-	-	-
Umkonj	-	-	-	-	-	-
Umgungundlovu	2,000	-	-	2,000	2,000	100.0
Umkhambayalingana	250	-	-	250	250	100.0
Ukhahlamba	1,000	-	-	1,000	1,000	100.0
Umlindi	-	-	-	-	-	-
Umkhanyakade	-	-	-	-	-	-
Umlalazi	-	-	-	-	-	-
Sub total:	131,250	-	-	131,250	131,250	100.0

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2005

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

Name of municipality	GRANT ALLOCATION				TRANSFER		2004/05 Division of Revenue Act R'000
	Division of Revenue Act R'000	Pool Covers R'000	DORA Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available Funds Transferred %	
Suid-koop owerheid Koroand	131,850	-	-	131,850	131,280	-	194,630
Umtshuze (Richard's Bay)	-	-	-	-	-	-	2,600
Umtshuze	250	-	-	250	250	100.0	1,000
Umtshuze	200	-	-	200	200	100.0	-
Umtshuze	-	-	-	-	-	-	1,000
Umtshuze	280	-	-	280	280	100.0	-
Umtshuze	260	-	-	260	260	100.0	-
Umtshuze	280	-	-	280	280	100.0	-
Umtshuze	-	-	-	-	-	-	1,000
Umtshuze	280	-	-	280	280	100.0	-
Umtshuze	280	-	-	280	280	100.0	-
Umtshuze	280	-	-	280	280	100.0	-
Umtshuze	280	-	-	280	280	100.0	-
Umtshuze	-	-	-	-	-	-	1,000
Umtshuze	200	-	-	200	200	100.0	-
Umtshuze	260	-	-	260	260	100.0	-
Umtshuze	260	-	-	260	260	100.0	-
Umtshuze	260	-	-	260	260	100.0	-
Umtshuze	-	-	-	-	-	-	1,000
Umtshuze	200	-	-	200	200	100.0	-
Umtshuze	260	-	-	260	260	100.0	-
Umtshuze	260	-	-	260	260	100.0	-
Umtshuze	-	-	-	-	-	-	1,000
Umtshuze	1,000	-	-	1,000	1,000	100.0	-
Suid-koop	135,250	-	-	135,250	134,280	100.0	208,630

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2005

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

Name of municipality	GRANT ALLOCATION				TRANSFER		2004/05 Division of Revenue Act R'000
	Division of Revenue Act R'000	Pool Covers R'000	DORA Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available Funds Transferred %	
Suid-koop owerheid Koroand	135,850	-	-	135,850	136,280	-	205,330
West Rand	-	-	-	-	-	-	1,000
West Rand	-	-	-	-	-	-	1,000
West Rand	-	-	-	-	-	-	1,000
West Rand	200	-	-	200	200	100.0	-
West Rand	-	-	-	-	-	-	1,000
West Rand	1,800	-	-	1,800	1,800	100.0	-
West Rand	60,668	-	-	60,668	60,668	100.0	-
Financial management grant (DS&A)	-	-	-	60,668	60,668	100.0	-
Total financial management grant	197,968	-	-	197,968	197,968	100.0	210,630

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2005

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

Name of municipality	GRANT ALLOCATION			TRANSFER		2003/04 Division of Revenue Act R'000
	Division of Revenue Act R'000	Roll Overs R'000	DORA Adjustments R'000	Total Available R'000	Actual Transfer R'000	
Local government restructuring grant						
Buffalo City	20,000	-	-	20,000	20,000	100,0
Cape Town	10,000	-	-	10,000	10,000	100,0
Ekuhuleni	-	-	60,000	60,000	60,000	100,0
Emfuleni	20,000	-	-	20,000	20,000	100,0
eThekweni	-	-	60,000	60,000	60,000	100,0
Johannesburg	65,000	-	(25,000)	40,000	40,000	100,0
Mangaung	20,000	48,000	(10,000)	68,000	60,000	100,0
Mantlating	-	-	-	-	-	-
Mogale City	60,000	-	-	60,000	60,000	100,0
Nelson Mandela	-	-	37,000	37,000	37,000	100,0
Polekhotlone	-	-	-	-	-	-
Siqelelwe	-	-	-	-	-	-
Teyateyaneni	-	-	60,000	60,000	60,000	100,0
Umlazi	-	-	-	-	-	-
Total local government restructuring grant	190,000	48,000	162,000	387,000	397,000	
Total local government grants	387,898	46,000	162,000	586,898	586,898	
Regional service council fees¹⁾	509	-	-	509	463	92,7
Total transfers to provinces and municipalities	393,407	46,000	162,000	591,407	633,361	

¹⁾ This underspending is attributable to less than anticipated fees paid as a result of the actual vacancy rate exceeding the budgeted vacancy rate.

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2005

**ANNEXURE 1C
STATEMENT OF TRANSFERS TO DEPARTMENTAL AGENCIES AND ACCOUNTS**

Agency/Account	TRANSFER ALLOCATION			TRANSFER		2003/04 Appropriation Act R'000
	Appropriation Act R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	
Accounting Standards Board	270	-	-	270	270	100,0
Financial and Fiscal Commission	17,869	-	-	17,869	17,869	100,0
Financial Intelligence Centre	21,806	-	-	21,806	21,806	100,0
Project Development Facilities	9,000	-	-	9,000	9,000	100,0
Secret Service	2,117,067	-	-	2,117,067	2,117,067	100,0
Secondary Education and Training (SETA)	140	-	27	167	166	99,4
South African Revenue Services	4,802,808	-	-	4,802,808	4,802,808	100,0
Total transfers to departmental agencies and accounts	5,795,711	-	27	5,795,738	5,795,734	

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2005

**ANNEXURE 1D
STATEMENT OF TRANSFERS TO UNIVERSITIES AND TECHNIKONS**

	TRANSFER ALLOCATION				TRANSFER			2003/04 Appropriation Act R'000
	Appropriation Act R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	Amount not Transferred R'000	% of Available Funds Transferred %	
University/Technikon	-	-	786	786	786	-	100.0	-
University of Capri Town	-	-	795	795	795	-		-
Total transfers to universities and technikons	-	-	786	795	795	-		-

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2005

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

	TRANSFER ALLOCATION				TRANSFER			2003/04 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 %	Current R'000	
Public corporations / private enterprises								
Public corporations								
Audit Statutory Bodies	18,888	-	-	18,888	7,887	46.0 ¹¹	7,887	11,186
Development Bank of Southern Africa	40,001	-	-	40,001	-	-	-	-
Total public corporations	58,889	-	-	58,889	7,887	-	7,887	11,186
Private enterprises								
Finnmark Trust	-	-	-	-	-	-	-	200
Human Biomedical Research	-	-	-	-	-	-	-	174
Total private enterprises	-	-	-	-	-	-	-	374
Total transfers to public corporations / private enterprises	58,889	-	-	58,889	7,887	-	7,887	11,560

¹¹ Kindly refer to the Report of the Accounting Officer for the reasons for under spending.

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2005

ANNEXURE 1F
STATEMENT OF TRANSFERS TO FOREIGN GOVERNMENT AND INTERNATIONAL ORGANISATIONS

Foreign government/ international organisation	TRANSFER ALLOCATION				TRANSFER			Appropriation Act R'000
	Appropriation Act R'000	Roll over R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available funds Transferred %		
African Development Bank	184,318	-	-	184,318	72,880	47.0 ⁽¹⁾	88,438	
African Union	-	-	-	-	-	-	1,000	
Commonwealth Fund for Technical Cooperation	2,290	-	-	2,290	2,290	100.0	2,828	
Lesotho, Namibia and Swaziland	289,028	-	-	289,028	280,987	98.4	282,838	
South African Contribution to Highly Indebted Poor Countries (HIPIC)	38,000	-	-	38,000	38,000	100.0	44,760	
United Kingdom Tax	2,000	-	-	2,000	1,840	93.2 ⁽²⁾	2,724	
World Bank Group	1	-	-	1	-	-	-	
Total transfers to foreign government/ international organisations	488,048	-	-	488,048	366,807		486,816	

⁽¹⁾ Kindly refer to the Report of the Accounting Officer for the reasons of under spending.
⁽²⁾ The underspending is due to less than anticipated claims being received.

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2005

ANNEXURE 1G
STATEMENT OF TRANSFERS TO NON-PROFIT ORGANISATIONS

Non-profit organisation	TRANSFER ALLOCATION				TRANSFER			Appropriation Act R'000
	Appropriation Act R'000	Roll over R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available funds Transferred %		
SA Legion	85	-	1	86	86	100.0	82	
Total transfers to non-profit organisations	85	-	1	86	86		82	

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2005

ANNEXURE 1H
STATEMENT OF TRANSFERS TO HOUSEHOLDS

	TRANSFER ALLOCATION				TRANSFER			2005/04
	Appropriation Act	Roll Over	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 grants	676,990	-	71,260	747,630	696,307	92.7	672,193	
Medical aid	12,000	-	-	12,000	11,814	98.0	187,839	
Leave gratuities	-	-	-	-	-	-	816	
Severance packages	-	-	-	-	-	-	4,253	
Total transfers to households	688,990	-	71,260	760,250	704,921		1,014,489	

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2005

ANNEXURE 2A
STATEMENT OF INVESTMENTS IN ENTITIES AS AT 31 MARCH 2004

Name of public entity	Nature of business	Relevant Act	State entity's PFMA schedule type (year end if not 31 March)	% Held 01/04	% Held 01/04	Number of shares	Cost of investment		Profits/(Losses) for the year		Are the shares guaranteed		
							R'000		R'000			R'000	
							01/04	01/04	01/04	01/04		01/04	01/04
Controlled entities													
Accounting Standards Board	Determine standards of generally recognised accounting practice.	Act 1 of 1989	Schedule 3A	-	-	-	-	-	173	162	No		
Development Bank of Southern Africa	Promote, facilitate and by funding to mobilise the socio-economic development in Southern Africa, while efficiency, fairness, transparency and responsibility are promoted at the same time.	Act 13 of 1987	Schedule 2	100	100	20,000	200,000	200,000	-	760,414	No		
Sub total							200,000	200,000	173	760,414			

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2005

ANNEXURE 2A
STATEMENT OF INVESTMENTS IN ENTITIES AS AT 31 MARCH 2008 (Continued)

Name of public entity	Nature of business	Relevant Act	Share entity's PFMA schedule type (year end if not 31 March)	% Held 03/04	% Held 04/05	Number of shares		Cost of investment		Profit/(Loss) for the year		Are the losses guaranteed
						04/08	03/04	04/05	03/04	04/08	03/04	
Financial Intelligence Centre	To assist in the identification of the proceeds of unlawful activities and the combating of money laundering activities.	Act 38 of 2000	Schedule 3A	-	-	-	-	R'000	R'000	R'000	R'000	Nb
Financial Services Board	Supervise compliance with laws regulating financial institutions and the provision of financial services and the maintenance of the stability of the financial system.	Act 97 of 1990	Schedule 3A	-	-	-	-	-	-	-	5,752	Nb
Policy Board for Financial Services and Regulations	Advise the Minister on policy matters relating to financial services and financial regulation.	Act 141 of 1993	Not listed	-	-	-	-	-	-	-	-	Nb
Sub total											38,849	

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2005

ANNEXURE 2A
STATEMENT OF INVESTMENTS IN ENTITIES AS AT 31 MARCH 2008 (Continued)

Name of public entity	Nature of business	Relevant Act	Share entity's PFMA schedule type (year end if not 31 March)	% Held 03/04	% Held 04/05	Number of shares		Cost of investment		Profit/(Loss) for the year		Are the losses guaranteed
						04/08	03/04	04/05	03/04	04/08	03/04	
Public Accountants' and Auditor's Board	Regulation of public accountants and auditors and for the regulation of the training of public accountants and auditors.	Act 80 of 1961	Not listed	-	-	-	-	-	-	-	2,208	Nb
Public Investment Commissioners	To provide financial services in terms of the Financial Advisory and Intermediary Services Act (2002).	Act 45 of 1984	Schedule 3A	-	-	-	-	-	-	-	7,355	Nb
South African Revenue Service	Efficient and effective collection of revenue.	Act 34 of 1993	Schedule 3A	-	-	-	-	-	-	(48,178)	27,041	Nb
South African Special Risks Insurance Association (SASRIA)	Short-term industry as regard special risks and to reduce the State's risk exposure.	Act 134 of 1993	Schedule 3B (31 December)	100	100	1	1	-	-	280,361	130,314	Nb
Sub total										245,163	187,718	

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2005

ANNEXURE 2A
STATEMENT OF INVESTMENTS IN ENTITIES AS AT 31 MARCH 2005 (Continued)

Name of public entity	Nature of business	Relevant Act	Share entity's PFMA schedule type (year end if not 31 March)	% Held 03/04	% Held 04/05	Number of shares	Cost of investment		Profit/(Loss) for the year		Are the losses guaranteed
							04/05 R'000	03/04 R'000	04/05 R'000	03/04 R'000	
Special Pension Board	Review application for benefits in terms of the Special Pensions Act	Act 68 of 1998	Not listed	-	-	-	R'000	R'000	-	-	No
Unit Trust Advisory Committee	Conduct investigations and advise or make recommendations to the regulator, or make recommendations to the Minister regarding any matter relating to unit trusts, and shall advise the Minister on any such matter referred to the advisory committee by the Minister.	Act 64 of 1981	Not listed	-	-	-	-	-	-	-	No
Sub total											
Total							200,000	200,000	299,361	670,800	

⁽¹⁾ Amounts not available for disclosure due to entities not having included their annual financial statements. This is attributable to these entities only being required, as contemplated by the Public Finance Management Act (1998), to file and submit their annual financial statements by 31 May 2005.

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2005

ANNEXURE 2B
STATEMENT OF AMOUNTS OWING BY/TO ENTITIES AS AT 31 MARCH 2005

Name of public entity	Nature of business	Cost of investment		Amounts owing to		Amounts owing by		Valuation of investment ⁽¹⁾	
		04/05 R'000	03/04 R'000	04/05 R'000	03/04 R'000	04/05 R'000	03/04 R'000	04/05 R'000	03/04 R'000
Centralised entities									
Accounting Standards Board	Determine standards of generally recognised accounting practice.	-	-	-	-	-	-	-	-
Development Bank of Southern Africa	Promote, facilitate and by funding to mobilise the socio-economic development in Southern Africa, with efficiency, fairness, transparency and responsibility as promoted at the same time.	200,000	200,000	-	-	-	-	11,804,066	11,197,045
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.	-	-	-	-	-	-	-	-
Sub total		200,000	200,000	-	-	-	-	11,804,066	11,197,045

NATIONAL TREASURY VOTE 8

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2005

ANNEXURE 2B
STATEMENT OF AMOUNTS OWING BY TO ENTITIES AS AT 31 MARCH 2005 (Continued)

Name of public entity	Nature of business	Cost of Investment		Amounts owing to		Amounts owing by		Valuation of Investment ¹	
		04/05 R'000	03/04 R'000	04/05 R'000	03/04 R'000	04/05 R'000	03/04 R'000	04/05 R'000	03/04 R'000
Public Accountants' and Auditor's Board	Mature of business Regulation of public accountants and auditors and for the regulation of the training of public accountants and auditors.	-	-	-	-	-	-	-	-
Public Investment Commissioners	Investment of certain monies received or held by, for or on behalf of the Government of the Republic and certain bodies, councils, funds and accounts; for the transfer of certain assets, liabilities, rights and obligations to the Corporation for Public Deposits; and for matters connected therewith.	-	-	-	-	-	-	-	-
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.	-	-	-	-	-	-	1,461,848	1,172,557
Special Pensions Board	Review application for benefits in terms of the Special Pensions Act	-	-	-	-	-	-	-	-
Sub total		-	-	-	-	-	-	1,461,848	1,172,557

NATIONAL TREASURY VOTE 8

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2005

ANNEXURE 2B
STATEMENT OF AMOUNTS OWING BY TO ENTITIES AS AT 31 MARCH 2005 (Continued)

Name of public entity	Nature of business	Cost of Investment		Amounts owing to		Amounts owing by		Valuation of Investment ¹	
		04/05 R'000	03/04 R'000	04/05 R'000	03/04 R'000	04/05 R'000	03/04 R'000	04/05 R'000	03/04 R'000
Unit Trust Advisory Committee	Mature of business Conduct investigations and advise or make recommendations to the registrar, or make recommendations to the Minister regarding any matter relating to unit trusts, and shall advise the Minister on any such matter referred to the advisory committee by the Minister.	-	-	-	-	-	-	-	-
Sub total		-	-	-	-	-	-	-	-
Total		300,000	300,000	-	-	-	-	13,285,634	13,285,632

¹ The Accounting Officer's valuation of investment is based on the net asset value of the entity. 2004/05 figures are unaudited.

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2005

ANNEXURE 3
STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2005 - LOCAL

Guarantor Institution	Guaranteee in respect of	Original guaranteed capital amount R'000	Opening balance 1 April 2004 R'000	Guarantees issued during the year R'000	Guarantees released during the year R'000	Guaranteed interest for year ended 31 March 2005 R'000	Closing balance 31 March 2005 R'000	Revised losses L.R.A. claims paid out R'000
Etanillo	Motor vehicles							
ABSA	Housing	207	137	70	(28)	-	181	-
First National	Housing	241	200	11	-	-	241	-
Nedbank	Housing	274	240	20	-	-	274	-
Old Mutual Bank	Housing	140	104	41	(18)	-	128	-
Peoples Bank	Housing	46	46	-	(16)	-	33	-
Standard Bank	Housing	339	288	61	(70)	-	269	-
Development Bank of Southern Africa	Former Regional Authorities (Former Ciskei)	114,408	32,364	-	(4,823)	19,670	47,241	-
Development Bank of Southern Africa	Former Regional Authorities (Former Transkei)	144,208	29,226	-	(5,200)	1,812	28,826	-
Development Bank of Southern Africa	Former Regional Authorities (Former Qwaqwa)	49,441	23,402	-	(29,402)	19,737	16,737	-
Development Bank of Southern Africa	Former Regional Authorities (Former KwaZulu)	228,678	10,244	-	(7,272)	425	3,387	-
Development Bank of Southern Africa	Former Regional Authorities (Former Kengene)	91,178	10,800	-	(3,284)	1,321	8,837	-
Development Bank of Southern Africa	Former Regional Authorities (Former KwaNdebele)	56,988	17,849	-	(1,338)	6,610	22,220	-
Development Bank of Southern Africa	Former Regional Authorities (Former Bophuthatane)	291,122	108,310	-	(3,300)	60,129	166,139	-
Development Bank of Southern Africa	Former Regional Authorities (Former Lebowa)	22,062	-	-	-	-	-	-
Development Bank of Southern Africa	Former Regional Authorities (Former Venda)	98,628	30,864	-	(3,106)	3,458	31,247	-
Development Bank of Southern Africa	Former Regional Authorities (Former Gazankulu)	30,114	-	-	-	-	-	-
South African Reserve Bank	Sarantou Bank Ltd	7,878,000	4,471,610	66,723	-	-	4,568,233	-
Total		9,972,561	4,741,009	6,7132	(56,896)	106,669	4,991,615	-

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2005

ANNEXURE 3 (Continued)
STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2005 - FOREIGN

Guarantor Institution	Guaranteee in respect of	Original guaranteed capital amount R'000	Opening balance 1 April 2004 R'000	Guarantees issued during the year R'000	Guarantees released during the year R'000	Guaranteed interest for year ended 31 March 2005 R'000	Closing balance 31 March 2005 R'000	Revised losses L.R.A. claims paid out R'000
Development Bank of Southern Africa	Chilio Tung Bank Co. Ltd.	40,772	39,346	-	(4,065)	01	34,712	-
Development Bank of Southern Africa	Agence Francaise de Developpement	123,213	119,707	-	(4,878)	1,421	116,160	-
Development Bank of Southern Africa	European Investment Bank	200,000	200,000	-	-	610	200,610	-
Development Bank of Southern Africa	European Investment Bank	100,000	100,000	-	-	2,697	102,697	-
Development Bank of Southern Africa	European Investment Bank	100,000	100,000	-	-	269	100,269	-
Development Bank of Southern Africa	Agence Francaise de Developpement	184,820	74,192	-	(27,890)	677	46,779	-
Development Bank of Southern Africa	Kreditanstalt für Wiederaufbau	237,608	227,888	8,628	-	1,787	238,081	-
Development Bank of Southern Africa	African Development Bank	500,000	500,000	-	(30,000)	2,145	482,145	-
Development Bank of Southern Africa	African Development Bank	435,400	379,916	-	(91,076)	1,660	388,667	-
Development Bank of Southern Africa	Nordic Investment Bank	62,360	67,330	-	(7,460)	225	60,105	-
Development Bank of Southern Africa	Nordic Investment Bank	62,380	69,209	-	(6,529)	387	48,037	-
Development Bank of Southern Africa	Nordic Investment Bank	62,300	63,700	-	(6,000)	411	60,436	-
Development Bank of Southern Africa	Kreditanstalt für Wiederaufbau	111,570	107,338	4,088	-	833	112,237	-
Development Bank of Southern Africa	European Investment Bank	911,780	289,799	-	(6,076)	349	291,080	-
Development Bank of Southern Africa	European Investment Bank	80,000	80,000	-	-	888	80,888	-
Development Bank of Southern Africa	Kreditanstalt für Wiederaufbau	103,204	97,384	3,699	-	739	101,779	-
Development Bank of Southern Africa	European Investment Bank	99,891	101,800	-	(2,106)	131	99,822	-
Development Bank of Southern Africa	Euro Bonds	8,600,000	8,600,000	-	-	2,384	8,602,384	-
Development Bank of Southern Africa	European Investment Bank	486,800	387,731	-	(8,439)	384	390,686	-
Development Bank of Southern Africa	Agence Francaise de Developpement	135,607	111,256	-	(18,854)	1,104	93,609	-
Total		11,833,630	11,299,491	16,398	(169,443)	18,823	11,404,267	-

NATIONAL TREASURY VOTE 8

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2005

ANNEXURE 4

PHYSICAL ASSET MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 MARCH 2005

	Additions R'000	Disposals R'000	Transfers In R'000	Transfers out R'000
Machinery and equipment	8,378	438		
Computer equipment ⁽¹⁾	5,711	100	-	-
Furniture and office equipment ⁽¹⁾	1,794	27	-	-
Other machinery and equipment	492	-	-	-
Transport assets	441	309	-	-
Total machinery and equipment	8,378	438	-	-

⁽¹⁾ The values disclosed relating to asset disposals during the year are based on the amount actually received from the sale of such assets due to cost price not being available.

PHYSICAL ASSET MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 MARCH 2004

	Additions R'000	Disposals R'000	Transfers In R'000	Transfers out R'000
Machinery and equipment	11,734	-	-	-
Computer equipment	4,592	-	-	-
Furniture and office equipment	4,558	-	-	-
Other machinery and equipment	2,119	-	-	-
Transport assets	465	-	-	-
Total machinery and equipment	11,734	-	-	-

NATIONAL TREASURY VOTE 8

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2005

ANNEXURE 5

SOFTWARE AND OTHER INTANGIBLE ASSETS MOVEMENT SCHEDULE AS AT 31 MARCH 2005

	Opening Balance R'000	Additions R'000	Disposals R'000	Transfers In R'000	Transfers out R'000	Closing balance R'000
Computer software	3,351	1,608	-	-	-	4,959
Total computer software	3,351	1,608	-	-	-	4,959

SOFTWARE AND OTHER INTANGIBLE ASSETS MOVEMENT SCHEDULE AS AT 31 MARCH 2004

	Opening Balance R'000	Additions R'000	Disposals R'000	Transfers In R'000	Transfers out R'000	Closing balance R'000
Computer software	2,864	687	-	-	-	3,551
Total computer software	2,864	687	-	-	-	3,551

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2005

ANNEXURE 6
INTER-GOVERNMENT PAYABLES

GOVERNMENT ENTITY	Confirmed balance outstanding	
	31 March 2005 R'000	31 March 2004 R'000
Department		
Amounts included in Statement of financial position (Current):		
Department of Justice	54,008	-
Pensions Administration	80	-
Total inter-government payables	54,088	-

PROJECT DEVELOPMENT
FACILITY (PDF):

A TRADING ENTITY MANAGED
BY THE PPP UNIT OF NATIONAL
TREASURY

Annual Financial Statements
for the year ended 31 March 2005



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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 2005**

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 162 to 171, for the year ended 31 March 2005, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, (108 of 1996), read with sections 4 and 20 of the Public Audit Act, (25 of 2004). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. NATURE AND SCOPE

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

An audit includes:

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

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

The audit was completed in accordance with Auditor-General Directive No. 1 of 2005.

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

REPORT OF THE AUDITOR-GENERAL

**TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF
THE PROJECT DEVELOPMENT FACILITY (CONTINUED)
for the year ended 31 March 2005**

3. AUDIT OPINION

In my opinion, the financial statements fairly present, in all material respects, the financial position of the Project Development Facility at 31 March 2005 and the results of its operations and 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, (1 of 1999).

4. APPRECIATION

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

S A Fakar

Auditor-General

Pretoria

31 July 2005



AUDITOR-GENERAL

PROJECT DEVELOPMENT FACILITY (PDF)

ACCOUNTING POLICIES
 for the year ended 31 March 2005

The Annual Financial Statements have been prepared in accordance with Statements of Generally Accepted Accounting Practice and the Public Finance Management Act, Act 1 of 1999 as amended. The annual financial statements are prepared on the historical cost basis, and conform, in all material respects, to South African Statements of Generally Accepted Accounting Practice.

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

1. BASIS FOR PREPARATION

The financial statements have been prepared on the historical cost basis. No modifications were made for measurement of financial instruments to fair value.

2. CURRENCY

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

3. REVENUE RECOGNITION

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

3.2 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 and other receivables and trade and other payables.

4.1 TRADE AND OTHER RECEIVABLES

Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

PROJECT DEVELOPMENT FACILITY (PDF)

ACCOUNTING POLICIES (CONTINUED)
 for the year ended 31 March 2005

4.2 TRADE AND OTHER PAYABLES

Trade and other payables are stated at their nominal value, which approximates fair value.

5 CASH AND CASH EQUIVALENTS

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

6 COMPARATIVE FIGURES

Comparative figures have been prepared on the same basis as above, for a period of 6 months. The current year financial results are presented for a period of 12 months.

7 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 economic resources will be required to settle the obligation and the amount has been reasonably estimated.

8 PUBLIC SECTOR PRACTICES AND POLICIES
8.1 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.

8.2 PUBLIC FINANCE MANAGEMENT ACT REPORTING REQUIREMENTS

Section 40(3)(b)

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

PROJECT DEVELOPMENT FACILITY (PDF)

INCOME STATEMENT
for the year ended 31 March 2005

		2005 (12 months)	2004 (6 months)
	Notes	R	R
Revenue		8 000 000	8 000 000
Operating expenses		<u>(2 132 219)</u>	<u>(185 250)</u>
Profit from operations	1	3 867 781	5 814 750
Income from investments	2	<u>604 807</u>	<u>72 000</u>
Net profit for the period		<u>4 472 588</u>	<u>5 886 750</u>

PROJECT DEVELOPMENT FACILITY (PDF)

BALANCE SHEET
at 31 March 2005

		2005 (12 months)	2004 (6 months)
	Notes	R	R
ASSETS			
Current assets			
Trade and other receivables	4	60 766	72 000
Cash and cash equivalents	3	<u>10 308 653</u>	<u>6 000 000</u>
Total assets		<u>10 369 419</u>	<u>6 072 000</u>
EQUITY AND LIABILITIES			
Reserves			
Accumulated profit		10 369 338	5 886 750
Current liabilities			
Trade and other payables	5	<u>1 080</u>	<u>185 250</u>
Total equity and liabilities		<u>10 369 418</u>	<u>6 072 000</u>

PROJECT DEVELOPMENT FACILITY (PDF)

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2005

	Accumulated profit R
Balance at 1 April 2003	-
Net profit for the period	5 898 750
Balance at 1 April 2004	<u>5 898 750</u>
Net profit for the period	4 472 588
Balance at 31 March 2005	<u>10 350 338</u>

PROJECT DEVELOPMENT FACILITY (PDF)

CASH FLOW STATEMENT
for the year ended 31 March 2005

	Notes	2005 (12 months) R	2004 (6 months) R
Operating activities			
Cash generated from operations	6	3 883 811	6 000 000
Interest received	7	626 042	-
		<u>4 309 853</u>	<u>6 000 000</u>
Net cash from operating activities			
		4 309 853	6 000 000
Net increase in cash and cash equivalents			
		4 309 853	6 000 000
Cash and cash equivalents at beginning of the period		6 000 000	-
		<u>10 309 853</u>	<u>6 000 000</u>
Cash and cash equivalents at end of the period			
		10 309 853	6 000 000

PROJECT DEVELOPMENT FACILITY (PDF)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2005

	2005 (12 months)	2004 (6 months)
	R	R
1. Profit from operations is arrived at after taking the following into account:		
Revenue from:		
- Government grants received	6 000 000	6 000 000
Expenditure for:		
- Financial management services	302 100	185 250
- Bank charges	10 311	-
- PPP transaction advisor fees	1 819 808	-
	<u>2 132 219</u>	<u>185 250</u>
2. Investment income		
Interest received	<u>604 807</u>	<u>72 000</u>
3. Cash and cash equivalents		
Bank balance – current account	<u>10 309 653</u>	<u>6 000 000</u>
4. Trade and other receivables		
Accrued Interest	<u>50 785</u>	<u>72 000</u>
5. Trade and other payables		
Trade accounts payable	-	185 250
Accrued expenses	<u>1 080</u>	<u>-</u>
	<u>1 080</u>	<u>185 250</u>

PROJECT DEVELOPMENT FACILITY (PDF)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2005

	2005 (12 months)	2004 (6 months)
	R	R
6. Reconciliation of net profit for the period to cash generated from operations		
Net profit for the period	4 472 588	5 888 750
Interest received	<u>(804 807)</u>	<u>(72 000)</u>
Operating cash flows before working capital changes	3 867 781	5 814 750
Working capital changes:	(184 170)	185 250
-(Decrease) / increase in trade and other payables	<u>(184 170)</u>	<u>185 250</u>
Cash generated from operations	<u>3 883 611</u>	<u>6 000 000</u>
7. Interest received		
Accrued Interest at beginning of the period	72 000	-
Interest per Income statement	804 807	72 000
Accrued Interest at the end of the period	<u>(60 765)</u>	<u>(72 000)</u>
Interest received	<u>826 042</u>	<u>-</u>

PROJECT DEVELOPMENT FACILITY (PDF)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2005

8. Contingent liabilities

The accumulated profit of R 10 358 338 is retained for the funding of Transaction Advisor costs associated with establishment of selected PPP projects approved for funding during the course of the Project Development Facility's normal course of operations. Funding is disbursed upon the successful achievement of predefined milestones and Treasury Approvals. The following PPP projects were identified for funding during the period:

	2005 (12 months)	2004 (6 months)
	R	R
Northern Cape Office Complex	-	717 080
Free State New Build Hospitals	1 861 812	1 861 812
Vukuzakhe Plant Depot	1 081 011	1 081 011
Eastern Cape Pharmaceuticals	1 730 883	3 148 888
Settlers and Port Alfred Hospitals	488 080	488 080
Western Cape Rehabilitation Centre	2 521 205	2 925 000
Western Cape Swellendam Hospital	561 450	-
Department of Labour ICT Convergence	1 960 000	-
Total	10 212 321	10 227 739

The evaluation committee withdrew funding for the Northern Cape Office Complex during June 2004, as the conditions for funding were not met.

The Western Cape Swellendam Hospital and the Department of Labour ICT Convergence projects were approved for funding during July and September 2004 respectively.

Commitments arising from future funding of the above-identified projects will be financed from cash resources of R10 308 853 as well as future government grants.

PROJECT DEVELOPMENT FACILITY (PDF)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2005

9. Commitments
Operating commitments

	2005 (12 months)	2004 (6 months)
	R	R
Payable within the next 12 months		
- Contractual commitments	<u>273 800</u>	<u>444 800</u>
Payable between 2 and 5 years		
- Contractual commitments	<u>273 800</u>	<u>444 800</u>

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

1. SERVICE DELIVERY

Service delivery environment

The National Treasury service delivery environment is backed 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 have been prominent on our service delivery environment are reported on below.

Fiscal reform

National Treasury's ongoing fiscal reform is aimed at promoting sustainable growth and development and poverty reduction, and at improving budgetary transparency and financial management. The Treasury continues to develop monitoring and reporting systems to increase transparency and accountability, and thus improve 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, National Treasury has helped to implement improved financial reporting formats for national Government and provincial governments. This is part of the process of migrating to complying with GRAP 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. National Treasury is actively engaged in the development of the Southern African region through cooperation with SADC countries on issues such as taxation, investment and regional economic integration. This work feeds directly and indirectly into NEPAD. In the domestic economy, macro-economic policies 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 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 further development of the system of intergovernmental fiscal relations will be achieved by rationalising grants to ensure that there are fewer, but better administered, grants, such as the recently integrated municipal infrastructure grant (MIG), 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) 2003, municipalities will get targeted support to improve their financial management capacity and to strengthen the link between policy, planning and budgets through the MFMA. These reforms are being piloted in selected municipalities and will be rolled out countrywide over the medium term. 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

The successful ongoing implementation of the PFMA since 2000 has laid a solid foundation for the rollout of the MFMA. The implementation of the MFMA, which seeks to introduce similar financial management reforms to the PFMA 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 National Treasury's key objectives. Over the next few years, National Treasury will be commissioning short courses for government officials to build the necessary capacity to implement these Acts. The Treasury is also rolling out financial management systems that will ensure not only transparent expenditure but also the effective and efficient use of scarce resources for social transformation. These systems for improving the integrity and effectiveness of supply chain and expenditure management are part of implementing the PFMA and are among National Treasury's most important reforms.

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 tax-paying 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 taxation (as opposed to source-based), and a risk management approach to compliance. Tax legislation is being drafted by expert committees comprised of staff from National Treasury and SARS, 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 priority for National Treasury is the prudent management of government's financial assets and liabilities, including the domestic and foreign debt portfolios. Since 1999, the debt management strategy has evolved from 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. National Treasury is also improving its cash management processes, enabling it to use surplus cash from the provinces. This strategy is impacting positively on government's cost of financing.

International financial relations

The Treasury continues to engage actively with multi-lateral institutions, including the IMF, the World Bank, the G20, the G24, and the United Nations and the Commission for Africa. Over the period ahead priority issues will include development policies for African economies and increasing the level of aid flows.

Organisational environment

The 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.

To provide the required strategic support to the organisation, two divisions within corporate services, namely IT and Security, will be restructured. As part of the attempt to improve governance within National Treasury, a new risk division will be established in the office of the chief operating officer.

2. EXPENDITURE

Table 2.1 Personnel costs by programme, 2004/05

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)
Programme 1 Administration	89,343	35,884	1,947	12,182	41,3	206
Programme 2 Economic Planning and Budget Management	199,794	79,549	902	24,609	54,3	289
Programme 3 Asset and Liability Management	28,281	17,858	304	120	87,2	276
Programme 4 Financial Management and Systems	228,416	23,488	1,288	8,146	10,4	235
Programme 5 Financial Accounting and Reporting	31,902	10,844	172	7,117	33,4	201
Programme 6 Provincial and Local Government Transfers	3,834,250	0	0	0	0	0
Programme 7 Civil and Military Pensions, Contributions to Funds and Other Benefits	1,921,320	0	0	14,335	0	0
Programme 8 Fiscal Transfers	7,124,883	0	0	0	0	0
Specialist Functions	6	0	0	0	0	0
Total	12,488,804	162,318	4,621	84,889	0	0

Table 2.2 Personnel costs by salary bands, 2004/05

Salary bands	Personnel Expenditure (R'000)	% of total personnel cost	Average personnel cost per employee (R'000)
Lower skilled (Levels 1-2)	62	0	62,000
Skilled (Levels 3-5)	3,238	2	62,269
Highly skilled production (Levels 6-8)	29,315	14,4	116,573
Highly skilled supervision (Levels 9-12)	64,721	33,7	226,120
Senior management (Levels 13-15)	80,979	49,9	619,098
Total	182,315	100	0

Table 2.3 Salaries, overtime, home owners allowance and medical aid by programme, 2004/05

Programme	Salaries		Overtime		Home Owners Allowance		Medical Assistance	
	Amount (R'000)	Salaries as a % of personnel cost	Amount (R'000)	Overtime as a % of personnel cost	Amount (R'000)	HOA as a % of personnel cost	Amount (R'000)	Medical Assistance as a % of personnel cost
Programme 1 Administration	24,834	56,5	96	0,3	266	0,7	1,256	3,4
Programme 2 Economic Planning and Budget Management	47,212	64,1	37	0,1	281	0,4	2,025	2,8
Programme 3 Asset and Liability Management	11,342	64,2	0	0	68	0,5	497	2,9
Programme 4 Financial management and Systems	15,908	67,7	0	0	204	0,9	781	3,2
Programme 5 Financial Accounting and Reporting	8,931	65,1	0	0	20	0,2	177	1,7
Total	108,927		133		566		4,729	

Table 2.4 Salaries, overtime, home owners allowance and medical aid by programme, 2004/05

Salary Bands	Salaries		Overtime		Home Owners Allowance		Medical Assistance	
	Amount (R'000)	Salaries as a % of personnel cost	Amount (R'000)	Overtime as a % of personnel cost	Amount (R'000)	HOA as a % of personnel cost	Amount (R'000)	Medical Assistance as a % of personnel cost
Lower skilled (Levels 1-2)	38	62,8	0	0	3	4,8	11	17,7
Skilled (Levels 3-5)	2,592	80	12	0,4	62	1,9	196	6,1
Highly skilled production (Levels 6-8)	17,458	74,9	79	0,3	294	1,3	1,076	4,6
Highly skilled supervision (Levels 9-12)	40,514	74,0	48	0,1	499	0,9	1,616	3,0
Senior Management (Levels 13-15)	45,324	56,0	0	0	0	0	1,830	2,3
Total	108,927		136		566		4,729	

3. EMPLOYMENT AND VACANCIES

Table 3.1 Employment and vacancies by programme, 31 March 2005

Programme	Number of posts	Number of posts filled	Vacancy Rate %	Number of posts filled additional to the establishment
Programme 1	182	155	7	24
Programme 2	325	221	21	56
Programme 3	50	50	19	5
Programme 4	209	98	62	2
Programme 5	87	40	19	14
Total	873	674*	25	81

*Note: This total includes the Minister and Deputy Minister

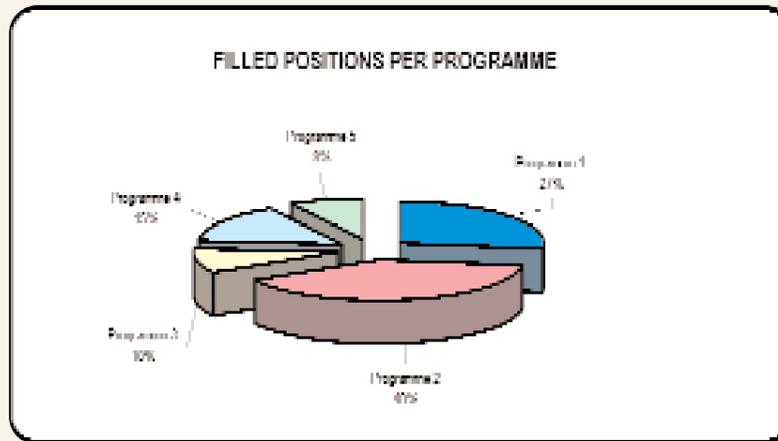
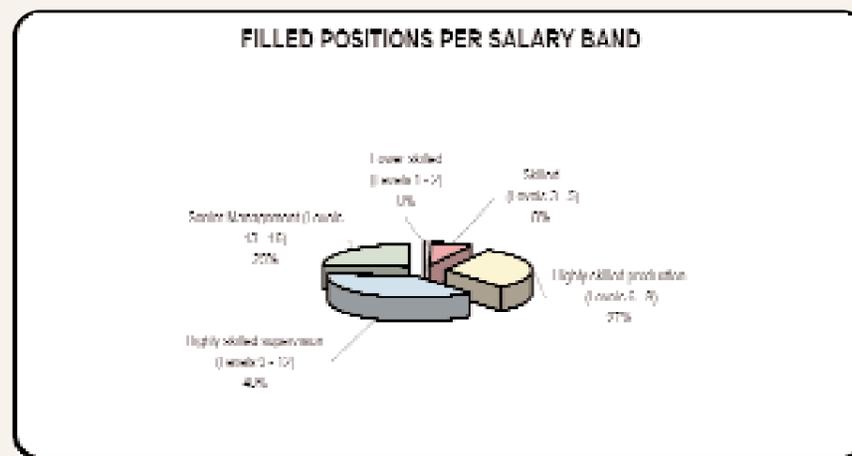


Table 3.2 Employment and vacancies by salary bands, 31 March 2005

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
Skilled (Levels 3-5)	67	49	22	3
Highly skilled production (Levels 6-8)	248	155	19	47
Highly skilled supervision (Levels 9-12)	371	228	34	18
Senior management (Levels 13-15)	187	142*	17	14
Total	*873	574*	28	81

* Note: This total includes the Minister and Deputy Minister



4. JOB EVALUATION

Table 4.1 Job evaluation, 1 April 2003 to 31 March 2005

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)	67	4	5,8	4	100	0	0
Highly skilled production (Levels 6-8)	248	25	10,4	2	7,6	0	0
Highly skilled supervision (Levels 9-12)	371	74	19,9	5	6,1	0	0
Senior Management Service Band A	141	4	2,8	2	50	0	0
Senior Management Service Band B	35	4	11,4	0	0	0	0
Senior Management Service Band C	8	0	0	0	0	0	0
Senior Management Service Band D	3	0	0	0	0	0	0
Total	*873	112	12,6	14	12,7	0	0

Table 4.2 Profile of employees whose salary positions were upgraded due to their posts being upgraded, 1 April 2004 to 31 March 2005

Beneficiaries	African	Asian	Coloured	White	Total
Female	6	1	1	5	13
Male	1	0	0	0	1
Total	7	1	1	5	14

Table 4.3 Employees whose salary levels exceeded the grade determined by job evaluation, 1 April 2003 to 31 March 2004 (in terms of PSR 1.V.C.3)

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
Director	1	13	14	Retention
Deputy Director	13	11	12	Retention/Absorption
Office Assistant	1	4	6	Absorption
Total Number of Employees whose salaries exceeded the level determined by job evaluation in 2003/04				15
Percentage of total employment				2,2

Table 4.4 Profile of employees whose salary levels exceeded the grade determined by job evaluation, 1 April 2004 to 31 March 2005 (in terms of PSR 1.V.C.3)

Beneficiaries	African	Asian	Coloured	White	Total
Female	0	0	1	4	5
Male	2	2	1	8	10
Total	2	2	2	9	15

5. EMPLOYMENT CHANGES

Table 5.1 Annual turnover rates by salary band for the period 1 April 2003 to 31 March 2005

Salary Band	Number of employees per band as on 31 March 2004	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate %
Lower skilled (Levels 1-2)	8	0	1	25
Skilled (Levels 3-5)	66	10	8	14
Highly skilled production (Levels 6-8)	154	92	41	26
Highly skilled supervision (Levels 9-12)	190	73	21	9
Senior Management Service Band A	96	26	20	20
Senior Management Service Band B	32	8	4	11
Senior Management Service Band C	7	1	1	14
Senior Management Service Band D	3	0	0	0
Total	642	206	95	15

*Note: This total includes the Minister and Deputy Minister

Table 5.2 Reasons for staff leaving the Department

Termination Type	Number	% of total
Death	5	5
Resignation	41	43
Expiry of contract	25	26
Dismissal - operational changes	0	0
Dismissal - misconduct	4	4
Dismissal - inefficiency	0	0
Discharged due to ill-health	2	2
Retirement	1	1
Transfers to other Public Service Departments	18	19
Other	0	0
Total	95	
Total number of employees who left as a % of the total employment		17,7

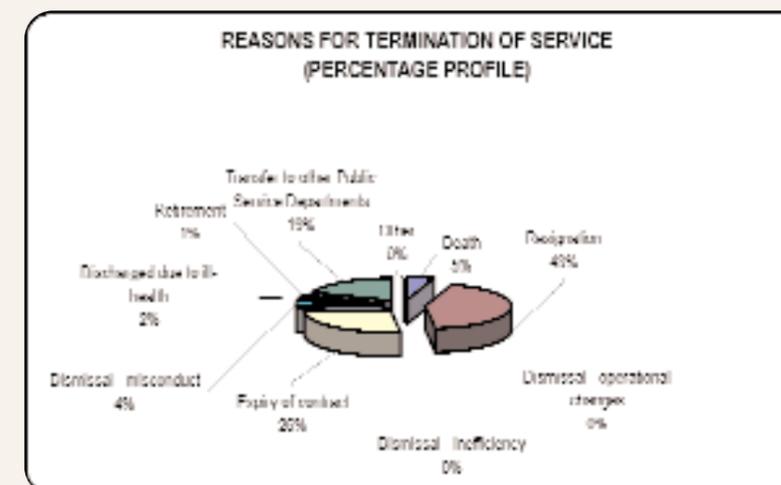
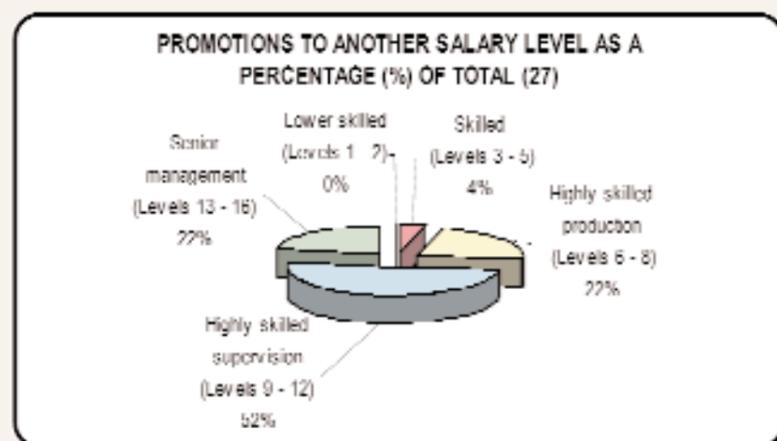


Table 5.5 Promotions by salary band

Salary Band	Number of employees per band as on 31 March 2004	Promotions to another salary level	Salary bands promotions as a % of employees by salary level	Progressions to another notch within a salary level	Notch progressions as a % of employees by salary band
Lower skilled (Levels 1-2)	5	0	0	0	0
Skilled (Levels 3-5)	56	1	1,7	0	0
Highly skilled production (Levels 6-8)	154	6	3,8	0	0
Highly skilled supervision (Levels 9-12)	180	14	7,3	3	1,5
Senior management (Levels 13-16)	137	6	4,3	3	2,1
Total	482	27	4,8	3	1,1

Note: This total includes the Minister and Deputy Minister



6. EMPLOYMENT EQUITY

Table 6.1 Total number of employees (including employees with disabilities) in each of the following occupational categories at 31 March 2005

Occupational categories (SASCO)	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	33	15	18	37	22	5	5	22	157
Professionals	31	8	10	27	35	1	3	30	143
Technicians and associate professionals	33	5	3	18	50	6	9	67	179
Clerks	28	2	1	6	53	7	5	19	123
Service and sales workers	11	1	0	0	10	1	0	0	23
Skilled agriculture and fishery workers	0	0	0	0	0	0	0	0	0
Craft and related trades workers	0	0	0	0	0	0	0	0	0
Plant and machine operators and assemblers	4	0	0	1	3	1	0	1	10
Elementary occupations	7	1	0	0	12	0	0	0	20
Total	147	31	32	89	185	21	22	129	656
Employees with disabilities	1	0	0	4	3	0	0	1	9

* Note: This total includes the Minister and Deputy Minister

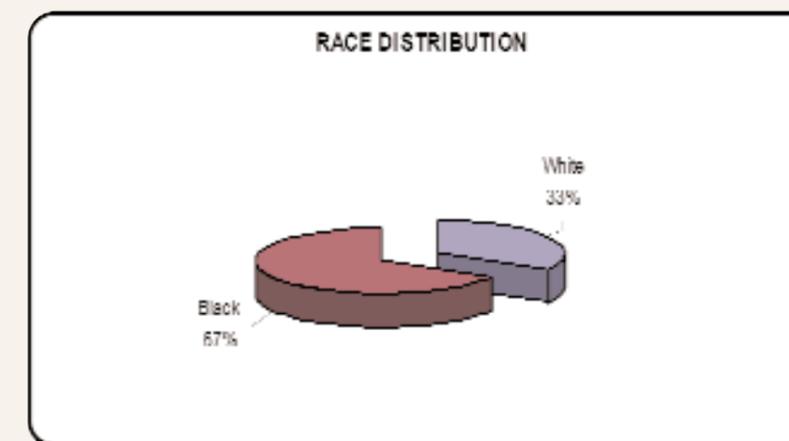


Table 6.2 Total number of employees (including employees with disabilities) in each of the following occupational bands at 31 March 2005

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	12	4	4	15	2	2	0	1	40
Senior Management	20	10	14	21	20	3	5	21	114
Professionally qualified and experienced specialists and mid-management	49	10	12	42	55	3	11	51	243
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	42	4	2	9	82	11	8	46	201
Semi-skilled and discretionary decision-making	23	2	0	1	28	2	0	1	64
Unskilled and defined decision-making	0	0	0	0	1	0	0	0	1
Total	146	30	32	69	198	21	22	129	605*

* Note: This total includes the Minister and Deputy Minister

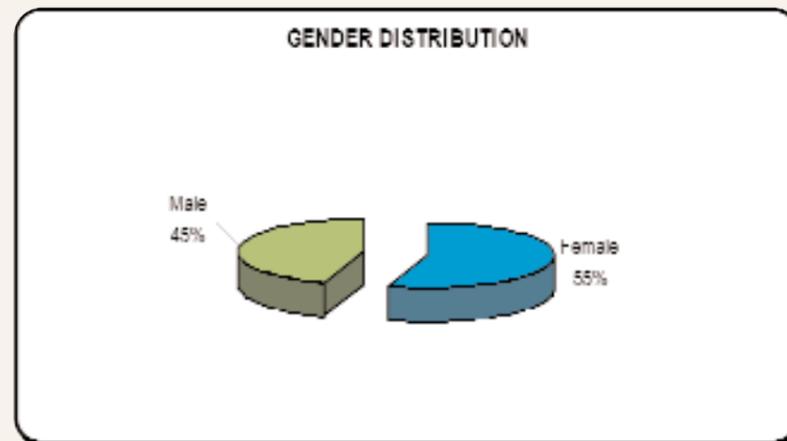


Table 6.3 Recruitment for the period 1 April 2003 to 31 March 2004

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	2	1	1	1	2	1	0	1	9
Senior Management	4	1	6	0	10	0	2	3	26
Professionally qualified and experienced specialists and mid-management	21	4	7	8	20	1	4	10	73
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	24	1	1	3	45	4	7	6	92
Semi-skilled and discretionary decision making	4	0	0	0	6	0	0	0	10
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
Total	56	7	14	10	84	8	13	20	209
Employee with disabilities	0	0	0	0	0	0	0	0	0

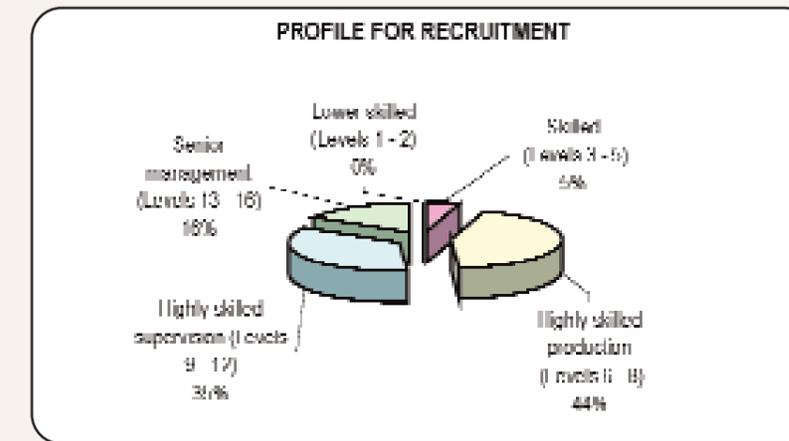


Table 6.4 Promotions for the period 1 April 2004 to 31 March 2005

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	1	0	3	0	0	0	0	4
Senior Management	0	0	1	1	0	0	0	0	2
Professionally qualified and experienced specialists and mid-management	4	1	0	2	5	0	0	2	14
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	0	2	1	0	3	0	0	0	6
Semi-skilled and discretionary decision making	1	0	0	0	0	0	0	0	1
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
Total	5	4	2	5	8	0	0	2	27
Employees with disabilities	0	0	0	0	0	0	0	0	0

Table 6.5 Terminations for the period 1 April 2004 to 31 March 2005

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	1	0	0	1	0	1	0	2	5
Senior Management	4	1	1	8	5	0	0	3	20
Professionally qualified and experienced specialists and mid-management	5	2	0	0	5	2	1	2	21
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	9	1	0	2	20	4	3	2	41
Semi-skilled and discretionary decision making	4	0	1	0	2	1	0	0	8
Unskilled and defined decision making	1	0	0	0	0	0	0	0	1
Total	27	4	2	9	33	6	4	8	66
Employees with disabilities	0	0	0	0	0	0	0	0	0

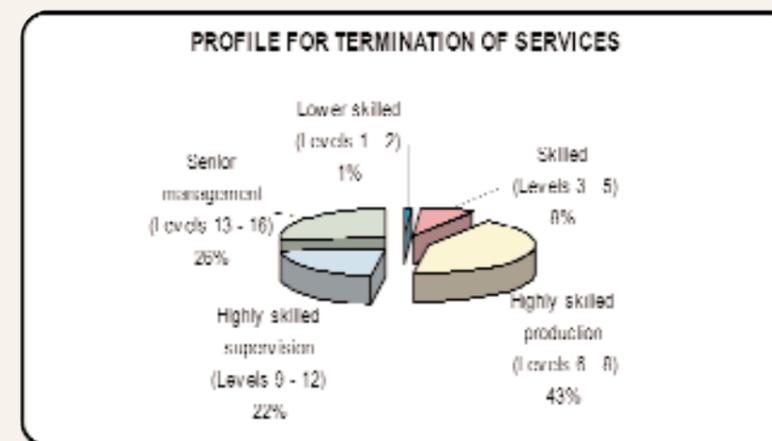
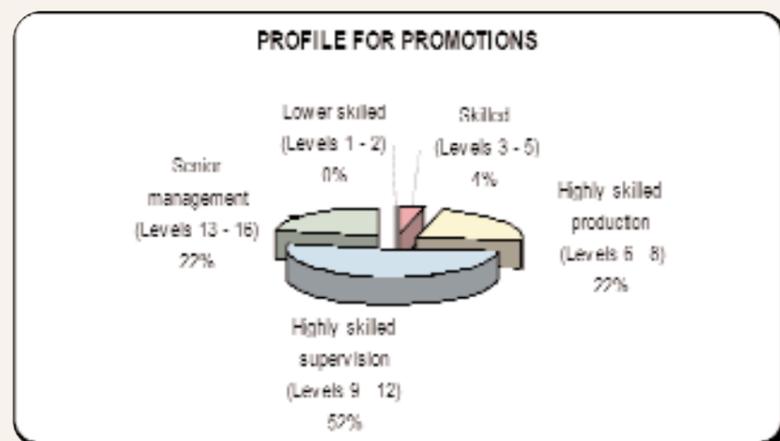


Table 6.6 Disciplinary action for the period 1 April 2004 to 31 March 2005

	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Disciplinary warnings	1	2	1	0	2	2	0	1	9

Table 6.7 Skills development for the period 1 April 2004 to 31 March 2005

Occupational categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	17	0	4	14	25	3	3	15	82
Professionals	23	2	0	14	27	3	1	10	80
Technicians and associate professionals	11	0	1	4	21	0	0	8	43
Clerks	17	1	0	0	22	3	0	1	44
Service and sales workers	21	3	0	0	22	4	0	1	51
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	2	0	0	0	4	0	0	0	6
Elementary occupations	1	0	0	0	4	0	0	0	5
Total	82	6	5	32	128	13	4	34	311
Employees with disabilities	1	0	0	4	3	0	0	1	9

7. PERFORMANCE REWARDS

Table 7.1 Performance Rewards by race, gender and disability, 1 April 2004 to 31 March 2005

	Number of beneficiaries	Beneficiary Profile		Cost	
		Total number of employees in group	% of total within group	Cost (R'000)	Average cost per employee (R'000)
African	148	247	60	3,564,918	23,659
Male	77	119	65	1,921,248	24,951
Female	72	128	58	1,633,671	22,660
Asian	17	34	60	842,808	31,812
Male	13	24	64	449,317	34,653
Female	4	10	40	102,191	25,545
Coloured	31	48	62	909,912	29,362
Male	17	28	66	531,680	31,275
Female	14	20	61	378,232	27,017
White	158	212	74	5,067,952	32,615
Male	72	91	79	2,534,973	38,206
Female	84	121	69	2,522,969	30,035
Total	353	542	68	10,068,272	26,809

Table 7.2 Performance Rewards by salary bands for personnel below Senior Management Service, 1 April 2004 to 31 March 2005

Salary Bands	Beneficiary Profile			Cost		
	Number of beneficiaries	Number of employees	% of total within salary bands	Total Cost (R'000)	Average cost per beneficiary (R'000)	Total cost as a % of the total personnel expenditure
Lower skilled (Levels 1-2)	1	3	20	5,958	5,958	0,004
Skilled (Levels 3-6)	35	86	63	277,675	7,936	0,17
Highly skilled production (Levels 8-8)	84	154	58	1,568,200	17,955	0,63
Highly skilled supervision (Levels 9-12)	124	190	66	4,232,392	34,132	2,61
Total	244	408	60	6,024,425	24,690	3,7

Table 7.3 Performance-related rewards (cash bonus) by salary band for Senior Management Service, 1 April 2004 to 31 March 2005

Salary Band	Beneficiary Profile			Total Cost (R'000)	Average cost per beneficiary (R'000)	Total cost as a % of the total personnel expenditure
	Number of beneficiaries	Number of employees	% of total within band			
Band A	60	95	84	2,549,169	31,885	1.57
Band B	29	32	88	1,127,163	40,257	0.69
Band C	7	7	100	341,811	48,802	0.21
Band D	1	3	33	62,868	62,868	0.03
Total	115	137	86	4,070,947	35,094	2.51

8. FOREIGN WORKERS

Table 8.1 Foreign workers by salary band, 1 April 2004 to 31 March 2005

Salary Band	1 April 2004		31 March 2005		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)	1	14	0	0	(1)	(100)
Highly skilled supervision (Levels 9-12)	3	43	4	80	1	33
Senior management (Levels 13-16)	3	43	1	20	(2)	(67)
Total	7	100	5	100	(2)	(29)

Table 8.2 Foreign workers by major occupation, 1 April 2004 to 31 March 2005

Major Occupation	1 April 2004		31 March 2005		Change	
	Number	% of total	Number	% of total	Number	% change
Chief Director	2	33	0	0	(2)	(100)
Director	1	17	1	20	0	0
Deputy Director	3	5	4	80	1	33
Operational	1	14	0	0	(1)	(100)
Total	7	100	5	100	(1)	(29)

9. LEAVE UTILISATION FOR THE PERIOD 1 JANUARY 2004 TO 31 DECEMBER 2004

Table 9.1 Sick leave, 1 January 2004 to 31 December 2004

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)	Total number of days with medical certificate
Lower skilled (Levels 1-2)	119	89,1	11	2,5	11	17	106
Skilled (Levels 3-5)	389	87	63	12,1	8	86	347
Highly skilled production (Levels 6-8)	1,084,5	84,1	181	34,6	7	427	912
Highly skilled supervision (Levels 9-12)	727,5	74,5	134	30,7	5	586	542
Senior management (Levels 13-16)	363	70,5	88	20,1	4	343	266
Total	2,683	80,3	437	100	6	1,736	2,183

Table 9.2 Disability leave (temporary and permanent), 1 January 2004 to 31 December 2004

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)	Total number of days with medical certification
Lower skilled (Levels 1-2)	4	100	1	26	4	0	4
Skilled (Levels 3-5)	123	96,4	3	76	41	66	121
Highly skilled production (Levels 6-8)	0	0	0	0	0	0	0
Highly skilled supervision (Levels 9-12)	0	0	0	0	0	0	0
Senior management (Levels 13-16)	0	0	0	0	0	0	0
Total	127	96,4	4	100	32	66	125

Table 9.3 Annual leave, 1 January 2004 to 31 December 2004

Salary Bands	Total days taken	Average per employee	Employment
Lower skilled (Levels 1-2)	13	13	1
Skilled (Levels 3-5)	827	18	58
Highly skilled production (Levels 6-8)	3,109	17	181
Highly skilled supervision (Levels 9-12)	4,581	18	262
Senior management (Levels 13-16)	3,042	18	169
Total	11,582	18	661

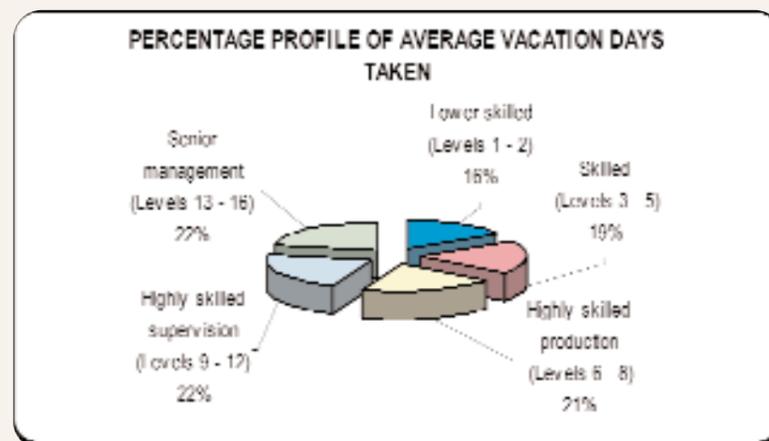


Table 9.4 Capped leave, 1 January 2004 to 31 December 2004

Salary Bands	Total days of capped leave taken	Average number of days taken per employee	Average capped leave per employee as at 31 December 2004
Lower skilled (Levels 1-2)	0	0	0
Skilled (Levels 3-5)	9	9	31
Highly skilled production (Levels 6-8)	50	4	28
Highly skilled supervision (Levels 9-12)	71	4	41
Senior management (Levels 13-16)	17	3	73
Total	147	4	44

Table 9.5 Leave payouts for the period 1 April 2004 to 31 March 2005

Reason	Total Amount (R'000)	Number of Employees	Average payment per employee
Leave payout for 2004/05 due to non-utilisation of leave for the previous cycle	0	0	0
Capped leave payouts on termination of service for 2004/05	185,184	11	16,836
Current leave payout on termination of service for 2004/05	324,827	45	7,218
Total	510,011	56	24,054

10. HIV/AIDS AND 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	<p>HIV and AIDS information sessions and the commemoration of AIDS-related activities</p> <p>The establishment of an HIV and AIDS committee</p> <p>Availability of both male and female condoms to all employees.</p> <p>Professional counselling to those infected and affected by HIV and AIDS</p>

Table 10.2 Details of Health Promotion and HIV and AIDS Programmes (tick the applicable boxes and provide the required information)

Question	Yes	No	Details, if yes
1. Has the department designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001? If so, provide her/his name and position	X		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 R350,000
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"> • Professional counselling • Awareness programmes • Workshop and training on wellness and HIV & AIDS-related issues • Health bytes • Executive wellness programme • Sport activities • Commemoration on National Health calendar events
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>Corporate Services Tshifhiwa Mmamala Marienne Jacobs Rebecca Modiba Busi Yeni Norman Kleyntjans</p> <p>Asset & Liability Management Martha Ntsho Bridget Lake</p> <p>Budget Office Elizabeth Madlwa Piet Rabala Dimalatso Mabasa</p> <p>Public Finance Key Brown</p> <p>Economic policy & International Financial Relations Thabisa Shezi</p> <p>Office of the Director-General & Ministerial Office Support Shondan Hilay</p>

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

Question	Yes	No	Details, if yes
			<p>Specialist Functions Innocentia Mchaba Logan Moodley Thabisa Khame Nkhangweni Managa</p> <p>Public Servants Association Hein Mombong</p>
6. Has the department reviewed its employment policies and practices to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices so reviewed	X		<p>The following policies have been approved and implemented to ensure that there is no unfair discrimination against HIV and AIDS infected employees and to promote wellness amongst employees:</p> <ul style="list-style-type: none"> • HIV and AIDS • Smoking • Employee Assistance Programme
8. Has the department introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures	X		Non-discrimination and disciplinary measures are enabled in the HIV and AIDS policy
7. Does the department encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have achieved	X		An Employee Assistance Programme is available for counselling purposes. Employees are encouraged to undergo Voluntary Counselling and Testing. No employee has disclosed his / her HIV or AIDS status
8. Has the department developed measures/indicators to monitor & evaluate the impact of its health promotion programmes? If so, list these measures/indicators	X		<ul style="list-style-type: none"> • Attendance records of National Health Calendar events • Monitoring of the Employee Assistance Programme and awareness sessions increased the utilisation rate

11. LABOUR RELATIONS

Table 11.1 Collective agreements, 1 April 2004 to 31 March 2005

Subject Matter	Date
Working Conditions Of Security Officials	20 October 2004
Disability	09 February 2005
Employee Welfare Programme	09 February 2005
Job Evaluation & Job Description	09 February 2005
Sexual Harassment	09 February 2005
Smoking	09 February 2005
Employment Equity	09 February 2005

Table 11.2 Misconduct and disciplinary hearings finalised, 1 April 2004 to 31 March 2005

Outcomes of disciplinary hearings	Number	% of total
Correctional counselling	0	0
Verbal warning	0	0
Written warning	0	0
Final written warning	0	0
Suspended without pay	0	0
Fine	0	0
Demotion	0	0
Dismissal	4	100
Not guilty	0	0
Case withdrawn	0	0
Total	4	100

Table 11.3 Types of misconduct addressed at disciplinary hearings

Type of misconduct	Number	% of total
Unauthorised absence	3	75
Poor performance	1	25
Total	4	100

Table 11.4 Grievances lodged for the period 1 April 2004 to 31 March 2005

Grievances	Number	% of Total
Number of grievances resolved	3	43
Number of grievances not resolved	4	57
Total number of grievances lodged	7	100

Table 11.5 Disputes lodged with Councils for the period 1 April 2004 to 31 March 2005

Disputes	Number	% of Total
Number of disputes upheld	0	0
Number of disputes dismissed	3	40
Number of disputes pending	2	60
Total number of disputes lodged	5	100

Table 11.6 Strike actions for the period 1 April 2004 to 31 March 2005

Total number of person working days lost	2
Total cost (R'000) of working days lost	548
Amount (R'000) recovered as a result of no work no pay	548

Table 11.7 Precautionary suspensions for the period 1 April 2004 to 31 March 2005

Number of people suspended	2
Number of people whose suspension exceeded 30 days	2
Average number of days suspended	226
Cost (R'000) of suspensions	44,640

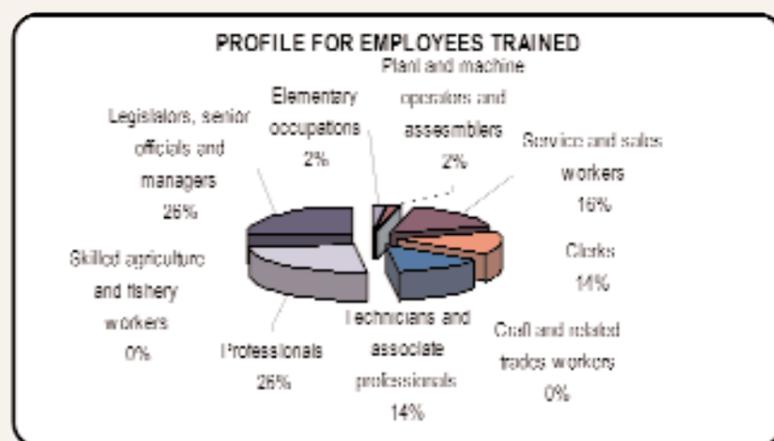
12. SKILLS DEVELOPMENT

Table 12.1 Training needs identified, 1 April 2004 to 31 March 2005

Occupational Categories	Gender	Number of employees as at 1 April 2004	Training needs identified at start of reporting period			
			Apprenticeships / Internships	Skills Programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	100	0	25	0	25
	Male	168	0	38	0	38
Professionals	Female	42	0	24	0	24
	Male	29	0	31	0	31
Technicians and associate professionals	Female	73	0	18	0	18
	Male	28	0	15	0	15
Clerks	Female	60	16	39	0	55
	Male	35	12	10	0	22
Service and sales workers	Female	8	0	0	0	0
	Male	10	0	0	0	0
Skilled agriculture and fishery workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Craft and related trades workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Plant and machine operators and assemblers	Female	0	0	0	0	0
	Male	0	0	4	0	4
Elementary occupations	Female	1	0	8	0	8
	Male	4	0	8	0	12
Sub Total	Female	262	16	112	0	128
	Male	260	12	104	0	116
Total		542	28	216	0	244

Table 12.2 Training provided, 1 April 2004 to 31 March 2005

Occupational Categories	Gender	Number of employees as at 1 April 2004	Training provided within the reporting period			
			Apprenticeships / Internships	Skills Programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	64	0	48	1	49
	Male	100	0	31	4	35
Professionals	Female	58	0	38	3	41
	Male	74	0	38	3	41
Technicians and associate professionals	Female	121	0	21	6	27
	Male	67	0	18	1	19
Clerks	Female	84	7	19	0	26
	Male	38	14	2	2	18
Service and sales workers	Female	11	0	28	1	29
	Male	12	0	24	0	24
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	4	0	0	4	4
	Male	5	0	1	1	2
Elementary occupations	Female	13	0	0	4	4
	Male	8	0	0	1	1
Sub Total	Female	345	7	150	16	173
	Male	294	14	110	12	136
Total		649	21	260	28	211



13. INJURED ON DUTY

Injured on duty, 1 April 2003 to 31 March 2004

Nature of Injury on duty	Number	% of total
Required basic medical attention only	2	100
Temporary Total Disablement	0	0
Permanent Disablement	0	0
Fatal	0	0
Total	2	100

14. UTILISATION OF CONSULTANTS

Table 14.1 Report on consultant appointments using appropriated funds

Project Title	Total number of consultants used worked on the project	Duration Work days	Contract value in Rand (R'000)
Transfer of med/leg service from SAPS to provincial health departments	4	180	748,000
Office design consultant to assist with the redesign & refurbishment project of the Division of Specialist Functions Chief Directorate located 8th Building, Centurion	3	251	282,000
Appointment of consultant to assist the greater Tzaneen Municipality in the preparation on Economic Development Strategy	5	251	864,000
Appointment of consultant to conduct an organisational climate and culture survey in National Treasury	3	90	182,400
Production of the Annual Intergovernmental Fiscal review	1	14	43,200
Proofreading of the Pocket Guide Version of MFMA	1	14	4,800
Preparation of the Africa Seminar on Budget Reforms	1	4	28,750
Forensic investigation at Pension Administration	3	90	1,600,000
Application of logframe and Project Management cycle training as part of the foundation for Human Rights (FHR) Core Business	3	90	48,000
Consultant manage and strategically advise on the Standard Chart of Accounts (SCOA) implementation and reporting reforms	1	90	68,000
Consultant as project convenor for the review of the governance framework for selected public entities	2	445	487,920
Consultant Advisory services in particular to the Public service infrastructure delivery improvement programme for Provinces in the Intergovernmental Relations branch in National Treasury	5	251	540,000
Consultant utilising National Treasury funds to assist in the development of the parliamentary capacity building framework	3	120	128,800
Drafting of documentation in relation to the completion of the Infrastructure Delivery Toolkit and the subsequent induction of role players	2	180	227,772
Consultant to prepare the consolidated report: Review of Governance Framework for Public Entities	4	90	400,000
Recruitment of service providers for the pilot rollout of the proposed Infrastructure delivery improvement Programme (toolkit) – Limpopo Health	1	300	925,768
Recruitment of service providers for the pilot rollout of the proposed Infrastructure Delivery Improvement Programme (toolkit) – ECape Transport	1	300	981,300
Recruitment of service providers for the pilot rollout of the proposed Infrastructure Delivery Improvement Programme (toolkit) – WCape Education	1	300	1,268,380

Report on consultant appointments using appropriated funds (continued)

Project Title	Total number of consultants that worked on the project	Duration: Work days	Contract value in Rand (R'000)
Recruitment of service providers for the pilot roll out of the proposed Infrastructure Delivery Improvement Programme (IDIP) – Gauteng Education	1	300	1,297,320
Recruitment of service providers for the pilot roll out of the proposed Infrastructure Delivery Improvement Programme (IDIP) – KZN Transport	1	300	1,295,000
Recruitment of service providers for the pilot roll out of the proposed Infrastructure Delivery Improvement Programme (IDIP) – F&H Health	1	300	900,000
Consulting team for the development of the Tourism PPP's Toolkit	8	150	3,015,212
Appointment of a consultant to assist in Capacity surveys for Provincial Treasuries	3	150	444,600
Project Management/Facilitator to assist with NT's operationalisation of NT's strategic objectives	1	9	200,070
The appointment of consultants to develop case studies for DTI Office Accommodation Services PPP	4	90	222,300
The appointment of consultants to develop case studies for Department of Labour PPP	4	90	225,720
The appointment of consultants to develop case studies for the Humanasorp District Hospital	4	90	222,300
Consultant to assist the Department of Home Affairs in the review of the current Tariff Setting Framework, procedures and processes in the Department of Home Affairs	4	90	444,644
Proofreader for the Estimates of National Expenditure and Budget Review	1	14	15,000
Content editor for the Estimates of National Expenditure and Budget Review	2	14	55,750
Copy/Language editor for the Estimates of National Expenditure and Budget Review	2	21	160,000
Production of PPP Practice Notes, marketing and training materials for PPP capacity building in all spheres of government	6	251	1,095,000
Copy and language editor for the strategic plan for National Treasury 2008	1	7	12,000
Personal Credentials Verification for the National Treasury	2	251	Different rates
Preparation of the consolidation report: review of Governance framework for Public entities	8	90	400,000
Disability Expert Consultant	2	90	100,000
Consultation services on Pension Funds Act Review process	2	251	381,330
Consultant to assist with the finalisation of Municipal Management Bill, regulations and related legislation	2	90	400,000
Review of the performance Management and Human Resources Management Systems of the national non-business public entities and government business enterprises	4	352	675,267
Completion of additional work on the governance framework review for non-business public entities and business enterprises operating on National basis	4	12,8	180,000

Report on consultant appointments using appropriated funds (continued)

Project Title	Total number of consultants that worked on the project	Duration: Work days	Contract value in Rand (R'000)
Chairperson of the Amnesty Unit	1	433	2,548,000
IT consultant for Amnesty Unit	1	251	72,000
IT consultant Helpdesk	13	251	4,800,000
IT consultant second line support	6	251	2,400,000
Rendering of Security Services	36	890	3,000,000
Rendering Cleaning Services	38	618	2,018,000
Project Management and System Engineering Support DNA Robotic Automated generic sample processing system project biology unit-forensic Science laboratory SAPS	1	251	912,200
Development and maintenance of transversal systems – LOGIS	30	251	14,307,081
Development and maintenance of transversal systems – BAS	64	251	25,575,657
Development and maintenance of transversal systems – PERGAL and VJUNDELA	78	251	35,207,068
Development of systems (IFMS)	8	251	240,996
Development of systems (IFMS)	8	251	223,440
Development of systems (IFMS)	4	251	2,701,909
Development of systems (IFMS)	9	251	482,766
Research for the Budget Office, National Treasury: Rural Development	1	8 months	79,765
Support to the Collaborative African Budget Reform	1	12	25,797
Content Editor for the ENE 2005	2	14	35,000
Editing ENE 2005	2	4	75,000
Content Editor for the ENE 2005	2	10	25,000
Editing ENE	2	8	20,000
Standard Chart of Accounts	1	200	650,000
Governance Review of Selected Public Entities And Business Enterprises Operating at a National Level:			
Corporate Status	2	200	1 582,000
Corporate Governance Including Procurement And Financial Management	2	90	800,000
Human Resource And Performance Management	2	90	800,000
Providing Legal advice on the Mashava Case	Adv G Grove	½ day	1,898
Constitutional advice on Mashava Case	Resolve Workplace Solutions	1	15,289
High Court Review (Social Assistance)	Cheddie, Thompson & Hayson Inc	8	17,177
Assistance with the Social Services Strategic Plan 2004	Resolve Workplace Solutions	11	86,304

Report on consultant appointments using appropriated funds (continued)

Project Title	Total number of consultants that worked on the project	Duration: Work days	Contract value in Rand (R'000)
Mechanisms for short term relief of distress	University of Natal	80	R 89,289
Development of CO: Social Services Strategic Plan 2004	Dole Consulting	4	R 22,800
Research on non-citizens for Social Grants	Fairbridge Ardens & Lawton	6	R 38,240
Disability and care dependency grants	HSRC	10	R 23,712
Comparative Review of rights of access of non-citizens to social benefits, incl. social security and social assistance	University of Jhb	28	R 89,360
Disability Beneficiaries	CASE	120	R 100,000
Social Assistance Bill, 2004	Cheadle, Thompson & Haysom Inc	7	R 80,142
Home Affairs Turff Project	1	120	R 480,000
Tourism PPPs Toolkit	17	180	R 1,613,600
South African Military Services feasibility study	1	80	R 10,000
Financial Management of PDF	2	180	R 120,000
Tourism PPPs Toolkit	17	180	R 1,613,600
Infrastructure Delivery Improvement Programme	1	178	R 810,000
Public Entities	1	110	R 822,028
Setting up of a PMU in Parliament	2	88	R 128,600
Greater Tzaneen Municipality	1	44	R 615,714
City of Tshwane	1	22	R 88,270
Working for Water	1	88	R 388,000
SAPS DNA	1	872	R 1,085,224
IDIP and Transfer of Morbidity from SAPS to Dept of Health	2	88	R 321,480
Human Rights Foundation	1	32	R 88,720
Development Initiatives	1	330	R 800,613
TAU Work Plan II	1	828	R 1,708,677
Dept of Social Development: SABS	1	132	R 881,191

Table 14.2 Analysis of consultant appointments using appropriated funds, in terms of Historically Disadvantaged Individuals (HDIs)

Project Title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of Consultants from HDI groups that work on the project
Transfer of med-legal service from SAPS to provincial health departments	20	20	2
Office design consultant to assist with the redesign & refurbishment project of the Division of Specialist Functions Chief Directorate located at Site Building, Centurion	100	100	3
Appointment of consultant to assist the greater Tzaneen Municipality in the preparation of Economic Dev Strategy	70	70	3
Appointment of a consultant to conduct an organisation climate and culture survey in NT	50	50	2
Production of the Annual Intergovernmental Fiscal review	100	100	1
Proofreading of the Pocket Guide Version of MFMA: 138 pages	100	100	1
Preparation of the Africa Seminar on Budget Reforms	100	100	1
Forensic investigation at Pension Administration	100	100	1
Application of logframes and Project Management cycle training as part of the foundation for Human Rights (FHR) Core Business	100	100	1
Consultant: manage and strategically advise on the Standard Chart of Accounts (SCCA) implementation and reporting reforms	100	100	1
Consultant as project convener for the review of the governance framework for selected public entities	100	100	1
Consultant utilising NT funds to assist in the development of the parliamentary capacity building framework	80	80	1
Drafting of documentation in relation to the completion of the Infrastructure Delivery Toolkit and the subsequent induction of role players	33	33	0
Recruitment of service providers for the pilot roll out of the proposed infrastructure delivery improvement programme (toolkit) – Limpopo Health	53	53	1
Recruitment of service providers for the pilot roll out of the proposed infrastructure delivery improvement programme (toolkit) – ECape Transport	53	53	0
Recruitment of service providers for the pilot roll out of the proposed infrastructure delivery improvement programme (toolkit) – WCape Education	48	48	0
Recruitment of service providers for the pilot roll out of the proposed infrastructure delivery improvement programme (toolkit) – Gauteng Education	100	100	1
Recruitment of service providers for the pilot roll out of the proposed infrastructure delivery improvement programme (toolkit) – KZN Transport	48	48	0

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

Project Title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of Consultants from HDI groups that work on the project
Recruitment of service providers for the pilot roll out of the proposed Infrastructure delivery improvement programme (toolkit) - FS Health	49	49	3
Consulting team for the development of the Tourism PPP's Toolkit	80	49	1
Appointment of a consultant to assist in Capacity surveys for Provincial Treasuries	100	100	2
Project Manager/Facilitator to assist with NT's operationalisation of NT's strategic objectives	51	51	1
Consultant to assist the Department of Home Affairs in the review of the current Tariff Betting Framework, procedures and processes in the Department of Home Affairs	15	16	0
Proofreader for the Estimates of National Expenditure and Budget Review	100	100	1
Content editor for the Estimates of National Expenditure and Budget Review	100	100	1
Copy/Language editor for the Estimates of National Expenditure and Budget Review	100	100	1
Production of PPP Practice Notes, marketing and training materials for PPP capacity building in all spheres of government	80	80	
Personal Credentials Verification for the National Treasury	80	80	1
Preparation of the consolidation report: review of Governance framework for Public Entities	40	80	3
Consultation services on Pension Funds Act Review process	30	30	
Review of the performance Management and Human Resources management Systems of the national non-business public entities and government business enterprises.	40	80	
Completion of addition work on the governance framework review for non-business public entities and business enterprises operating on National basis	40	80	
Chairperson of the Amnesty Unit	100	100	1
IT consultant for Amnesty Unit	100	100	1
IT consultant Helpdesk	81	81	8
IT consultant second line support	81	81	1
Rendering of Security Services	100	100	38
Rendering Cleaning Services	0	0	38
Development and maintenance of transversal systems - LOGIS	32	12	38
Development and maintenance of transversal systems - BAS	33	70	103
Development and maintenance of transversal systems - PERSAL	51	14	37
Development of systems (IFMS)	81	81	1

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

Project Title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of Consultants from HDI groups that work on the project
Development of systems (IFMS)	100	100	3
Development of systems (IFMS)	80	80	2
Development of systems (IFMS)	88	88	3
Standard Chart of Accounts	100	100	1
Tourism PPPs Toolkit	89	83	7
South African Military Services feasibility study	100	100	1
Financial Management of PDF	N/A	80	80
Tourism PPPs Toolkit	89	83	7
IDOSP	3 (Long-term contracts)	857	844,852 (EU Funds)
BHD	1 Technical Assistant	219	1 394,000 (UNDP Funds)
Public Entities	100	100	1
Setting up of a PMU in Parliament	100	100	1
Greater Tzaneen Municipality	30	30	0
City of Tshwane	17	83	1
Working for Water	17	83	1
IDIP and Transfer of Mortuarise from SAPS to Dept of Health	10	24	0
Human Rights Foundation	100	100	1
Development Initiatives	100	100	1
Dept of Social Development: SASBA	10	24	0

Table 14.3 Report on consultant appointments using Donor funds

Project Title	Total Number of consultants that worked on the project	Duration: Work days	Donor and Contract value in Rand (R'000)
Collaborative African Budget Reform Seminar	1	4	10,000
Collaborative African Budget Reform Seminar	1	5	12,500
Expert Support of Budget Reform Seminar	1	11	16,354
Technical Support to the Collaborative African Budget Reform Initiative	1	1 week	30,000
Budget Reform Seminar: Overview and Summary of Discussion	1	10 hours	3,500
Expert Services Rendered during Seminar		5 days	20,000
Copy-editing and proofreading services	1	104 hours	20,800
SAPS DNA	1	22	44,888
TAU Work Plan II	10	1,413	3,543,888
2010 World Cup	2	31	118,582
Dept of Social Development: SASA	1	18	112,808
Diagnoses for Project Management Structure	1	77	84,480

Table 14.4 Analysis of consultant appointments using Donor funds, in terms of Historically Disadvantaged Individuals (HDIs)

Project Title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of Consultants from HDI groups that work on the project
TAU Work Plan II	10	24	0
TAU Work Plan II	100	100	3 (from 3 different companies)
TAU Work Plan II	40	19	0
TAU Work Plan II	17	59	1
2010 World Cup	100	100	1
2010 World Cup	50	25	0
Dept of Social Development: SASA	10	24	0
Diagnoses for Project Management Structure	100	100	1

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	SITA	State Information Technology Agency
IFAC	International Federation of Accountants	SCOPA	Standing Committee on Public Accounts
IFMS	Integrated Financial Management Systems	SMMEs	Small, Medium and Micro-Enterprises
IJS	Integrated Justice Sector	SOEs	State-owned Enterprises
ILP	Inflation linked bond	STRIPS	Separate Trading of Registered Interest and Principal Securities
IMF	International Monetary Fund	WTO	World Trade Organisation
IMFC	International Monetary and Financial Committee		
IOSCO	International Organisation of Securities Commissions		
IPFA	Institute for Public Finance and Auditing		
IPSAS	International Public Sector Accounting Standards		
ISDA	International Swaps and Derivatives Association		
LRAD	Land Reform for Agricultural Development		
MFI	Micro-Finance Intermediaries		
MFMA	Municipal Financial Management Act		
MFMTAP	Municipal Finance Management Technical Assistance Project		
MOU	Memorandum of Understanding		
MSP	Master Systems Plan		
MTEF	Medium-Term Expenditure Framework		
NCOP	National Council of Provinces		
NEDLAC	National Economic Development and Labour Council		
NEPAD	New Partnership for Africa's Development		
NIA	National Intelligence Agency		
NOFP	Net Open Forward Position		
NPA	National Ports Authority		
OAG	Office of the Auditor-General		
PIC	Public Investment Commissioners		
PFAI	Provident Fund for Associated Institutions		
PFMA	Public Finance Management Act		
PPP	Public-Private Partnerships		
PPPFA	Preferential Procurement Policy 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		

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)

Special Pensions Board

Special Pension Advisory Board

State Tender Board

Statistical Council

Statistics Act (66 of 1976)

Tax Advisory Committee

Tax (Katz) Commission

Unit Trusts Advisory

Advisory Committee on short-term insurance